Goshen Health System, Inc.
and Subsidiaries
d/b/a Goshen Health

Consolidated Financial Report
December 31, 2022

Contents

Independent Auditor's Report

RSM US LLP

Board of Directors
Goshen Health System, Inc.
d/b/a Goshen Health

Opinion
We have audited the consolidated financial statements of Goshen Health System, Inc. and Subsidiaries d/b/a Goshen Health (Goshen Health), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Goshen Health as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Goshen Health and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Goshen Health's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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 GAAS 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 judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment 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 Goshen Health'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Goshen Health'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.

RSM US LLP

Elkhart, Indiana
March 16, 2023

Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health

Consolidated Balance Sheets
December 31, 2022 and 2021
(In Thousands)

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	**$ 6,960**	$ 17,212
Assets limited as to use	**3,627**	12,688
Patient accounts receivable	**33,999**	39,172
Inventories	**12,607**	11,999
Prepaid expenses and other	**12,216**	10,495
Total current assets	**69,409**	91,566
Assets limited as to use, less current portion	**210,304**	292,932
Property and equipment:		
Cost of property and equipment in service	**349,177**	288,127
Less accumulated depreciation	**173,795**	161,149
	175,382	126,978
Construction in progress	**19,315**	56,908
Property held for future development	**2,658**	3,424
	197,355	187,310
Other assets:		
Finance lease right-of-use assets, net	**2,543**	2,988
Operating lease right-of-use assets, net	**7,952**	7,191
Other assets	**2,638**	3,359
	13,133	13,538
Total assets	**$ 490,201**	$ 585,346

(Continued)

Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health

Consolidated Balance Sheets (Continued)
December 31, 2022 and 2021
(In Thousands)

	2022	2021
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 26,320**	$ 23,706
Accrued salaries, wages and related liabilities	**18,606**	21,126
Medicare accelerated payments	**-**	11,610
Estimated amounts due to third-party payors	**300**	300
Line of credit borrowings	**11,529**	-
Current portion of long-term debt	**2,017**	1,979
Current portion of finance lease liabilities	**741**	563
Current portion of operating lease liabilities	**2,333**	2,419
Total current liabilities	**61,846**	61,703
Noncurrent liabilities:		
Long-term debt, less current portion	**79,642**	82,036
Finance lease liabilities, less current portion	**1,977**	2,486
Operating lease liabilities, less current portion	**5,690**	4,774
Other	**1,760**	1,905
	89,069	91,201
Total liabilities	**150,915**	152,904
Net assets:		
Net assets without donor restrictions	**333,667**	427,130
Net assets with donor restrictions	**5,619**	5,312
	339,286	432,442
Total liabilities and net assets	**$ 490,201**	$ 585,346

See notes to consolidated financial statements.

Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2022 and 2021
(In Thousands)

		2022		2021
Revenues:				
Patient service revenue	**$**	**299,375**	$	301,342
Other revenue		**13,553**		15,263
		312,928		316,605
Expenses:				
Salaries, wages and benefits		**174,454**		160,590
Supplies, drugs, purchased services and other		**156,794**		136,309
Hospital assessment fee		**12,856**		11,500
Depreciation and amortization		**15,236**		14,145
Interest		**2,277**		857
		361,617		323,401
Operating loss		**(48,689)**		(6,796)
Nonoperating (loss) income:				
Investment (loss) income, net		**(44,990)**		33,965
Other, net		**169**		(2)
		(44,821)		33,963
(Deficit) excess of revenues over expenses		**(93,510)**		27,167
Other changes in net assets without donor restrictions:				
Net assets released from restrictions for capital improvements		**47**		-
Increase in net assets without donor restrictions		**(93,463)**		27,167
Changes in net assets with donor restrictions:				
Contributions		**307**		322
Increase in net assets with donor restrictions		**307**		322
(Decrease) increase in net assets		**(93,156)**		27,489
Net assets at beginning of year		**432,442**		404,953
Net assets at end of year	**$**	**339,286**	$	432,442

See notes to consolidated financial statements.

Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Cash flows from operating activities:		
(Decrease) increase in net assets	**$ (93,156)**	$ 27,489
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Amortization of deferred bond issuance costs and net premium	**(380)**	(380)
Depreciation and amortization	**14,680**	13,965
Amortization of finance lease right-of-use assets	**684**	322
Amortization of operating lease right-of-use assets	**2,871**	3,394
Cash paid under operating leases	**(2,801)**	(3,392)
Change in value of trading securities	**74,899**	(43,763)
Changes in operating assets and liabilities:		
Patient accounts receivable	**5,173**	(2,171)
Prepaid expenses, inventories and other assets	**(1,608)**	(732)
Accounts payable, accrued expenses and other liabilities	**4,063**	3,344
Accrued salaries, wages and related liabilities	**(2,520)**	520
Medicare accelerated payments	**(11,610)**	(6,315)
Net cash used in operating activities	**(9,705)**	(7,719)
Cash flows from investing activities:		
Purchase of property and equipment, net of disposals	**(26,319)**	(39,248)
Decrease in trustee-held bond proceeds	**13,657**	25,989
Decrease in investments held in escrow	**3,116**	1,446
Net cash used in investing activities	**(9,546)**	(11,813)
Cash flows from financing activities:		
Proceeds from line of credit borrowings	**115,176**	-
Repayments on line of credit borrowings	**(103,647)**	-
Repayments on long-term debt	**(1,976)**	(1,934)
Payments of finance lease obligations	**(570)**	(261)
Net cash provided by (used in) financing activities	**8,983**	(2,195)
Decrease in cash, cash equivalents and restricted cash	**(10,268)**	(21,727)
Cash, cash equivalents and restricted cash:		
Beginning of year	**17,543**	39,270
End of year	**$ 7,275**	$ 17,543
Supplemental disclosures of noncash operating and investing activities:		
Equipment purchases in accounts payable and accrued expenses	**$ 5,868**	$ 7,462
Operating lease right-of-use assets obtained from incurring lease liabilities	**$ 3,632**	$ 3,205
Finance lease right-of-use assets obtained from incurring lease liabilities	**$ 239**	$ 2,662

See notes to consolidated financial statements.

Mission Statement

The mission of Goshen Health is to improve the health of our communities by providing innovative, outstanding care and services, through exceptional people doing exceptional work.

