

**MEMORIAL HOSPITAL OF UNION COUNTY
AND AFFILIATES**

COMBINED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022 AND 2021

CPAs / ADVISORS



OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Memorial Hospital of Union County and Affiliates, Union County, prepared by Blue & Co., LLC, for the audit period January 1, 2022 through December 31, 2022. 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. The 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

June 09, 2023

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MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

Memorial Hospital of Union County and Affiliates
Union County
500 London Avenue
Marysville, Ohio 43040

To the Board of Trustees:

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying combined financial statements of the business-type activities of Memorial Hospital of Union County and Affiliates ("Memorial Health"), a component unit of Union County, Ohio, as of and for the years ended December 31, 2022 and 2021, 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 accompanying 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, 2022 and 2021, and the respective change in financial position and where applicable, cash flows thereof for the years ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 opinion.

Emphasis of Matter – Change in Accounting Principle

As described in Note 3 to the financial statements, during 2022, Memorial Health adopted Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases*. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Combined Financial Statements

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

In preparing the 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS 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.

Memorial Hospital of Union County and Affiliates
Independent Auditor's Report

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages i through xi and the Required Supplemental Information on GASB 68 Pension Assets, Liabilities, and Pension Contributions and GASB 75 Other Postemployment Benefit Assets, Liabilities, and Contributions on pages 48 through 50, be presented to supplement the basic combined financial statements. Such information is the responsibility of management and, although not a part of the basic combined financial statements, is required by GASB 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined financial statements, and other knowledge we obtained during our audit of the basic combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

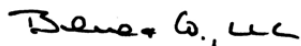
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise Memorial Health's basic combined financial statements. The combining information on pages 51 through 56 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2023, 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. 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 10, 2023

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021

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, Memorial Health Foundation, and Memorial Ohio Properties, LLC (collectively, "Memorial Health"), provides an overview of Memorial Health's financial activities for the years ended December 31, 2022, 2021 and 2020. 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 \$22,856,814 and \$45,232,876 in 2022 and 2021, respectively.
- Total operating revenues increased from 2021 to 2022 by \$7,945,848 or 4.7%. Total operating revenues increased from 2020 to 2021 by \$27,749,428 or 19.6%.
- Memorial Health had an increase in operating expenses of \$32,483,230 or 27.2% in 2022 and a decrease in operating expenses of \$30,140,055 or 20.2% in 2021. Included in the operating expenses for 2022 was a gain of \$2,605,084 and \$7,954,893 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 2021 included an expense of \$3,196,937 and a gain of \$31,554,195 relating to GASB 68 and GASB 75, respectively.
- Memorial Health reported an operating gain of \$25,499,802 and \$50,037,184 in 2022 and 2021, respectively. Memorial Health had an operating gain, without the impact of GASB 68 and GASB 75, of \$14,939,825 in 2022 and \$21,679,926 in 2021.
- During 2022, Memorial Health adopted GASB No. 87 – Leases, which requires certain leases to be recorded in the statement of net position.

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, 2022 AND 2021

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 2022, Memorial Health's net position increased by \$22,856,814. In 2021, Memorial Health's net position increased by \$45,232,876. Without GASB 68 and GASB 75 impacts, in 2022, Memorial Health's net position increased by \$12,296,837. Without GASB 68 and GASB 75 impacts, in 2021, Memorial Health's net position increased by \$16,875,618.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021

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, 2022, 2021, and 2020:

	December 31		
	2022	2021 (As Restated)	2020
Assets and deferred outflows of resources			
Current assets	\$ 77,199,637	\$ 90,702,443	\$ 77,651,315
Noncurrent assets	90,407,867	78,249,208	74,205,358
Capital assets, net	139,399,409	107,367,860	95,569,276
Deferred outflows - excess consideration provided for acquisition	112,369	170,996	288,250
Deferred outflows-pension	13,554,392	7,579,853	10,387,257
Deferred outflows-OPEB	753,797	3,710,872	8,069,463
Total assets and deferred outflows of resources	<u>\$ 321,427,471</u>	<u>\$ 287,781,232</u>	<u>\$ 266,170,919</u>
Liabilities and deferred inflows of resources			
Current liabilities	\$ 31,003,820	\$ 27,756,609	\$ 22,824,500
Non-current liabilities	121,292,465	121,330,425	167,321,453
Deferred inflows-lease receivable	1,325,127	-	-
Deferred inflows-pension	31,394,264	18,666,846	12,063,274
Deferred inflows-OPEB	10,237,560	16,709,931	5,877,147
Total liabilities and deferred inflows of resources	<u>\$ 195,253,236</u>	<u>\$ 184,463,811</u>	<u>\$ 208,086,374</u>
Net position			
Net investment in capital assets	\$ 69,936,133	\$ 41,869,153	\$ 27,799,421
Restricted	12,238,891	7,185,652	1,837,919
Unrestricted	43,999,211	54,262,616	28,447,205
Total net position	<u>\$ 126,174,235</u>	<u>\$ 103,317,421</u>	<u>\$ 58,084,545</u>

The most significant changes in Memorial Health's net position in 2022, 2021 and 2020 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, 2022 AND 2021

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, 2022, 2021, and 2020:

