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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

August 9, 2024

Board of Trustees  
Witham Health Services  
Boone County, Indiana

We have reviewed the audit report of Witham Health Services which was opined on by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of the Witham Health Services as of December 31, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Blue & Co., LLC, prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner



# **Small Hospital. Big Medicine.**

**FINANCIAL STATEMENTS**

**AND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2023**

*CPAs / ADVISORS*



# WITHAM HEALTH SERVICES

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Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204  
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
Witham Health Services  
Lebanon, Indiana

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of Witham Health Services (the Hospital), a component unit of Boone County, and the Hospital's discretely presented component unit, Witham Health Services Foundation, Inc. (the Foundation) which comprise the statements of net position as of December 31, 2023, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital as of December 31, 2023, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Report on Summarized Comparative Information*

We have previously audited the Hospital's 2022 financial statements, and we expressed unmodified opinions on those audited financial statements in our report dated July 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects with the audited financial statements from which it has been derived.

Board of Trustees  
Witham Health Services  
Lebanon, Indiana

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

**Blue & Co., LLC**

Indianapolis, Indiana  
June 28, 2024

**REQUIRED SUPPLEMENTARY INFORMATION**

## WITHAM HEALTH SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2023  
(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

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This section of Witham Health Services' (the Hospital) annual financial statements presents background information and management's discussion and analysis (MD&A) of the Hospital's financial performance during the year ended December 31, 2023 with comparative amounts for December 31, 2022 and 2021. This MD&A includes a discussion and analysis of the activities and results of the Hospital's blended component units, the Boone County Hospital Association, Medical Office Properties, LLC and Central Indiana Health Association, Inc. and its discrete component unit, Witham Health Services Foundation, Inc. (the Foundation) and should be read in conjunction with the Hospital's financial statements that follow this MD&A.

### FINANCIAL HIGHLIGHTS

- The Hospital's net position increased approximately \$12,275,000 from 2022 to 2023 compared to a decrease of \$6,504,000 from 2021 to 2022.
- The Hospital reported operating income of approximately \$3,390,000 for 2023, representing an increase of \$4,499,000 in comparison to 2022 results. An operating loss of \$1,109,000 was reported for 2022, which was a decrease of \$15,507,000 in comparison to 2021.
- Total revenues increased by approximately \$38,130,000 in 2023 compared to 2022. In 2022, total revenue increased \$9,630,000 over 2021.
- The Hospital recognized approximately \$8,885,000 in nonoperating revenue in 2023 compared to \$5,395,000 in nonoperating expense in 2022 and \$9,544,000 in nonoperating revenue 2021. The change between years is primarily related to investment return of \$9,033,000 in 2023 compared to investment loss of \$8,341,000 in 2022 and investment return of \$3,252,000 in 2021. Additional change between years relates to grants for COVID-19 pandemic funding of \$-0-, \$4,305,000, and \$6,506,000 in 2023, 2022, and 2021, respectively.
- Long-term care services generated approximately \$334,652,000, \$299,353,000, and \$278,035,000 in gross patient service revenue during 2023, 2022, and 2021, respectively.

### USING THIS ANNUAL REPORT

The Hospital's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities and the financial position of the Hospital. The statement of net position includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). All of the current year's revenue earned and expenses incurred are accounted for in the statement of revenues, expenses and changes in net position. Finally, the statement of cash flows' purpose is to provide information about the Hospital's cash flows from operating activities, noncapital financing activities, financing activities including capital additions, and investing activities. This statement provides information on the sources and uses of cash and what was the change in cash balance during the year.



## WITHAM HEALTH SERVICES

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

#### STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Hospital's net position and changes in it. The Hospital's net position, the difference between assets and liabilities, is a measure the Hospital's financial health, or financial position.

#### Statements of Net Position

	2023	2022	2023-2022 Change	2021	2022-2021 Change
<b>Assets</b>					
Current assets	\$ 273,973,042	\$ 260,751,053	\$ 13,221,989	\$ 283,082,086	\$ (22,331,033)
Assets whose use is limited	5,782,538	5,965,653	(183,115)	6,525,192	(559,539)
Capital assets, net	169,043,713	169,173,072	(129,359)	167,186,100	1,986,972
Other assets	6,399,933	4,051,995	2,347,938	5,200,821	(1,148,826)
Total assets	455,199,226	439,941,773	15,257,453	461,994,199	(22,052,426)
<b>Deferred outflows</b>	626,374	730,769	(104,395)	835,165	(104,396)
Total assets and deferred outflows	<u>\$ 455,825,600</u>	<u>\$ 440,672,542</u>	<u>\$ 15,153,058</u>	<u>\$ 462,829,364</u>	<u>\$ (22,156,822)</u>
<b>Liabilities</b>					
Current liabilities	\$ 139,410,531	\$ 129,978,629	\$ 9,431,902	\$ 140,296,595	\$ (10,317,966)
Long-term debt	16,559,000	21,927,000	(5,368,000)	27,186,226	(5,259,226)
Lease liabilities	6,819,192	7,497,979	(678,787)	7,095,398	402,581
Other liabilities	932,000	1,439,000	(507,000)	1,917,667	(478,667)
Total liabilities	163,720,723	160,842,608	2,878,115	176,495,886	(15,653,278)
<b>Net position</b>					
Net investment in capital assets	139,618,733	133,855,293	5,763,440	127,346,827	6,508,466
Restricted					
Trustee held for debt service and capital	8,929,125	8,555,936	373,189	8,521,238	34,698
Expendable for donor restriction	1,289,413	1,217,717	71,696	1,216,287	1,430
Total restricted	10,218,538	9,773,653	444,885	9,737,525	36,128
Unrestricted					
Other internal designations	1,377,000	1,884,000	(507,000)	2,362,667	(478,667)
Undesignated	140,890,606	134,316,988	6,573,618	146,886,459	(12,569,471)
Total unrestricted	142,267,606	136,200,988	6,066,618	149,249,126	(13,048,138)
Total net position	292,104,877	279,829,934	12,274,943	286,333,478	(6,503,544)
Total liabilities and net position	<u>\$ 455,825,600</u>	<u>\$ 440,672,542</u>	<u>\$ 15,153,058</u>	<u>\$ 462,829,364</u>	<u>\$ (22,156,822)</u>

Total assets and deferred outflows in 2023 increased approximately \$15,153,000 over 2022 primarily due to investments increasing \$8,755,000 over 2022. Cash and cash equivalents, patient accounts receivable, other receivables, inventory and other current assets, and other assets increased \$6,691,000 from 2022.

## WITHAM HEALTH SERVICES

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

Total liabilities in 2023 increased approximately \$2,878,000 over 2022 mainly due to increases in current liabilities related primarily to accounts payable and accrued salaries and related liabilities partially offset by principal payments on long-term debt and lease liabilities.

Total assets and deferred outflows in 2022 decreased approximately \$22,157,000 over 2021 primarily due to cash decreasing \$52,564,000 over 2021. Investments, patient accounts receivable and other receivables increased \$29,561,000 from 2021.

Total liabilities in 2022 decreased approximately \$15,653,000 over 2021 mainly due to decreases in current liabilities related primarily to accounts payable and Medicare accelerated/advance payments as well as principal payments on long-term debt.

#### Statements of Revenues, Expenses and Changes in Net Position

	2023	2022	2023-2022 Change	2021	2022-2021 Change
<b>Revenues</b>					
Net patient service revenue	\$ 505,807,947	\$ 467,668,971	\$ 38,138,976	\$ 458,634,311	\$ 9,034,660
Other operating revenue	9,469,271	9,478,069	(8,798)	8,882,395	595,674
Total revenues	515,277,218	477,147,040	38,130,178	467,516,706	9,630,334
<b>Expenses</b>					
Salaries and benefits	95,126,678	92,132,229	2,994,449	93,138,012	(1,005,783)
Supplies	91,508,502	83,528,915	7,979,587	81,151,245	2,377,670
Depreciation and amortization	11,875,425	11,622,513	252,912	11,541,718	80,795
Other operating expenses	313,376,650	290,972,351	22,404,299	267,288,052	23,684,299
Total expenses	511,887,255	478,256,008	33,631,247	453,119,027	25,136,981
Operating income (loss)	3,389,963	(1,108,968)	4,498,931	14,397,679	(15,506,647)
<b>Nonoperating revenue (expense), net</b>	<b>8,884,980</b>	<b>(5,394,576)</b>	<b>14,279,556</b>	<b>9,543,935</b>	<b>(14,938,511)</b>
Change in net position	12,274,943	(6,503,544)	18,778,487	23,941,614	(30,445,158)
<b>Net position</b>					
Beginning of year	279,829,934	286,333,478	(6,503,544)	262,391,864	23,941,614
End of year	\$ 292,104,877	\$ 279,829,934	\$ 12,274,943	\$ 286,333,478	\$ (6,503,544)

In 2022, the Hospital reported an operating loss of approximately \$1,109,000 compared to operating income in 2023 of \$3,390,000, which is a change of \$4,499,000. The main reason relates to increases in revenues of \$38,130,000 over increases in expenses of \$33,631,000 due to strategic revenue cycle enhancements and cost control measures.

