

Cover Page

Entity Name: MEMORIAL HOSPITAL OF UNION COUNTY

Entity County: UNION

Report Type: SINGLE AUDIT

Report Period: FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Memorial Hospital of Union County and Affiliates
500 London Ave
Marysville, Ohio 43040

We have reviewed the *Independent Auditor's Report* of Memorial Hospital of Union County and Affiliates, Union County, prepared by Blue & Co., LLC, for the audit period January 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Memorial Hospital of Union County and Affiliates is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 08, 2022

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**MEMORIAL HOSPITAL OF UNION COUNTY
AND AFFILIATES**

COMBINED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

CPAs / ADVISORS



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MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Memorial Hospital of Union County and Affiliates
Marysville, Ohio

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying combined financial statements of the business-type activities of Memorial Hospital of Union County and Affiliates ("Memorial Health"), a discretely presented component unit of Union County, Ohio, as of and for the years ended December 31, 2021 and 2020, and the related notes to the combined financial statements, which collectively comprise Memorial Health's basic financial statements as listed in the table of contents.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Memorial Health as of December 31, 2021 and 2020, and the changes in its financial position and cash flows thereof for the years 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 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 Combined Financial Statements section of our report. We are required to be independent of Memorial Health 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 Combined Financial Statements

Management is responsible for preparing and fairly presenting the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

To the Board of Trustees
Memorial Hospital of Union County and Affiliates
Marysville, Ohio

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Memorial Health'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 Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the combined financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 Memorial 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Memorial 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.

To the Board of Trustees
Memorial Hospital of Union County and Affiliates
Marysville, Ohio

Relationship to Union County, Ohio

We draw attention to Note 1, which describes that the financial statements of Memorial Health are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of Union County, Ohio that is attributable to the transactions of Memorial Health. They do not purport to, and do not present fairly the financial position of Union County, Ohio as of December 31, 2021 and 2020, the changes in its financial position or its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* on pages i through xii and the Required Supplemental Information on GASB 68 Pension Liabilities and GASB 75 Other Postemployment Benefit Liabilities on pages 48 through 51, to supplement the basic combined financial statements. Such information, although not a part of the basic combined 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 combined financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting 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 combined financial statements, and other knowledge we obtained during our audit of the basic combined financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

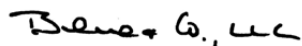
Our audit was conducted for the purpose of forming opinions on the combined financial statements that collectively comprise Memorial Health's basic financial statements. The combining information on pages 52 through 57 and the accompanying Schedule of Expenditures of Federal Award, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of Trustees
Memorial Hospital of Union County and Affiliates
Marysville, Ohio

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information on pages 52 through 57, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2022 on our consideration of Memorial Health's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. 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 Memorial Health'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 Memorial Health's internal control over financial reporting and compliance.



Westerville, Ohio
May 12, 2022

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

Management's Discussion and Analysis

The discussion and analysis of the financial performance of Memorial Hospital of Union County and its blended component units, Memorial Gables, Memorial Medical Group, and Memorial Health Foundation (collectively, "Memorial Health"), provides an overview of Memorial Health's financial activities for the years ended December 31, 2021, 2020 and 2019. Please read in conjunction with the accompanying basic financial statements of Memorial Hospital of Union County and Affiliates.

Financial Highlights

- Memorial Health's net position increased \$48,279,773 in 2021 and decreased \$3,484,438 in 2020.
- Total operating revenues increased from 2020 to 2021 by \$27,749,428 or 19.6%. Total operating revenues increased from 2019 to 2020 by \$212,592 or 0.2%.
- Memorial Health had a decrease in operating expenses of \$29,593,466 or 19.8% in 2021 and an increase in operating expenses of \$2,114,878 or 1.4% in 2020. Included in the operating expenses for 2021 was expense of \$3,196,937 and a gain of \$31,554,195 relating to continued impact of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension*, and GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*, respectively. Operating expenses for 2020 included expense of \$11,726,462 and \$5,777,257 relating to GASB 68 and GASB 75, respectively.
- Memorial Health reported an operating gain of \$49,490,595 in 2021 and an operating loss of \$7,852,299 in 2020. Memorial Health had an operating gain, without the impact of GASB 68 and GASB 75, of \$21,133,337 in 2021 and \$9,651,420 in 2020.

Using This Annual Report

Memorial Health'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 activities of Memorial Health, including resources held by Memorial Health, but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. Memorial Health is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2021 AND 2020

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about Memorial Health's finances is, "Is Memorial Health as a whole better off or worse off as a result of the year's activities?" The statement of net position and statement of revenues, expenses and changes in net position report information about Memorial Health's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report Memorial Health's net position and related changes. You can think of Memorial Health's net position - the difference between assets, liabilities, and deferred outflows and inflows of resources - as one way to measure Memorial Health's financial health, or financial position. Over time, increases or decreases in Memorial Health's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider many other non-financial factors, such as changes in Memorial Health's patient base, changes in legislation and regulations, measures of the quality of services provided to its patients, as well as local economic factors to assess the overall financial health.

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, investing, noncapital related financing and capital related financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

Net Position

Memorial Health's net position is the difference between its assets, liabilities, and deferred outflows and inflows of resources. In 2021, Memorial Health's net position increased by \$48,279,773. In 2020, Memorial Health's net position decreased by \$3,484,438. Without GASB 68 and GASB 75 impacts, in 2021, Memorial Health's net position increased by \$19,922,515. Without GASB 68 and GASB 75 impacts, in 2020, Memorial Health's net position increased by \$14,019,281.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

Condensed Financial Information

The following is a comparative analysis of major components of the statements of net position of Memorial Health as of December 31, 2021, 2020, and 2019:

	2021	2020	2019
Assets and deferred outflows of resources			
Current assets	\$ 90,702,443	\$ 77,651,315	\$ 70,525,461
Noncurrent assets	78,249,208	74,205,358	69,278,341
Capital assets, net	93,777,721	95,569,276	85,569,879
Deferred outflows - excess consideration provided for acquisition	170,996	288,250	288,250
Deferred outflows-pension	7,579,853	10,387,257	24,612,562
Deferred outflows-OPEB	3,710,872	8,069,463	4,979,871
	\$ 274,191,093	\$ 266,170,919	\$ 255,254,364
Liabilities and deferred inflows of resources			
Current liabilities	\$ 25,823,632	\$ 22,824,500	\$ 21,884,357
Long-term liabilities	106,626,366	167,321,453	170,176,911
Deferred inflows-pension	18,666,846	12,063,274	1,515,979
Deferred inflows-OPEB	16,709,931	5,877,147	108,134
	\$ 167,826,775	\$ 208,086,374	\$ 193,685,381
Net position			
Net investment in capital assets	\$ 28,279,014	\$ 27,799,421	\$ 27,246,468
Restricted	7,347,443	1,837,919	2,204,235
Unrestricted	70,737,861	28,447,205	32,118,280
	\$ 106,364,318	\$ 58,084,545	\$ 61,568,983

The most significant changes in Memorial Health's net position in 2021, 2020 and 2019 were the result of operations during the years. Other changes in Memorial Health's net position include adjustments of its share of pension and other post-employment benefit (OPEB) amounts during the years.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

Operating Results and Changes in Net Position

The following is a comparative analysis of the statements of revenues and expenses and changes in net position for the years ended December 31, 2021, 2020, and 2019:

	2021	2020	2019
Operating revenues			
Net patient service revenue	\$ 162,333,498	\$ 135,039,204	\$ 133,927,032
Other operating revenue	7,001,044	6,545,910	7,445,490
Total operating revenue	169,334,542	141,585,114	141,372,522
Operating expenses			
Salaries and wages	65,703,585	60,202,994	55,730,394
Employee benefits	12,660,086	11,708,004	10,011,663
Pension	3,196,937	11,726,462	17,984,823
Other post-employment retirement benefits	(31,554,195)	5,777,257	4,423,769
Supplies	16,617,714	13,431,446	14,626,741
Professional fees and services	6,199,004	6,736,108	5,809,107
Purchased services	27,126,678	22,868,440	21,910,951
Insurance	845,113	767,263	742,081
Utilities	1,658,760	1,660,564	1,722,356
Depreciation and amortization	7,975,037	6,220,373	5,349,633
Other operating expenses	9,415,228	8,338,502	9,011,017
Total operating expenses	119,843,947	149,437,413	147,322,535
Operating gain (loss)	49,490,595	(7,852,299)	(5,950,013)
Nonoperating revenues (expenses)			
Investment income	148,556	2,146,897	3,263,978
Interest expense	(2,041,707)	(1,917,325)	(426,390)
Noncapital grants and contributions	681,306	4,162,131	177,440
Other nonoperating income (expense)	1,023	(23,842)	44,860
Total nonoperating revenues (expenses)	(1,210,822)	4,367,861	3,059,888
Excess (deficiency) of revenues over expenses	48,279,773	(3,484,438)	(2,890,125)
Capital contributions	-	-	325,874
Increase (decrease) in net position	48,279,773	(3,484,438)	(2,564,251)
Net position - beginning of year	58,084,545	61,568,983	64,133,234
Net position - end of year	\$ 106,364,318	\$ 58,084,545	\$ 61,568,983

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

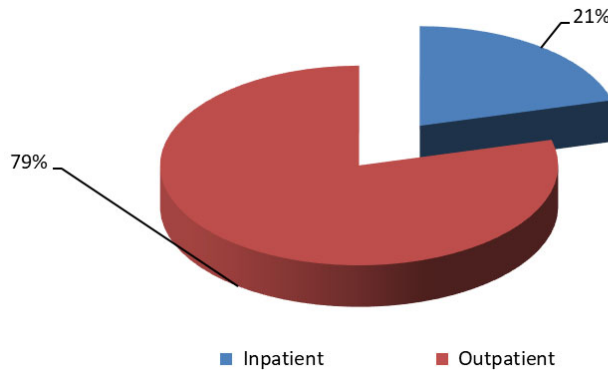
Operating Revenues

Operating revenues include all transactions in the sales and/or receipts from goods and services such as inpatient services, outpatient services, and physician offices.

Operating revenue changes were a result of the following factors:

- Net patient revenue increased \$27,294,294 or 20.2% from 2020 to 2021.
- Net patient revenue increased \$1,112,172 or 0.8% from 2019 to 2020.

The following is a graphic illustration of operating revenues by type:



Operating Expenses

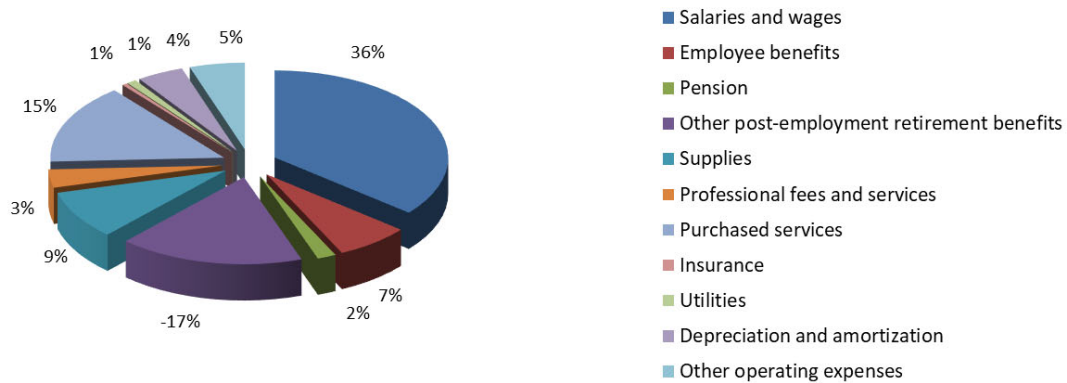
Operating expenses are all the costs necessary to perform and conduct the services and primary purpose of Memorial Health. The significant operating expense changes were the result of the following factors:

- Salaries and wages increased by \$5,500,591 or 9.1% from 2020 to 2021. Salaries and wages increased by \$4,472,600 or 8.0% from 2019 to 2020.
- Employee benefits increased \$952,082 or 8.1% from 2020 to 2021. Employee benefits increased \$1,696,341 or 16.9% from 2019 to 2020.
- Supplies expense increased \$3,186,268 or 23.7% from 2020 to 2021. Supplies expense decreased \$1,195,295 or 8.2% from 2019 to 2020.
- Purchased services increased \$4,258,238 or 18.6% from 2020 to 2021. Purchased services increased \$957,489 or 4.4% from 2019 to 2020.
- Other operating expense increased \$1,076,726 or 12.9% from 2020 to 2021. Other operating expense decreased \$672,515 or 7.5% from 2019 to 2020.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

The following is a graphic illustration of operating expenses by type:



Sources of Revenue

Memorial Health derives substantially all of its revenue from patient services and other related activities. Revenues include, among other items, revenue from the Medicare and Medicaid programs, patients, insurance carriers, preferred provider organizations, and managed care programs.

Memorial Health provides care to patients under payment arrangements with Medicare, Medicaid, and various managed care programs. Services provided under those arrangements are paid at predetermined rates and/or reimbursable costs as defined by the related Federal and State regulations. Provisions have been made in the combined financial statements for contractual adjustments which represent the difference between the standard charges for services and the actual or estimated reimbursement.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income, interest expense, provider relief funds and gifts from donors. Changes between 2021 and 2020 are primarily due to the provider relief funds received during 2021 and 2020. During 2021 and 2020, Memorial Health recognized \$423,237 and \$3,879,134 in provider relief and coronavirus relief funding, which is included in noncapital grants and contributions on the combined statements of revenues, expenses, and changes in net position.