	Year Ended December 31		
	2022	2021 (As Restated)	2020
Operating revenues			
Net patient service revenue	\$ 170,520,714	\$ 162,329,898	\$ 135,039,204
Other operating revenue	6,759,676	7,004,644	6,545,910
Total operating revenue	<u>177,280,390</u>	<u>169,334,542</u>	<u>141,585,114</u>
Operating expenses			
Salaries and wages	72,326,145	65,703,585	60,202,994
Employee benefits	12,732,063	12,660,086	11,708,004
Pension	(2,605,084)	3,196,937	11,726,462
Other post-employment retirement benefits	(7,954,893)	(31,554,195)	5,777,257
Supplies	20,630,942	16,617,714	13,431,446
Professional fees and services	9,235,338	6,199,004	6,736,108
Purchased services	26,305,166	27,126,678	22,868,440
Insurance	977,663	845,113	767,263
Utilities	1,807,382	1,658,760	1,660,564
Depreciation and amortization	11,206,005	10,080,045	6,220,373
Other operating expenses	7,119,861	6,763,631	8,338,502
Total operating expenses	<u>151,780,588</u>	<u>119,297,358</u>	<u>149,437,413</u>
Operating gain (loss)	25,499,802	50,037,184	(7,852,299)
Nonoperating revenues (expenses)			
Investment income (loss)	(1,280,541)	148,556	2,146,897
Interest expense	(2,930,973)	(2,731,632)	(1,917,325)
Noncapital grants and contributions	1,148,978	717,775	4,162,131
Other nonoperating income (expense)	419,548	1,023	(23,842)
Total nonoperating revenues (expenses)	<u>(2,642,988)</u>	<u>(1,864,278)</u>	<u>4,367,861</u>
Increase (decrease) in net position	22,856,814	48,172,906	(3,484,438)
Net position - beginning of year			
Beginning of year, as previously reported	103,317,421	58,084,545	61,568,983
Cumulative effect of accounting change	-	(2,940,030)	-
Net position - beginning of year, as restated	<u>103,317,421</u>	<u>55,144,515</u>	<u>61,568,983</u>
Net position - end of year	<u>\$ 126,174,235</u>	<u>\$ 103,317,421</u>	<u>\$ 58,084,545</u>

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2022 AND 2021

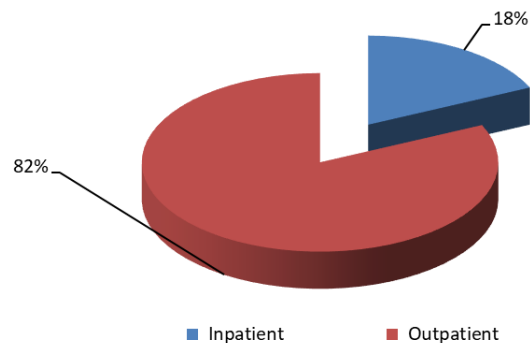
Operating Revenues

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 \$8,190,816 or 5.0% from 2021 to 2022. This increase was primarily due to an increase in outpatient visits between years.
- Net patient revenue increased \$27,290,694 or 20.2% from 2020 to 2021. This increase was primarily due to increases in both outpatient visits and inpatient procedures performed between years.

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 \$6,622,560 or 10.1% from 2021 to 2022 as a result of an increase in the number of employees, incentive payments, and bonuses. Salaries and wages increased by \$5,500,591 or 9.1% from 2020 to 2021 as a result of an increase in the number of employees.
- Pension, as a result of changes in GASB 68, decreased \$5,802,021 from 2021 to 2022 resulting in a gain of \$2,605,084 in 2022. Pension, as a result of changes in GASB 68, decreased \$8,529,525 from 2020 to 2021, and was a loss of \$3,196,937 in 2021.
- Other post-employment retirement benefits, as a result of changes in GASB 75, decreased \$23,599,302 from 2021 to 2022, and was a gain of \$7,954,893. Other post-employment retirement benefits, as a result of changes in GASB 75, decreased \$37,331,452 from 2020 to 2021, and was a gain in 2021 of \$31,554,195.

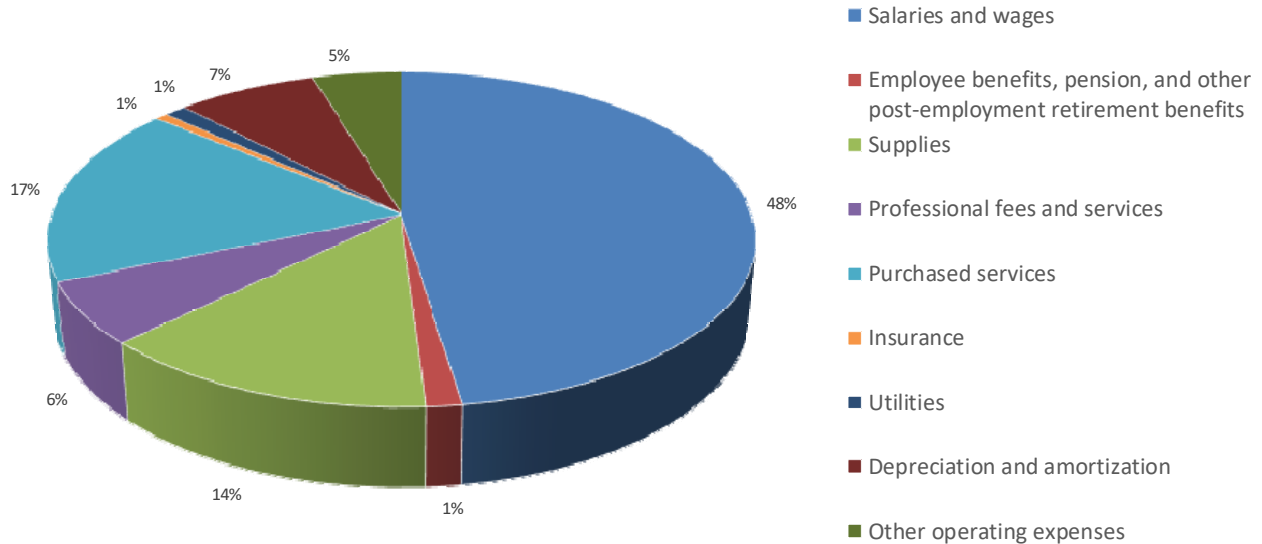
MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2022 AND 2021

- Supplies expense increased \$4,013,228 or 24.2% from 2021 to 2022 and increased \$3,186,268 or 23.7% from 2020 to 2021. Both of these increases were a result of the need for more supplies due to an increase in procedures performed, disruptions in the supply chain, and inflationary increases.