C*ompassion – and commitment to service with empathy.*

A*ccountability – with integrity and action.*

R*espect – through treating others as you wish to be treated.*

E*xcellence – in all we do.*

Building upon our mission and values, Goshen Health will be the trusted partner for care, inspiring health and wellness for all.

Note 1. Organization and Nature of Operations

The accompanying consolidated financial statements represent the accounts of Goshen Health System, Inc. d/b/a Goshen Health and its various affiliated corporations under the control of Goshen Health. Goshen Health is an Indiana nonprofit corporation exempt from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in Section 501(c)(3) and a public charity as described in Section 509(a)(3).

Goshen Health is the sole corporate member of the following entities:

- Goshen Hospital Association, Inc. d/b/a Goshen Hospital is a nonprofit, acute-care hospital servicing Goshen, Indiana, and surrounding communities in northern Indiana.
- Parkmor Drug, Inc. and Subsidiaries d/b/a Goshen Home Medical, a for-profit corporation, operates a home medical equipment business in Goshen, Indiana.
- Indiana Lakes Managed Care Organization, LLC, a for-profit organization, provides management services for managed care arrangements entered into by Goshen Health and third parties.
- Goshen Health Surgery Center, LLC, a for-profit organization, is an outpatient surgery center in Goshen, Indiana.
- Goshen Health Foundation, Inc. (Foundation), a nonprofit organization, is a philanthropic organization committed to partnering with individuals and organizations to address the community health needs of Goshen, Indiana, and its surrounding communities.

Note 2. Community Benefit and Charity Care

Goshen Health provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community. In addition, Goshen Health provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources or those who are uninsured or underinsured. Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of Goshen Health’s benefit provided to the community since a substantial portion of such services are reimbursed at amounts less than cost.

Note 2. Community Benefit and Charity Care (Continued)

Goshen Health's financial assistance policies are designed to provide care to patients regardless of their ability to pay, and all uninsured patients are eligible for discounts from established charges. Patients who meet certain criteria (generally based on up to 400% of federal poverty income guidelines and other patients who are victims of certain catastrophic events) are provided care without charge or at amounts less than established rates.

The amount of charity care provided is determined based on the qualifying criteria, as defined in the financial assistance policies, through approved applications completed by patients and their families or beneficiaries. Eligibility may also be determined based on analysis of patients without third-party insurance coverage who did not apply for charity and whose income was equal to or less than 200% of federal poverty income guidelines. No payment for services is anticipated for those patients whose charity care applications have been approved, as well as for those other patients whose income is equal to, or less than 200% of federal poverty income guidelines and who meet certain other criteria. The cost to provide charity care, estimated by applying the consolidated cost to charge ratio to charges foregone for charity care, was $2,499 and $2,519 for the years ended December 31, 2022 and 2021, respectively.

For uninsured patients who do not qualify for charity care, revenue is recognized on the basis of charges reduced by implicit price concessions in accordance with an uninsured discount policy. Patients who meet Goshen Health's criteria for charity care are provided care without charges and such amounts are not reported as revenue.

In addition, Goshen Health provides a significant amount of uncompensated care to other uninsured and underinsured patients, which is included as a direct reduction of patient service revenue.

Enacted March 23, 2010, the Patient Protection and Affordable Care Act (ACA) required, among other things, that hospital organizations establish a financial assistance policy and a policy relating to emergency medical care. Goshen Health has adopted a financial assistance policy that conforms with the ACA and includes financial assistance eligibility criteria, the basis for calculating amounts charged to patients, the method of applying for financial assistance, billing and collections policies with regard to actions that may be taken in the case of non-payment, as well as measures to widely publicize the policies within the communities served. Additionally, hospital organizations must adopt policies that require them to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the organizations' financial assistance policies. Goshen Health has also adopted policies to limit the amount charged for emergency or other medically necessary care that is provided to individuals eligible for assistance under its financial assistance policy to no more than the amounts generally billed to individuals who have insurance covering such care.

Reimbursements are received by Goshen Health for Medicare and Medicaid beneficiaries in accordance with reimbursement agreements and related rules and regulations. Also, Goshen Health receives certain payments under the Hospital Assessment Fee (HAF) program from the state of Indiana (see Note 4). These reimbursements and payments are less than the cost of providing the related services.

Through the community health needs assessment that Goshen Health conducted in 2021, the following community health needs were identified and selected as priority areas in which Goshen Health will focus on community benefit efforts: mental health, diabetes treatment and prevention, poverty, obesity/weight management, lack of access to health care, substance abuse, and health education. The costs of providing these programs and services are included in expenses in the accompanying consolidated statements of operations and changes in net assets.

(Dollars in Thousands)

Note 3. Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include the accounts of Goshen Health and all majority-owned or controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents: Investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding assets limited as to use, are considered by management to be cash equivalents. Goshen Health places its cash and cash equivalents with institutions of high credit quality and/or positions them such that they are insured by the Federal Deposit Insurance Corporation in order to mitigate potential concentrations of credit risk.

Cash, cash equivalents and restricted cash consists of the following as of December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	$ 6,960	$ 17,212
Restricted cash included in current portion of assets limited as to use	315	331
	$ 7,275	$ 17,543

Patient accounts receivable, estimated amounts due to third-party payors, and patient service revenue: Patient service revenue and accounts receivable are reported at the amount that reflects the consideration to which Goshen Health expects to be entitled in exchange for providing patient care. These amounts, representing the estimated transaction price, are due from patients, third-party payers (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations.

Inventories: Inventories consist primarily of drugs and supplies, are stated at the lower of cost (average cost method) or net realizable value.

Assets limited as to use: Assets limited as to use include the following: (i) cash and cash equivalents and designated investment assets, set aside by the Board of Directors for future capital improvements and for other purposes, over which the Board retains control and may, in certain circumstances, use for other purposes; (ii) trustee-held bond proceeds to be used for capital projects; (iii) investments required to be held in escrow under the separation agreement with Indiana University Health (IUH) (see Note 9); (iv) investments required to be held in escrow under Accountable Care Organization (ACO) agreements; and (v) restricted cash held under bank agreement for payment of certain recourse liabilities (see Note 5). Substantially all assets limited as to use are invested and managed by professional investment managers and are held in custody by financial institutions.