Capital Contributions

Memorial Health recognized gifts and contributions revenue totaling \$0, \$0, and \$325,874, during 2021, 2020 and 2019, respectively, from various individuals and companies to purchase capital assets.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows helps assess

- An entity's ability to generate future net cash flows
- Its ability to meet obligations as they come due
- Its need for financing

	Year Ended December 31		
	2021	2020	2019
Cash provided by (used in):			
Operating activities	\$ 15,971,614	\$ 15,768,870	\$ 13,130,326
Noncapital financing activities	731,906	4,162,131	177,440
Capital and related financing activities	(10,545,914)	(12,248,687)	(24,477,271)
Investing activities	(744,059)	286,867	(5,549,620)
Net increase (decrease) in cash and cash equivalents	5,413,547	7,969,181	(16,719,125)
Cash and cash equivalents - beginning of year	40,768,532	32,799,351	49,518,476
Cash and cash equivalents- end of year	\$ 46,182,079	\$ 40,768,532	\$ 32,799,351

Participation in the Ohio Public Employees Retirement System

As discussed in Note 14 to the combined financial statements, Memorial Hospital and Memorial Gables participate in the Ohio Public Employees Retirement System (OPERS) which includes multiple-employer cost-sharing defined benefit and defined contribution pension retirement plans, as well as a multiple-employer cost-sharing defined benefit plan offering postemployment benefits other than pensions. In 2018, Memorial Health adopted changes in accounting principles for accounting and reporting for postemployment benefits other than pensions. This change in accounting principle resulted in Memorial Health recording its proportionate share of the net OPEB amount of the plan administrator by OPERS.

The Ohio Revised Code establishes statutory authority for determining employer contributions to the state's cost-sharing retirement plans. Memorial Health remits the statutorily required contributions to the retirement system in the month subsequent to the related pay periods. These statutorily required contributions constitute the full legal funding requirements of Memorial Health for the participation of its employees in the pension and OPEB retirement plans. Although accounting standards require the recognition of the net pension and OPEB liability, net pension asset, and the related deferred outflows of resources, deferred inflows of resources, and additional actuarially determined defined benefit pension and defined benefit OPEB expense, they do not represent legal claims on Memorial Health's resources and there are no additional cash flows or funding requirements outside of the statutorily required contributions.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

Capital Assets

At December 31, 2021 and 2020, Memorial Health had \$93,777,721 and \$95,569,276, respectively, invested in capital assets, net of accumulated depreciation. Memorial Health acquired or constructed capital assets in the amount of \$6,243,014 and \$16,243,859 during 2021 and 2020, respectively.

	December 31		
	2021	2020	2019
Capital assets not being depreciated			
Land	\$ 2,993,940	\$ 2,993,940	\$ 2,993,940
Construction in progress	202,045	108,146	43,779,658
Subtotal	3,195,985	3,102,086	46,773,598
Capital assets being depreciated - net of accumulated depreciation			
Land improvements	2,612,802	2,642,210	2,534,360
Buildings and leasehold improvements	72,881,591	72,682,078	24,102,507
Equipment	15,087,343	17,142,902	12,159,414
Subtotal	90,581,736	92,467,190	38,796,281
Total	<u>\$ 93,777,721</u>	<u>\$ 95,569,276</u>	<u>\$ 85,569,879</u>

Long-Term Debt Obligations

At December 31, 2021 and 2020, Memorial Health had \$65,498,707 and \$67,769,855, respectively, in revenue bonds, general obligation bonds and capital leases outstanding, net of unamortized bond premiums. Memorial Health's formal debt issuances, revenue bonds, are subject to limitations imposed by state law. More detailed information about Memorial Health's long-term debt obligations are further discussed in Note 10 to the combined financial statements.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2021 AND 2020

Economic Factors that Will Affect the Future

Memorial Growth and Expansion

In 2015, Memorial Health completed its first master facility plan to show the opportunities of revitalizing an aging hospital campus in order to create a new, state of the art, high tech and multi-use campus offering private patient rooms, upgraded clinical services and new on-campus ambulatory services and medical office space. The new plan allowed for Memorial Health's campus and facilities to be extremely competitive in the central Ohio market creating an ease of access, a patient friendly environment and where there is an employee satisfaction with clinical efficiencies. The revitalized campus with its new inpatient bed pavilion and ambulatory outpatient and health center building will allow Memorial Health to maintain and expand its market share and continue to be a Marysville and Union County Community asset.

After the completion of the master plan and with the assistance of a third party, Memorial Health finalized a debt capacity analysis and feasibility study to support the potential project. Memorial Health and the Union County Commissioners worked together to determine an appropriate debt sizing plan for the revitalization of the campus. The plan included sources of general obligation debt, private placement issues and the philanthropic efforts of Memorial Health Foundation to complete the financing package.

The first phase of the financing plan for the new buildings was completed in December 2016. It included the refinancing of the Heart Pavilion plus an additional draw for the initial soft costs of the new project. In addition, we refinanced the 2003, 2005 and 2007 General Obligation bonds by taking advantage of lower interest rates and minimizing our future debt service. In December 2017, Memorial Health completed the next phase of financing and closed on a revenue bond in the amount \$17,150,000. The bond was of a drawdown structure and allowed for Memorial Health to access funding as needed. In April 2018, with the assistance from the Union County Commissioners, Memorial Health concluded the final phase of our financing plan with the issuance of \$28,000,000 in General Obligation Bonds.

The revitalization of the main campus commenced in the Spring of 2018 and encompassed both the inpatient and outpatient pavilions. The inpatient building opened its doors in October 2020 while the outpatient building opened shortly afterwards in November 2020. In the inpatient pavilion, Memorial Health patients enjoy a comfortable 2 floors of modern hospital rooms with full, private bathrooms. The Memorial 2020 project replaced all existing patient rooms, except those in Obstetrics and the Nursery, with 36 brand new multi-purpose patient rooms as well as 12 shelled rooms ready for future expansion. Due to demand and future growth opportunities, in July of 2021, the Board of Trustees approved the build out of the original 12 shelled beds. The beds are set to open in the Fall of 2022 and will bring the total inpatient bed count to 48.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2021 AND 2020

The outpatient building offers patients access to healthcare services all in one location. The first floor offers lab, oncology, nephrology, neurosurgery and rheumatology services. The second floor offers diabetes education, medication therapies, gastroenterology and neurology. The third floor houses a new wellness center, cardiac and pulmonary rehabilitation and offers patients the experience to look out over uptown Marysville while utilizing our services. Both buildings have been very well received by patients and have been in high demand during the COVID-19 pandemic.

Over the last several years, starting in 2014, Memorial Health has been very active in growing market share with additional service lines, physician recruiting and expanding its presence through growth in new buildings and markets. At the end of 2021, Memorial Health has seen the construction of three new off-campus medical office buildings, consideration for a fourth, a major revitalization to the main campus and an approval to build out 12 previously shelled inpatient rooms. In addition, Memorial Health is currently undertaking another master facility plan further identifying opportunities to update the remaining campus. The plan is expected to be completed in the Summer of 2022.

COVID-19

In late 2019, a novel strain of the coronavirus was first reported in China. This strain, COVID-19, quickly spread across all continents. In March 2020, the World Health Organization ("WHO"), officially declared a pandemic. The outbreak in the United States, and subsequent "shelter at home" declarations had a catastrophic impact on the economy of each state. In healthcare, most outpatient services and elective procedures were postponed unless of an emergent nature. For many hospitals, outpatient services are the lifeblood of maintaining a breakeven operating margin. Memorial Health experienced business disruptions in volumes and physician office visits which created a negative impact on operations. Cost containment by the management team and receipts from the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") assisted in keeping operations flowing in the right direction.

During 2020, Memorial Health made the decision to not layoff or furlough any of its team members during the downturn in operations. Administration believed it had worked too hard over the previous years to build a winning culture among its teams. Memorial Health believed saving labor costs in this fashion would put the organization at risk of having to start the culture rebuild from scratch, rather than have the current team in place, ready to hit the ground running, when services resumed. Memorial Health asked its displaced workforce to staff the COVID-19 tables at each entrance, help prepare and deliver meals for mobile meals programs, take vacation or take time off without pay. Memorial Health possessed a strong cash position and relied on it during the year.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

For 2021, Memorial Health operated with a budget showing a proposed reduction in volumes and revenues when compared to the previous year. Projected volumes were similar to what Memorial Health experienced in 2019 and expectations were that the pandemic and its surges would continue to cause interruptions to general services similar to what was experienced in 2020. However, volumes bounced back and remained very strong over the course of the year, creating positive variances from the budget. From an expense perspective, like most organizations, Memorial Health continued to see material inflationary increases and the disruption in the supply chain. The continued request for COVID-19 related items has created a high demand for certain goods and subsequent backlog of deliveries. The labor market for the year was coined "The Great Resignation" as many employees left previously both high and low in-demand positions. The vacancies created a large push in wage pressure and subsequent negative variances in salaries and corresponding benefits. The filling or scheduling of open shifts became the common ask for most of our current team members creating increases in overtime pay worse case the contracting of high cost, contracted agency staff.

The outlook for 2022 will hopefully be brighter because at this time the COVID-19 Delta and Omicron surges have been in a steady decline. This will ease the constant need for both supply and labor related demands and in theory allow both markets to slowly recover to its pre-pandemic levels. The risk ahead of Memorial Health, as it has been the last two years, will be the development of new strains and subsequent surges coupled with the ongoing battle of how best to protect our teams.

GASB Standards

Other matters pertain to the 2015 implementation and recognition of GASB Statement 68 and 71 (see the notes to the combined financial statements) and their continued impact on Memorial Health's operating results. GASB 68 requires government employers participating in defined benefit pension plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. These are referred to as net pension liabilities. In 2018, Memorial Health implemented a new related standard, GASB 75 (see notes to the combined financial statements). This standard requires employers participating in OPEB plans to recognize liabilities for those plans whose actuarial liabilities exceed the plan's assets. These benefits consist primarily of post-retirement healthcare.

The adopted standards changed the recognition and reporting requirements for public pensions. While the overall structure and operation of Memorial Health remains unchanged, Memorial Health is now required to recognize its portion of the net pension and OPEB asset and on its combined financial statements. One of the concerns is that Memorial Health is required by law to fund the statutory contribution rate of 14%. The OPERS website stated that based on actuarial analysis if the funding levels would begin to trend downward, it would seek the council of the General Assembly and either increase the statutory obligations of employees and/or employers or decrease the current benefit levels to its enrollees. OPEB is not guaranteed and can be reduced or eliminated at any time by OPERS. These potential changes would allow OPERS to meet the long-term projected pension liability and remain viable.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

The impact of these changes, since implementation, has forced a "non-cash" reduction in both operating margin and net position. However, in 2021, due to an above average return on plan assets and an OPERS change in funding policy, Memorial has incurred a positive impact to operating margin and net position. Unfortunately, we cannot reasonably estimate what impact the change in the asset/liability will have on operations in future years.

Contacting Memorial Health's Management

This financial report is intended to provide the reader with a general overview of Memorial Health's finances. If you have questions about this report or need additional information, we welcome you to contact the chief financial officer at 500 London Avenue, Marysville, OH 43040.

Jeff Ehlers
Chief Financial Officer

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINED STATEMENTS OF NET POSITION DECEMBER 31, 2021 AND 2020

Assets and Deferred Outflows of Resources

	2021	2020
Current assets		
Cash and cash equivalents	\$ 45,117,652	\$ 38,896,226
Patient accounts receivable, net of uncollectible accounts of approximately \$9,948,000 and \$7,759,000 in 2021 and 2020, respectively	24,048,957	19,513,249
Short-term investments	16,510,115	15,369,421
Prepaid expenses and other current assets	3,092,193	2,326,939
Inventories	1,730,619	1,063,222
Current portion of contributions receivable	202,907	482,258
Total current assets	90,702,443	77,651,315
Capital assets, net	93,777,721	95,569,276
Long-term investments	67,919,409	68,167,818
Assets limited as to use		
Internally designated for specific purpose	748,411	1,749,983
Restricted by donors for capital improvements	382,268	188,245
Total assets limited as to use	1,130,679	1,938,228
Other assets		
Contributions receivable, net of current portion	12,144	194,672
Investment in joint ventures	653,612	506,128
Other assets	1,783,240	2,425,768
Total other assets	2,448,996	3,126,568
Net pension asset	1,281,155	972,744
Net other post-employment benefit asset	5,468,969	-
Total noncurrent assets	172,026,929	169,774,634
Deferred outflows of resources		
Excess consideration from acquisition	170,996	288,250
Pension	7,579,853	10,387,257
Other post-employment benefits	3,710,872	8,069,463
Total deferred outflows of resources	11,461,721	18,744,970
Total assets and deferred outflows of resources	\$ 274,191,093	\$ 266,170,919

See accompanying notes to combined financial statements.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINED STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

Liabilities, Deferred Inflows of Resources and Net Position

	2021	2020
Current liabilities		
Current portion of long-term debt	\$ 2,393,089	\$ 2,271,143
Accounts payable	5,555,930	7,277,915
Accrued salaries, wages and related accruals	12,735,904	9,654,229
Estimated third-party settlements	719,320	660,000
Other current liabilities	588,188	652,470
Current portion of refundable advances	3,831,201	2,308,743
Total current liabilities	<u>25,823,632</u>	<u>22,824,500</u>
Long-term liabilities		
Long-term portion of refundable advances	-	4,191,257
Long-term debt, net of current portion	63,105,618	65,498,712
Total long-term liabilities	<u>63,105,618</u>	<u>69,689,969</u>
Other liabilities		
Accrued compensated absences	1,299,338	1,314,814
Net pension liability	42,116,410	54,882,569
Net other post-employment benefit liability	-	41,276,601
Other liabilities	105,000	157,500
Total other liabilities	<u>43,520,748</u>	<u>97,631,484</u>
Deferred inflows of resources		
Pension	18,666,846	12,063,274
Other post-employment benefits	16,709,931	5,877,147
Total deferred inflows of resources	<u>35,376,777</u>	<u>17,940,421</u>
Total liabilities and deferred inflows of resources	167,826,775	208,086,374
Net position		
Net investment in capital assets	28,279,014	27,799,421
Restricted - expendable for		
Capital improvements	597,319	865,175
Pensions	1,281,155	972,744
Other post-employment benefits	5,468,969	-
Unrestricted	70,737,861	28,447,205
Total net position	<u>106,364,318</u>	<u>58,084,545</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 274,191,093</u>	<u>\$ 266,170,919</u>