Nonoperating revenue (expense) consists primarily of investment return (loss), interest expense, Foundation revenue and expenses, and COVID-19 grant funds. The nonoperating items changed from a net expense of approximately \$5,395,000 in 2022 to a net revenue of \$8,885,000 in 2023. The change of \$14,280,000 is primarily due to an increase in investment return from positive investment performance in 2023 partially offset by a decrease grants funds during 2023 to healthcare providers impacted by the outbreak of COVID-19.

## WITHAM HEALTH SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2023  
(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

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Operating loss in 2022 was approximately \$15,507,000 less than operating income of \$14,398,000 in 2021. The main reason relates to increases in expenses of \$25,137,000 over increases in revenues of \$9,630,000 as 2022 expenses were higher due to inflationary measures combined with labor market challenges and COVID-19.

### STATEMENT OF CASH FLOWS

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital and capital and related financing, and investing activities. Operating activities generated cash and cash equivalents of approximately \$30,345,000 in 2023. Capital and related financing activities used cash of \$18,233,000 in 2023. Two significant components of capital and related financing activities include cash used to purchase capital assets of \$11,348,000 and cash paid for principal and interest on long-term debt and leases liabilities of \$6,885,000 in 2023. Investing activities used cash of \$11,363,000 in 2023 mainly due to purchase of investments with cash and cash equivalents.

	2023	2022	2023-2022 Change	2021	2022-2021 Change
Cash flows from					
Operating	\$ 30,345,267	\$ 19,654,540	\$ 10,690,727	\$ 46,207,929	\$ (26,553,389)
Noncapital financing	-0-	-0-	-0-	7,216,427	(7,216,427)
Capital and related financing	(18,233,019)	(19,687,514)	1,454,495	(19,123,583)	(563,931)
Investing	(11,363,208)	(53,821,353)	42,458,145	(9,908,418)	(43,912,935)
Change in cash and cash equivalents	\$ 749,040	\$ (53,854,327)	\$ 54,603,367	\$ 24,392,355	\$ (78,246,682)

In 2022, cash and cash equivalents decreased approximately \$53,854,000. In 2021, cash and cash equivalents increased \$24,392,000. The primary differences related to investing mainly due to purchase of investments and operating mainly due to an increase in cash paid to vendors and supplies due to agency staffing and other inflationary pressures. Furthermore, COVID-19 funding in during 2021 impacted cash and cash equivalents.

### SOURCES OF REVENUE

During 2023, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 67% of the Hospital's gross revenues in 2023, 66% in 2022, and 65% in 2021. Following is a table of major sources of gross patient revenues for 2023, 2022 and 2021:

	2023	2022	2021
Medicare	50%	50%	49%
Medicaid	17%	16%	16%
Commercial	30%	30%	32%
Self Pay	3%	4%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

## WITHAM HEALTH SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2023  
(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

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### CAPITAL ASSETS

As of December 31, 2023, the Hospital had approximately \$169,044,000 invested in capital assets, net of accumulated depreciation and accumulated amortization, as detailed below.

	2023	2022	2023-2022 Change	2021	2022-2021 Change
Non-depreciable capital assets	\$ 26,769,431	\$ 26,972,621	\$ (203,190)	\$ 18,956,672	\$ 8,015,949
Depreciable capital assets	272,094,205	261,488,116	10,606,089	258,752,277	2,735,839
Intangible right-to-use assets	9,014,640	9,014,640	-0-	7,907,745	1,106,895
Total capital assets	307,878,276	297,475,377	10,402,899	285,616,694	11,858,683
Accumulated depreciation	(136,557,961)	(126,816,790)	(9,741,171)	(117,540,452)	(9,276,338)
Accumulated amortization	(2,276,602)	(1,485,515)	(791,087)	(890,142)	(595,373)
Capital assets, net	\$ 169,043,713	\$ 169,173,072	\$ (129,359)	\$ 167,186,100	\$ 1,986,972

Net capital assets decreased by approximately \$129,000 in 2023 compared to 2022 as current year depreciation and amortization expense outpaced additions. The change between 2022 and 2021 was an increase of \$1,987,000 as 2022 additions outpaced depreciation and amortization expense. More detailed information about the Hospital's capital assets is presented in the notes to the financial statements.

### LONG-TERM DEBT

The Hospital's long-term debt consists of revenue bonds and loans payable. There were no new borrowings or significant changes in long-term debt during 2023, 2022 and 2021. More detailed information about the Hospital's long-term debt is presented in the notes to the financial statements.

### ECONOMIC OUTLOOK

Management believes that the health care industry's and the Hospital's operating margins will continue to be under pressure due to a variety of factors including, but not limited to, uncertainty regarding health care reform, changes in payor and service mix, and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payments received for services rendered. In addition, the adoption of high-deductible health plans by employers continues to occur and patients are increasingly being held responsible for more of the cost of health care. Consequently, the health care marketplace has been increasingly more competitive. The ongoing challenge facing the Hospital is to continue to provide quality patient care in this competitive environment, and to attain reasonable rates for the services that are provided while managing costs. The most significant factor affecting the Hospital is finding balance in maintaining and controlling labor costs in the face of pressures on volume and pricing for its services in this increasingly competitive, retail-like environment.

### CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Hospital Controller's Office, at PO Box 1200, Lebanon, IN, 46052.

## WITHAM HEALTH SERVICES

### STATEMENTS OF NET POSITION DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	2023		2022	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 74,012,566	\$ 2,654,262	\$ 76,666,828	\$ 75,910,355
Investments	105,165,183	3,401,956	108,567,139	99,811,902
Patient accounts receivable, less allowance for uncollectible accounts of \$10,232,000 in 2023 and \$12,240,000 in 2022	59,031,576	-0-	59,031,576	57,108,489
Other receivables	18,427,131	-0-	18,427,131	17,580,348
Inventory and other current assets	5,419,370	47,998	5,467,368	4,647,959
Current portion of assets whose use is limited	5,813,000	-0-	5,813,000	5,692,000
Total current assets	267,868,826	6,104,216	273,973,042	260,751,053
<b>Assets whose use is limited</b>				
Held by trustee for debt service and capital	8,929,125	-0-	8,929,125	8,555,936
Other board designated	1,377,000	-0-	1,377,000	1,884,000
Donor restricted	-0-	1,289,413	1,289,413	1,217,717
Total assets whose use is limited	10,306,125	1,289,413	11,595,538	11,657,653
Current portion	(5,813,000)	-0-	(5,813,000)	(5,692,000)
Noncurrent assets whose use is limited	4,493,125	1,289,413	5,782,538	5,965,653
<b>Capital assets, net</b>	169,043,713	-0-	169,043,713	169,173,072
<b>Other assets</b>				
Investment in affiliates and other	2,073,423	-0-	2,073,423	2,070,674
Other	4,326,510	-0-	4,326,510	1,981,321
Total other assets	6,399,933	-0-	6,399,933	4,051,995
Total assets	447,805,597	7,393,629	455,199,226	439,941,773
<b>Deferred outflows</b>				
	626,374	-0-	626,374	730,769
Total assets and deferred outflows	<u>\$ 448,431,971</u>	<u>\$ 7,393,629</u>	<u>\$ 455,825,600</u>	<u>\$ 440,672,542</u>

See accompanying notes to financial statements.