Note 3. Significant Accounting Policies (Continued)

Board-designated investments in equity securities with readily determinable fair values and all investments in debt securities are classified as trading securities and are reported at fair value. Investments held in escrow and trustee-held investments are classified as other-than-trading securities and are reported at fair value. Investments in hedge funds are reported at net asset value (NAV) as a practical expedient for fair value, based on the funds' financial information. Generally, the NAV of these funds reflects the contributed capital, as well as an allocated share of the underlying limited partnerships realized and unrealized gains and losses.

Investment income or loss (including realized gains and losses on the sale of investments, unrealized gains and losses on trading securities, and changes in the carrying value of hedge funds), is reported as nonoperating income (loss) unless the income is restricted by donor or law. The cost of securities sold is based on the specific identification method.

Investment securities purchased and sold are reported based on the trade date. Due to the period lag between the trade and settlement date, Goshen Health reports receivables for securities sold but not settled and reports liabilities for securities purchased but not settled. These receivables and payables are settled from within the investment portfolio and are presented on a net basis within assets whose use is limited in the consolidated balance sheets.

Property and equipment: Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Interest cost incurred on borrowed funds during the period of construction and other interest costs related to tax-exempt bonds are capitalized as a component of the cost of constructing the assets. In addition, interest earnings on unexpended borrowed funds related to tax-exempt financings offset capitalized tax-exempt interest. Repairs and maintenance costs are expensed when incurred.

Goshen Health evaluates when events or changes in circumstances have occurred that would indicate that the remaining estimated useful lives of long-lived assets warrant revision or that the remaining balance of such assets may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. If undiscounted cash flows are insufficient to recover the carrying value of the long-lived asset, such asset is written down to its fair value if its carrying value exceeds fair value.

Leases: Goshen Health determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and Goshen Health has the right to control the asset.

Lease right-of-use (ROU) assets represent Goshen Health's right to use an underlying asset for the lease term and a lease liability represents Goshen Health's obligation to make lease payments arising from the lease. Leases are classified as either operating or financing. Lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease terms. Unless otherwise stated in the lease agreement, Goshen Health has elected to use a risk-free rate for the same period of time as the lease term in determining the present value of lease payments. Goshen Health defines the risk-free rate as the U.S. Treasury yield curve rate. Lease terms include options to extend the lease when it is reasonably certain those options will be exercised.

Note 3. Significant Accounting Policies (Continued)

Goshen Health has elected to not recognize assets and liabilities for leases with a lease term of 12 months or less (short-term leases). Lease payments for short-term leases are recognized as expense on a straight-line basis and any variable lease payments are recognized as expense in the period for which the obligation is incurred.

Goshen Health has lease agreements with lease and non-lease components, which Goshen Health has elected to account for as a single lease component for all asset classes. In the consolidated statements of operations and changes in net assets, lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Deferred bond issuance costs and bond premium: Bond issuance costs are deferred and amortized over the period of time that the bonds are expected to be outstanding. Original issue premium on the bonds is amortized over the time that the bonds are expected to be outstanding. Unamortized bond issuance costs and bond premium are reported as a reduction of long-term debt.

Equity interest in unconsolidated subsidiaries: Goshen Health has also entered into certain limited liability company agreements with third parties that provide health care-related services. Where applicable, these arrangements are accounted for using the equity method of accounting. The equity interest in unconsolidated subsidiaries recorded within other assets in the consolidated balance sheets was $687 and $613 as of December 31, 2022 and 2021, respectively. Goshen Health reports its interest in the income of its unconsolidated subsidiaries within other nonoperating income (loss), totaling $163 and $(10) during the years ended December 31, 2022 and 2021, respectively.

Contributions: Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give, including indications of an intention to give, are reported at fair value at the date the gift is received. If the gifts are received with donor stipulations that limit the use of the donated assets, the gifts are reported as net assets with donor restrictions. Donor-restricted contributions for which restrictions are met in the same year as received are reported as net assets without donor restrictions in the consolidated statements of operations and changes in net assets.

Grant revenue: Coronavirus Aid, Relief and Economic Security (CARES) Act and other grant revenue, included in other revenue in the accompanying consolidated statements of operations and changes in net assets, is recognized when there is reasonable assurance that Goshen Health has complied with the conditions associated with the grant. See Note 16 for funding received under the CARES Act.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the activities of Goshen Health. These net assets may be used at the discretion of Goshen Health’s management and board of directors.

Net assets with donor restrictions: Net assets with donor restrictions are those net assets whose use has been limited by donors to a specific time period or purpose. These net assets are generally restricted for medical supplies and equipment and patient care services.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reported as other revenue (if released to offset operating expenses) or net assets released from restrictions for capital improvements in the consolidated statements of operations and changes in net assets.

Note 3. Significant Accounting Policies (Continued)

Income taxes: The Internal Revenue Service has determined that Goshen Health and certain affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code.

Certain subsidiaries of Goshen Health are taxable entities, of which the tax expense and liabilities are not material to the consolidated financial statements.

Goshen Health and its tax-exempt affiliated entities each file a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to health systems include such matters as the tax-exempt status of each entity, the continued tax-exempt status of bonds, the nature, characterization and taxability of joint venture income, and various positions relating to potential sources of unrelated business taxable income (reported on Form 990T). As of December 31, 2022 and 2021, there are no unrecognized tax benefits resulting from uncertain tax positions.

Forms 990 and 990T filed by Goshen Health and its tax-exempt affiliated entities are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 and 990T filed by Goshen Health and its tax-exempt affiliated entities are no longer subject to examination for tax year 2019 and prior.

Operating and performance indicators: The activities of Goshen Health are primarily related to providing health care services and, accordingly, expense information by functional classification is not used as a basis for measuring performance. Furthermore, since substantially all resources are derived from providing health care services, similar to that if provided by a business enterprise, the following indicators are considered important in evaluating how well management has discharged its stewardship responsibilities:

Operating indicator (operating income/loss): Includes all revenue, gains, donor contributions released from restrictions used to offset operating expenses, other support, and expenses directly related to the recurring and ongoing health care operations during the reporting period. The operating indicator excludes investment income or losses on assets limited as to use (including changes in unrealized gains and losses on trading securities), gains and losses related to equity interests in unconsolidated subsidiaries, and other gains and losses deemed by management not to be directly related to providing health care services.