See accompanying notes to combined financial statements.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating revenues		
Net patient service revenue	\$ 162,333,498	\$ 135,039,204
Other operating revenue	7,001,044	6,545,910
Total operating revenues	169,334,542	141,585,114
Operating expenses		
Salaries and wages	65,703,585	60,202,994
Employee benefits	12,660,086	11,708,004
Pension	3,196,937	11,726,462
Other post-employment retirement benefits	(31,554,195)	5,777,257
Supplies	16,617,714	13,431,446
Professional fees and services	6,199,004	6,736,108
Purchased services	27,126,678	22,868,440
Insurance	845,113	767,263
Utilities	1,658,760	1,660,564
Depreciation and amortization	7,975,037	6,220,373
Other operating expenses	9,415,228	8,338,502
Total operating expenses	119,843,947	149,437,413
Operating gain (loss)	49,490,595	(7,852,299)
Nonoperating revenues (expenses)		
Investment income	148,556	2,146,897
Interest expense	(2,041,707)	(1,917,325)
Noncapital grants and contributions	681,306	4,162,131
Other nonoperating income (expense)	1,023	(23,842)
Total nonoperating revenues (expenses)	(1,210,822)	4,367,861
Increase (decrease) in net position	48,279,773	(3,484,438)
Net position - beginning of year	58,084,545	61,568,983
Net position - end of year	\$ 106,364,318	\$ 58,084,545

See accompanying notes to combined financial statements.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 155,188,311	\$ 137,422,961
Cash paid to employees for wages and benefits	(82,158,003)	(76,797,471)
Cash paid to vendors for services and goods	(64,521,617)	(52,111,343)
Other receipts	7,462,923	7,254,723
Net cash provided by operating activities	15,971,614	15,768,870
Cash flows from noncapital financing activities		
Noncapital grants and contributions	681,306	4,162,131
Other noncapital financing receipts and payments, net	50,600	-
Net cash provided by noncapital financing activities	731,906	4,162,131
Cash flows from capital and related financing activities		
Proceeds from issuance of long-term debt	-	11,294,714
Principal payments on capital lease	(549,887)	(528,356)
Principal payments on long-term debt	(1,493,469)	(1,078,480)
Interest paid on long-term debt	(2,269,499)	(2,158,759)
Purchase of capital assets	(6,243,014)	(19,792,749)
Proceeds from sale of capital assets	9,955	14,943
Net cash provided by capital and related financing activities	(10,545,914)	(12,248,687)
Cash flows from investing activities		
Interest and dividends on investments	396,965	2,146,897
Purchase and reinvestment of investments	(1,141,024)	(3,000,000)
Proceeds from sale and maturity of investments	-	1,139,970
Net cash provided by investing activities	(744,059)	286,867
Net increase in cash and cash equivalents	5,413,547	7,969,181
Cash and cash equivalents - beginning of year	40,768,532	32,799,351
Cash and cash equivalents- end of year	\$ 46,182,079	\$ 40,768,532
Balance sheet classification of cash and cash equivalents		
Cash and cash equivalents	\$ 45,117,652	\$ 38,896,226
Cash included in assets limited as to use	1,064,427	1,872,306
	\$ 46,182,079	\$ 40,768,532

See accompanying notes to combined financial statements.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

A reconciliation of operating gain (loss) to net cash from operating activities follows:

	2021	2020
Reconciliation of operating gain (loss) to net cash provided by operating activities:		
Operating gain (loss)	\$ 49,490,595	\$ (7,852,299)
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,975,037	6,220,373
Provision for uncollectible accounts	9,531,220	7,785,504
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Patient accounts receivable	(14,066,928)	(11,375,578)
Estimated amounts due from and to third-party payors	59,320	(534,544)
Net pension asset	(308,411)	(430,824)
Net OPEB asset	(5,468,969)	-
Deferred outflows of resources - pensions	2,807,404	14,225,305
Net pension liabilities	(12,766,159)	(19,391,696)
Deferred inflows of resources - pensions	6,603,572	10,547,295
Deferred outflows of resources - OPEB	4,358,591	(3,089,592)
Net OPEB liability	(41,276,601)	3,257,932
Deferred inflows of resources - OPEB	10,832,784	5,769,013
Deferred inflows of resources - Excess consideration from acquisition	117,254	-
Other assets	(475,728)	1,782,542
Accounts payable and accrued expenses	1,344,214	2,068,899
Refundable advances	(2,668,799)	6,500,000
Other liabilities	(116,782)	286,540
Net cash provided by operating activities	\$ 15,971,614	\$ 15,768,870

See accompanying notes to combined financial statements.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. NATURE OF OPERATIONS AND REPORTING ENTITY

Organization and Principles of Combination

Memorial Hospital of Union County (Memorial Hospital) is an acute care hospital located in Marysville, Ohio. Memorial Hospital is a political subdivision of the State of Ohio and was formed under the provisions of the Ohio Revised Code. Memorial Hospital engages in business-type activities and is considered a discretely presented component unit of Union County, Ohio and is operated by a board of trustees (the Trustees). Members of the board of trustees are appointed by the county commissioners and county judges.

The combined financial statements for the year ended December 31, 2021 and 2020 included herein consist of the financial positions, results of operations, changes in net position, and cash flows of Memorial Hospital, Memorial Gables, Memorial Health Foundation, and Memorial Medical Group (collectively, Memorial Health). The boards of Memorial Health Foundation and Memorial Medical Group are appointed by the Trustees. All intercompany accounts and transactions between all entities have been eliminated in the preparation of the combined financial statements.

In 1994, the board of trustees formed Union County Health System (UCHS) in order to provide a corporate structure under which Memorial Hospital can enter into joint ventures with other institutions and health care providers to provide an integrated delivery system.

In 1994, the Board of County Commissioners of Union County (the Board) passed a resolution to transfer the management and operations of Union Manor (a nursing home) to the Trustees on January 1, 1995. Pursuant to this resolution, the Trustees accepted control over the assets of Union Manor. Under the terms of the transfer, the Board indicated their support of the Trustees in Union Manor's future efforts to secure financing for renovation and expansion. In 2001, the construction of a new facility was completed. Subsequently, the Union Manor name was changed to The Gables at Green Pastures (The Gables). The Gables is currently doing business as Memorial Gables.

In 2006, UCHS merged with the Union County Hospital Association (UCHA). UCHS assumed the name of UCHA. The prior operations of UCHA were dissolved and the remaining assets were transferred to Memorial Hospital. UCHA is currently doing business as Memorial Health Foundation.

In 2008, the board of trustees formed Union County Physician Corporation (UCPC) in order to enhance the recruitment of new physicians and retention of existing physicians by offering employment for those physicians and specialties that are of strategic importance to Memorial Hospital. UCPC is currently doing business as Memorial Medical Group.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The combined financial statements of Memorial Health have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. Memorial Health follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provide a comprehensive look at Memorial Health's financial activities. The financial statements include Memorial Gables, Memorial Health Foundation, and Memorial Medical Group as blended component units in the combined financial statements.

Use of Estimates

The preparation of the combined 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, liabilities and deferred outflows and inflows of resources and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary Fund Accounting

Memorial Health utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the full accrual basis. Substantially all revenue and expenses are subject to accrual.

Cash and Cash Equivalents

Cash and cash equivalents include cash, certificates of deposit and investments in highly liquid investments purchased with an original maturity of three months or less. Cash and cash equivalents included in assets limited as to use are considered cash and cash equivalents for the purposes of the statements of cash flows.

Patient Accounts Receivable

Memorial Health reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. Memorial Health provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments is based on expected payment rates from payors based on current reimbursement methodologies.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Inventories

Inventories, which consist of medical and office supplies and pharmaceutical products, are stated at lower of the market or cost, determined on a first-in, first-out basis.

Capital Assets

Capital assets are recorded at cost or, if donated, at fair value at the date of receipt. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets, ranging from 3 to 30 years. Equipment under capital lease is amortized on the straight-line method over the estimated useful life of the equipment. Such amortization is included in depreciation in the financial statements. Costs of maintenance and repairs are charged to expense when incurred.

Investments

Investments include certificates of deposit, money market accounts, government securities and commercial paper, and are recorded at fair value on the combined balance sheet. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in other income when earned.

Assets Limited as to Use

Assets whose use is limited consist of funds designated by the Trustees for the replacement, improvement and expansion of Memorial Hospital's facilities, and invested funds held by a trustee in connection with Memorial Health's bonds. Assets limited as to use also include funds whose use is specified by the donor.

Other Assets

During 2013, Memorial Health entered into an agreement with the City of Marysville, Ohio (the City) to obtain the naming rights to a City pavilion. Memorial Health is obligated to pay the City a total of \$525,000 over a ten year term for the right to name and use the structure, which includes the promotion of Hospital programs and services to the community. The asset is being amortized over the economic life of the pavilion and is recorded within other assets and other long-term liabilities of the combined balance sheets. During 2021 and 2020, amortization of the asset was \$52,500, and as of December 31, 2021 and 2020 the remaining liability was \$105,000 and \$157,500, respectively.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

During 2019, Memorial Health entered into a subscription agreement with EPIC that related to a software implementation project, and included \$2,979,411 of implementation and support fees. The asset is being amortized over the term of the subscription service period of 60 months and is recorded within other assets of the combined balance sheets. During 2021 and 2020, accumulated amortization of the asset was \$1,538,562 and \$942,680, respectively and as of December 31, 2021 and 2020 the remaining asset was \$1,440,849 and \$2,036,731, respectively. The corresponding liability of \$1,423,154 and \$1,973,041 as of December 31, 2021 and 2020, respectively, and is recorded within long-term debt of the combined balance sheet.

Compensated Absences

Paid time off is charged to operations when earned. The unused and earned benefits are recorded as a liability in the financial statements. Employees accumulate vacation days at varying rates depending on years of service, and may carry over accumulated hours to the next year, subject to a maximum of three years' accrual. Employees also earn sick leave benefits at Memorial Hospital's determined rate, which are capped at various levels. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from Memorial Hospital may convert accumulated sick leave to termination payments equal to the accumulated balance calculated at the employee's base pay rate as of the retirement date. There is no limit on the number of sick leave hours that an employee may accumulate; however, employees are only eligible to receive termination payments on accumulated sick leave balance up to maximum of 240 hours. Employees accumulate holidays at Memorial Hospital's determined rate for all employees.

Restricted Resources

When Memorial Health has both restricted and unrestricted resources available to finance a particular program, it is Memorial Health's policy to use restricted resources before unrestricted resources.

Net Position

The net position of Memorial Health is classified in three components: (1) Net invested in capital assets consist of capital assets net of accumulated depreciation and is reduced by the current balance of any outstanding borrowings used to finance the purchase or construction of those assets; (2) Restricted expendable net position are assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to Memorial Health; (3) Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Operating Revenue and Expenses

Memorial Health's combined statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing health care services – Memorial Health's principal activity. Nonexchange revenue, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred as a result of providing health care services within the surrounding area.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Net Patient Service Revenue

Memorial Health has agreements with third-party payors that provide for payments to Memorial Health at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for service rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

Memorial Health estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions, and other factors unique to Memorial Health.

Charity Care

Memorial Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because Memorial Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Of Memorial Hospital's total reported expenses (approximately \$102,780,000 and \$128,995,000 during 2021 and 2020, respectively), an estimated \$858,000 and \$1,257,000 arose from providing services to charity patients during 2021 and 2020, 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 Memorial Hospital's total expenses divided by gross patient service revenue. Memorial Hospital participates in the Hospital Care Assurance Program (HCAP) which provides for additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. Net amounts received through this program totaled approximately \$656,000 and \$434,000 for 2021 and 2020, respectively, and is reported as net patient service revenue in the combined financial statements.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Pension and Postemployment Benefits Other Than Pensions (OPEB)

Substantially all of Memorial Hospital and Memorial Gable's employees are eligible to participate in defined benefit and defined contribution plans sponsored by Ohio Public Employees' Retirement System (OPERS). Memorial Health funds pension costs accrued based on contribution rates determined by OPERS. For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the pension and OPEB, and pension and OPEB expense, information about the net position of the OPERS and addition to/deduction from the OPERS's net position have been determined on the same basis as they are reported by the OPERS.

Federal Income Tax

Memorial Health, as a political subdivision, is exempt from federal income taxes under Section 115 of the Internal Revenue Code.

Risk Management

Memorial Health is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims.

Memorial Health is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Reclassifications

Certain reclassifications have been made to the 2020 combined financial statements to conform to the 2021 presentation. The reclassifications had no effect on the changes in net position.

Subsequent Events

Memorial Health has evaluated subsequent events through May 12, 2022, the date the combined financial statements were available to be issued.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

3. DEPOSITS AND INVESTMENTS

Chapter 135 of the Ohio Uniform Depositor Act authorizes local and governmental units to make deposits in any national bank located in the state subject to inspection by the superintendent of financial institutions eligible to become a public depository. Section 135.14 of the Ohio Revised Code allows the local government to invest in United States treasury bills, notes, bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States of America and bonds and other obligations of the State of Ohio. Investments in no-load money market mutual funds, repurchase agreements, commercial paper, and bankers' acceptances are permitted subject to certain limitations that include completion of additional training, approved by the Auditor of State, or by the treasurer or governing board investing in these instruments.

Memorial Health has designated five banks for the deposit of its funds. An investment policy has been filed with the Auditor of State on behalf of Memorial Hospital. Investment of interim funds is limited to bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, no-load money market mutual funds, and the Ohio subdivision's fund (STAR Ohio).

Statutes require the classification of funds held by Memorial Health into three categories:

1. **Active Funds** - Those funds required to be kept in a "cash" or "near cash" status for immediate use by Memorial Health. Such funds must be maintained either in depository accounts or withdrawable on demand, including Negotiable Order of Withdrawal (NOW) accounts.
2. **Inactive Funds** - Those funds not required for use within the current five-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit, maturing not later than the end of the current period of designated depositories or as savings or deposit accounts, including, but not limited to passbook accounts.
3. **Interim Funds** - Those funds which are not needed for immediate use but will be needed before the end of the current period of designation of deposit. Ohio laws permits interim funds to be invested or deposited in the following securities:
 - Bonds, notes, or other obligations that are guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
 - Bonds, notes debentures, or other obligations or securities issued by any federal governmental agency.
 - No-load money market mutual funds consisting exclusively of obligations described in the Ohio Revised Code and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

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- Interim deposits in the eligible institutions applying for interim funds to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by saving or deposit accounts, including but not limited to, passbook accounts.
- Bonds and other obligations of the State of Ohio.
- The Ohio State Treasurer’s investment pool (STAR Ohio).
- Commercial paper and banker’s acceptances which meet the requirements established by Ohio Revised Code, Section 135.142.
- Under limited circumstances, corporate debt obligations in either of the two highest rating classifications by at least two nationally recognized rating agencies. Protection of Memorial Health’s deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by single collateral pool established by the financial institution to secure the repayment of all public funds deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date or purchase unless matched to a specific obligation or debt of Memorial Health, and must be purchased with the expectation that it will be held to maturity.