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 (loss) (including interest income, and realized and unrealized gains and losses), interest expense, and gifts from donors. Changes between 2022 and 2021 are primarily due to poor market conditions between years. Memorial Health recognized a loss on investment income of \$1,280,541 and a gain on investment income of \$148,556 in 2022 and 2021, respectively.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021

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		
	2022	2021	2020
Cash provided by (used in):			
Operating activities	\$ 26,226,786	\$ 18,623,211	\$ 15,768,870
Noncapital financing activities	1,406,929	768,375	4,162,131
Capital and related financing activities	(29,441,099)	(13,233,980)	(12,248,687)
Investing activities	(7,856,719)	(744,059)	286,867
Net increase (decrease) in cash and cash equivalents	(9,664,103)	5,413,547	7,969,181
Cash and cash equivalents - beginning of year	46,182,079	40,768,532	32,799,351
Cash and cash equivalents- end of year	<u>\$ 36,517,976</u>	<u>\$ 46,182,079</u>	<u>\$ 40,768,532</u>

Participation in the Ohio Public Employees Retirement System

As discussed in Note 15 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, 2022 AND 2021

Capital Assets

At December 31, 2022 and 2021, Memorial Health had \$139,399,409 and \$107,367,860, respectively, invested in capital assets, net of accumulated depreciation and amortization. Memorial Health acquired or constructed capital assets in the amount of \$43,246,594 and \$6,707,760 during 2022 and 2021, respectively.

Long-Term Debt Obligations

At December 31, 2022 and 2021, Memorial Health had \$98,701,574 and \$82,135,743, respectively, in revenue bonds, general obligation bonds, note payable and lease obligations 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 is further discussed in Note 12 and lease obligations in Note 10 to the combined financial statements.

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 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 new 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 our 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, we 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, we concluded the final phase of our financing plan with the issuance of \$28,000,000 in General Obligation Bonds.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021

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, our 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 were opened in the Fall of 2022 and brings the total inpatient bed count to 48.

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 our 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 pandemic.

Over the last several years, 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 2022, Memorial Health has seen the construction of three new off-campus medical office buildings, the current planning for a fourth, a major revitalization to the main campus and the completion and opening of 12 previously shelled inpatient rooms. In addition, Memorial Health completed another phase of the master facility plan identifying additional opportunities to update or expand the remaining campus. Memorial Health's current growth continues to push us to maximize limited space to accommodate the demand for services. Additional upgrades to the campus come at a time with rising interest rates and the continued strain within the supply chain to secure supplies through appropriate sourcing.

COVID-19 and Its Continued Impact

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 CARES Act (Coronavirus Aid, Relief, and Economic Security) assisted in keeping operations flowing in the right direction.

In early 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 possessed a strong cash position and has relied on it during the course of the pandemic.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021

Since the initial onset of COVID, operations have resumed to their pre-2020 state, however there are still pockets of patients fearful to resume their regular healthcare habits. At times, this has created higher acuity patients requiring more hospital resources in order to discharge them to a healthy status. Memorial Health has continued to see material inflationary increases and disruption in the supply chain. The concept of JIT (Just In Time) ordering has become a way of the past as organizations have had to resort to a stockpiling mentality when supplies are available, not on backorder or when an facility is not on allocation from its vendors. The latter quarter of 2022 has shown some promise as availability of certain items has increased. The labor markets adopted the phrase "The Great Resignation" as many employees left previously high and low demand positions. These vacancies created a large push in wage pressure and subsequent negative variances in salaries and corresponding benefits. Overall wages have experienced above average growth while Registered Nurses and Technologists have seen the bulk of the increases. The demand for staffing to appropriately fill shifts has given way to stay bonuses and the commitment to pay open shifts anywhere from time and a half to two and a half times regular pay. The continued demand and strain on staff has opened the doors for the contracting of travel or agency staffing. While their rates of pay are excessive compared to employed staff, it is a necessity to fill critical open positions in order to care for the patients.

The outlook for 2023 has Memorial Health with a margin slightly below breakeven, but one that will allow Memorial Health to meet our debt covenants for the upcoming year. While the year offers continued growth in volumes, the impact of salaries and benefits will be a struggle this year and into the future. On May 11, 2023, President Biden will call an end to the Public Health Emergency declared back in 2020. It has been a long-traveled road over the last three years, where Memorial Health has experienced several challenges. Memorial Health is happy to report, it is still an independent hospital with a bright future filled with continued growth and campus expansion.

GASB Standards

Other non-operating matters pertain to the 2015 implementation and recognition of GASB Statement 68 and 71 (see the notes to the financial statements) and their continued impact on the system'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 financial statements). This standard requires employers participating in other post-employment benefit (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 the health system remains unchanged, Memorial Health is now required to recognize its portion of the net unfunded liability (OPERS and OPEB) on its combined financial statements. One of Memorial Health's concerns is that Memorial Health is required by law to fund the statutory contribution rate of 14%. Based on actuarial analysis, if the funding levels would begin to negatively trend downward, OPERS could ask the council of the General Assembly to either increase the statutory obligations of employees and/or employers or potentially decrease the current benefit levels to its enrollees. OPEB benefits are not guaranteed and can be reduced or eliminated at any time by OPERS. These potential changes would allow OPERS to meet both long-term projected liabilities and remain viable.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2022 AND 2021

The impact of these changes, since implementation, has forced a “non-cash” reduction in both operating margin and net position. However, in 2022, due to an above average return on plan assets and an OPERS change in funding policy, Memorial Health has incurred a positive impact to operating margin and net position. Unfortunately, Memorial Health cannot reasonably estimate what impact the change in the asset/liability will have on operations in future years.