Performance indicator (deficit/excess of revenues over expenses): Includes operating income and nonoperating income. The performance indicator excludes certain changes in contributions for capital expenditures and net assets released from restrictions for capital improvements.

New accounting pronouncements adopted: In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a nonprofit entity to present contributed nonfinancial assets in the consolidated statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. Goshen Health adopted ASU 2020-07 in the accompanying consolidated financial statements, without significant effect.

Note 3. Significant Accounting Policies (Continued)

In November 2021, the FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Leases That Are Not Public Business Entities,* which provides an entity the option to apply the risk-free rate by class of underlying asset, rather than at the entity-wide level. The amendment requires that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. Goshen Health adopted ASU 2021-09 using a modified-retrospective approach in the accompanying consolidated financial statements, without significant effect.

Reclassification: Certain prior year comparative amounts have been reclassified to conform with the current year's presentation. These reclassifications have no impact on excess of revenues over expenses or net assets.

Subsequent events: Management has evaluated subsequent events and transactions through March 16, 2023, the date that these consolidated financial statements were issued.

Note 4. Patient Service Revenue and Accounts Receivable

Generally, Goshen Health bills the patients and third-party payers several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Goshen Health. Substantially all of Goshen Health's patient care service revenue relates to performance obligations satisfied over time and is recognized based on actual charges incurred in relation to total expected (or actual) charges. Goshen Health believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. For patients receiving inpatient acute care services, Goshen Health measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. For most outpatient and physician services, the patient simultaneously receives and consumes the benefits of the services as the services are provided.

Because all of its performance obligations relate to contracts with a duration of less than one year, Goshen Health has elected to apply the optional exemption provided in FASB Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied performance obligations referred to above and are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Goshen Health determines the transaction price based on standard charges for goods and services provided to patients, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with Goshen Health's policy, and/or implicit price concessions based on historical collection experience.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as provision for uncollectible accounts. The provision for uncollectible accounts for the years ended December 31, 2022 and 2021, was not significant.

(Dollars in Thousands)

Note 4. Patient Service Revenue and Accounts Receivable (Continued)

Certain revenue is subject to estimated retroactive revenue adjustments under reimbursement agreements with third-party payors due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period that the related services are rendered, and such amounts are adjusted in future periods as adjustments become known, or as reimbursement periods are settled and are no longer subject to such audits, reviews, and investigations. There were no significant changes in estimated amounts due to third-party payors that affected patient service revenue during the years ended December 31, 2022 and 2021.

For the delivery of health care services, Goshen Health does not require collateral or other security from its patients, substantially all of whom are residents of the state of Indiana. However, assignment of benefit payments payable under patients' health insurance programs and plans (e.g., Medicare, Medicaid, health maintenance organizations, and commercial insurance policies) is routinely obtained, consistent with industry practice.

Goshen Health has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to Goshen Health's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, Goshen Health does, in certain instances, enter into payment arrangements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

A summary of the payment arrangements with major third-party payers follows:

Medicare: Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

Medicaid: Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Patient service revenue was received from the following major payor sources during the years ended December 31, 2022 and 2021:

	2022	2021
Managed care programs	51%	53%
Medicare and Medicare Advantage	30	27
Medicaid	10	10
Self-pay patients	6	6
Other third-party payors	3	4
	100%	100%

(Dollars in Thousands)

Note 4. Patient Service Revenue and Accounts Receivable (Continued)

A single managed care provider represented approximately 26% and 23% of patient service revenue for the years ended December 31, 2022 and 2021, respectively. Another single managed care payor represented approximately 7% and 10% of patient service revenue for the years ended December 31, 2022 and 2021, respectively.

During 2012, the Indiana General Assembly approved the HAF program. Under this program, the Office of Medicaid Policy and Planning collects a fee from eligible hospitals. The fee is used in part to increase reimbursement to eligible hospitals for services provided in both fee for service and managed care programs, as the state's share of Medicaid Disproportionate Share (DSH) payments.

For the years ended December 31, 2022 and 2021, increased reimbursement related to the HAF program was recorded within patient service revenue in the consolidated statements of operations and changes in net assets. During the years ended December 31, 2022 and 2021, an assessment fee was recognized of $12,856 and $11,500, respectively, which is reported as hospital assessment fee expense on the consolidated statements of operations and changes in net assets.

Laws and regulations governing Medicare, Medicaid, and other governmental programs are extremely complex, subject to interpretations and sometimes provide for retroactive adjustments. As a result, there is a reasonable possibility that recorded estimated settlements could change by a material amount in the near term. Goshen Health believes it is in compliance with applicable laws and regulations governing Medicare, Medicaid, and other governmental programs and that adequate provisions have been recorded for any adjustments that may result from final settlements. However, any adjustments to the currently estimated settlements will be recorded in future periods.

The composition of patient accounts receivable as of December 31, 2022 and 2021, is as follows:

	2022	2021
Managed care programs	53%	51%
Medicare and Medicare Advantage	25	29
Medicaid	10	9
Self-pay patients	8	4
Other third-party payors	4	7
	100%	100%

A single managed care payor represented approximately 24% and 22% of patient accounts receivable at December 31, 2022 and 2021, respectively. Another single managed care payor represented approximately 9% and 11% of patient accounts receivable at December 31, 2022 and 2021, respectively.

(Dollars in Thousands)

Note 5. Assets Limited as to Use

As of December 31, 2022 and 2021, assets limited as to use consisted of the following:

	2022	2021
Board-designated investments	$ 198,864	$ 275,763
Trustee-held bond proceeds to be used for capital projects	4,548	18,205
Investments held in escrow under Separation Agreement with IUH (See Note 9)	8,798	9,923
Investments held in escrow under ACO agreements	1,406	1,398
Restricted cash held under bank agreement for payment of certain recourse liabilities	315	331
	213,931	305,620
Less current portion	3,627	12,688
Noncurrent portion	$ 210,304	$ 292,932

Assets limited as to use are invested in accordance with Board approved policies. The estimated fair value of the assets limited as to use is determined using market information and other appropriate valuation methodologies. The methods and assumptions used to estimate the fair value of assets limited as to use are as follows: (i) cash and cash equivalents: the carrying amounts reported in the consolidated balance sheets approximate fair value; (ii) marketable securities: the fair values are based on quoted market prices or, if quoted market prices are not available, quoted market prices of comparable instruments and other observable inputs; and (iii) other investments, including alternative investments (such as hedge funds): accounted for using the equity method of accounting based upon the net asset values as determined by third-party administrators of each fund in consultation with and approval of the fund investment managers.