## WITHAM HEALTH SERVICES

### STATEMENTS OF NET POSITION DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	2023		2022	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
<b>LIABILITIES AND NET POSITION</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 112,580,742	\$ -0-	\$ 112,580,742	\$ 104,238,413
Accrued salaries and related liabilities	15,364,656	-0-	15,364,656	14,375,489
Accrued expenses and other current liabilities	4,949,594	18,751	4,968,345	4,990,095
Medicare accelerated/advance payments	-0-	-0-	-0-	26,203
Estimated third-party settlements	450,000	-0-	450,000	455,629
Current portion of long-term debt				
Loans payable	-0-	-0-	-0-	12,226
Revenue bonds payable	5,368,000	-0-	5,368,000	5,247,000
Current portion of lease liabilities	678,788	-0-	678,788	633,574
Total current liabilities	<u>139,391,780</u>	<u>18,751</u>	<u>139,410,531</u>	<u>129,978,629</u>
<b>Long-term debt, net of current portion</b>				
Revenue bonds payable	16,559,000	-0-	16,559,000	21,927,000
<b>Lease liabilities, net of current portion</b>				
	6,819,192	-0-	6,819,192	7,497,979
<b>Other liabilities</b>				
	<u>932,000</u>	<u>-0-</u>	<u>932,000</u>	<u>1,439,000</u>
Total liabilities	<u>163,701,972</u>	<u>18,751</u>	<u>163,720,723</u>	<u>160,842,608</u>
<b>Net position</b>				
Net investment in capital assets	139,618,733	-0-	139,618,733	133,855,293
Restricted				
Trustee held for debt service and capital	8,929,125	-0-	8,929,125	8,555,936
Expendable for donor restriction	-0-	1,289,413	1,289,413	1,217,717
Total restricted	<u>8,929,125</u>	<u>1,289,413</u>	<u>10,218,538</u>	<u>9,773,653</u>
Unrestricted				
Other internal designations	1,377,000	-0-	1,377,000	1,884,000
Undesignated	<u>134,805,141</u>	<u>6,085,465</u>	<u>140,890,606</u>	<u>134,316,988</u>
Total unrestricted	<u>136,182,141</u>	<u>6,085,465</u>	<u>142,267,606</u>	<u>136,200,988</u>
Total net position	<u>284,729,999</u>	<u>7,374,878</u>	<u>292,104,877</u>	<u>279,829,934</u>
Total liabilities and net position	<u>\$ 448,431,971</u>	<u>\$ 7,393,629</u>	<u>\$ 455,825,600</u>	<u>\$ 440,672,542</u>

See accompanying notes to financial statements.

## WITHAM HEALTH SERVICES

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	2023		2022	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
<b>Operating revenues</b>				
Net patient service revenue	\$ 505,807,947	\$ -0-	\$ 505,807,947	\$ 467,668,971
Other operating revenue	9,469,271	-0-	9,469,271	9,478,069
Total operating revenues	515,277,218	-0-	515,277,218	477,147,040
<b>Operating expenses</b>				
Salaries and wages	72,996,995	-0-	72,996,995	70,656,281
Employee benefits	22,129,683	-0-	22,129,683	21,475,948
Professional medical fees	12,043,497	-0-	12,043,497	13,963,292
Purchased services	228,619,538	-0-	228,619,538	203,917,288
Supplies	91,508,502	-0-	91,508,502	83,528,915
Repairs and maintenance	5,926,738	-0-	5,926,738	6,479,813
Equipment and facility rental	45,059,234	-0-	45,059,234	41,402,050
Utilities	8,205,620	-0-	8,205,620	10,195,269
Depreciation and amortization	11,875,425	-0-	11,875,425	11,622,513
Insurance	2,265,636	-0-	2,265,636	2,031,322
HAF and HIP programs	8,930,868	-0-	8,930,868	10,317,628
Other expenses	2,325,519	-0-	2,325,519	2,665,689
Total operating expenses	511,887,255	-0-	511,887,255	478,256,008
Operating income (loss)	3,389,963	-0-	3,389,963	(1,108,968)
<b>Nonoperating revenue (expense)</b>				
Investment return (loss)	8,435,928	597,482	9,033,410	(8,340,874)
Interest expense	(935,359)	-0-	(935,359)	(1,032,323)
Foundation revenue	-0-	503,209	503,209	285,303
Foundation expense	-0-	(439,865)	(439,865)	(212,125)
Gain (loss) on investment in affiliates	707,790	-0-	707,790	(352,253)
COVID-19 grant funds	-0-	-0-	-0-	4,305,034
Other nonoperating revenue (expense)	15,795	-0-	15,795	(47,338)
Total nonoperating revenue (expense), net	8,224,154	660,826	8,884,980	(5,394,576)
Change in net position	11,614,117	660,826	12,274,943	(6,503,544)
<b>Net position</b>				
Beginning of year	273,115,882	6,714,052	279,829,934	286,333,478
End of year	\$ 284,729,999	\$ 7,374,878	\$ 292,104,877	\$ 279,829,934

See accompanying notes to financial statements.

## WITHAM HEALTH SERVICES

### STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	2023		2022	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
<b>Operating activities</b>				
Cash received from patient services	\$ 504,868,842	\$ -0-	\$ 504,868,842	\$ 467,701,348
Cash paid for salaries, wages and benefits	(94,137,511)	-0-	(94,137,511)	(94,129,281)
Cash paid to vendors and suppliers	(389,853,112)	-0-	(389,853,112)	(363,407,382)
Other receipts (disbursements), net	9,469,271	(2,223)	9,467,048	9,489,855
Net cash flows from operating activities	30,347,490	(2,223)	30,345,267	19,654,540
<b>Capital and related financing activities</b>				
Acquisition and construction of capital assets	(11,347,607)	-0-	(11,347,607)	(12,970,828)
Cash paid for interest on long-term debt	(697,703)	-0-	(697,703)	(819,923)
Principal payments on long-term debt	(5,259,226)	-0-	(5,259,226)	(5,201,439)
Cash paid for interest on lease liabilities	(294,910)	-0-	(294,910)	(268,374)
Principal payments on lease liabilities	(633,573)	-0-	(633,573)	(426,950)
Net cash flows used for capital and related financing activities	(18,233,019)	-0-	(18,233,019)	(19,687,514)
<b>Investing activities</b>				
Investment return (loss)	8,435,928	597,482	9,033,410	(8,340,874)
Purchase of investments	(53,835,434)	(1,043,300)	(54,878,734)	(54,180,932)
Proceeds from sale of investments	33,583,632	190,694	33,774,326	9,052,706
Cash from (used for) investments in affiliates, net	707,790	-0-	707,790	(352,253)
Net cash flows used for investing activities	(11,108,084)	(255,124)	(11,363,208)	(53,821,353)
Net change in cash and cash equivalents	1,006,387	(257,347)	749,040	(53,854,327)
<b>Cash and cash equivalents</b>				
Beginning of year	84,472,835	4,201,022	88,673,857	142,528,184
End of year	\$ 85,479,222	\$ 3,943,675	\$ 89,422,897	\$ 88,673,857
<b>Reconciliation of cash and cash equivalents to the statements of net position</b>				
Cash and cash equivalents				
Included in current assets	\$ 74,012,566	\$ 2,654,262	\$ 76,666,828	\$ 75,910,355
In investments	1,160,531	-0-	1,160,531	1,105,849
In assets whose use is limited - held by trustee	8,929,125	-0-	8,929,125	8,555,936
In assets whose use is limited - designated	1,377,000	-0-	1,377,000	1,884,000
In assets whose use is limited - donor restricted	-0-	1,289,413	1,289,413	1,217,717
Total cash and cash equivalents	\$ 85,479,222	\$ 3,943,675	\$ 89,422,897	\$ 88,673,857

See accompanying notes to financial statements.



## WITHAM HEALTH SERVICES

### STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	2023		2022	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>				
Operating income (loss)	\$ 3,389,963	\$ -0-	\$ 3,389,963	\$ (1,108,968)
Adjustment to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation and amortization	11,875,425	-0-	11,875,425	11,622,513
Provision for bad debts	9,946,682	-0-	9,946,682	10,258,295
Changes in operating assets and liabilities				
Patient accounts receivable	(1,923,087)	-0-	(1,923,087)	7,691,013
Other receivables	(846,783)	-0-	(846,783)	(1,475,655)
Inventory and other current assets	(819,862)	453	(819,409)	(555,285)
Accounts payable	7,729,637	-0-	7,729,637	7,610,725
Accrued salaries and related liabilities	1,046,421	-0-	1,046,421	(1,997,052)
Accrued expenses and other current liabilities	(19,074)	(2,676)	(21,750)	(4,791,743)
Medicare accelerated/advance payments	(26,203)	-0-	(26,203)	(7,604,932)
Estimated third-party settlements	(5,629)	-0-	(5,629)	5,629
Net cash flows from operating activities	\$ 30,347,490	\$ (2,223)	\$ 30,345,267	\$ 19,654,540
<b>Noncash capital and related financing activities</b>				
Capital asset acquisitions in accounts payable	\$ 612,692	\$ -0-	\$ 612,692	\$ 429,290
Capital assets acquired with leases	\$ -0-	\$ -0-	\$ -0-	\$ 1,106,895

See accompanying notes to financial statements.