Contacting the Hospital'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, Memorial Health welcomes 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, 2022 AND 2021

Assets and Deferred Outflows of Resources

	2022	2021 (As Restated)
Current assets		
Cash and cash equivalents	\$ 35,680,788	\$ 45,117,652
Patient accounts receivable, net of uncollectible accounts of approximately \$11,756,000 and \$9,948,000 in 2022 and 2021, respectively	20,013,008	24,048,957
Short-term investments	16,151,352	16,510,115
Prepaid expenses and other current assets	2,982,855	3,092,193
Inventories	2,211,467	1,730,619
Current portion of lease receivable	106,907	-
Current portion of contributions receivable	53,260	202,907
Total current assets	77,199,637	90,702,443
Capital assets, net	139,399,409	107,367,860
Long-term investments	74,854,071	67,919,409
Assets limited as to use		
Internally designated for specific purpose	341,873	748,411
Restricted by donors for capital improvements	561,846	382,268
Total assets limited as to use	903,719	1,130,679
Other assets		
Lease receivable, net of current portion	1,197,288	-
Contributions receivable, net of current portion	-	12,144
Investment in joint ventures	669,989	653,612
Other assets	1,159,015	1,783,240
Total other assets	3,026,292	2,448,996
Net pension asset	1,715,219	1,281,155
Net other post-employment benefit asset	9,908,566	5,468,969
Total noncurrent assets	229,807,276	185,617,068
Deferred outflows of resources		
Excess consideration from acquisition	112,369	170,996
Pension	13,554,392	7,579,853
Other post-employment benefits	753,797	3,710,872
Total deferred outflows of resources	14,420,558	11,461,721
Total assets and deferred outflows of resources	\$ 321,427,471	\$ 287,781,232

See accompanying notes to combined financial statements.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINED STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021 (As Restated)
Current liabilities		
Accounts payable	\$ 14,018,904	\$ 5,555,930
Accrued salaries, wages and related accruals	11,107,841	12,735,904
Estimated third-party settlements	746,173	719,320
Other current liabilities	695,438	588,188
Current portion refundable advances	-	3,831,201
Current portion lease liability	1,541,145	1,932,977
Current portion long-term debt	2,894,319	2,393,089
Total current liabilities	31,003,820	27,756,609
Long-term liabilities		
Long-term lease liability, net of current portion	15,594,946	14,704,059
Long-term debt, net of current portion	78,671,164	63,105,618
Total long-term liabilities	94,266,110	77,809,677
Other liabilities		
Accrued compensated absences	1,359,773	1,299,338
Net pension liability	25,414,665	42,116,410
Other liabilities	251,917	105,000
Total other liabilities	27,026,355	43,520,748
Deferred inflows of resources		
Pension	31,394,264	18,666,846
Other post-employment benefits	10,237,560	16,709,931
Lease receivable	1,325,127	-
Total deferred inflows of resources	42,956,951	35,376,777
Total liabilities and deferred inflows of resources	195,253,236	184,463,811
Net position		
Net investment in capital assets	69,936,133	41,869,153
Restricted - expendable for		
Capital improvements	615,106	435,528
Pensions	1,715,219	1,281,155
Other post-employment benefits	9,908,566	5,468,969
Unrestricted	43,999,211	54,262,616
Total net position	126,174,235	103,317,421
Total liabilities, deferred inflows of resources and net position	\$ 321,427,471	\$ 287,781,232

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, 2022 AND 2021

	2022	2021 (As Restated)
Operating revenues		
Net patient service revenue	\$ 170,520,714	\$ 162,329,898
Other operating revenue	6,759,676	7,004,644
Total operating revenues	177,280,390	169,334,542
Operating expenses		
Salaries and wages	72,326,145	65,703,585
Employee benefits	12,732,063	12,660,086
Pension	(2,605,084)	3,196,937
Other post-employment retirement benefits	(7,954,893)	(31,554,195)
Supplies	20,630,942	16,617,714
Professional fees and services	9,235,338	6,199,004
Purchased services	26,305,166	27,126,678
Insurance	977,663	845,113
Utilities	1,807,382	1,658,760
Depreciation and amortization	11,206,005	10,080,045
Other operating expenses	7,119,861	6,763,631
Total operating expenses	151,780,588	119,297,358
Operating gain	25,499,802	50,037,184
Nonoperating revenues (expenses)		
Investment income (loss)	(1,280,541)	148,556
Interest expense	(2,930,973)	(2,731,632)
Noncapital grants and contributions	1,148,978	717,775
Other nonoperating income	419,548	1,023
Total nonoperating expenses	(2,642,988)	(1,864,278)
Increase in net position	22,856,814	48,172,906
Net position - beginning of year		
Beginning of year, as previously reported	103,317,421	58,084,545
Cumulative effect of accounting change	-	(2,940,030)
Net position - beginning of year, as restated	103,317,421	55,144,515
Net position - end of year	\$ 126,174,235	\$ 103,317,421