Goshen Health is a limited partner in funds that employ hedged investment strategies and funds that employ investment strategies that require long holding periods to create value, both of which are designed to reduce overall portfolio volatility. See Note 10 for information regarding notification requirements for redemptions of these investments. These investments are accounted for at NAV as a practical expedient for fair value, based on the funds' financial information.

Alternative investments include certain other risks that may not exist with other investments that are more widely traded. These include reliance on the skill of the fund managers, who often employ complex strategies utilizing various financial instruments, including futures contracts, foreign currency contracts, structured notes, and interest rate, total return, and credit default swaps. Additionally, alternative investments may provide limited information on a fund's underlying assets and have restrictive liquidity provisions. Management believes that Goshen Health, in consultation with its investment consultant, has the capacity to analyze and interpret the risks associated with alternative investments and, with this understanding, has determined that these investments represent a prudent approach for use in its portfolio management.

(Dollars in Thousands)

Note 5. Assets Limited as to Use (Continued)

As of December 31, 2022 and 2021, assets limited as to use consisted of the following:

	2022	2021
Cash, cash equivalents and restricted cash	$ 18,858	$ 8,251
Marketable securities:		
Fixed income securities	3,886	23,131
Global equities	39,584	57,041
Mutual funds	124,791	165,474
Alternative investments:		
Hedge funds	2,532	26,904
Other private investment funds	5,756	7,642
Private credit	6,167	6,159
Private real estate investments	12,357	11,018
	$ 213,931	$ 305,620

The composition of investment income reported in the consolidated statements of operations and changes in net assets, for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
Interest and dividend income	$ 5,578	$ 5,828
Investment management and administration fees	(546)	(549)
Realized gains on sales of investments, net	40,597	8,936
Unrealized (losses) gains on investments, net	(90,619)	19,750
	$ (44,990)	$ 33,965

Note 6. Liquidity and Availability

As of December 31, 2022, Goshen Health had a working capital surplus of $7,562 and average days cash on hand of 219.

Financial assets available for general expenditure within one year of the consolidated balance sheet date as of December 31, 2022 and 2021, consist of the following:

	2022	2021
Cash and cash equivalents	$ 6,960	$ 17,212
Patient accounts receivable	33,999	39,172
Assets limited to use:		
Board-designated investments	198,864	275,763
	$ 239,823	$ 332,147

(Dollars in Thousands)

Note 6. Liquidity and Availability (Continued)

Goshen Health has certain board-designated investments which are available for general expenditure within one year in the normal scope of operations. Accordingly, these assets have been included in the amounts above. Goshen Health has other assets limited to use for debt service and accountable care and other agreements, and for capital expenditures. These assets limited as to use, which are more fully described in Note 5, are not available for general expenditure within the next year and are not reflected in the amounts above.

Goshen Health maintains a line of credit, as discussed in more detail in Note 9. As of December 31, 2022 and 2021, $18,471 and $30,000, respectively, was available for borrowing on the line of credit. In January 2023, the line of credit agreement was amended to reduce the maximum borrowings from $30,000 to $20,000. Additionally, $21,000 of board-designated investments was transferred into a separate money market account to be held as collateral for borrowings under the line of credit.

Note 7. Property and Equipment

The cost of property and equipment in service as of December 31, 2022 and 2021, is summarized as follows:

	2022	2021
Land and improvements	$ 10,458	$ 9,697
Buildings and improvements	175,152	124,344
Equipment, including software developed for internal use	163,567	154,086
	$ 349,177	$ 288,127

Property and equipment is depreciated on a straight-line basis beginning in the month when placed in service. Useful lives of each category of assets are based on the estimated useful time frame that the particular assets are expected to be in service, generally in accordance with guidelines established by the American Hospital Association. Asset lives range as follows:

	Years
Land improvements	20-30
Buildings and improvements	15-40
Equipment, including software developed for internal use	3-10

(Dollars in Thousands)

Note 7. Property and Equipment (Continued)

Construction in progress for assets currently under development is anticipated to extend through 2023 and includes commitments for the construction, refurbishment, and replacement of facilities and equipment. A summary of the construction in progress as of December 31, 2022 and 2021, are as follows:

	2022	2021
IT projects	$ 4,194	$ 1,837
Building improvements	2,755	3,629
Private room initiative	12,308	49,750
Miscellaneous projects	58	1,692
	$ 19,315	$ 56,908

Firm commitments for construction projects currently in-progress totaled $12,557 at December 31, 2022.

Property purchased and held for future development is reported at cost and totaled $2,658 and $3,424 at December 31, 2022 and 2021, respectively.

Note 8. Leases

Goshen Health has operating leases that consist of medical equipment and medical office space agreements. Goshen Health is also the lessor in several lease agreements for campus housing for colleagues and contracted employees and medical office space for medical practices.

Goshen Health's leases have remaining lease terms of one to seven years. For purposes of calculating lease liabilities, lease terms include options to extend the lease when it is reasonably certain those options will be exercised. Some leasing arrangements require variable payments that are dependent on usage or other measures. The variable lease payments are not presented as part of the initial ROU asset or lease liability. Goshen Health's lease agreements do not contain any material restrictive covenants.

The components of lease expense for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Finance lease cost:		
Amortization of right-of-use assets	$ 684	$ 322
Interest on lease liabilities	86	32
Operating lease cost	2,824	2,978
Variable lease cost	440	520
Total lease cost	$ 4,034	$ 3,852

Amortization of finance lease right-of-use assets is reported in depreciation and amortization expense, and interest on finance lease liabilities is reported in interest expense, in the accompanying consolidated statements of operations and changes in net assets. Lease cost for operating leases and variable lease cost are reported in supplies, drugs, purchased services and other expense in the accompanying consolidated statements of operations and changes in net assets.

(Dollars in Thousands)

Note 8. Leases (Continued)

Goshen Health utilizes a stated rate or a risk-free rate in determining the present value of lease payments.