Memorial Health’s cash and investments are subject to risk, which are examined in more detail below:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, Memorial Hospital’s deposits may not be returned to it. Memorial Health’s deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Ohio; bonds of any city, county, school district or special road district of the state of Ohio; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

	<u>2021</u>	<u>2020</u>
Uninsured and uncollateralized	\$ 22,392,187	\$ 20,367,654
Uninsured and collateral held by pledging financial institution's trust department or agent in other than Memorial Health's name	<u>41,705,335</u>	<u>37,114,595</u>
Total	<u><u>\$ 64,097,522</u></u>	<u><u>\$ 57,482,249</u></u>

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Investments

Memorial Health may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. government agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At December 31, 2021 and 2020, Memorial Health had the following investments and maturities:

	Carrying Amount	Maturities	
		< than 1 year	> than 1 year
December 31, 2021			
Certificates of deposit	\$ 27,110,898	\$ 22,065,559	\$ 5,045,339
Money market	579,232	579,232	-
U.S. government agency notes	25,465,084	-	25,465,084
U.S. treasury obligations	4,881,027	-	4,881,027
Commercial paper	26,459,535	26,459,535	-
Total	\$ 84,495,776	\$ 49,104,326	\$ 35,391,450
December 31, 2020			
Certificates of deposit	\$ 33,147,426	\$ 19,710,730	\$ 13,436,696
Money market	1,680,494	1,680,494	-
U.S. government agency notes	25,037,645	6,002,555	19,035,090
U.S. treasury obligations	7,544,686	7,544,686	-
Commercial paper	16,192,910	16,192,910	-
Total	\$ 83,603,161	\$ 51,131,375	\$ 32,471,786

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. Memorial Health has an investment policy that meets the compliance requirements of state law. The investment policy guides the investment of funds in order to mitigate risk and generate investment income while preserving and maintaining sufficient liquidity to meet the objectives of Memorial Health. Memorial Health's investment policy limits its exposure to fair value losses from rising interest rates with policy limits of at least 15% of its investment portfolio in certificates of deposits and investments with maximum maturities of five years.

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Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2021 and 2020, Memorial Health's investments in U.S. government agency securities not directly guaranteed by the U.S. government were rated AA+ by Standard & Poor's.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, Memorial Health will be unable to recover the value of its investment or collateral securities that are in the possession of an outside party. Memorial Health's investment policy meets the compliance requirements of the provisions of state law.

Cash deposits and investments of Memorial Health are composed of the following as of December 31, 2021 and 2020:

	2021	2020
Deposits	\$ 46,182,079	\$ 40,768,532
Certificates of deposit	27,110,898	33,147,426
Money market	579,232	1,680,494
U.S. government agency notes	25,465,084	25,037,645
U.S. treasury obligations	4,881,027	7,544,686
Commercial paper	26,459,535	16,192,910
Total	<u>\$ 130,677,855</u>	<u>\$ 124,371,693</u>
	2021	2020
Amounts summarized by fund type:		
Cash and cash equivalents	\$ 45,117,652	\$ 38,896,226
Assets whose use is limited	1,130,679	1,938,228
Investments	84,429,524	83,537,239
Total	<u>\$ 130,677,855</u>	<u>\$ 124,371,693</u>

4. 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 Memorial Health has the ability to access.

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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.

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 and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Money market: Valued based at the subscription and redemption activity at a \$1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

U.S. government agency notes: Valued using pricing models maximizing the use of observable inputs for similar securities.

U.S. treasury obligations: Valued using pricing models maximizing the use of observable inputs for similar securities.

Commercial paper: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Assets measured at fair value on a recurring basis as of December 31, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Money market	\$ -	\$ 579,232	\$ -	\$ 579,232
U.S. government agency notes	-	25,465,084	-	25,465,084
U.S. treasury obligations	-	4,881,027	-	4,881,027
Commercial paper	-	26,459,535	-	26,459,535
	-	57,384,878	-	57,384,878
Certificates of deposits				27,110,898
Total				\$ 84,495,776

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Assets measured at fair value on a recurring basis as of December 31, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Money market	\$ -	\$ 1,680,494	\$ -	\$ 1,680,494
U.S. government agency notes	-	25,037,645	-	25,037,645
U.S. treasury obligations	-	7,544,686	-	7,544,686
Commercial paper	-	16,192,910	-	16,192,910
	<u>-</u>	<u>50,455,735</u>	<u>-</u>	<u>50,455,735</u>
Certificates of deposits				33,147,426
Total				<u>\$ 83,603,161</u>

Memorial Health holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associate 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.

5. PATIENT ACCOUNTS RECEIVABLE

The details of patient accounts receivable are set forth below as of December 31:

	<u>2021</u>	<u>2020</u>
Patient accounts receivable	\$ 62,046,837	\$ 49,142,119
Allowance for uncollectible accounts	(9,947,561)	(7,758,894)
Allowance for contractual adjustments	(28,050,319)	(21,869,976)
Patient accounts receivable, net	<u>\$ 24,048,957</u>	<u>\$ 19,513,249</u>

Memorial Health provides services without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of revenue and receivables from patients and third-party payors follows:

	2021		2020	
	Accounts Receivable	Gross Revenue	Accounts Receivable	Gross Revenue
Medicare	31%	44%	27%	38%
Medicaid	6%	12%	11%	13%
Commercial insurance and other	43%	42%	40%	42%
Self-pay	20%	2%	22%	7%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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6. CONTRIBUTIONS RECEIVABLE

During 2015, the Foundation began the Memorial 2020 Capital Campaign for expansion and renovation of Memorial Hospital. Contributions receivable associated with the campaign, net of the present value discount rate of 3%, as of December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 202,907	\$ 482,258
Receivable in one to five years	12,508	200,934
Total unconditional promises to give	<u>215,415</u>	<u>683,192</u>
Less discounts to net present value	<u>(364)</u>	<u>(6,262)</u>
Net unconditional promises to give	<u>\$ 215,051</u>	<u>\$ 676,930</u>

7. ESTIMATED AMOUNTS DUE TO THIRD-PARTY PAYORS

Memorial Health has agreements with payors that provide for reimbursement to Memorial Health at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between Memorial Health's established rates for service and amounts reimbursed by third-party payors. The basis of reimbursements with these third-party payors follows:

- **Medicare** - Inpatient, acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain outpatient services, including ambulatory surgery, radiology, and laboratory services are reimbursed on an established fee-for-service methodology. Reimbursement for other outpatient services is based on the prospectively determined ambulatory payment classification system.
- **Medicaid** - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost reimbursement method. Outpatient and physician services are reimbursed on an established fee-for-service methodology.

The Medicaid payment system in Ohio is prospective, whereby rates for the following state fiscal year beginning July 1 are based upon filed cost reports for the preceding calendar year. The continuity of this system is subject to the uncertainty of the fiscal health of the State of Ohio, which can directly impact future rates and the methodology currently in place. Any significant changes in rates, or the payment system itself, could have a material impact on the future Medicaid funding to providers.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Laws and regulations governing the

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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 combined financial statements. Cost reports have been final settled through 2017 for Medicare.

Memorial Health has also entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to Memorial Health under these arrangements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

8. CAPITAL ASSETS

Capital assets for the year ended December 31, 2021 was as follows:

	2020	Additions	Disposals	Transfers	2021
Land	\$ 2,993,940	\$ -	\$ -	\$ -	\$ 2,993,940
Land improvements	5,086,340	25,270	-	43,848	5,155,458
Buildings and leasehold improvements	105,944,194	2,885,037	(1,286,195)	763,713	108,306,749
Equipment	55,987,009	2,393,361	(1,552,721)	37,886	56,865,535
Construction in progress	108,146	939,346	-	(845,447)	202,045
	<u>170,119,629</u>	<u>6,243,014</u>	<u>(2,838,916)</u>	<u>-</u>	<u>173,523,727</u>
Less accumulated depreciation:					
Land improvements	2,444,130	207,459	(108,933)	-	2,542,656
Buildings and leasehold improvements	33,262,116	3,446,008	(1,282,966)	-	35,425,158
Equipment	38,844,107	4,321,570	(1,387,485)	-	41,778,192
	<u>74,550,353</u>	<u>7,975,037</u>	<u>(2,779,384)</u>	<u>-</u>	<u>79,746,006</u>
Capital assets, net	<u>\$ 95,569,276</u>	<u>\$ (1,732,023)</u>	<u>\$ (59,532)</u>	<u>\$ -</u>	<u>\$ 93,777,721</u>

Capital assets for the year ended December 31, 2020 was as follows:

	2019	Additions	Disposals	Transfers	2020
Land	\$ 2,993,940	\$ -	\$ -	\$ -	\$ 2,993,940
Land improvements	4,786,815	299,525	-	-	5,086,340
Buildings and leasehold improvements	55,147,872	-	(59,826)	50,856,148	105,944,194
Equipment	47,512,381	5,826,921	(285,070)	2,932,777	55,987,009
Construction in progress	43,779,658	10,117,413	-	(53,788,925)	108,146
	<u>154,220,666</u>	<u>16,243,859</u>	<u>(344,896)</u>	<u>-</u>	<u>170,119,629</u>
Less accumulated depreciation:					
Land improvements	2,252,455	191,345	330	-	2,444,130
Buildings and leasehold improvements	31,045,365	2,440,632	(223,881)	-	33,262,116
Equipment	35,352,967	3,588,396	(97,256)	-	38,844,107
	<u>68,650,787</u>	<u>6,220,373</u>	<u>(320,807)</u>	<u>-</u>	<u>74,550,353</u>
Capital assets, net	<u>\$ 85,569,879</u>	<u>\$ 10,023,486</u>	<u>\$ (24,089)</u>	<u>\$ -</u>	<u>\$ 95,569,276</u>

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9. ACCRUED SALARIES, WAGES AND RELATED ACCRUALS

The details of accrued liabilities at December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Payroll and related items	\$ 7,211,738	\$ 5,714,813
Self-insured benefits	3,967,616	3,705,756
Health insurance claims	<u>1,556,550</u>	<u>233,660</u>
Total salaries, wages and related accruals	<u>\$ 12,735,904</u>	<u>\$ 9,654,229</u>

10. LONG-TERM DEBT

Information regarding Memorial Health’s long-term debt activity and balances as of and for the year ended December 31, were as follows:

	<u>2020</u>	<u>Additions</u>	<u>Payments</u>	<u>2021</u>	<u>Current Portion</u>
Capital Lease Obligations					
OSU Epic Subscription	\$ 1,973,041	\$ -	\$ (549,887)	\$ 1,423,154	\$ 572,285
Hospital Facilities Revenue Bonds:					
Series 2016	9,046,601	-	(255,123)	8,791,478	261,214
Series 2017	17,150,000	-	(388,346)	16,761,654	434,911
Union County General Obligation Bonds:					
Series 2016A	2,835,000	-	(580,000)	2,255,000	600,000
Series 2016B	6,080,000	-	(260,000)	5,820,000	275,000
Series 2018	<u>27,980,000</u>	-	<u>(10,000)</u>	<u>27,970,000</u>	<u>10,000</u>
	65,064,642	-	(2,043,356)	63,021,286	2,153,410
Unamortized bond premiums	<u>2,705,213</u>	-	<u>(227,792)</u>	<u>2,477,421</u>	<u>239,679</u>
Total long-term debt	<u>\$ 67,769,855</u>	<u>\$ -</u>	<u>\$ (2,271,148)</u>	<u>\$ 65,498,707</u>	<u>\$ 2,393,089</u>

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	2019	Additions	Payments	2020	Current Portion
Capital Lease Obligations					
OSU Epic Subscription	\$ 2,501,397	\$ -	\$ (528,356)	\$ 1,973,041	\$ 549,882
Hospital Facilities Revenue Bonds:					
Series 2016	9,315,081	-	(268,480)	9,046,601	255,122
Series 2017	5,855,286	11,294,714	-	17,150,000	388,347
Union County General Obligation Bonds:					
Series 2016A	3,390,000	-	(555,000)	2,835,000	580,000
Series 2016B	6,325,000	-	(245,000)	6,080,000	260,000
Series 2018	27,990,000	-	(10,000)	27,980,000	10,000
	<u>55,376,764</u>	<u>11,294,714</u>	<u>(1,606,836)</u>	<u>65,064,642</u>	<u>2,043,351</u>
Unamortized bond premiums	2,946,647	-	(241,434)	2,705,213	227,792
Total long-term debt	<u>\$ 58,323,411</u>	<u>\$ 11,294,714</u>	<u>\$ (1,848,270)</u>	<u>\$ 67,769,855</u>	<u>\$ 2,271,143</u>

OSU EPIC Subscription Lease Obligation - effective May 1, 2019, Memorial Health entered into an electronic medical record system software license and access agreement in the amount of \$2,800,000. The \$2,800,000 lease obligation will be paid in 60 equal monthly installments of \$51,566, including principle and interest at a fixed rate of 4%, through April 2024. The debt is secured by the right-of-use asset valued at \$1,440,849 as of December 31, 2021.

Hospital Facilities Revenue Bonds, Series 2016 – dated December 14, 2016, were issued in the amount of \$10,000,000 with an interest rate of 2.33% issued to redeem the Series 2011 (Heart Pavilion Project) Hospital Facilities Revenue Bonds, and for capital project costs. The bonds are subject to mandatory tender on December 1, 2023 and mature on December 1, 2046.

The Hospital Facilities Improvement Revenue Bonds, Series 2016 loan of \$10,000,000 and Union County General Obligation Bond, Series 2016B loan of \$6,970,000 from direct placement contain a provision that whenever an event of default occurs, PNC Bank, National Association (PNC Bank), the holder of the bonds, without any further demand or notice, take one or any combination of the following remedial steps:

- 1) By notice, declare the total outstanding amount of the bonds due and payable
- 2) Proceed by appropriate court action to enforce specific performance by the County of Union, Ohio (the County) of the applicable covenants of the agreement or to recover for the breach thereof, including the payment of all amounts due from the County. The County shall pay or repay to PNC Bank all costs of such action or court action, including without limitation, reasonable attorneys' fees.
- 3) Pursue any other remedy granted to PNC Bank under the Master Trust Indenture or any other financing or security document executed in connection with any other indebtedness or other monetary obligation between the County and PNC Bank.