# WITHAM HEALTH SERVICES

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Reporting Entity

Witham Health Services (the Hospital) is a county owned facility operating under the Indiana County Hospital Law, Indiana Code (IC) 16-22. The Hospital provides short-term inpatient, outpatient health care and long-term care services. The Board of County Commissioners of Boone County appoints the Governing Board of the Hospital and a financial benefit/burden relationship exists between Boone County and the Hospital. For these reasons, the Hospital is considered a component unit of Boone County.

In 2000, the Board of County Commissioners of Boone County, upon written request of the Hospital Board of Trustees, created the Boone County Hospital Association (the Association) pursuant to the provisions of IC 16-22-6 for the exclusive purpose of financing and constructing hospital facilities for the Hospital.

For financial reporting purposes, the Hospital's reporting entity consists of the primary government and component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government.

The financial statements include certain prior year summarized comparative information in total but not by discrete component unit. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Hospital's financial statements as of December 31, 2022 and for the year ended, from which the summarized information was derived.

#### Blended Component Units

Blended component units, although legally separate entities are in substance part of the government's operations and exist solely to provide services for the government; data from these units is included with data of the primary government. The Hospital appoints a voting majority of the Medical Office Properties, LLC (MOP) and Central Indiana Health Association, Inc. (CIHA) boards and is able to impose its will and a financial benefit/burden relationship exists between the Hospital, MOP and CIHA. Although they are legally separate from the Hospital, MOP and CIHA are reported as if they were part of the Hospital because the boards are substantively the same and they provide services entirely or almost entirely to the Hospital. The Hospital is 100% owner of MOP and is the sole corporate member of CIHA. Thus, there is no non-controlling interest that is required to be disclosed. The Association is a blended component unit within the Hospital's activities for financial reporting purposes. All significant transactions between the Hospital, MOP, CIHA, and the Association have been eliminated for financial reporting purposes.

#### Discrete Component Units

Discretely presented component units are involved in activities of an operational nature independent from the government; their transactions are reported in a separate column in the financial statements to emphasize they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Witham Health Services Foundation, Inc. (the Foundation) is considered a discrete component unit for reporting purposes.

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## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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#### Long-Term Care Services

The Hospital owns the operations of various long-term care facilities through arrangements with multiple managers (the managers) of the long-term care facilities. These facilities provide inpatient and therapy services. Generally, gross revenues from the operation of the facilities are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the managers shall be on behalf of the Hospital and the Hospital retains the authority and legal responsibility for the operation of the facilities. The Hospital entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors, to lease the facilities managed by the managers. Concurrently, the Hospital entered into agreements with the managers to manage the above leased facilities. As part of the agreements, the Hospital pays the managers a management fee to manage the facilities on behalf of the Hospital in accordance with the terms of the agreements. The agreements expire at various times through March 2027. All parties involved can terminate the agreements without cause with 90 days written notice. Rent expense included in equipment and facility rental expense in the statements of revenues, expenses and changes in net position under the long-term care leases was approximately \$44,215,000 and \$40,485,000 for 2023 and 2022, respectively. Annual rent expense for the next five years will approximate \$45,000,000 under these leases.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related to cash flows.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include all demand deposits and investments in highly liquid debt instruments with an original maturity date of three months when purchased.

#### Investments

Nonparticipating certificates of deposit, demand deposits and similar negotiable instruments that are not reported as cash and cash equivalents are reported as investments at contract value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or a United States Government Agency. Debt securities are reported at fair value. Mutual funds are reported at fair value based on the fund's market price. Other investments are generally reported at fair value. Investment income (loss), including changes in the fair value of investments, is reported as nonoperating revenue (expense) in the statements of revenues, expenses and changes in net position.

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## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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#### Patient Accounts Receivable and Net Patient Service Revenue

The Hospital provides services to patients who reside primarily in the local geographic region. Patient accounts receivable and patient service revenues are recorded when patient services are performed and are reported based on gross charges, net of certain deductions from those charges. The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital is reimbursed for Medicare and Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping. The Hospital is reimbursed for Medicare and Medicaid outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue.

At the Hospital's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program. These programs have audited the year-end cost report filed with the Medicare program through December 31, 2020.

Amounts for unresolved cost reports are reflected in estimated third-party settlements on the statements of net position. The change in net patient service revenue in the statements of revenues, expenses and changes in net position, due to differences between original estimates and subsequent revisions for the final settlement of cost reports were not significant for 2023 and 2022. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

Management estimates an allowance for uncollectible patient accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's customer base.

#### Charity Care and Assistance to the Uninsured

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue. Rather, charges approved for charity are posted to gross revenue and subsequently written off as a charity adjustment before the resulting net practice revenue. The charity care charges foregone during 2023 and 2022 were approximately \$1,725,000 and \$2,095,000, respectively. The Hospital did not change its charity care policy during 2023 and 2022.

Of the Hospital's total expenses reported, an estimated \$565,000 and \$680,000 arose from providing services to charity patients during 2023 and 2022, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses, which includes interest expense and excludes Hospital Assessment Fee Program expense, to gross patient service revenue. The Hospital has a policy with discounted rates similar to contractual payors for uninsured patients.

#### Other Receivables

Other receivables consist mainly of amounts due for reimbursement for long-term care services and are classified as current as they are expected to be received during 2024.

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# WITHAM HEALTH SERVICES

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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### Inventory and Other Current Assets

Inventory is valued at the lower of cost or market with cost being determined on the first-in, first-out method. Inventory at year-end consists mainly of pharmaceuticals and medical supplies. Other current assets consist of prepaid expenses and various other current items. These assets are classified as current as they are expected to be utilized during 2024.

### Assets Whose Use is Limited

Assets whose use is limited are stated at fair value in the financial statements. These assets include investments designated by the Hospital Board for internal purposes, investments held by trustees for debt service and capital improvements and assets that are donor restricted. These investments consist primarily of cash and cash equivalents, certificates of deposit and mutual funds. Investment interest, dividends, gains and losses, both realized and unrealized are included in nonoperating revenue (expense) in the statements of revenues, expenses and changes in net position.

### Capital Assets

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added to existing facilities which exceed \$1,000 and which meet certain useful life thresholds. Maintenance, repairs and minor renewals are expensed as incurred. The Hospital provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method. The range of useful lives in computing depreciation is as follows:

<u>Description</u>	<u>Range of Useful Lives</u>
Land improvements	5 to 20 years
Buildings and improvements	10 to 40 years
Fixed equipment	10 to 40 years
Major moveable equipment	3 to 15 years
Minor equipment	3 to 15 years

Intangible right-of use assets are recognized on the lease commencement date in an amount that represents the present value of the future lease payments over the lease term. Intangible right-to-use assets are amortized over the term of the current lease.

### Deferred Outflows - Loss on Bond Refunding

Deferred outflows of resources represent a consumption of net position that applies to future periods and is recognized as an outflow of resources (expense/expenditure) over a period of time specific to the event which created the deferred outflow. During 2017, the Hospital recorded a loss on bond refunding of its Series 2010 Bonds of approximately \$1,253,000 which is amortized through 2029 as a component of interest expense.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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#### Other Long-Term Liabilities

Other long-term liabilities consist of obligations and commitments related to community supported programs and activities. As of December 31, 2023, the long-term and current portions were approximately \$932,000 and \$445,000, respectively. As of December 31, 2022, the long-term and current portions were \$1,439,000 and \$445,000, respectively. The current portion is included in accrued expenses and other current liabilities on the statements of net position. Commitments expire at various times through 2026.

#### Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted includes net position held by trustee for debt service requirements and capital or donor restrictions. Unrestricted net position includes designated for capital improvements and undesignated net position that does not meet the definition of invested in capital assets net of related debt or restricted.

#### Statements of Revenues, Expenses and Changes in Net Position

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenue and expense. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions such as investment activities are reported as nonoperating revenue and expense.