	2022	2021
Weighted-average remaining lease term (years):		
Finance leases	4.83	4.47
Operating leases	6.38	6.76
Weighted-average discount rate:		
Finance leases	2.57%	2.97%
Operating leases	1.90%	1.19%

The following table provides the maturities of lease liabilities at December 31, 2022:

	Finance Leases	Operating Leases
Year ending December 31:		
2023	$ 741	$ 2,333
2024	1,277	2,302
2025	1,566	2,207
2026	1,277	1,940
2027	368	931
Thereafter	-	1,708
Total future undiscounted lease payments	5,229	11,421
Less present value discount	2,511	3,398
Lease liabilities	2,718	8,023
Less current portion	741	2,333
Long-term portion	$ 1,977	$ 5,690

(Dollars in Thousands)

Note 9. Long-Term Debt and Other Borrowings

Long-term debt at December 31, 2022 and 2021, consists of the following:

	2022	2021
Indiana Finance Authority Hospital Revenue Bonds,		
Series 2019 (Goshen Health):		
Series 2019A (interest rates ranging from 4% to 5%) with maturities through November 2043	$ 44,330	$ 44,330
Series 2019B (interest rate of 2.1%) maturing November 1, 2049	25,360	25,360
	69,690	69,690
Loan from Indiana University Health (IUH):		
Note payable to IUH Under Separation Agreement payable in annual installments through 2026	8,000	10,000
Loans from Key Bank:		
Mortgage obligations (interest rates ranging from 1.35% to 5.02%)	320	523
	78,010	80,213
Add unamortized original issue premium on revenue bonds	4,719	5,182
Less present value discount on note payable to IUH	467	695
Less unamortized bond issuance costs	603	685
	81,659	84,015
Less current portion	2,017	1,979
Long-term debt	$ 79,642	$ 82,036

In July 2019, Goshen Health issued $69,690 of fixed rate tax-exempt revenue bonds (Series 2019 Bonds) through the Indiana Finance Authority. The proceeds of the Series 2019 Bonds are being used to finance a facility and campus improvement project. The Series 2019 Bonds are secured by a pledge of Goshen Health's gross receivables.

The Series 2019A Bonds were issued in various maturities from November 2027 through November 2043. The Series 2019A Bonds maturing on or after November 1, 2029, are subject to redemption prior to their stated maturities on or after May 1, 2029, at the option of Goshen Health, at 100% of outstanding principal plus accrued interest. Series 2019A Bonds in the amount of $10,215 are also subject to redemption prior to their stated maturities from sinking fund installments in varying amounts beginning November 1, 2040 through November 1, 2042. The Series 2019A Bonds were issued in a fixed rate mode (with rates ranging from 4% to 5%) that may be converted, at the option of Goshen Health, to other modes on or after May 1, 2029.

Note 9. Long-Term Debt and Other Borrowings (Continued)

The Series 2019B Bonds mature through November 1, 2049, with an initial long-term interest rate of 2.1%. The initial long-term interest rate period ends October 31, 2026. After this date, the Series 2019B Bonds will bear interest at successive long-term interest rates until conversion, at the option of Goshen Health, of all or a portion of the Series 2019B Bonds to a new interest rate mode. The Series 2019B Bonds are subject to mandatory tender on the first day following the long-term interest rate period or on a conversion date to a new interest rate mode. The Series 2019B Bonds are subject to redemption prior to their stated maturities on or after May 1, 2026, at the option of Goshen Health, at 100% of outstanding principal plus accrued interest. Series 2019B Bonds in the amount of $21,140 are also subject to redemption prior to their stated maturities from sinking fund installments in varying amounts beginning November 1, 2043 through November 1, 2048.

The Series 2019 Bonds were issued under a Master Indenture. The Master Indenture and related agreements subject Goshen Health System, Inc. and Goshen Hospital Association, Inc., as the Obligated Group members, to reporting, financial and other covenants, including the maintenance of a minimum debt service coverage ratio.

As a condition of the Separation Agreement executed in December 2016 with IUH, Goshen Health agreed to pay IUH a separation payment of $20,000. Of this amount, $2,000 was paid in December 2016, with required annual payments of $2,000 (principal and imputed interest) beginning in January 2018. Goshen Health has recognized a liability for the present value of these future annual payments, discounted at 2.45%. The Separation Agreement includes certain restrictions on IUH's activities within Goshen Health's service area through December 31, 2026. Violations of these restrictions that remain uncured for more than 90 days will result in termination of Goshen Health's obligation to repay any remaining amounts due to IUH under the Separation Agreement.

Included in assets limited as to use (Note 5), as required by the Separation Agreement, are amounts placed in escrow sufficient to fund the payments on the note payable to IUH.

Goshen Health maintains a line of credit with Key Bank, which requires monthly interest payments until it expires, at which time any outstanding draws on the line of credit must be repaid in full. Outstanding borrowings on the line of credit as of December 31, 2022 and 2021 were $11,529 and $0, respectively. On January 31, 2023, Goshen Health amended the line of credit agreement to decrease the maximum borrowing under the line of credit from $30,000 to $20,000 and extended the maturity date through January 31, 2024. As security for the obligation, Goshen Health has pledged and assigned to Key Bank, a collateral assignment and security interest of a marketable security equal to $21,000. Interest on outstanding borrowings, equal to the Secured Overnight Finance Rate (SOFR) plus a margin, is due monthly.

(Dollars in Thousands)

Note 9. Long-Term Debt and Other Borrowings (Continued)

The scheduled maturities of long-term debt as of December 31, 2022, are as follows:

Year ending December 31:		
2023	$	2,202
2024		2,118
2025		2,000
2026		2,000
2027		1,805
Thereafter		67,885
	$	78,010

Total interest paid on long-term debt for the years ended December 31, 2022 and 2021, was $2,983 and $2,695, respectively. Interest capitalized amounted to $318 and $1,490 in 2022 and 2021, respectively.

Note 10. Fair Value Measurement

The accounting guidance for the application of fair value provides, among other matters, for the following: defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value; establishes a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date; requires consideration of non-performance risk when valuing liabilities; and expands disclosures about instruments measured at fair value. The three level hierarchy is based upon the nature of valuation techniques and whether such techniques are based upon observable or unobservable inputs, as defined.