See accompanying notes to combined financial statements.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021 (As Restated)
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 170,752,315	\$ 155,184,711
Cash paid to employees for wages and benefits	(94,403,682)	(82,158,003)
Cash paid to vendors for services and goods	(57,064,246)	(61,870,020)
Other receipts	6,942,399	7,466,523
Net cash provided by operating activities	26,226,786	18,623,211
Cash flows from noncapital financing activities		
Noncapital grants and contributions	1,148,978	717,775
Other noncapital financing receipts and payments, net	257,951	50,600
Net cash provided by noncapital financing activities	1,406,929	768,375
Cash flows from capital and related financing activities		
Issuance of long-term debt	18,600,000	-
Principal payments on note payable	(572,280)	(549,887)
Principal payments on long-term debt	(1,747,341)	(1,493,469)
Principal payments on lease obligations	(2,154,422)	(1,998,141)
Interest paid	(3,144,576)	(2,959,424)
Acquisition and construction of capital assets	(40,593,117)	(6,243,014)
Proceeds from sale of capital assets	170,637	9,955
Net cash provided by capital and related financing activities	(29,441,099)	(13,233,980)
Cash flows from investing activities		
Interest and dividends on investments	1,060,587	396,965
Purchase and reinvestment of investments	(8,917,306)	(1,141,024)
Net cash provided by investing activities	(7,856,719)	(744,059)
Net increase in cash and cash equivalents	(9,664,103)	5,413,547
Cash and cash equivalents - beginning of year	46,182,079	40,768,532
Cash and cash equivalents- end of year	\$ 36,517,976	\$ 46,182,079
Balance sheet classification of cash and cash equivalents		
Cash and cash equivalents	\$ 35,680,788	\$ 45,117,652
Cash included in assets limited as to use	837,188	1,064,427
	\$ 36,517,976	\$ 46,182,079
Supplemental cash flow information		
Capital assets acquired under GASB 87	\$ 2,653,477	\$ 464,746

See accompanying notes to combined financial statements.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022	2021 (As Restated)
Reconciliation of operating gain to net cash provided by operating activities:		
Operating gain	\$ 25,499,802	\$ 50,037,184
Adjustments to reconcile operating gain to net cash provided by operating activities:		
Depreciation and amortization	11,206,005	10,080,045
Provision for uncollectible accounts	7,830,250	9,531,220
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Patient accounts receivable	(3,794,301)	(14,066,928)
Lease receivable	(1,304,195)	-
Estimated amounts due from and to third-party payors	26,853	59,320
Net pension asset	(434,064)	(308,411)
Net OPEB asset	(4,439,597)	(5,468,969)
Deferred outflows of resources - pensions	(5,974,539)	2,807,404
Net pension liabilities	(16,701,745)	(12,766,159)
Deferred inflows of resources - pensions	12,727,418	6,603,572
Deferred outflows of resources - OPEB	2,957,075	4,358,591
Net OPEB liability	-	(41,276,601)
Deferred inflows of resources - OPEB	(6,472,371)	10,832,784
Other assets	456,756	(358,474)
Accounts payable and accrued expenses	6,895,346	1,344,214
Refundable advances	(3,831,201)	(2,668,799)
Deferred inflow of resources - lease receivable	1,325,127	-
Other liabilities	254,167	(116,782)
Net cash provided by operating activities	\$ 26,226,786	\$ 18,623,211

See accompanying notes to combined financial statements.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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, 2022 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, Memorial Medical Group, and Memorial Ohio Properties, LLC (collectively, Memorial Health). Memorial Ohio Properties is a new entity formed in 2022. Thus, the combined financial statements for the year ended December 31, 2021 include only the entities of Memorial Hospital, Memorial Gables, Memorial Health Foundation, and Memorial Medical Group. The boards of Memorial Health Foundation, Memorial Medical Group, and Memorial Ohio Properties, LLC 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 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.

In 2022, the board of trustees formed Memorial Ohio Properties, LLC (MOP) in order to hold real estate properties.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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, Memorial Medical Group, and Memorial Ohio Properties, LLC 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 FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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. Capital assets under leases are amortized on the straight-line method over the term of the lease. 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 2022 and 2021, amortization of the asset was \$52,500, and as of December 31, 2022 and 2021 the remaining liability was \$52,500 and \$105,000, respectively.

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 2022 and 2021, accumulated amortization of the asset was \$2,134,445 and \$1,538,562, respectively and as of December 31, 2022 and 2021 the remaining asset was \$844,966 and \$1,440,849, respectively. The corresponding liability of \$850,874 and \$1,423,154 as of December 31, 2022 and 2021, respectively, and is recorded within long-term debt of the combined balance sheet.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 \$136,123,000 and \$102,233,000 during 2022 and 2021, respectively), an estimated \$721,000 and \$853,000 arose from providing services to charity patients during 2022 and 2021, 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 \$683,000 and \$656,000 for 2022 and 2021, 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 FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 2021 combined financial statements to conform to the 2022 presentation. The reclassifications had no effect on the changes in net position.

Subsequent Events

Memorial Health has evaluated subsequent events through May 10, 2023, the date the combined financial statements were available to be issued.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

3. CHANGE IN ACCOUNTING PRINCIPLE

On January 1, 2022, Memorial Health implemented GASB Statement No. 87 – *Leases*, which required all leases that have a maximum possible term greater than 12 months to be recorded in the statement of net position. Previously, leases classified as operating leases were not recorded in the combined statement of net position. The following table outlines the prior period adjustments necessary to implement this standard.