#### Restricted Resources

The Hospital first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

#### Grants and Contributions

From time to time, the reporting entity receives grants and contributions from governmental agencies, individuals and private organizations. Revenues from grants and contributions are recognized when all requirements are met. Grants may be restricted for either specific operation purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Grants are recognized to the extent that the Hospital meets the terms and conditions of the grant. To the extent the Hospital has not met the terms and conditions of the grant, amounts are recorded as liabilities within the statements of net position.

#### Federal or State Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 12, of the Indiana statutes. The Hospital is generally exempt from federal income tax under Section 115 of the Internal Revenue Code (IRC) of 1986. As a governmental entity under Section 115 of the IRC, the Hospital is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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The Association is a governmental instrumentality organized under IC 16-22-6 and is exempt from Federal income tax under Section 115 of the Internal Revenue. As such, the Association is generally exempt from income taxes and is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax.

The Foundation and CIHA are tax-exempt organizations under section 501(c)(3). As such, they are generally exempt from income taxes. However, they are required to file Federal Form 990 – Return of Organization from Income Tax.

MOP is organized as a limited liability company, whereby net taxable income is taxed directly to the members and not the entity. Thus, the financial statements do not include any provision for Federal or state income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital (and its affiliates) and recognize a tax liability if the Hospital has taken an uncertain position that more likely than not would not be sustained upon examination by various Federal and state taxing authorities. Management has analyzed the tax positions taken by the Hospital and has concluded that as of December 31, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Hospital is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

These entities have filed their Federal and state income tax returns for periods through December 31, 2022. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

#### Compensated Absences

The Hospital's employees earn time off at varying rates depending on years of service under separate policies for sick, vacation and personal leaves. The estimated amount of unused time off is reported as a liability in the financial statements.

#### Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settlements, if any, did not exceed coverage for any of the past three fiscal years.

#### Medical Malpractice

The Indiana Medical Malpractice Act, IC 34-18 (the Act) requires the Hospital to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$10,000,000 in the annual aggregate). The Act also requires the Hospital to pay a surcharge to the State Patient's Compensation Fund (the Fund). The Fund is used to pay medical malpractice claims in excess of per occurrence and the annual aggregate amounts as noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not reasonably estimable. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

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## WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(WITH COMPARATIVE TOTALS FOR 2022)

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The Hospital is a member in a captive insurance company, Suburban Health Organization Segregated Portfolio Company, LLC, to fund the Hospital's required portion of the professional and physician insurance coverage pursuant to the Act as well as its general liability insurance and excess coverage. In addition, the Hospital maintains a commercial umbrella/excess liability policy with a limit of \$1,000,000 each occurrence, \$1,000,000 fire legal liability, \$1,000,000 personal and advertising injury, and a \$3,000,000 total policy aggregate. No claims have been settled during the past three years that have exceeded policy coverage limits. The cost of this insurance policy represents the Hospital's cost for such claims for the year, and it has been charged to operations as a current expense.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

### Litigation

The Hospital is exposed to litigation arising in the normal course of business. After consultation with legal counsel, management estimates that any matters will be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

### Advertising

The Hospital's policy is to expense advertising costs when the advertising first takes place. Advertising expense was approximately \$36,000 and \$34,000 for 2023 and 2022, respectively.

### Upcoming Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, will be effective for years beginning after December 15, 2023. The objective of this GASB statement is to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences under a unified model and by amending certain previously required disclosures. The Hospital is currently evaluating the impact that this GASB statement will have on its future financial statements.

### Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which was June 28, 2024.

## **2. NET PATIENT SERVICE REVENUE**

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Estimated contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at standard rates and amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements.



## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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A summary of the reimbursement arrangements with major third-party payors is as follows:

#### Medicare

Medicare inpatient services are reimbursed based on a predetermined amount for each case based on the diagnosis associated with the patient (Prospective Payment Hospital). These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Hospital's classification of patients under the Prospective Payment Hospital and the appropriateness of patient admissions are subject to validation reviews by the Medicare peer review organization, which is under contract with the Hospital to perform such reviews. Medicare outpatient services are primarily reimbursed on predetermined rates based on the services provided.

#### Medicaid and Hospital Assessment Fee and Healthy Indiana Plan Programs

The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments.

The Hospital participates in the State of Indiana's Hospital Assessment Fee (HAF) Program. The purpose of HAF is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the HAF and HIP programs expense reported in the statements of revenues, expenses and changes in net position. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. Hospitals also fund the Healthy Indiana Plan (HIP) Program, the State's Medicaid expansion program. The payments related to HIP mirror the Medicaid payments under HAF, but the funding includes physician, state administration, and certain non-hospital expenditures. During 2023 and 2022, the Hospital recognized HAF and HIP programs expense of approximately \$8,931,000 and \$10,318,000, respectively, which resulted in increased Medicaid reimbursement. HAF and HIP assessments are included in the statements of revenues, expenses and changes in net position as operating expenses. The Medicaid rate increases under HAF and HIP are included in patient service revenue in the statements of revenues, expenses and changes in net position.

As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient revenue of approximately \$1,504,000 and \$1,484,000 during 2023 and 2022, respectively. These programs are administered by the State of Indiana but rely on Federal funding.

#### Other Payors

The Hospital also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

## WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS  
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The following is a summary of net patient service revenue for 2023 and 2022:

	2023	2022
Inpatient routine services	\$ 25,321,584	\$ 27,485,756
Inpatient ancillary services	69,134,469	72,407,444
Outpatient ancillary services	429,943,861	413,513,239
Long-term care	334,651,951	299,352,652
Gross patient service revenue	859,051,865	812,759,091
Contractual allowances	(341,572,585)	(332,737,048)
Charity care	(1,724,651)	(2,094,777)
Provision for bad debts	(9,946,682)	(10,258,295)
Deductions from revenue	(353,243,918)	(345,090,120)
Net patient service revenue	<u>\$ 505,807,947</u>	<u>\$ 467,668,971</u>

### 3. INVESTMENTS

Investments are primarily recorded at fair value (certificates of deposit recorded at contract value) and consist of the following as of December 31:

	2023	2022
Cash and cash equivalents	\$ 1,160,531	\$ 1,105,849
Certificates of deposit	1,077,515	1,064,752
Mutual funds	69,861,493	62,784,553
US Government securities	36,467,600	34,856,748
	<u>\$ 108,567,139</u>	<u>\$ 99,811,902</u>

### 4. ASSETS WHOSE USE IS LIMITED

Held by trustee for debt service and capital – Amounts deposited with a trustee and limited to use in accordance with the requirements of a trust indenture and funds from long-term debt borrowings to be expended for debt service and capital.

Other internally designated – Amounts designated internally for various special purpose projects.

Donor restricted – Amounts designated by donor restrictions to support Hospital programs.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited includes the following as of December 31:

	2023	2022
Held by trustee for debt service and capital		
Cash and cash equivalents	\$ 8,929,125	\$ 8,555,936
Other internally designated		
Cash and cash equivalents	1,377,000	1,884,000
Donor restricted		
Cash and cash equivalents	1,289,413	1,217,717
Total assets whose use is limited	\$ 11,595,538	\$ 11,657,653

#### 5. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Investments are carried at fair value except for certificates of deposit which are carried at contract value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. As of December 31, 2023 and 2022, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

December 31, 2023					
Investment Maturities (in years)					
Carrying Amount	Less than 1	1-5	6-10	More than 10	
Certificates of deposit	\$ 1,077,515	\$ 1,077,515	\$ -0-	\$ -0-	\$ -0-
Mutual funds	69,861,493	69,861,493	-0-	-0-	-0-
US Government securities	36,467,600	36,467,600	-0-	-0-	-0-
	\$ 107,406,608	\$ 107,406,608	\$ -0-	\$ -0-	\$ -0-
December 31, 2022					
Investment Maturities (in years)					
Carrying Amount	Less than 1	1-5	6-10	More than 10	
Certificates of deposit	\$ 1,064,752	\$ 1,064,752	\$ -0-	\$ -0-	\$ -0-
Mutual funds	62,784,553	62,784,553	-0-	-0-	-0-
US Government securities	34,856,748	34,856,748	-0-	-0-	-0-
	\$ 98,706,053	\$ 98,706,053	\$ -0-	\$ -0-	\$ -0-

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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Interest rate risk – The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk – Statutes authorize the Hospital to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by US Government or US Government Agency obligations.

Concentration of credit risk – The Hospital maintains its investments, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on investments.