Observable inputs are intended to reflect market data obtained from independent sources, while unobservable inputs may reflect market assumptions made by management or measurements made by financial specialists generally associated with the financial asset or liability. These two types of inputs create the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date.

Level 3: Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. In evaluating the significance of inputs, management generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually, or in the aggregate, represent more than 10% of the fair value of the assets or liabilities. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

(Dollars in Thousands)

Note 10. Fair Value Measurement (Continued)

The fair value of financial assets and liabilities measured at fair value on a recurring basis was determined using the following inputs at December 31, 2022 and 2021:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Fixed income securities	$ -	$ 3,886	$ -	$ 3,886
Mutual funds	124,791	-	-	124,791
Global equities	39,584	-	-	39,584
				168,261
Cash, cash equivalents and restricted cash				18,858
Alternative investments				26,812
	$ 164,375	$ 3,886	$ -	$ 213,931

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Fixed income securities	$ -	$ 23,131	$ -	$ 23,131
Mutual funds	165,474	-	-	165,474
Global equities	57,041	-	-	57,041
				245,646
Cash, cash equivalents and restricted cash				8,251
Alternative investments				51,723
	$ 222,515	$ 23,131	$ -	$ 305,620

The fair value of Level 1 trading securities is based on quoted market prices from an active exchange. The fair value of Level 2 trading securities is based on third-party market quotes in an inactive market or similar securities in an active market and other observable inputs.

Transfers are generally recorded at the end of the reporting period. There were no material transfers between Level 1 and Level 2 during the years ended December 31, 2022 and 2021.

Cash and cash equivalents reported outside of assets limited as to use aggregated $6,960 and $17,212 as of December 31, 2022 and 2021, respectively, and are not included in the above tables.

(Dollars in Thousands)

Note 10. Fair Value Measurement (Continued)

The following table presents information related to Goshen Health's alternative investments as of December 31, 2022 and 2021:

	Value at December 31, 2022	Value at December 31, 2021	Unfunded Commitments 2021	Redemption Frequency	Redemption Notice Period
Hedge funds (a)	$ 2,532	$ 26,904	$ -	(e)	(e)
Other private investments (b)	5,756	7,642	-	(e)	(e)
Private credit (c)	6,167	6,159	-	(f)	(f)
Private real estate investments (d)	12,357	11,018	-	(g)	(g)
Total	$ 26,812	$ 51,723	$ -		

(a) Hedge funds consist of investments in international equities and large cap equities. Investments seek to provide investors with long term capital appreciation primarily through investing in North American companies and securities from emerging market countries. These funds are not publicly traded, and the net asset value is based upon information provided by the fund manager.

(b) Other private investments consist of investments in large cap equities that achieve net returns in excess of the U.S. equity markets by owning high quality companies through a long term strategy focused on certain established criteria. These investments are valued using the investment's financial statements and the Fund's percentage ownership issued by the manager or administrator of the investment.

(c) Private credit consists of an investment in Owl Rock Capital Corporation, Limited Partnership. This investment aims to provide investors with current income and the potential for capital appreciation by targeting investment opportunities with favorable risk-adjusted returns. This investment is valued using the investment's financial statements and the Fund's percentage ownership issued by the manager or administrator of the investment.

(d) Private real estate investments consist of investments in CBRE U.S. Core Property Fund, LP. Investments aim to provide investors with a core, stable, income-driven rate of return and the potential for income growth and asset appreciation. Valuations are obtained using the investment's financial statements and the Fund's percentage ownership issued by the manager or administrator of the investment.

(e) Withdrawals and liquidity of these investments are available monthly with a 30-day notice period.

(f) Investments are subject to lock-up provisions and cannot currently be redeemed, but rather liquidity will be offered by the business development company (BDC) upon the liquidation of the underlying assets, merger transactions, or registration on a National Securities Exchange. Liquidity is generally expected, but is not guaranteed, in the next three to four years.

(g) Withdrawals and liquidity of these investments will be available quarterly with a 60-day notice period.

(Dollars in Thousands)

Note 11. Commitments and Contingencies

Goshen Health is from time to time subject to various legal proceedings and claims arising in the ordinary course of business. Goshen Health's management does not expect that the outcome in any of its currently ongoing legal proceedings or the outcome of any other claims, individually or collectively, will have a material adverse effect on Goshen Health's financial condition, results of operations, or cash flow.

Note 12. Malpractice Insurance

Goshen Health's medical malpractice coverage is provided through a pooled risk sharing arrangement with the Suburban Health Organization Risk Retention Group, LLC. The program of medical malpractice coverage considers limitations in claims and damages prescribed by the Indiana Medical Malpractice Act (Act), which limits the amount of individual claims to $1,250 (effective July 1, 1999 through June 30, 2017), of which up to $1,000 would be paid by the State of Indiana Patient Compensation Fund (Fund) and $250 by Goshen Health for each occurrence of malpractice. Effective July 1, 2017, this limit increased to $1,650, of which $1,250 would be paid by the Fund and $400 by Goshen Health. Effective July 1, 2019, this limit increased to $1,800, of which $1,300 would be paid by the Fund and $500 by Goshen Health. The Act limits annual aggregate claims to $7,500 (effective July 1, 1999 through June 30, 2017), $12,000 (effective July 1, 2017 through June 30, 2019) and $15,000 (effective July 1, 2019). The Act also requires that health care providers meet certain requirements, including making funding payments to the Fund and maintaining certain insurance levels. Goshen Health has met these requirements and is a qualified provider under the Act, retaining risk of $500 per occurrence and $15,000 in the annual aggregate.