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Furthermore, upon the occurrence and continuation of an event of default the Hospital Facilities Improvement Revenue Bonds, Series 2016 and Union County General Obligation Various Purpose Refunding Bonds, Series 2016B will bear interest at the default rate, which is the rate equal to the sum of the interest rate plus 3%.

Hospital Facilities Revenue Bonds, Series 2017 – on December 28, 2017, Memorial Health entered into a bond purchase agreement with PNC Bank, for the issuance of its Hospital Facilities Improvement Revenue Bonds, Series 2017 in the aggregate principal amount not to exceed \$17,150,000 for its Memorial 2020 campus revitalization project. Memorial Health utilized the full amount of the bonds and had an outstanding balance of \$17,150,000 at the end of the drawdown period on December 28, 2020. The bonds were issued with a variable interest rate during the drawdown period, with a forward fixed rate of 2.92% through December 1, 2024. Principal payments commenced on February 1, 2021 with interest paid monthly beginning on February 1, 2018. The bonds are subject to mandatory tender on December 1, 2024 and mature on December 1, 2047.

The Hospital Facilities Improvement Revenue Bonds, Series 2017 loan of \$17,150,000 from direct placement contain a provision that whenever an event of default occurs, with written notice, the principal outstanding is due and payable immediately.

Union County General Obligation Various Purpose Refunding Bonds, Series 2016A – dated May 18, 2016, were issued in the amount of \$5,725,000 with varying fixed interest rates ranging from 2.00% to 4.00% to refinance the Series 2003 and Series 2005 Union County General Obligation Various Purpose Refunding Bonds. The bonds mature in full on December 1, 2025.

The Union County General Obligation Various Purpose Refunding Bonds, Series 2016A loan of \$5,725,000 from direct placement contain a provision that if Memorial Health fails to maintain a coverage or liquidity requirement Memorial Health shall deposit into a reserve account within 30 days cash or eligible investments in the amount necessary to cause the balance then held in the reserve account to equal the reserve requirement.

Union County General Obligation Various Purpose Refunding Bonds, Series 2016B – dated May 18, 2016, were issued in the amount of \$6,970,000 with varying fixed interest rates ranging from 1.00% to 5.00% to refinance the Series 2007 Union County General Obligation Various Purpose Refunding Bonds. The bonds mature in full on December 1, 2033.

The Union County General Obligation Various Purpose Refunding Bonds, Series 2016B loan of \$6,970,000 from direct placement is subject to the provision for an event of default as stated above.

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Union County General Obligation Bonds, Series 2018 – dated April 19, 2018, were issued in the amount of \$28,000,000 with a stated interest rate of 3.00% through 2024, and varying stated interest rates between 3.00% and 5.00% through final maturity. Memorial Health issued the Series 2018 bonds to continue the second phase of its Memorial 2020 campus revitalization project. The Memorial 2020 campus revitalization project includes constructing an inpatient tower, ambulatory health center for medical oncology, ambulatory services, health center, diabetes center, and physician practice space, as well as completing various improvements of existing Memorial Health sites.

The Union County General Obligation Bonds, Series 2018 loan of \$28,000,000 from direct placement contain a provision that whenever an event of default occurs, with written notice, the principal outstanding is due and payable immediately.

Memorial Health executed a Master Trust Indenture with the County and PNC Bank whereby the County and PNC Bank executed the revenue and general obligation bonds on behalf of Memorial Health. Under the terms of the agreement, Memorial Health agreed to assume liability of the debt obligations and has pledged a security interest in substantially all of its assets to the County, PNC Bank, and any other creditor for future debt obligations. Memorial Hospital is bound by terms under the master trust indenture to various debt covenants. Management believes Memorial Hospital is in compliance with these covenants as of December 31, 2021.

The following is a schedule by years of debt principal and interest payments:

Years Ending December 31	Notes from Direct Placements		Capital Leases	
	Principal	Interest *	Principal	Interest
2022	\$ 1,581,125	\$ 2,019,588	\$ 572,285	\$ 46,510
2023	1,640,421	2,003,877	595,601	23,194
2024	1,693,400	1,960,001	255,268	2,558
2025	1,650,586	1,917,269	-	-
2026	1,669,711	1,876,455	-	-
2027-2031	9,491,486	8,623,275	-	-
2032-2036	10,941,202	7,217,757	-	-
2037-2041	13,198,067	5,227,822	-	-
2042-2046	16,015,909	2,616,698	-	-
2047-2049	3,716,225	155,105	-	-
Total	<u>\$ 61,598,132</u>	<u>\$ 33,617,847</u>	<u>\$ 1,423,154</u>	<u>\$ 72,262</u>

(*) Anticipated interest expense, net of amortization of deferred bond premiums on the Series 2016A and Series 2016B General Obligation Various Purpose Refunding Bonds and Series 2018 General Obligation Bonds.

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11. OPERATING LEASES

Memorial Health has various noncancellable operating lease agreements for equipment and building rental space, which expire in various years through 2035. These leases generally contain renewal options for periods ranging from 1 to 5 years and require Memorial Health to pay all executory costs (property taxes, maintenance and insurance). Future minimum lease payments at December 31, 2021 are as follows:

2022	\$	3,684,885
2023		3,454,296
2024		3,361,103
2025		3,401,138
2026		3,403,181
2027-2031		13,878,794
2032-2035		3,353,224
Total	\$	<u>34,536,621</u>

Rent expense for all operating leases approximated \$3,186,000 and \$3,136,000 in 2021 and 2020, respectively.

12. REFUNDABLE ADVANCES

During 2021 and 2020, the Provider Relief Fund (PRF) grants authorized under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act were distributed to healthcare providers impacted by the outbreak of COVID-19 pandemic under Catalog of Federal Domestic Assistance (CFDA) #93.498. Revenues from PRF grants are recognized to the extent of patient revenues lost as a result of the pandemic and COVID-19 related additional expenses. This revenue is included in the combined statements of revenues, expenses and changes in net position as nonoperating revenue. Patient revenues lost represent the deficiency in net patient service revenues recognized over the period impacted by the pandemic when compared with net patient service revenues budgeted for 2020. These funds are subject to recoupment by the grantor in the event that the conditions for recognition are not met.

As part of the CARES act congress also authorized Coronavirus Relief Funds which were distributed to state and local governments. In 2020, the state of Ohio passed through funds to healthcare providers in the state. Revenues from Coronavirus Relief Funds are recognized to the extent of COVID-19 related expenses. This revenue is included in the combined statements of revenues, expenses, and changes in net position as other non-operating revenue. Coronavirus Relief Fund included in refundable advances on the combined statements of net position represent grant funds received in excess of COVID-19 related expenses. These funds are subject to recoupment by the grantor in the event that the conditions for recognition are not met.

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The passage of the CARES Act also authorized the Center for Medicare and Medicaid Services (CMS) to expand the Medicare Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. As an eligible healthcare organization, Memorial Health was eligible to request up to 100% of their Medicare payment amounts for a six-month period. These payments were issued in April 2020. Recoupment of the advance payment began following a 120-day deferral period. The Continuing Appropriations Act, 2021 and Other Extensions Act which passed on September 30, 2020 allowed providers to extend repayment for a full year before recoupment begins. Approximately \$2,669,000 of the Medicare recoupment payments were made for the year ending December 31, 2021. The advance payments are included in refundable advances on the combined statements of net position.

As of and for the year ended December 31, 2021, revenues recognized, and refundable advances were as follows:

	<u>Revenue Recognized</u>	<u>Current Portion of Refundable Advances</u>	<u>Long-Term Portion of Refundable Advances</u>	<u>Total</u>
Medicare accelerated and advance payment program	\$ -	\$ 3,831,201	\$ -	\$ 3,831,201
Provider relief fund	423,237	-	-	423,237
Ending Balance	<u>\$ 423,237</u>	<u>\$ 3,831,201</u>	<u>\$ -</u>	<u>\$ 4,254,438</u>

As of and for the year ended December 31, 2020, revenues recognized, and refundable advances were as follows:

	<u>Revenue Recognized</u>	<u>Current Portion of Refundable Advances</u>	<u>Long-Term Portion of Refundable Advances</u>	<u>Total</u>
Medicare accelerated and advance payment program	\$ -	\$ 2,308,743	\$ 4,191,257	\$ 6,500,000
Coronavirus relief fund	245,927	-	-	245,927
Provider relief fund	3,633,207	-	-	3,633,207
Ending Balance	<u>\$ 3,879,134</u>	<u>\$ 2,308,743</u>	<u>\$ 4,191,257</u>	<u>\$ 10,379,134</u>

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13. NET PATIENT SERVICE REVENUE

Net patient service revenue for the year ending December 31 consists of the following:

	<u>2021</u>	<u>2020</u>
Patient Revenue:		
Inpatient services	\$ 82,865,641	\$ 60,273,511
Outpatient services	314,281,044	256,115,682
Total patient revenue	<u>397,146,685</u>	<u>316,389,193</u>
Revenue deductions:		
Provision for contractual allowances	222,289,590	170,794,164
Provision for bad debt allowances	9,531,220	7,785,504
Charity care, net of Hospital Care Assurance	2,992,377	2,770,321
Total revenue deductions	<u>234,813,187</u>	<u>181,349,989</u>
Total net patient service revenue	<u>\$ 162,333,498</u>	<u>\$ 135,039,204</u>

14. RETIREMENT PLANS

Memorial Hospital and Memorial Gables are participating employers of Memorial Health contributing to the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost sharing multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare trust, which funds multiple health care plans including medical coverage, prescription drug program and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. Please see the Plan Statement in the OPERS 2020 Comprehensive Annual Financial Report for details.

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The Ohio Revised Code permits, but does not mandate, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Retirement Plans

In accordance with GASB Statement No. 68 and 75, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension and OPEB liabilities of the plans. Although changes in the net pension liabilities and assets generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 10 years).

The collective net pension asset and liability of the retirement systems (GASB 68) and Memorial Health’s proportionate share of the net pension asset and liability as of December 31 were as follows:

	2021	2020
Net pension asset - all employers	\$ 288,663,526	\$ 208,524,069
Proportion of the net pension asset - Memorial Health	0.443823%	0.466490%
	<u>\$ 1,281,155</u>	<u>\$ 972,744</u>
	2021	2020
Net pension liability - all employers	\$ 14,807,822,857	\$ 19,765,678,367
Proportion of the net pension liability - Memorial Health	0.284420%	0.277666%
	<u>\$ 42,116,410</u>	<u>\$ 54,882,569</u>

Pension expense, relating to GASB 68, for the years ending December 31, 2021 and 2020, was \$3,196,937 and \$11,726,462, respectively.

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The collective net OPEB (asset) liability of the retirement systems (GASB 75) and Memorial Health’s proportionate share of the net OPEB (asset) liability as of December 31 were as follows:

	2021	2020
Net OPEB (asset) liability - all employers	\$ (1,781,579,865)	\$ 13,812,597,868
Proportion of the net OPEB (asset) liability - Memorial Health	0.306973%	0.298833%
	<u>\$ (5,468,969)</u>	<u>\$ 41,276,601</u>

OPEB (gain) expense relating to GASB 75, for the years ending December 31, 2021 and 2020, was (\$31,554,195) and \$5,777,257, respectively.

At December 31, 2021, Memorial Health reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:

Assumption changes	\$ 80,009
Change in proportionate share	1,285,983
Employer contributions subsequent to the measurement date	6,213,861
Total	<u>\$ 7,579,853</u>

Deferred inflows of resources:

Difference between expected and actual experience	\$ 2,003,467
Change in proportionate share	15,120
Net difference between projected and actual earnings on pension plan assets	16,606,274
Difference between Memorial Health contributions and proportionate share of contributions	41,985
Total	<u>\$ 18,666,846</u>

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At December 31, 2020, Memorial Health reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Assumption changes	\$ 3,031,672
Change in proportionate share	1,474,511
Employer contributions subsequent to the measurement date	5,881,074
Total	<u><u>\$ 10,387,257</u></u>

Deferred inflows of resources:	
Difference between expected and actual experience	\$ 922,282
Change in proportionate share	18,781
Net difference between projected and actual earnings on pension plan assets	11,074,007
Difference between Memorial Health contributions and proportionate share of contributions	48,204
Total	<u><u>\$ 12,063,274</u></u>

At December 31, 2021, Memorial Health reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

Deferred outflows of resources:	
Assumption changes	\$ 2,660,943
Change in proportionate share	936,250
Difference between Memorial Health contributions and proportionate share of contributions	85,984
Employer contributions subsequent to the measurement date	27,695
Total	<u><u>\$ 3,710,872</u></u>

Deferred inflows of resources:	
Difference between expected and actual experience	\$ 4,935,713
Net difference between projected and actual earnings on OPEB plan assets	2,912,848
Assumption changes	8,861,370
Total	<u><u>\$ 16,709,931</u></u>

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At December 31, 2020, Memorial Health reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

Deferred outflows of resources:	
Difference between expected and actual experience	\$ 1,107
Assumption changes	6,508,950
Change in proportionate share	1,453,379
Difference between Memorial Health contributions and proportionate share of contributions	81,330
Employer contributions subsequent to the measurement date	24,697
Total	<u><u>\$ 8,069,463</u></u>
 Deferred inflows of resources:	
Difference between expected and actual experience	\$ 3,774,935
Net difference between projected and actual earnings on OPEB plan assets	2,101,794
Difference between Memorial Health contributions and proportionate share of contributions	418
Total	<u><u>\$ 5,877,147</u></u>

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending December 31 as follows:

2022	\$ 6,110,822
2023	2,067,850
2024	6,796,655
2025	2,289,246
2026	16,630
Thereafter	19,651
Total	<u><u>\$ 17,300,854</u></u>

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Net deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense during the years ending December 31 as follows:

2022	\$ 6,589,154
2023	4,800,907
2024	1,265,805
2025	370,888
Total	<u><u>\$ 13,026,754</u></u>

Statutory Authority

Ohio Revised Code (ORC) Chapter 145

Benefit Formula

Pensions: Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

OPEB: The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and the Combined Pension Plan is comparable, as the same coverage options are provided to participants in both plans. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the connector, and may be eligible for monthly allowances deposited to a health reimbursement account to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The OPERS determines the amount, if any of the associated health care costs that will be absorbed by the OPERS and attempts to control costs by using managed care, case management, and other programs.