Deposits and investments consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Carrying amount		
Deposits	\$ 89,422,897	\$ 88,673,857
Investments	107,406,608	98,706,053
	<u>\$ 196,829,505</u>	<u>\$ 187,379,910</u>
Included in the statements of net position		
Cash and cash equivalents	\$ 76,666,828	\$ 75,910,355
Investments	108,567,139	99,811,902
Held by trustee	8,929,125	8,555,936
Designated	1,377,000	1,884,000
Donor restricted	1,289,413	1,217,717
	<u>\$ 196,829,505</u>	<u>\$ 187,379,910</u>

## 6. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.
  - Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
  - Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2023 and 2022.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price.
- *US Government securities*: Valued at the closing price reported on the active market on which the individual securities are traded, when available. The fair value of the securities for which quoted market price is not available are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

The following table sets forth by level, within the hierarchy, the Hospital's assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022.

	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds				
Blend	\$ 16,843,628	\$ 16,843,628	\$ -0-	\$ -0-
Intermediate-term bond	49,247,899	49,247,899	-0-	-0-
Other	3,769,966	3,769,966	-0-	-0-
Total mutual funds	69,861,493	69,861,493	-0-	-0-
US Government securities				
Treasury bills	36,467,600	-0-	36,467,600	-0-
	106,329,093	<u>\$ 69,861,493</u>	<u>\$ 36,467,600</u>	<u>\$ -0-</u>
Cash and cash equivalents	1,160,531			
Certificates of deposit	1,077,515			
Total investments	<u>\$ 108,567,139</u>			
Assets whose use is limited				
Cash and cash equivalents	<u>\$ 11,595,538</u>			

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds				
Blend	\$ 13,620,668	\$ 13,620,668	\$ -0-	\$ -0-
Intermediate-term bond	45,854,216	45,854,216	-0-	-0-
Other	3,309,669	3,309,669	-0-	-0-
Total mutual funds	62,784,553	62,784,553	-0-	-0-
US Government securities				
Federal home loan mortgage	3,889,108	-0-	3,889,108	-0-
Treasury bills	30,967,640	-0-	30,967,640	-0-
Total US Government securities	34,856,748	-0-	34,856,748	-0-
	97,641,301	\$ 62,784,553	\$ 34,856,748	\$ -0-
Cash and cash equivalents	1,105,849			
Certificates of deposit	1,064,752			
Total investments	\$ 99,811,902			
Assets whose use is limited				
Cash and cash equivalents	\$ 11,657,653			

Realized gains and losses included in earnings are reported in the statements of revenues, expenses and changes in net position as a component of investment return. Differences between market value and cost of investments are classified as unrealized gains or losses. Unrealized gains or losses are included in earnings for the period attributable to the change in unrealized gains relating to assets held as of December 31, 2023 and 2022 and are reported in the statements of revenues, expenses and changes in net position as a component of investment return (loss).

The Hospital holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

#### 7. CAPITAL ASSETS

A summary of capital assets including assets under leases for 2023 and restated 2022 follows.

	December 31, 2022	Additions	Retirements	Transfers	December 31, 2023
<b>Non-depreciable capital assets</b>					
Land	\$ 26,743,071	\$ -0-	\$ -0-	\$ -0-	\$ 26,743,071
Construction in progress	229,550	1,612,461	-0-	(1,815,651)	26,360
Total non-depreciable capital assets	26,972,621	1,612,461	-0-	(1,815,651)	26,769,431
<b>Depreciable capital assets</b>					
Land improvements	3,385,846	57,650	-0-	-0-	3,443,496
Buildings and improvements	140,474,328	2,400,706	-0-	200,100	143,075,134
Equipment	117,627,942	7,889,482	(1,557,400)	1,615,551	125,575,575
Total depreciable capital assets	261,488,116	10,347,838	(1,557,400)	1,815,651	272,094,205
<b>Less accumulated depreciation</b>					
Land improvements	(3,009,987)	(74,050)	-0-	-0-	(3,084,037)
Buildings and improvements	(43,689,649)	(4,037,645)	-0-	-0-	(47,727,294)
Equipment	(80,117,154)	(6,972,643)	1,343,167	-0-	(85,746,630)
Total accumulated depreciation	(126,816,790)	(11,084,338)	1,343,167	-0-	(136,557,961)
Total depreciable capital assets, net	134,671,326	(736,500)	(214,233)	1,815,651	135,536,244
<b>Intangible right-to-use assets</b>					
Leased building space	7,503,686	-0-	-0-	-0-	7,503,686
Leased equipment	1,510,954	-0-	-0-	-0-	1,510,954
Total intangible right-of-use assets	9,014,640	-0-	-0-	-0-	9,014,640
<b>Less accumulated amortization</b>					
Leased building space	(1,283,839)	(434,103)	-0-	-0-	(1,717,942)
Leased equipment	(201,676)	(356,984)	-0-	-0-	(558,660)
Total accumulated amortization	(1,485,515)	(791,087)	-0-	-0-	(2,276,602)
Total intangible right-to-use assets, net	7,529,125	(791,087)	-0-	-0-	6,738,038
Capital assets, net	<u>\$ 169,173,072</u>	<u>\$ 84,874</u>	<u>\$ (214,233)</u>	<u>\$ -0-</u>	<u>\$ 169,043,713</u>

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	December 31, 2021	Additions	Retirements	Transfers	December 31, 2022
<b>Non-depreciable capital assets</b>					
Land	\$ 18,428,205	\$ 8,314,866	\$ -0-	\$ -0-	\$ 26,743,071
Construction in progress	528,467	498,326	-0-	(797,243)	229,550
Total non-depreciable capital assets	18,956,672	8,813,192	-0-	(797,243)	26,972,621
<b>Depreciable capital assets</b>					
Land improvements	3,190,419	83,412	-0-	112,015	3,385,846
Buildings and improvements	139,728,984	773,979	(190,193)	161,558	140,474,328
Equipment	115,832,874	3,729,535	(2,458,137)	523,670	117,627,942
Total depreciable capital assets	258,752,277	4,586,926	(2,648,330)	797,243	261,488,116
<b>Less accumulated depreciation</b>					
Land improvements	(2,946,510)	(63,477)	-0-	-0-	(3,009,987)
Buildings and improvements	(39,736,255)	(3,953,394)	-0-	-0-	(43,689,649)
Equipment	(74,857,687)	(7,010,269)	1,750,802	-0-	(80,117,154)
Total accumulated depreciation	(117,540,452)	(11,027,140)	1,750,802	-0-	(126,816,790)
Total depreciable capital assets, net	141,211,825	(6,440,214)	(897,528)	797,243	134,671,326
<b>Intangible right-to-use assets</b>					
Leased building space	7,503,686	-0-	-0-	-0-	7,503,686
Leased equipment	404,059	1,106,895	-0-	-0-	1,510,954
Total intangible right-of-use assets	7,907,745	1,106,895	-0-	-0-	9,014,640
<b>Less accumulated amortization</b>					
Leased building space	(849,736)	(434,103)	-0-	-0-	(1,283,839)
Leased equipment	(40,406)	(161,270)	-0-	-0-	(201,676)
Total accumulated amortization	(890,142)	(595,373)	-0-	-0-	(1,485,515)
Total intangible right-to-use assets, net	7,017,603	511,522	-0-	-0-	7,529,125
Capital assets, net	\$ 167,186,100	\$ 2,884,500	\$ (897,528)	\$ -0-	\$ 169,173,072

As of December 31, 2023, the Hospital did not have any significant commitments for capital assets.

#### Intangible Right-to-Use Assets

As of December 31, 2023 and 2022, the Hospital had agreements in place for building space. The values of the building space intangible right-to-use assets are amortized over the lease terms including renewable periods the Hospital are reasonably certain to exercise. The amortization periods extend through lease expiration dates ranging from 2031 through 2044. The terms of the lease agreements are addressed in Note 9.

As of December 31, 2023 and 2022, the Hospital had lease agreements in place for medical equipment. The values of the equipment intangible right-to-use assets are amortized over the lease terms including renewable periods the Hospital are reasonably certain to exercise. The amortization periods extend through lease expiration dates ranging from 2024 through 2027. The terms of the lease agreements are addressed in Note 9.



## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

#### 8. LONG-TERM DEBT

A summary of long-term debt for 2023 and 2022 is as follows:

	December 31, 2022	Additional Borrowings	Payments	December 31, 2023	Current Portion
Direct borrowings/placements					
2015 Revenue bonds	\$ 8,529,000	\$ -0-	\$ 2,942,000	\$ 5,587,000	\$ 3,003,000
2017 Revenue bonds	18,645,000	-0-	2,305,000	16,340,000	2,365,000
Loans payable	12,226	-0-	12,226	-0-	-0-
	<u>\$ 27,186,226</u>	<u>\$ -0-</u>	<u>\$ 5,259,226</u>	<u>\$ 21,927,000</u>	<u>\$ 5,368,000</u>
	December 31, 2021	Additional Borrowings	Payments	December 31, 2022	Current Portion
Direct borrowings/placements					
2015 Revenue bonds	\$ 11,409,000	\$ -0-	\$ 2,880,000	\$ 8,529,000	\$ 2,942,000
2017 Revenue bonds	20,895,000	-0-	2,250,000	18,645,000	2,305,000
Loans payable	83,665	-0-	71,439	12,226	12,226
	<u>\$ 32,387,665</u>	<u>\$ -0-</u>	<u>\$ 5,201,439</u>	<u>\$ 27,186,226</u>	<u>\$ 5,259,226</u>

In September 2015, the Hospital issued the 2015 Revenue Bonds in the amount of \$27,083,000 through the Association. The Hospital, the Association and Commerce Bank (Commerce) entered into a Bond Purchase Agreement whereby Commerce purchased from the Association all of the 2015 Revenue Bonds in a private placement. The 2015 Revenue Bonds are due in semiannual installments through 2025 ranging from \$855,000 to \$1,526,000, with a fixed interest rate of 2.0667%. The 2015 Revenue Bonds are secured by the Hospital's net revenues. Commerce agreed to hold the 2015 Revenue Bonds through the maturity date in 2025.

In December 2017, the Hospital issued the 2017 Revenue Bonds in the amount of \$28,340,000 through the Association. The Hospital, the Association and BMO Harris Bank (BMO) entered into a Bond Purchase Agreement whereby BMO purchased from the Association all of the 2017 Revenue Bonds in a private placement. The 2017 Revenue Bonds are due in semiannual installments through 2030 ranging from \$990,000 to \$1,335,000, with a fixed interest rate of 2.330%. The 2017 Revenue Bonds are secured by the Hospital's net revenues. BMO agreed to hold the 2017 Revenue bonds through the maturity date in 2030.

The proceeds from the 2017 Revenue Bonds were used to refund the 2010 Revenue Bonds which resulted in a loss on defeasance of approximately \$1,253,000 during 2017. The loss on defeasance is included in deferred outflows as of December 31, 2023 and 2022 at approximately \$626,000 and \$731,000, respectively, and is amortized as a component of interest expense of \$104,000 annually through 2030.

Loans payable with local financial institution, due in monthly installments at a fixed interest rate of 4.50%, due through 2023, secured by property with net book value of approximately \$1,300,000 as of December 31, 2022. The loans were paid in full during 2023.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

Certain long-term debt agreements require the Hospital to maintain certain financial ratios. As of December 31, 2023 and 2022, the Hospital believed it was in compliance with the financial ratios.

Scheduled principal and interest payments on long-term debt for the years succeeding December 31, 2023 are as follows:

Year Ending December 31,	Direct Borrowings/Placements		
	Principal	Interest	Total
2024	\$ 5,368,000	\$ 467,072	\$ 5,835,072
2025	4,999,000	349,273	5,348,273
2026	2,470,000	255,019	2,725,019
2027	2,525,000	197,176	2,722,176
2028	2,585,000	137,994	2,722,994
2029-2030	3,980,000	92,909	4,072,909
	\$ 21,927,000	\$ 1,499,443	\$ 23,426,443

## 9. LEASE LIABILITIES

### Building Space Leases

The Hospital leases building space under lease agreements that run from 2026 through 2029 and include multiple renewal options that the Hospital will likely exercise extending the leases from 2031 through 2044. Monthly payments range from \$20,000 to \$22,000. The present value of the leases was determined using a discount rate based on the Hospital's incremental borrowing rates ranging from 3.50% to 4.50%. The leased building space and accumulated amortization of the right-to-use assets are outlined in Note 7.

### Equipment Leases

The Hospital leases medical equipment under lease agreements that run from 2024 through 2027. Payments range from monthly payments of approximately \$12,000 to \$13,000 and semi-annual payments up to \$40,000. The present value of the leases was determined using a discount rate based on the Hospital's incremental borrowing rates ranging from 3.50% to 4.50%. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 7.

The progressions for lease liabilities for 2023 and 2022 are as follows:

	December 31, 2022	Additions	Reductions	December 31, 2023	Current Portion	Long-term Portion
Lease liabilities						
Leased building space	\$ 6,800,949	\$ -0-	\$ (302,301)	\$ 6,498,648	\$ 323,183	\$ 6,175,465
Leased equipment	1,330,604	-0-	(331,272)	999,332	355,605	643,727
Total lease liabilities	\$ 8,131,553	\$ -0-	\$ (633,573)	\$ 7,497,980	\$ 678,788	\$ 6,819,192

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	December 31,			December 31,		
	2021	Additions	Reductions	2022	Current Portion	Long-term Portion
Lease liabilities						
Leased building space	\$ 7,083,169	\$ -0-	\$ (282,220)	\$ 6,800,949	\$ 302,301	\$ 6,498,648
Leased equipment	368,439	1,106,895	(144,730)	1,330,604	331,273	999,331
Total lease liabilities	<u>\$ 7,451,608</u>	<u>\$ 1,106,895</u>	<u>\$ (426,950)</u>	<u>\$ 8,131,553</u>	<u>\$ 633,574</u>	<u>\$ 7,497,979</u>

There were no remeasurements of leases during 2023 and 2022. Scheduled principal and interest payments on lease liabilities for the years succeeding December 31, 2023 are as follows:

December 31,	Leased Building Space		Leased Equipment		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total Payments
2024	\$ 323,183	\$ 227,618	\$ 355,605	\$ 48,476	\$ 678,788	\$ 276,094	\$ 954,882
2025	345,061	217,264	328,657	28,639	673,718	245,903	919,621
2026	367,433	206,197	195,771	13,900	563,204	220,097	783,301
2027	391,249	194,401	119,299	5,611	510,548	200,012	710,560
2028	416,114	181,828	-0-	-0-	416,114	181,828	597,942
2029-2033	1,557,389	709,044	-0-	-0-	1,557,389	709,044	2,266,433
2034-2038	1,319,792	478,920	-0-	-0-	1,319,792	478,920	1,798,712
2039-2043	1,745,000	227,205	-0-	-0-	1,745,000	227,205	1,972,205
2044	33,427	8,661	-0-	-0-	33,427	8,661	42,088
	<u>\$ 6,498,648</u>	<u>\$ 2,451,138</u>	<u>\$ 999,332</u>	<u>\$ 96,626</u>	<u>\$ 7,497,980</u>	<u>\$ 2,547,764</u>	<u>\$ 10,045,744</u>

## 10. PENSION PLAN

### Plan Description

The Hospital has a defined contribution pension plan named Witham Health Services Contribution Plan (the Plan) as authorized by IC 16-22-3-11. The Plan provides retirement, disability and death benefits to plan members and beneficiaries who meet the eligibility requirements for age and hours worked. The Plan was established by written agreement between the Hospital Board of Trustees and Transamerica Retirement Solutions (the Plan Administrator). The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the Plan. The report is available by contacting the Hospital's accounting department.

### Funding Policy

The contribution requirements of Plan members are established by the written agreement between the Hospital Board of Trustees and the Plan Administrator. There are two parts to the Plan, the money purchase base contribution and the matching contribution. Plan members are not required to contribute to the money purchase base contribution portion of the Plan. The Hospital contributes either 2% or 3% based on the number of years of service for this portion of the Plan. Plan members may contribute to the matching contribution portion of the Plan up to the maximum allowed by the Internal Revenue Service. The Hospital matches up to either 3% or 4% of the employee's annual salary based on years of service and employee contributions. Pension expense was approximately \$3,157,000 and \$3,181,000 for 2023 and 2022, respectively.

## WITHAM HEALTH SERVICES

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### 11. INVESTMENTS IN AFFILIATED COMPANIES

Investments in organizations where the Hospital's ownership percentage is equal to or less than 50% are included in investment in affiliates on the statements of net position and approximated \$2,073,000 and \$2,071,000 as of December 31, 2023 and 2022, respectively. The Hospital's significant investment in affiliates includes a 33% ownership interest in Witham St. Vincent Cancer Institute, LLC at \$493,000 and \$460,000 as of December 31, 2023 and 2022, respectively. Also, the Hospital is one of nine members in its captive insurance company, Suburban Health Organization with a recorded investment of \$1,489,000 and \$1,359,000 as of December 31, 2023 and 2022, respectively. The remaining investments in affiliates are not significant to the financial statements.