Note 13. Functional Expenses

Functional expenses for Goshen Heath are as follows for the years ended December 31, 2022 and 2021:

	2022				
	Health Care Services		Support Services		
	Goshen Hospital	Goshen Physicians and Other Services	MG&A	Fundraising	Total
Salaries, wages and benefits	$ 104,545	$ 58,902	$ 10,859	$ 148	$ 174,454
Supplies, drugs, purchased services and other	117,020	25,864	13,697	213	156,794
Hospital assessment fee	12,856	-	-	-	12,856
Depreciation and amortization	13,299	1,176	747	14	15,236
Interest	2,156	-	121	-	2,277
Total expenses	$ 249,876	$ 85,942	$ 25,424	$ 375	$ 361,617

(Dollars in Thousands)

Note 13. Functional Expenses (Continued)

	2021				
	Health Care Services		Support Services		
	Goshen Hospital	Goshen Physicians and Other Services	MG&A	Fundraising	Total
Salaries, wages and benefits	$ 94,936	$ 53,804	$ 11,770	$ 80	$ 160,590
Supplies, drugs, purchased services and other	101,955	24,108	10,002	244	136,309
Hospital assessment fee	11,500	-	-	-	11,500
Depreciation and amortization	12,275	1,150	706	14	14,145
Interest	810	-	47	-	857
Total expenses	$ 221,476	$ 79,062	$ 22,525	$ 338	$ 323,401

The consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, and interest are allocated to a function based on square footage.

Note 14. Retirement Plans

Retirement benefits are provided to substantially all Colleagues of Goshen Health through defined-contribution plans. Included in salaries, wages and benefits expense are contributions to the defined-contribution plans, based on compensation of qualified Colleagues, of $4,738 and $7,034 for the years ended December 31, 2022 and 2021, respectively (net of forfeitures of $554 and $620 in 2022 and 2021, respectively).

Note 15. Health Care Legislation and Regulation

Under Indiana law (IC 12-15-16 (1-3)), health care providers qualifying as State of Indiana Medicaid Acute Disproportionate Share and Medicaid Safety Net Hospitals (DSH providers) are eligible to receive Indiana Medicaid Disproportionate Share (state DSH) payments. The amount of these additional state DSH funds is dependent on regulatory approval by agencies of the federal and state governments and is determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. State DSH payments are paid according to the fiscal year of the state, which ends on June 30 of each year, and are based on the cost of uncompensated care provided by the DSH providers during their respective fiscal year ended during the state fiscal year.

Note 15. Health Care Legislation and Regulation (Continued)

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, participation requirements, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and security, privacy, and standards of health information. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and non-compliance with regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, significant repayments for patient services previously billed, and disruptions or delays in processing administrative transactions, including the adjudication of claims and payment. In the opinion of management, there are no known regulatory inquiries that are expected to have a material adverse effect on the consolidated financial statements of Goshen Health; however, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The ACA and its associated legislation are designed, in part, to expand access to coverage to substantively all U.S. citizens through a combination of states' expansion of their Medicaid programs and the health insurance marketplace. For Indiana, the Centers for Medicare and Medicaid Services (CMS) has approved the Health Indiana Plan (HIP) 2.0, which was Indiana's response to expanding its Medicaid program. Changes to existing Medicare and Medicaid coverage and payments have also occurred as a result of this legislation. A body of regulations is generally required for implementation of legislative acts such as the ACA, and it often takes a period of years for the regulations to be written, approved and adopted.

Note 16. Novel Coronavirus Disease 2019 (COVID-19) Pandemic and Relief Funding

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. For the years ended December 31, 2022 and 2021, COVID-19 continues to alter the behavior of business and people in a manner that could have negative effects on local, regional and global economies, including disrupting the healthcare industry.

While direct impacts from COVID-19 have lessened, Goshen Health has incurred, and will continue to incur, significant costs to address indirect impacts related to COVID-19, which include increased supply costs, and additional labor costs. Although patient volumes have largely recovered since the onset of the pandemic, the potential future impact of the pandemic on Goshen Health's market and facilities is difficult to predict.

In response to the COVID-19 pandemic, Congress passed the CARES Act, which was signed into law on March 27, 2020. The CARES Act provides funding to fight the COVID-19 pandemic, stimulate the U.S. economy, and provide assistance to affected industries. The CARES Act clarifies that all COVID-19 testing, preventive services, and vaccines are to be provided by private insurance plans without cost sharing. The CARES Act also delays certain Medicare and Medicaid cuts (e.g., Medicare sequestration, disproportionate share hospital reductions) and extends certain other government programs. In addition, the U.S. Department of Health and Human Services, the Centers for Medicare and Medicaid Services (CMS), and the Health Resources and Services Administration all issued various waivers of regulations governing coverage of specific services and conditions of program participation.

Note 16. Novel Coronavirus Disease 2019 (COVID-19) Pandemic and Relief Funding (Continued)

The CARES Act expanded CMS' existing advance payment program to a broader group of providers. As a result, Goshen Health received $17,925 of advance payments from the Medicare program during the year ended December 31, 2020. These advances were being recouped from Medicare claims submitted beginning April 2021, 12 months after the receipt of the funds. Final payment of any still outstanding balance was due by August 2022. The related liability of $11,610 is reported as Medicare accelerated payments in the accompany consolidated balance sheet as of December 31, 2021.

The CARES Act included emergency funding for health care expenses or lost revenues not otherwise reimbursed, for treating COVID-19 patients. During the years ended December 31, 2022 and 2021, Goshen Health received $17 and $2,575, respectively, of Provider Relief Fund and American Rescue Plan Rural Distribution program distributions, all of which have been recorded as other revenue in the accompanying consolidated statements of operations and changes in net assets. Distributions of Provider Relief Fund and American Rescue Plan Rural Distribution funds are not loans and, therefore, they are not subject to repayment unless funds received exceed qualifying health care related expenses and lost revenues. However, as a condition to receiving distributions, Goshen Health agreed to certain terms and conditions, including, among other things, that the funds are being used for lost revenues and COVID-related costs. Amounts recognized as revenue could change in the future based upon the evolving grant compliance guidance provided by the government. Additionally, during the years ended December 31, 2022 and 2021, Goshen Health received $192 and $1,671, respectively, of claims reimbursement through the HRSA program for testing, treatment, and vaccine administration for the uninsured, which is reported within net patient service revenue in the accompanying consolidated statements of operations and changes in net assets.

Pursuant to the CARES Act, the employer share of the social security portion of FICA taxes due for the period beginning on March 27, 2020, and ended December 31, 2020, could be deferred, with payment of 50% of the deferred amount to be paid on December 31, 2021, and the remaining 50% of the deferred amount to be paid on December 31, 2022. As of December 31, 2021, Goshen Health had deferred $1,991 of FICA taxes, which are included in accrued salaries, wages and related liabilities in the accompanying consolidated balance sheet.