Statement of Net Position

	As previously stated, December 31, 2021	Adjustment	Reclass	As restated, December 31, 2021
Net Position	\$ (106,364,318)	\$ 3,046,897	\$ -	\$ (103,317,421)
Capital assets, net	93,777,721	13,590,139	-	107,367,860
Current portion lease liability	-	(1,932,977)	-	(1,932,977)
Long-term lease liability, net of current portion	-	(14,704,059)	-	(14,704,059)
	<u>\$ (12,586,597)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,586,597)</u>

Statement of Revenues, Expenses, and Changes in Net Position

	As previously stated, December 31, 2021	Adjustment	Reclass	As restated, December 31, 2021
Depreciation and amortization	\$ 7,975,037	\$ 2,105,008	\$ -	\$ 10,080,045
Other operating expenses	9,415,228	(2,651,597)	-	6,763,631
Interest expense	2,041,707	653,456	36,469	2,731,632
	<u>\$ 19,431,972</u>	<u>106,867</u>	<u>\$ 36,469</u>	<u>\$ 19,575,308</u>
Net position - January 1, 2021		<u>(2,940,030)</u>		
		<u>\$ (3,046,897)</u>		

Statement of Cash Flows

	As previously stated, December 31, 2021	Adjustment	Reclass	As restated, December 31, 2021
Operating activities (direct method)				
Cash paid to vendors and supplies	\$ (64,521,614)	\$ 2,651,594	\$ -	\$ (61,870,020)
Operating activities (indirect method)				
Income from operations	49,490,595	546,589	-	50,037,184
Depreciation	7,975,037	2,105,008	-	10,080,045
Capital and related financing activities				
Principal payments on lease obligations	-	(1,998,141)	-	(1,998,141)
Interest paid	(2,269,499)	(653,456)	(36,469)	(2,959,424)

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

4. 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.
 - 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.
-

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

- 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 of 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.

	2022	2021
Uninsured and uncollateralized	\$ 21,429,507	\$ 22,392,187
Uninsured and collateral held by pledging financial institution's trust department or agent in other than Memorial Health's name	32,014,089	41,705,335
Total	<u>\$ 53,443,596</u>	<u>\$ 64,097,522</u>

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.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

At December 31, 2022 and 2021, Memorial Health had the following maturities on investments:

December 31, 2022	Carrying	Maturities	
	Amount	< than 1 year	> than 1 year
Certificates of deposit	\$ 25,220,289	\$ 18,330,367	\$ 6,889,922
Money market	32,077	32,077	-
U.S. government agency notes	34,985,090	5,951,521	29,033,569
U.S. treasury obligations	9,171,130	3,445,858	5,725,272
Commercial paper	21,663,368	21,663,368	-
Total	<u>\$ 91,071,954</u>	<u>\$ 49,423,191</u>	<u>\$ 41,648,763</u>

December 31, 2021	Carrying	Maturities	
	Amount	< than 1 year	> than 1 year
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	<u>\$ 84,495,776</u>	<u>\$ 49,104,326</u>	<u>\$ 35,391,450</u>

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 values losses from rising interest rates with policy limits of at least 10% of its investment portfolio in certificates of deposits and investments with maximum maturities of five years.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2022 and 2021, 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.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Cash deposits and investments of Memorial Health are composed of the following as of December 31, 2022 and 2021:

	2022	2021
Deposits	\$ 36,517,976	\$ 46,182,079
Certificates of deposit	25,220,289	27,110,898
Money market	32,077	579,232
U.S. government agency notes	34,985,090	25,465,084
U.S. treasury obligations	9,171,130	4,881,027
Commercial paper	21,663,368	26,459,535
Total	\$ 127,589,930	\$ 130,677,855
Amounts summarized by fund type:		
Cash and cash equivalents	\$ 35,680,788	\$ 45,117,652
Assets whose use is limited	903,719	1,130,679
Investments	91,005,423	84,429,524
Total	\$ 127,589,930	\$ 130,677,855

5. 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.

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.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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, 2022 and 2021.

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, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Money market	\$ 32,077	\$ -	\$ -	\$ 32,077
U.S. government agency notes	-	34,985,090	-	34,985,090
U.S. treasury obligations	-	9,171,130	-	9,171,130
Commercial paper	-	21,663,368	-	21,663,368
	<u>\$ 32,077</u>	<u>\$ 65,819,588</u>	<u>\$ -</u>	<u>65,851,665</u>
Certificates of deposits				25,220,289
Total				<u>\$ 91,071,954</u>

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
	<u>\$ 579,232</u>	<u>\$ 56,805,646</u>	<u>\$ -</u>	<u>57,384,878</u>
Certificates of deposits				27,110,898
Total				<u>\$ 84,495,776</u>

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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.

6. PATIENT ACCOUNTS RECEIVABLE

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

	2022	2021
Patient accounts receivable	\$ 63,911,014	\$ 62,046,837
Allowance for uncollectible accounts	(11,755,624)	(9,947,561)
Allowance for contractual adjustments	(32,142,382)	(28,050,319)
Patient accounts receivable, net	<u>\$ 20,013,008</u>	<u>\$ 24,048,957</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:

	2022		2021	
	Accounts Receivable	Gross Revenue	Accounts Receivable	Gross Revenue
Medicare	30%	46%	31%	44%
Medicaid	8%	12%	6%	12%
Commercial insurance and other	39%	40%	43%	42%
Self-pay	23%	2%	20%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

7. 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% applied to receivables over one year, as of December 31, 2022 and 2021 were as follows:

	2022	2021
Receivable in less than one year	\$ 53,260	\$ 202,907
Receivable in one to five years	-	12,508
Total unconditional promises to give	<u>53,260</u>	<u>215,415</u>
Less discounts to net present value	-	(364)
Net unconditional promises to give	<u>\$ 53,260</u>	<u>\$ 215,051</u>

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

8. 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 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 2019 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.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

9. CAPITAL ASSETS

Capital assets for the year ended December 31, 2022 was as follows:

	2021	Additions	Disposals	Transfers	2022
Non-depreciable capital assets:					
Land	\$ 2,993,940	\$ -	\$ -	\$ (1)	\$ 2,993,939
Construction in progress	202,045	394,696	-	25,174	621,915
Total non-depreciable capital assets	<u>3,195,985</u>	<u>394,696</u>	<u>-</u>	<u>25,173</u>	<u>3,615,854</u>
Depreciable capital assets:					
Land improvements	5,155,458	10,541	-	(108,933)	5,057,066
Buildings and leasehold improvements	108,306,749	34,573,368	-	(90,092)	142,790,025
Equipment	56,865,535	5,614,512	(320,674)	48,486	62,207,859
Total depreciable capital assets	<u>170,327,742</u>	<u>40,198,421</u>	<u>(320,674)</u>	<u>(150,539)</u>	<u>210,054,950</u>
Less accumulated depreciation:					
Land improvements	2,542,656	200,635	-	(331)	2,742,960
Buildings and leasehold improvements	35,425,158	3,941,969	-	(125,799)	39,241,328
Equipment	41,778,192	4,888,656	(311,634)	764	46,355,978
Total accumulated depreciation	<u>79,746,006</u>	<u>9,031,260</u>	<u>(311,634)</u>	<u>(125,366)</u>	<u>88,340,266</u>
Total depreciable capital assets, net	<u>90,581,736</u>	<u>31,167,161</u>	<u>(9,040)</u>	<u>(25,173)</u>	<u>121,714,684</u>
Intangible right-to-use assets:					
Leased building space	25,790,928	73,938	(3,936,584)	-	21,928,282
Leased equipment	487,017	2,579,539	-	-	3,066,556
Total intangible right-to-use assets	<u>26,277,945</u>	<u>2,653,477</u>	<u>(3,936,584)</u>	<u>-</u>	<u>24,994,838</u>
Less accumulated amortization:					
Leased building space	12,645,182	1,880,920	(3,936,584)	-	10,589,518
Leased equipment	42,624	293,825	-	-	336,449
Total accumulated amortization	<u>12,687,806</u>	<u>2,174,745</u>	<u>(3,936,584)</u>	<u>-</u>	<u>10,925,967</u>
Total intangible right-to-use assets, net	<u>13,590,139</u>	<u>478,732</u>	<u>-</u>	<u>-</u>	<u>14,068,871</u>
Capital assets, net	<u>\$ 107,367,860</u>	<u>\$ 32,040,589</u>	<u>\$ (9,040)</u>	<u>\$ -</u>	<u>\$ 139,399,409</u>

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

	<u>2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>2021</u>
Non-depreciable capital assets:					
Land	\$ 2,993,940	\$ -	\$ -	\$ -	\$ 2,993,940
Construction in progress	108,146	939,346	-	(845,447)	202,045
Total non-depreciable capital assets	<u>3,102,086</u>	<u>939,346</u>	<u>-</u>	<u>(845,447)</u>	<u>3,195,985</u>
Depreciable capital assets:					
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
Total depreciable capital assets	<u>167,017,543</u>	<u>5,303,668</u>	<u>(2,838,916)</u>	<u>845,447</u>	<u>170,327,742</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
Total accumulated depreciation	<u>74,550,353</u>	<u>7,975,037</u>	<u>(2,779,384)</u>	<u>-</u>	<u>79,746,006</u>
Total depreciable capital assets, net	<u>92,467,190</u>	<u>(2,671,369)</u>	<u>(59,532)</u>	<u>845,447</u>	<u>90,581,736</u>
Intangible right-to-use assets:					
Leased building space	25,790,928	-	-	-	25,790,928
Leased equipment	22,271	464,746	-	-	487,017
Total intangible right-to-use assets	<u>25,813,199</u>	<u>464,746</u>	<u>-</u>	<u>-</u>	<u>26,277,945</u>
Less accumulated amortization:					
Leased building space	10,568,544	2,076,638	-	-	12,645,182
Leased equipment	14,254	28,370	-	-	42,624
Total accumulated amortization	<u>10,582,798</u>	<u>2,105,008</u>	<u>-</u>	<u>-</u>	<u>12,687,806</u>
Total intangible right-to-use assets, net	<u>15,230,401</u>	<u>(1,640,262)</u>	<u>-</u>	<u>-</u>	<u>13,590,139</u>
Capital assets, net	<u>\$ 110,799,677</u>	<u>\$ (3,372,285)</u>	<u>\$ (59,532)</u>	<u>\$ -</u>	<u>\$ 107,367,860</u>

Intangible right-to-use assets

In 2022, Memorial Health implemented the guidance in GASB Statement No. 87 – *Leases* and recognized the value of equipment and building space leased under long-term contracts.

As of December 31, 2020, Memorial Health had 14 lease agreements in place for various pieces of medical and office equipment. Terms of the leases are described in Note 10.

10. LEASE OBLIGATIONS

In 2022, Memorial Health implemented the guidance of GASB Statement No. 87 – *Leases* for accounting and reporting leases that had previously been reported as operating leases.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Medical and Office Equipment Leases

Memorial Health has a variety of leases related to medical and office equipment. Terms of these leases range between 60 and 75 months and carry monthly minimum payments from \$334 to \$19,517. For purposes of discounting future payments on leases, Memorial Health uses the incremental borrowing rate, unless an interest rate is explicitly stated on the agreement related to the corresponding leases. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 9. The prior period adjustment is discussed in Note 3.

Building Leases

Memorial Health has a variety of leases related to leasing building space. Initial terms of these leases range between 36 and 240 months. Memorial Health anticipates it will exercise renewal options on the leases until November 1, 2033. These leases carry monthly minimum payments from \$500 to \$75,800. The present value of the leases was determined using the incremental borrowing rate at the date of lease inception. The accumulated amortization of the right-to-use asset of the leased building spaces is outlined in Note 9. The prior period adjustment is discussed in Note 3.