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Contribution Rates

The ORC provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of earnable salary of active members. In 2021 and 2020, State and Local employers contributed a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2021. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2021 remained consistent at 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2021 and 2020 was 4%.

Cost-of-Living Adjustments

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual cost-of-living adjustment is provided on the member's base pension benefit at the date of retirement and is not compounded. For those members retiring under the Combined Plan, they will receive a 3% cost-of-living adjustment for the defined benefit portion of their pension benefit. Current law provides for a 3% cost-of-living adjustment for benefit recipients retiring prior to January 7, 2013. For those benefit recipients retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the cost-of-living adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Measurement Date

December 31, 2020 for pension (OPEB is rolled forward from December 31, 2019 actuarial valuation date)

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Actuarial Assumptions

Valuation Date: December 31, 2020 for pension and December 31, 2020 for OPEB

Rolled Forward Measurement Date: December 31, 2019 for OPEB

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 7.20% for pension and 6.00% for OPEB

Inflation: 3.25%

Projected Salary Increases: 3.25% - 10.75%

Cost-of-Living Adjustments: 3.00% Simple for those retiring before January 7, 2013, .50% Simple for those retiring after January 7, 2013 through 2021, then 2.15% Simple.

Health Care Cost Trend: 8.50% initial, 3.50% ultimate through 2035

Mortality Rates

Mortality rates are based on the RP-2014 Health Annuitant mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base on 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2010. The mortality tables, used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvement scale.

Date of Last Experience Study

December 31, 2015

Investment Return Assumptions

The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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The following table displays the OPERS Board-approved asset allocation policy for defined benefit pension assets for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed Income	25%	1.3%
Domestic Equity	21%	5.6%
Real Estate	10%	5.4%
Private Equity	12%	10.4%
International Equity	23%	7.4%
Other Investments	9%	4.8%
Total	<u>100%</u>	

* Returns presented as arithmetic means

The following table displays the OPERS Board-approved asset allocation policy for health care assets for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed Income	34%	1.1%
Domestic Equity	25%	5.6%
Real Estate	7%	6.5%
International Equity	25%	7.4%
Other Investments	9%	4.0%
Total	<u>100%</u>	

* Returns presented as arithmetic means

Discount Rate

Pension: The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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OPEB: A discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). The single discount rate was based on an expected rate of return on the health care investment portfolio of 6.0% and a municipal bond rate of 2.00%. The projected cash flows used to determine the discount rate assumed that the employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position and future contributions were significant to finance health care costs through 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and the municipal bond rate was applied to all health care costs after that date.

Health Care Cost Trend Rate

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increase in the current cost of health care; the trend starting in 2021 is 8.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

Sensitivity of Net Pension Asset to Changes in Discount Rate

1% Decrease (6.2%)	Current Rate (7.2%)	1% Increase (8.2%)
\$ 892,084	\$ 1,281,155	\$ 1,571,133

Sensitivity of Net Pension Liability to Changes in Discount Rate

1% Decrease (6.2%)	Current Rate (7.2%)	1% Increase (8.2%)
\$ 80,337,273	\$ 42,116,410	\$ 10,335,823

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Sensitivity of Net OPEB (Asset) Liability to Changes in Discount Rate

1% Decrease (5.0%)	Current Rate (6.0%)	1% Increase (7.0%)
\$ (1,359,890)	\$ (5,468,969)	\$ (8,846,962)

Sensitivity of Net OPEB (Asset) Liability to Changes in Health Care Cost Trend Rate

1% Decrease (7.5%)	Current Rate (8.5%)	1% Increase (9.5%)
\$ (5,602,257)	\$ (5,468,969)	\$ (5,319,842)

The amount of contributions recognized by the OPERS Plan from Memorial Health for the years ending December 31, 2021 and 2020 were approximately \$6,214,000 and \$6,499,000, respectively.

The amount of contributions recognized by the OPEB Plan from Memorial Health for the years ending December 31, 2021 and 2020 were approximately \$28,000 and \$25,000, respectively.

15. MEDICAL MALPRACTICE CLAIMS

Based on the nature of its operations, Memorial Health is at times subject to pending or threatened legal actions, which arise in the normal course of its activities. Memorial Health is insured against medical malpractice claims under a claims-based policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, Memorial Health bears the risk of the ultimate costs of any individual claims exceeding \$1,000,000, or aggregate claims \$3,000,000, for claims asserted in the policy year. In addition, Memorial Health has an umbrella policy with an additional \$5,000,000 of coverage. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on the occurrences during the claims-made term, but reported subsequently, will be uninsured.

Memorial Health is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled during the past three years that have exceeded policy coverage limits. The cost of this insurance policy represents Memorial Health's cost for such claims for the year, and it has been charged to operations as a current expense.

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NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

16. DEFERRED COMPENSATION

Any employee of Memorial Hospital may participate in a deferred compensation plan created by the State of Ohio under the provisions of Internal Revenue Code (IRC) Section 457, Deferred Compensation Plan with Respect to Service for State and Local Governments. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. Certain amounts are being accrued for annually under this plan.

17. SELF-INSURED BENEFITS

Memorial Hospital is partially self-insured under a plan covering substantially all employees and dependents for health benefits. The plan is covered by a stop-loss policy that covers claims over \$150,000 per covered person, with an unlimited maximum annual payment amount. Claims in excess of employee premiums are charged to operations. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. In addition, Memorial Hospital self-insures for worker's compensation. Memorial Hospital has a \$1,500,000 per claim stop-loss policy with a private insurance carrier for worker's compensation.

Activity in Memorial Health's accrued employee health claims liability during 2021 and 2020 is summarized as follows:

	2021	2020
Balance, beginning of year	\$ 233,660	\$ 488,576
Current year claims incurred and changes in estimates for claims incurred in prior years	8,984,441	9,031,798
Claims and expenses paid	<u>(7,661,551)</u>	<u>(9,286,714)</u>
Balance, end of year	<u>\$ 1,556,550</u>	<u>\$ 233,660</u>

18. INVESTMENT IN JOINT VENTURES

During 1996, Memorial Health Foundation and two other area health care entities formed Health Partners, Ltd. (Health Partners), for which Memorial Hospital has a 33.33% ownership interest. Health Partners was formed to provide management services to the health clinic of a major area corporation. In 1996, Memorial Hospital contributed \$100,000 to Health Partners through Memorial Health Foundation. Memorial Hospital received distributions of \$0 in 2021 and 2020 through Memorial Health Foundation.

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During 2003, Memorial Health Foundation and other area health providers formed Marysville Ohio Medical Properties, LLC, of which Memorial Hospital has a 46.88% ownership interest. The corporation was formed as the property owner for the Marysville Ohio Surgery Center facility. During 2003, Memorial Hospital contributed \$130,000 through Memorial Health Foundation. During 2021 and 2020, Memorial Hospital received distributions of \$59,063 and \$100,781, respectively, through Memorial Health Foundation.

During 2014, Memorial Health Foundation and other health providers formed Mahoney Dialysis, LLC, of which Memorial Hospital had a 6.0% ownership. The organization was formed to provide dialysis and renal care services and related services to the area. During 2014, Memorial Hospital contributed \$106,020 through Memorial Health Foundation. During 2021 and 2020, Memorial Hospital received distributions of \$32,538 and \$26,959, respectively, through Memorial Health Foundation.

19. HEART PAVILION COLLABORATION AGREEMENT

On January 1, 2011, Memorial Hospital entered into cardiovascular collaboration and management service agreements with The Ohio State University (OSU) to provide cardiovascular services to Memorial Hospital's patients on its campus. Under the terms of the agreements, each party provides certain equipment, facilities, personnel and management services. Program earnings, as defined, are determined and distributed under the terms of the agreements. As of December 31, 2021 and 2020, Memorial Hospital had amounts accrued of approximately \$318,000 and \$568,000 for amounts due to OSU relating to revenues earning during 2021 and 2020, respectively.

20. BLENDED COMPONENT UNITS

The combined financial statements include Memorial Gables, Memorial Health Foundation, and Memorial Medical Group, which are blended component units of Memorial Hospital as determined by GASB Statements No. 61 and No. 80.

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The following is a summary of the financial position and activities of the blended component units as of and for the year ending December 31, 2021:

	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Memorial Component Unit Total
Assets:				
Current assets	\$ 1,610,253	\$ 1,404,630	\$ 3,364,859	\$ 6,379,742
Capital assets, net	5,334,160	-	-	5,334,160
Other assets	1,009,357	665,756	-	1,675,113
Deferred outflows of resources	1,009,388	-	-	1,009,388
Total assets and deferred outflows of resources	\$ 8,963,158	\$ 2,070,386	\$ 3,364,859	\$ 14,398,403
Liabilities:				
Current liabilities	\$ 1,324,744	\$ 9,500	\$ 1,202,695	\$ 2,536,939
Due to Memorial Hospital	1,312,248	70,652	2,192,766	3,575,666
Long term debt	865,042	-	-	865,042
Other liabilities	3,840,473	-	-	3,840,473
Deferred inflows of resources	3,162,684	-	-	3,162,684
Total liabilities and deferred inflows of resources	10,505,191	80,152	3,395,461	13,980,804
Net position:				
Net investment in capital assets	4,020,483	-	-	4,020,483
Restricted - expendable for				
Capital improvements	-	215,051	-	215,051
Pensions	114,535	-	-	114,535
Other post-employment benefits	488,926	-	-	488,926
Unrestricted	(6,165,977)	1,775,183	(30,602)	(4,421,396)
Total net position	(1,542,033)	1,990,234	(30,602)	417,599
Total liabilities, deferred inflows of resources, and net position	\$ 8,963,158	\$ 2,070,386	\$ 3,364,859	\$ 14,398,403

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Component Unit Total
Operating revenues				
Net patient service revenue	\$ 7,564,965	\$ -	\$ 11,739,495	\$ 19,304,460
Other operating revenues	299,785	-	8,081,831	8,381,616
Total operating revenues	<u>7,864,750</u>	<u>-</u>	<u>19,821,326</u>	<u>27,686,076</u>
Operating expenses				
Depreciation and amortization	535,788	-	90,092	625,880
Other operating expenses	4,369,167	141,035	20,361,103	24,871,305
Total operating expenses	<u>4,904,955</u>	<u>141,035</u>	<u>20,451,195</u>	<u>25,497,185</u>
Income (Loss) from operations	2,959,795	(141,035)	(629,869)	2,188,891
Non-operating gains (losses)				
Investment income	-	248,326	-	248,326
Interest expense	5,539	-	-	5,539
Noncapital grants and contributions	(30,930)	-	228,381	197,451
Other nonoperating income (expense)	-	50,600	-	50,600
Total non-operating gains (losses)	<u>(25,391)</u>	<u>298,926</u>	<u>228,381</u>	<u>501,916</u>
Transfers to Memorial Hospital	<u>-</u>	<u>(820,673)</u>	<u>-</u>	<u>(820,673)</u>
Increase (decrease) in net position	2,934,404	(662,782)	(401,488)	1,870,134
Net position - beginning of year	(4,476,437)	2,653,016	370,886	(1,452,535)
Net position - end of year	<u>\$ (1,542,033)</u>	<u>\$ 1,990,234</u>	<u>\$ (30,602)</u>	<u>\$ 417,599</u>

	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Component Unit Total
Cash provided by (used in):				
Operating activities	\$ 548,451	\$ 370,523	\$ 1,123,867	\$ 2,042,841
Investing activities	(96,281)	91,630	-	(4,651)
Financing activities	(664,506)	(770,073)	228,381	(1,206,198)
Total	<u>(212,336)</u>	<u>(307,920)</u>	<u>1,352,248</u>	<u>831,992</u>
Cash - beginning of year	1,323,404	686,848	594,762	2,605,014
Cash - end of year	<u>\$ 1,111,068</u>	<u>\$ 378,928</u>	<u>\$ 1,947,010</u>	<u>\$ 3,437,006</u>

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The following is a summary of the financial position and activities of the blended component units as of and for the year ending December 31, 2020:

	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	blended Component Unit Total
Assets:				
Current assets	\$ 1,939,440	\$ 1,984,418	\$ 2,268,437	\$ 6,192,295
Capital assets, net	5,643,266	-	-	5,643,266
Other assets	407,777	700,800	-	1,108,577
Deferred outflows of resources	1,862,517	-	-	1,862,517
Total assets and deferred outflows of resources	\$ 9,853,000	\$ 2,685,218	\$ 2,268,437	\$ 14,806,655
Liabilities:				
Current liabilities	\$ 1,243,594	\$ 9,500	\$ 788,395	\$ 2,041,489
Due to Memorial Hospital	188,706	22,702	1,109,156	1,320,564
Long term debt	1,307,273	-	-	1,307,273
Other liabilities	9,779,448	-	-	9,779,448
Deferred inflows of resources	1,810,416	-	-	1,810,416
Total liabilities and deferred inflows of resources	14,329,437	32,202	1,897,551	16,259,190
Net position:				
Net investment in capital assets	3,917,156	-	-	3,917,156
Restricted - expendable for				
Capital improvements	-	676,930	-	676,930
Pensions	98,162	-	-	98,162
Unrestricted	(8,491,755)	1,976,086	370,886	(6,144,783)
Total net position	(4,476,437)	2,653,016	370,886	(1,452,535)
Total liabilities, deferred inflows of resources, and net position	\$ 9,853,000	\$ 2,685,218	\$ 2,268,437	\$ 14,806,655