### 12. CONCENTRATION OF CREDIT RISK

The Hospital's main campus is located in Lebanon, Indiana and serves Lebanon and the surrounding communities. The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables and revenues from patients and third-party payors as of December 31, 2023 and 2022 and for the years ended was as follows:

	Receivables		Revenues	
	2023	2022	2023	2022
Medicare	21%	20%	50%	50%
Medicaid	11%	10%	17%	16%
Commercial	46%	50%	30%	30%
Self-Pay and other	22%	20%	3%	4%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Under the long-term care leases, the Hospital recorded expenses related to purchased services from the managers of the facilities of approximately \$211,690,000 and \$193,005,000 during 2023 and 2022, respectively. Amounts due to the managers, included in current liabilities, as of December 31, 2023 and 2022 were \$107,850,000 and \$103,692,000 respectively.

### 13. RISK MANAGEMENT

The Hospital is self-funded for medical and related health benefits provided to employees and their families. A third-party administrator has been retained to process and present all benefit claims to the Hospital for payment. Under a stop/loss agreement, the Hospital is responsible for the funding of all claims and related administrative costs up to \$300,000 per individual per policy year. There is no aggregate limit for the plan under the stop loss agreement.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Self-funded health insurance and related expenses were approximately \$9,850,000 and \$8,818,000 in 2023 and 2022, respectively.

## WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(WITH COMPARATIVE TOTALS FOR 2022)

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Changes in health claim liabilities for 2023 and 2022 are as follows:

	2023	2022
Unpaid claims, beginning of year	\$ 1,074,734	\$ 1,885,329
Incurred claims and changes in estimates	9,850,378	8,817,833
Claim payments	<u>(9,189,680)</u>	<u>(9,628,428)</u>
Unpaid claims, end of year	<u>\$ 1,735,432</u>	<u>\$ 1,074,734</u>

### 14. COVID-19 AND RELATED SUPPORT

Provider Relief Funds (PRF) authorized under the American Rescue Plan (ARP) and Coronavirus Aid, Relief, and Economic Security (CARES) Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic. PRF funds received were recognized to the extent the Hospital met the terms and conditions. The Hospital recognized PRF of \$-0- and approximately \$4,305,000 during 2023 and 2022, respectively, as COVID-19 grant funds within nonoperating revenue (expenses), net in the statements of revenues, expenses and changes in net position. The Hospital did not deferred any PRF amounts as of December 31, 2023 and 2022, respectively.

The CARES Act also allowed health care providers to request accelerated and advanced payments for Medicare services. During 2020, the Hospital received approximately \$12,094,000 of accelerated and advanced Medicare payments under this CARES Act provision. Settlement of these funds began during 2021 and continued through 2023. The outstanding balances of \$-0- and \$26,000 are included within current liabilities on the statements of net position as of December 31, 2023 and 2022, respectively.

### 15. BLENDED COMPONENT UNITS

The Hospital's financial statements include the accounts of its blended component units, the Association, MOP and CIHA as of and for the years ended December 31, 2023 and 2022. For separate financial information related to the blended component units, contact the Hospital Controller's Office, at PO Box 1200, Lebanon, IN, 46052.

# WITHAM HEALTH SERVICES

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022		
	Association	MOP	CIHA	Association	MOP	CIHA
<b>Statements of net position</b>						
<b>Assets</b>						
Current assets	\$ -0-	\$ 625,094	\$ 67,289,593	\$ -0-	\$ 704,537	\$ 61,146,925
Capital assets	31,484,427	3,067,966	19,567,364	33,338,867	2,894,090	19,578,218
Lease receivable from Hospital	21,786,985	13,000,279	-0-	27,002,786	13,252,698	-0-
Due from Hospital	30,523	-0-	-0-	30,523	-0-	-0-
Other assets	8,929,125	-0-	932,000	8,555,936	-0-	1,440,716
<b>Total assets</b>	<b>\$ 62,231,060</b>	<b>\$ 16,693,339</b>	<b>\$ 87,788,957</b>	<b>\$ 68,928,112</b>	<b>\$ 16,851,325</b>	<b>\$ 82,165,859</b>
<b>Liabilities</b>						
Current liabilities	\$ -0-	\$ 11,227	\$ 576,954	\$ -0-	\$ 52,783	\$ 611,673
Due to Hospital	1,902,391	-0-	969	1,896,532	-0-	11,545
Other liabilities	21,548,720	-0-	932,000	26,748,579	-0-	1,439,000
<b>Total liabilities</b>	<b>23,451,111</b>	<b>11,227</b>	<b>1,509,923</b>	<b>28,645,111</b>	<b>52,783</b>	<b>2,062,218</b>
Deferred inflows	21,786,985	13,000,279	-0-	27,002,786	13,252,698	-0-
<b>Net position</b>	<b>16,992,964</b>	<b>3,681,833</b>	<b>86,279,034</b>	<b>13,280,215</b>	<b>3,545,844</b>	<b>80,103,641</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 62,231,060</b>	<b>\$ 16,693,339</b>	<b>\$ 87,788,957</b>	<b>\$ 68,928,112</b>	<b>\$ 16,851,325</b>	<b>\$ 82,165,859</b>
<b>Statements of revenues, expenses and changes in net position</b>						
Revenues	\$ 6,058,754	\$ 908,052	\$ 206,811	\$ 2,550,330	\$ 742,094	\$ 195,331
<b>Expenses</b>						
Depreciation	1,854,440	247,986	13,303	1,871,833	213,012	16,095
Other expenses	7,608	423,165	699,497	3,400	406,465	754,956
<b>Total expenses</b>	<b>1,862,048</b>	<b>671,151</b>	<b>712,800</b>	<b>1,875,233</b>	<b>619,477</b>	<b>771,051</b>
Operating income (loss)	4,196,706	236,901	(505,989)	675,097	122,617	(575,720)
Nonoperating	(483,957)	-0-	6,181,382	(707,799)	-0-	(8,036,657)
Excess revenue over expenses	3,712,749	236,901	5,675,393	(32,702)	122,617	(8,612,377)
Transfers (to) from Hospital	-0-	(100,912)	500,000	-0-	-0-	1,000,000
<b>Change in net position</b>	<b>3,712,749</b>	<b>135,989</b>	<b>6,175,393</b>	<b>(32,702)</b>	<b>122,617</b>	<b>(7,612,377)</b>
<b>Net position</b>						
Beginning of year	13,280,215	3,545,844	80,103,641	13,312,917	3,423,227	87,716,018
<b>End of year</b>	<b>\$ 16,992,964</b>	<b>\$ 3,681,833</b>	<b>\$ 86,279,034</b>	<b>\$ 13,280,215</b>	<b>\$ 3,545,844</b>	<b>\$ 80,103,641</b>
<b>Statements of cash flows</b>						
<b>Cash provided by (used in)</b>						
Operating activities	\$ 5,567,189	\$ 233,341	\$ (38,122)	\$ 1,839,131	\$ 133,516	\$ 80,175
Capital and related financing activities	(1,854,440)	(274,788)	-0-	(1,871,832)	(9,920)	-0-
Investing activities	(3,712,749)	-0-	-0-	32,701	-0-	(8,000,000)
<b>Total change</b>	<b>-0-</b>	<b>(41,447)</b>	<b>(38,122)</b>	<b>-0-</b>	<b>123,596</b>	<b>(7,919,825)</b>
<b>Cash equivalents</b>						
Beginning of year	-0-	529,591	376,044	-0-	405,995	8,295,869
<b>End of year</b>	<b>\$ -0-</b>	<b>\$ 488,144</b>	<b>\$ 337,922</b>	<b>\$ -0-</b>	<b>\$ 529,591</b>	<b>\$ 376,044</b>

The lease receivable from the Hospital and the deferred inflows related to the Association and MOP are intercompany lease agreements between these blended component units and the Hospital under GASB 87 for lessor accounting. These amounts are eliminated for the Hospital's financial reporting purposes.



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204  
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Witham Health Services  
Lebanon, Indiana

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Witham Health Services (the Hospital), a component unit of Boone County, which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Trustees  
Witham Health Services  
Lebanon, Indiana

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Blue & Co., LLC**

Indianapolis, Indiana  
June 28, 2024