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Memorial Component Unit Total
Operating revenues				
Net patient service revenue	\$ 8,276,674	\$ -	\$ 10,557,721	\$ 18,834,395
Other operating revenues	419,424	-	8,136,593	8,556,017
Total operating revenues	<u>8,696,098</u>	<u>-</u>	<u>18,694,314</u>	<u>27,390,412</u>
Operating expenses				
Depreciation and amortization	533,694	-	117,863	651,557
Other operating expenses	9,589,362	152,672	18,705,191	28,447,225
Total operating expenses	<u>10,123,056</u>	<u>152,672</u>	<u>18,823,054</u>	<u>29,098,782</u>
Income (Loss) from operations	(1,426,958)	(152,672)	(128,740)	(1,708,370)
Non-operating gains (losses)				
Investment income	-	233,809	-	233,809
Interest expense	(38,602)	-	-	(38,602)
Noncapital grants and contributions	1,032,773	-	369,279	1,402,052
Other nonoperating income (expense)	-	247	-	247
Total non-operating gains (losses)	<u>994,171</u>	<u>234,056</u>	<u>369,279</u>	<u>1,597,506</u>
Transfers to Memorial Hospital	-	(1,641,565)	-	(1,641,565)
Increase (decrease in net position)	(432,787)	(1,560,181)	240,539	(1,752,429)
Net position - beginning of year	<u>(4,043,650)</u>	<u>4,213,197</u>	<u>130,347</u>	<u>299,894</u>
Net position - end of year	<u>\$ (4,476,437)</u>	<u>\$ 2,653,016</u>	<u>\$ 370,886</u>	<u>\$ (1,452,535)</u>

	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Memorial Component Unit Total
Cash provided by (used in):				
Operating activities	\$ (598,942)	\$ 550,622	\$ 19,749	\$ (28,571)
Investing activities	(72,123)	131,143	-	59,020
Financing activities	466,561	(1,641,318)	369,279	(805,478)
Total	<u>(204,504)</u>	<u>(959,553)</u>	<u>389,028</u>	<u>(775,029)</u>
Cash - beginning of year	<u>1,527,908</u>	<u>1,646,401</u>	<u>205,734</u>	<u>3,380,043</u>
Cash - end of year	<u>\$ 1,323,404</u>	<u>\$ 686,848</u>	<u>\$ 594,762</u>	<u>\$ 2,605,014</u>

21. RECENT GASB PRONOUNCEMENTS

Management has not currently determined what effects, if any, the implementation of the following recently enacted statements may have on its future financial statements:

GASB Statement No. 87, Leases, issued June 2017, will be effective for periods beginning after June 15, 2021. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

22. COMMITMENTS AND CONTINGENCIES

Compliance Risks

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance that have not been provided for in the combined financial statements; however, the possible future financial effects of this matter on Memorial Health, if any, are not presently determinable.

Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts Memorial Health's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. To date, Memorial Health has experienced decreases in revenue and increases in the cost of certain supplies. Additional potential impacts include, but are not limited to, additional costs for responding to COVID-19; shortages of healthcare personnel; shortages of clinical supplies; increased demand for services; delays, lost of, or reduction to revenue, contributions, and funding; and investment portfolio declines. Management believes Memorial Health is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated as of the date the combined financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 68 PENSION LIABILITIES (UNAUDITED) DECEMBER 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014 AND 2013

Schedule of Proportionate Share of the Net Pension Liability (rounding to the nearest 1,000)	2021	2020	2019	2018	2017	2016	2015	2014	2013
Memorial Health's proportion of the collective net pension liability	0.28442%	0.27767%	0.27119%	0.26013%	0.25406%	0.25521%	0.24945%	*	*
Memorial Health's proportionate share of the net pension liability	\$ 42,116,000	\$ 54,883,000	\$ 74,274,000	\$ 40,810,000	\$ 57,693,000	\$ 44,205,000	\$ 30,130,000	*	*
Memorial Health's proportion of the collective net pension asset	0.44382%	0.46649%	0.47495%	0.48127%	0.50236%	0.43231%	0.35544%	*	*
Memorial Health's proportionate share of the net pension asset	\$ 1,281,155	\$ 972,744	\$ 541,920	\$ 671,960	\$ 281,688	\$ 212,021	\$ 138,945	*	*
Memorial Health's covered payroll	\$ 46,418,000	\$ 45,147,000	\$ 38,623,000	\$ 36,368,000	\$ 34,796,000	\$ 38,924,000	\$ 40,883,000	*	*
Memorial Health's proportionate share of the net pension liability as a percentage of its covered payroll	90.7%	121.6%	192.3%	112.2%	165.8%	113.6%	73.7%	*	*
Plan fiduciary net position as a percentage of the total pension liability	87.2%	82.4%	74.9%	84.9%	77.4%	81.2%	86.5%	*	*
Schedule of Memorial Health's Contributions									
Contractually required contribution	\$ 6,214,000	\$ 6,499,000	\$ 6,161,000	\$ 5,407,000	\$ 4,728,000	\$ 4,176,000	\$ 4,671,000	\$ 4,906,000	\$ 4,604,000
Contributions in relation to the contractually required contribution	\$ 6,214,000	\$ 6,499,000	\$ 6,161,000	\$ 5,407,000	\$ 4,728,000	\$ 4,176,000	\$ 4,671,000	\$ 4,906,000	\$ 4,604,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 44,385,000	\$ 46,418,000	\$ 45,147,000	\$ 38,623,000	\$ 36,368,000	\$ 34,796,000	\$ 38,924,000	\$ 40,883,000	\$ 35,415,000
Contributions as a percentage of covered payroll	14%	14%	14%	14%	13%	12%	12%	12%	13%

Note: This schedule is intended to present ten years of the proportionate share of the net pension liability. Currently, only those years with information available are presented.

* For 2014 and 2013 this information is not available.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 75 OTHER POSTEMPLOYMENT BENEFIT LIABILITIES (UNAUDITED) DECEMBER 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014 AND 2013

Schedule of Proportionate Share of the Net OPEB (Asset) Liability (rounding to the nearest 1,000)	2021	2020	2019	2018	2017	2016	2015	2014	2013
Memorial Health's proportion of the collective net OPEB (asset) liability	0.30697%	0.29883%	0.29161%	0.26708%	*	*	*	*	*
Memorial Health's proportionate share of the net OPEB (asset) liability	\$ (5,469,000)	\$ 41,277,000	\$ 38,019,000	\$ 29,003,000	*	*	*	*	*
Memorial Health's covered payroll	\$ 46,418,000	\$ 45,147,000	\$ 38,623,000	\$ 36,368,000	\$ 34,796,000	\$ 38,924,000	\$ 40,883,000	*	*
Memorial Health's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-11.8%	91.4%	106.9%	79.7%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	115.6%	47.8%	46.3%	54.1%	*	*	*	*	*
Schedule of Memorial Health's Contributions									
Contractually required OPEB contribution	\$ 28,000	\$ 25,000	\$ 160,000	\$ 146,000	\$ 364,000	\$ 696,000	\$ 778,000	\$ 818,000	\$ 354,000
Contributions in relation to the contractually required contribution	<u>\$ 28,000</u>	<u>\$ 25,000</u>	<u>\$ 160,000</u>	<u>\$ 146,000</u>	<u>\$ 364,000</u>	<u>\$ 696,000</u>	<u>\$ 778,000</u>	<u>\$ 818,000</u>	<u>\$ 354,000</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 44,385,000	\$ 46,418,000	\$ 45,147,000	\$ 38,623,000	\$ 36,368,000	\$ 34,796,000	\$ 38,924,000	\$ 40,883,000	\$ 35,415,000
Contributions as a percentage of covered payroll	0%	0%	0%	0%	1%	2%	2%	2%	1%

Note: This schedule is intended to present ten years of the proportionate share of the net pension liability. Currently, only those years with information available are presented.

* This information is not available as information for GASB 75 was only obtained in 2018.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

1. Defined Benefit Pension Plans

Changes of Benefit Terms:

Amounts reported in 2015 for OPERS reflect the following plan changes:

- The minimum age and number of years of service required to receive an unreduced benefit were each increased by two years for members in the state and local divisions. The minimum retirement age required for law enforcement members did not change, however, the minimum retirement age was increased by two years.
- Final average salary (FAS) increased to the highest five years (up from three years).
- The benefit multiplier used for the first 30 years (2.2% of FAS) was increased to the first 35 years of service.
- Age and service reduction factors changed to represent actuarially determined rates for each year a member retires before attaining full retirement.
- The Cost of Living Adjustment (COLA) was changed for new retirees from a simple 3 percent applied to the benefit value at date of retirement, to a rate based on the change in the Consumer Price Index, not to exceed 3%.

Changes of Assumptions:

In 2016, the OPERS' Board of Trustees' actuarial consultants conducted an experience study for the period of 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions for the actuarial valuation as of December 31, 2020, used for Memorial Health's 2021 fiscal year. Amounts reported in Memorial Health's 2021 fiscal year for the OPERS pension plans reflect the following change of assumptions from the amounts reported for the 2020 fiscal year based on the experience study.

- Actuarially assumed expected rate of investment return remained consistent at 7.2%.
- Projected salary increases remained consistent at 3.25%– 10.75% for the Traditional Pension Plan and at 3.25%– 8.25% for the combined plan.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

2. Defined Benefit Postemployment Benefits Other Than Pensions

Changes of Assumptions:

Amounts reported in 2021 for OPERS reflect the following changes in assumptions based on an experience study for the five year period ending December 31, 2015:

- Wage inflation assumption remained consistent at 3.25%.
- Actuarially assumed discount rate increased from 3.16% to 6.0%.
- Health care cost trend rate decreased from 10.5% initial, 3.5% ultimate in 2030 to 8.5% initial, 3.5% in 2035.

SUPPLEMENTARY INFORMATION

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINING STATEMENT OF NET POSITION DECEMBER 31, 2021

Assets and Deferred Outflows of Resources

	Memorial Hospital	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Eliminating Entries	Total
Current assets						
Cash and cash equivalents	\$ 41,680,646	\$ 1,111,068	\$ 378,928	\$ 1,947,010	\$ -	\$ 45,117,652
Patient accounts receivable	22,147,350	483,758	-	1,417,849	-	24,048,957
Short-term investments	15,703,445	-	806,670	-	-	16,510,115
Prepaid expenses and other current assets	3,060,641	15,427	16,125	-	-	3,092,193
Inventories	1,730,619	-	-	-	-	1,730,619
Current portion of contributions receivable	-	-	202,907	-	-	202,907
Due from affiliate	3,575,666	-	-	-	(3,575,666)	-
Total current assets	87,898,367	1,610,253	1,404,630	3,364,859	(3,575,666)	90,702,443
Capital assets, net	88,443,561	5,334,160	-	-	-	93,777,721
Long-term investments	67,919,409	-	-	-	-	67,919,409
Assets limited as to use						
Internally designated for specific purpose	342,515	405,896	-	-	-	748,411
Restricted by donors for capital improvements	382,268	-	-	-	-	382,268
Total assets limited as to use	724,783	405,896	-	-	-	1,130,679
Other assets						
Contributions receivable, net of current portion	-	-	12,144	-	-	12,144
Investment in joint ventures	-	-	653,612	-	-	653,612
Other assets	1,783,240	-	-	-	-	1,783,240
Total other assets	1,783,240	-	665,756	-	-	2,448,996
Net pension asset	1,166,620	114,535	-	-	-	1,281,155
Net other post-employment benefit asset	4,980,043	488,926	-	-	-	5,468,969
Total noncurrent assets	165,017,656	6,343,517	665,756	-	-	172,026,929
Deferred outflows of resources						
Excess consideration from acquisition	170,996	-	-	-	-	170,996
Pension	6,902,214	677,639	-	-	-	7,579,853
Other post-employment benefits	3,379,123	331,749	-	-	-	3,710,872
Total deferred outflows of resources	10,452,333	1,009,388	-	-	-	11,461,721
Total assets and deferred outflows of resources	<u>\$ 263,368,356</u>	<u>\$ 8,963,158</u>	<u>\$ 2,070,386</u>	<u>\$ 3,364,859</u>	<u>\$ (3,575,666)</u>	<u>\$ 274,191,093</u>

See report of independent auditors.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINING STATEMENT OF NET POSITION DECEMBER 31, 2021

Liabilities, Deferred Inflows of Resources and Net Position

	Memorial Hospital	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Eliminating Entries	Total
Current liabilities						
Current portion of long-term debt	\$ 1,944,454	\$ 448,635	\$ -	\$ -	\$ -	\$ 2,393,089
Accounts payable	5,348,943	159,282	9,500	38,205	-	5,555,930
Accrued salaries, wages and related accruals	10,888,775	682,639	-	1,164,490	-	12,735,904
Estimated third-party settlements	690,000	29,320	-	-	-	719,320
Other current liabilities	583,320	4,868	-	-	-	588,188
Current portion of refundable advances	3,831,201	-	-	0	-	3,831,201
Due to affiliate	-	1,312,248	70,652	2,192,766	(3,575,666)	-
Total current liabilities	<u>23,286,693</u>	<u>2,636,992</u>	<u>80,152</u>	<u>3,395,461</u>	<u>(3,575,666)</u>	<u>25,823,632</u>
Long-term liabilities						
Long-term portion of refundable advances	-	-	-	-	-	-
Long-term debt, net of current portion	62,240,576	865,042	-	-	-	63,105,618
Total long-term liabilities	<u>62,240,576</u>	<u>865,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,105,618</u>
Other liabilities						
Accrued compensated absences	1,224,072	75,266	-	-	-	1,299,338
Net pension liability	38,351,203	3,765,207	-	-	-	42,116,410
Other liabilities	105,000	-	-	-	-	105,000
Total other liabilities	<u>39,680,275</u>	<u>3,840,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,520,748</u>
Deferred inflows of resources						
Pension	16,998,030	1,668,816	-	-	-	18,666,846
Other post-employment benefits	15,216,063	1,493,868	-	-	-	16,709,931
Total deferred inflows of resources	<u>32,214,093</u>	<u>3,162,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,376,777</u>
Total liabilities and deferred inflows of resources	<u>157,421,637</u>	<u>10,505,191</u>	<u>80,152</u>	<u>3,395,461</u>	<u>(3,575,666)</u>	<u>167,826,775</u>
Net position						
Net investment in capital assets	24,258,531	4,020,483	-	-	-	28,279,014
Restricted - expendable for						
Capital improvements	382,268	-	215,051	-	-	597,319
Pensions	1,166,620	114,535	-	-	-	1,281,155
Other post-employment benefits	4,980,043	488,926	-	-	-	5,468,969
Unrestricted	75,159,257	(6,165,977)	1,775,183	(30,602)	-	70,737,861
Total net position	<u>105,946,719</u>	<u>(1,542,033)</u>	<u>1,990,234</u>	<u>(30,602)</u>	<u>-</u>	<u>106,364,318</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 263,368,356</u>	<u>\$ 8,963,158</u>	<u>\$ 2,070,386</u>	<u>\$ 3,364,859</u>	<u>\$ (3,575,666)</u>	<u>\$ 274,191,093</u>

See report of independent auditors.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2021

	Memorial Hospital	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Eliminating Entries	Total
Operating revenues						
Net patient service revenue	\$ 143,029,038	\$ 7,564,965	\$ -	\$ 11,739,495	\$ -	\$ 162,333,498
Other operating revenue	7,052,387	299,785	-	8,081,831	(8,432,959)	7,001,044
Total operating revenues	150,081,425	7,864,750	-	19,821,326	(8,432,959)	169,334,542
Operating expenses						
Salaries and wages	49,620,234	4,679,740	-	11,403,611	-	65,703,585
Employee benefits	9,214,459	934,504	-	2,511,123	-	12,660,086
Pension	3,546,853	(349,916)	-	-	-	3,196,937
Other post-employment retirement benefits	(28,283,288)	(3,270,907)	-	-	-	(31,554,195)
Supplies	15,238,155	767,748	-	611,811	-	16,617,714
Professional fees and services	6,161,690	174,314	-	-	(137,000)	6,199,004
Purchased services	21,772,373	1,068,476	-	4,285,829	-	27,126,678
Insurance	520,779	47,563	-	276,771	-	845,113
Utilities	1,325,657	234,634	38,000	60,469	-	1,658,760
Depreciation and amortization	7,349,157	535,788	-	90,092	-	7,975,037
Other operating expenses	16,313,652	83,011	103,035	1,211,489	(8,295,959)	9,415,228
Total operating expenses	102,779,721	4,904,955	141,035	20,451,195	(8,432,959)	119,843,947
Operating gain (loss)	47,301,704	2,959,795	(141,035)	(629,869)	-	49,490,595
Nonoperating revenues (expenses)						
Investment income	(99,770)	-	248,326	-	-	148,556
Interest expense	(2,047,246)	5,539	-	-	-	(2,041,707)
Noncapital grants and contributions	483,855	(30,930)	-	228,381	-	681,306
Other nonoperating income (expense)	(49,577)	-	50,600	-	-	1,023
Total nonoperating revenues (expenses)	(1,712,738)	(25,391)	298,926	228,381	-	(1,210,822)
Excess (deficiency) of revenues over expenses	45,588,966	2,934,404	157,891	(401,488)	-	48,279,773
Transfers	820,673	-	(820,673)	-	-	-
Increase (decrease in net position)	46,409,639	2,934,404	(662,782)	(401,488)	-	48,279,773
Net position - beginning of year	59,537,080	(4,476,437)	2,653,016	370,886	-	58,084,545
Net position - end of year	\$ 105,946,719	\$ (1,542,033)	\$ 1,990,234	\$ (30,602)	\$ -	\$ 106,364,318

See report of independent auditors.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINING STATEMENT OF NET POSITION DECEMBER 31, 2020

Assets and Deferred Outflows of Resources

	Memorial Hospital	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Eliminating Entries	Total
Current assets						
Cash and cash equivalents	\$ 36,291,212	\$ 1,323,404	\$ 686,848	\$ 594,762	\$ -	\$ 38,896,226
Patient accounts receivable	17,237,999	601,575	-	1,673,675	-	19,513,249
Short-term investments	14,571,963	-	797,458	-	-	15,369,421
Prepaid expenses and other current assets	2,294,624	14,461	17,854	-	-	2,326,939
Inventories	1,063,222	-	-	-	-	1,063,222
Current portion of contributions receivable	-	-	482,258	-	-	482,258
Due from affiliate	1,320,564	-	-	-	(1,320,564)	-
Total current assets	72,779,584	1,939,440	1,984,418	2,268,437	(1,320,564)	77,651,315
Capital assets, net	89,926,010	5,643,266	-	-	-	95,569,276
Long-term investments	68,167,818	-	-	-	-	68,167,818
Assets limited as to use						
Internally designated for specific purpose	1,440,368	309,615	-	-	-	1,749,983
Restricted by donors for capital improvements	188,245	-	-	-	-	188,245
Total assets limited as to use	1,628,613	309,615	-	-	-	1,938,228
Other assets						
Contributions receivable, net of current portion	-	-	194,672	-	-	194,672
Investment in joint ventures	-	-	506,128	-	-	506,128
Other assets	2,425,768	-	-	-	-	2,425,768
Total other assets	2,425,768	-	700,800	-	-	3,126,568
Net pension asset	874,582	98,162	-	-	-	972,744
Total noncurrent assets	163,022,791	6,051,043	700,800	-	-	169,774,634
Deferred outflows of resources						
Excess consideration from acquisition	288,250	-	-	-	-	288,250
Pension	9,339,051	1,048,206	-	-	-	10,387,257
Other post-employment benefits	7,255,152	814,311	-	-	-	8,069,463
Total deferred outflows of resources	16,882,453	1,862,517	-	-	-	18,744,970
Total assets and deferred outflows of resources	\$ 252,684,828	\$ 9,853,000	\$ 2,685,218	\$ 2,268,437	\$ (1,320,564)	\$ 266,170,919

Liabilities, Deferred Inflows of Resources and Net Position

See report of independent auditors.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINING STATEMENT OF NET POSITION DECEMBER 31, 2020

	Memorial Hospital	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Eliminating Entries	Total
Current liabilities						
Current portion of long-term debt	\$ 1,852,306	\$ 418,837	\$ -	\$ -	\$ -	\$ 2,271,143
Accounts payable	7,102,959	151,516	9,500	13,940	-	7,277,915
Accrued salaries, wages and related accruals	8,232,592	647,182	-	774,455	-	9,654,229
Estimated third-party settlements	640,000	20,000	-	-	-	660,000
Other current liabilities	646,411	6,059	-	-	-	652,470
Current portion of refundable advances	2,308,743	-	-	-	-	2,308,743
Due to affiliate	-	188,706	22,702	1,109,156	(1,320,564)	-
Total current liabilities	20,783,011	1,432,300	32,202	1,897,551	(1,320,564)	22,824,500
Long-term liabilities						
Long-term portion of refundable advances	4,191,257	-	-	-	-	4,191,257
Long-term debt, net of current portion	64,191,439	1,307,273	-	-	-	65,498,712
Total long-term liabilities	68,382,696	1,307,273	-	-	-	69,689,969
Other liabilities						
Accrued compensated absences	1,239,045	75,769	-	-	-	1,314,814
Net pension liability	49,344,222	5,538,347	-	-	-	54,882,569
Net other post-employment benefit liability	37,111,269	4,165,332	-	-	-	41,276,601
Other liabilities	157,500	-	-	-	-	157,500
Total other liabilities	87,852,036	9,779,448	-	-	-	97,631,484
Deferred inflows of resources						
Pension	10,845,937	1,217,337	-	-	-	12,063,274
Other post-employment benefits	5,284,068	593,079	-	-	-	5,877,147
Total deferred inflows of resources	16,130,005	1,810,416	-	-	-	17,940,421
Total liabilities and deferred inflows of resources	193,147,748	14,329,437	32,202	1,897,551	(1,320,564)	208,086,374
Net position						
Net investment in capital assets	23,882,265	3,917,156	-	-	-	27,799,421
Restricted - expendable for						
Capital improvements	188,245	-	676,930	-	-	865,175
Pensions	874,582	98,162	-	-	-	972,744
Unrestricted	34,591,988	(8,491,755)	1,976,086	370,886	-	28,447,205
Total net position	59,537,080	(4,476,437)	2,653,016	370,886	-	58,084,545
Total liabilities, deferred inflows of resources and net position	\$ 252,684,828	\$ 9,853,000	\$ 2,685,218	\$ 2,268,437	\$ (1,320,564)	\$ 266,170,919

See report of independent auditors.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2020

	Memorial Hospital	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Eliminating Entries	Total
Operating revenues						
Net patient service revenue	\$ 116,204,809	\$ 8,276,674	\$ -	\$ 10,557,721	\$ -	\$ 135,039,204
Other operating revenue	6,646,098	419,424	-	8,136,593	(8,656,205)	6,545,910
Total operating revenues	122,850,907	8,696,098	-	18,694,314	(8,656,205)	141,585,114
Operating expenses						
Salaries and wages	45,186,527	4,836,524	-	10,179,943	-	60,202,994
Employee benefits	8,285,540	1,069,843	-	2,352,621	-	11,708,004
Pension	10,807,631	918,831	-	-	-	11,726,462
Other post-employment retirement benefits	5,366,992	410,265	-	-	-	5,777,257
Supplies	12,023,871	861,503	-	546,072	-	13,431,446
Professional fees and services	6,708,566	164,542	-	-	(137,000)	6,736,108
Purchased services	17,807,135	960,036	-	4,101,269	-	22,868,440
Insurance	461,172	47,246	-	258,845	-	767,263
Utilities	1,318,703	251,075	38,000	52,786	-	1,660,564
Depreciation and amortization	5,568,816	533,694	-	117,863	-	6,220,373
Other operating expenses	15,459,883	69,497	114,672	1,213,655	(8,519,205)	8,338,502
Total operating expenses	128,994,836	10,123,056	152,672	18,823,054	(8,656,205)	149,437,413
Operating gain (loss)	(6,143,929)	(1,426,958)	(152,672)	(128,740)	-	(7,852,299)
Nonoperating revenues (expenses)						
Investment income	1,913,088	-	233,809	-	-	2,146,897
Interest expense	(1,878,723)	(38,602)	-	-	-	(1,917,325)
Noncapital grants and contributions	2,760,079	1,032,773	-	369,279	-	4,162,131
Other nonoperating income (expense)	(24,089)	-	247	-	-	(23,842)
Total nonoperating revenues (expenses)	2,770,355	994,171	234,056	369,279	-	4,367,861
Excess (deficiency) of revenues over expenses	(3,373,574)	(432,787)	81,384	240,539	-	(3,484,438)
Transfers	1,641,565	-	(1,641,565)	-	-	-
Increase (decrease in net position)	(1,732,009)	(432,787)	(1,560,181)	240,539	-	(3,484,438)
Net position - beginning of year	61,269,089	(4,043,650)	4,213,197	130,347	-	61,568,983
Net position - end of year	\$ 59,537,080	\$ (4,476,437)	\$ 2,653,016	\$ 370,886	\$ -	\$ 58,084,545

See report of independent auditors.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Number	Pass Through to Subrecipients	Total Federal Expenditures
Major Programs				
U.S. Department of Health and Human Services:				
COVID-19 - Provider Relief Funding	93.498	-	-	\$ 3,633,207
Non-major Programs				
U.S. Department of Health and Human Services:				
Central Ohio Area Agency on Aging	93.045	-	-	16,688
COVID-19 - Uninsured Relief Fund	93.461	-	-	25,403
				<u>\$ 3,675,298</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards for the year ended December 31, 2021 includes the federal grant activity of Memorial Hospital of Union County and Affiliates ("Memorial Health") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the combined financial statements.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Memorial Health has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2021

Note C – Provider Relief Fund Reporting

Under the terms and conditions of the Provider Relief Funds (PRF) under the Coronavirus Aids, Relief, and Economic Security Act, Memorial Health was required to report the Coronavirus (COVID-19) related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received. The 2021 SEFA includes PRF of approximately \$3,042,690 which was received by Memorial Health prior to June 30, 2020, the date designated by HHS for its first PRF reporting period. The 2021 SEFA also includes PRF of approximately \$590,517, which was received by Memorial Health between July 1, 2020 through December 31, 2020, the dates designated by HHS for its second PRF reporting period. Memorial Health recognized \$423,237 and \$3,633,207 as revenue in its 2021 and 2020 statement of revenues, expenses and changes in net position as the terms and conditions of the PRF grant were satisfied by Memorial Health. HHS required \$3,633,207 to be reported on the 2021 SEFA.

Note D – Fair Market Value of Donated Personnel Protective Equipment (Unaudited)

During 2021, Memorial Health did not receive donated personnel protective equipment from federal sources.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Memorial Hospital of Union County and Affiliates
Marysville, Ohio 43040

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the combined financial statements of the business-type activities of Memorial Hospital of Union County and Affiliates ("Memorial Health"), as of and for the year ended December 31, 2021, and the related notes to the combined financial statements, which collectively comprise Memorial Health's basic financial statements and have issued our report thereon dated May 12, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Memorial Health'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Memorial Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Memorial Health'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 Memorial Health's combined 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 may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS (continued)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Memorial Health's combined 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 combined 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 Memorial Health's internal control or on compliance. This report is an integral part of an audit performed in accordance *with Government Auditing Standards* in considering Memorial Health's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bene Co., LLC

Westerville, Ohio

May 12, 2022



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Board of Trustees
Memorial Hospital of Union County and Affiliates
Marysville, Ohio 43040

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Memorial Hospital of Union County and Affiliates ("Memorial Health") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could directly and materially effect on each of the Memorial Health's major federal programs for the year ended December 31, 2021. Memorial Health's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Memorial Health's complied, in all material respects, with the compliance requirements referred to above is that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Program

We conducted our audit of compliance in accordance with 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Memorial Health and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Memorial Health's compliance with the compliance requirements referred to above.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE (continued)**

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Memorial Health's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Memorial Health's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Memorial Health's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Memorial Health's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Memorial Health's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Memorial Health's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE (continued)**

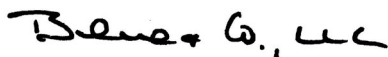
Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Westerville, Ohio
May 12, 2022

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes x none reported

Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x none reported

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? _____ yes x none reported

Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes x none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be Reported in accordance with section 200.516 Audit findings paragraph (a) of the Uniform Grant Guidance _____ yes x none reported

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.498	Provider Relief Funds

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes x no

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

**Section II - Findings related to financial statements reported in accordance with
*Government Auditing Standards:***

No matters reported.

Section III - Findings and questioned costs relating to Federal awards:

No matters reported.

Section IV – Summary schedule of prior audit findings:

N/A

OHIO AUDITOR OF STATE KEITH FABER



MEMORIAL HOSPITAL OF UNION COUNTY

UNION COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 7/21/2022

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