Remaining payments on these leases at December 31, 2022 include:

	Lease Payments to Maturity					
	Equipment			Building Space		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 298,964	\$ 91,355	\$ 390,319	\$ 1,242,181	\$ 504,472	\$ 1,746,653
2024	308,379	80,937	389,316	1,276,052	456,884	1,732,936
2025	319,155	70,161	389,316	1,332,095	407,370	1,739,465
2026	322,000	59,020	381,020	1,372,780	356,136	1,728,916
2027	291,052	48,488	339,540	1,424,969	302,631	1,727,600
Thereafter	1,231,400	91,377	1,322,777	7,717,064	906,862	8,623,926
Totals	\$ 2,770,950	\$ 441,338	\$ 3,212,288	\$ 14,365,141	\$ 2,934,355	\$ 17,299,496

11. ACCRUED SALARIES, WAGES AND RELATED ACCRUALS

The details of accrued liabilities at December 31, 2022 and 2021 were as follows:

	2022	2021
Payroll and related items	\$ 5,576,336	\$ 7,211,738
Self-insured benefits	4,251,742	3,967,616
Health insurance claims	1,279,763	1,556,550
Total salaries, wages and related accruals	\$ 11,107,841	\$ 12,735,904

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

12. LONG-TERM DEBT

Information regarding Memorial Health’s long-term debt activity and balances as of and for the year ended December 31, 2022, were as follows:

	<u>2021</u>	<u>Additions</u>	<u>Payments</u>	<u>2022</u>	<u>Current Portion</u>
Note Payable Obligations					
OSU Epic Subscription	\$ 1,423,154	\$ -	\$ (572,280)	\$ 850,874	\$ 595,601
Hospital Facilities Revenue Bonds:					
Series 2016	8,791,478	-	(261,213)	8,530,265	267,452
Series 2017	16,761,654	-	(434,917)	16,326,737	477,969
Series 2022	-	18,600,000	(166,211)	18,433,789	459,595
Union County General Obligation Bonds:					
Series 2016A	2,255,000	-	(600,000)	1,655,000	625,000
Series 2016B	5,820,000	-	(275,000)	5,545,000	290,000
Series 2018	27,970,000	-	(10,000)	27,960,000	10,000
	<u>63,021,286</u>	<u>18,600,000</u>	<u>(2,319,621)</u>	<u>79,301,665</u>	<u>2,725,617</u>
Unamortized bond premiums	2,477,421	-	(213,603)	2,263,818	168,702
Total long-term debt	<u>\$ 65,498,707</u>	<u>\$ 18,600,000</u>	<u>\$ (2,533,224)</u>	<u>\$ 81,565,483</u>	<u>\$ 2,894,319</u>

Information regarding Memorial Health’s long-term debt activity and balance as of and for the year ended December 31, 2021, were as follows:

	<u>2020</u>	<u>Additions</u>	<u>Payments</u>	<u>2021</u>	<u>Current Portion</u>
Note Payable 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	27,980,000	-	(10,000)	27,970,000	10,000
	<u>65,064,642</u>	<u>-</u>	<u>(2,043,356)</u>	<u>63,021,286</u>	<u>2,153,410</u>
Unamortized bond premiums	2,705,213	-	(227,792)	2,477,421	239,679
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>

OSU Epic Subscription 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 principal and interest at a fixed rate of 4%, through April 2024. The debt is secured by the right-of-use asset valued at \$844,966 as of December 31, 2022.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

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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.

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.

Hospital Facilities Revenue Bonds, Series 2022 – on September 29, 2022, Memorial Health entered into a bond purchase agreement with Old National Bank, for the issuance of its Hospital Facilities Revenue Bonds, Series 2022 (Memorial Ohio Properties, LLC Project) in the amount of \$18,600,000 for the purpose of financing costs of the real estate properties. Principal payments commenced on December 1, 2022 with quarterly payments including an interest rate of 3.735% per annum. The bonds mature on September 1, 2047.

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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.

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 Health is bound by terms under the master trust indenture to various debt covenants.

In addition, Memorial Health executed a Supplemental Master Trust Indenture with the County and Huntington National Bank (Old National Bank), whereby the County and Huntington National Bank executed the Hospital Facilities Revenue Bonds, Series 2022 on behalf of Memorial Health. Under the terms of the agreement, Memorial Health is subject to the Master Trust Indenture, discussed above, and Memorial Ohio Properties, LLC is bound by additional terms under the supplemental trust indenture to various debt covenants. Management believes Memorial Hospital is in compliance with these covenants as of December 31, 2022.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
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The following is a schedule of debt principal and interest payments for fiscal years subsequent to December 31, 2022:

Years Ending December 31	Notes from Direct Placements		Notes Payable	
	Principal	Interest *	Principal	Interest
2023	\$ 2,298,718	\$ 2,724,822	\$ 595,601	\$ 23,194
2024	2,351,982	2,635,810	255,273	2,558
2025	2,313,273	2,572,903	-	-
2026	2,375,805	2,513,057	-	-
2027	2,441,055	2,450,024	-	-
2028-2032	13,325,742	11,115,535	-	-
2033-2037	15,374,546	9,030,977	-	-
2038-2042	18,353,930	6,158,703	-	-
2043-2047	21,879,558	2,426,662	-	-
Total	<u>\$ 80,714,609</u>	<u>\$ 41,628,493</u>	<u>\$ 850,874</u>	<u>\$ 25,752</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.

13. REFUNDABLE ADVANCES

During 2022 and 2021, 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 Assistance Listing #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 over the same period in the previous year. These funds are subject to recoupment by the grantor in the event that the conditions for recognition are not met.

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 and recoupment began following a 120-day deferral period. The Continuing Appropriates Act, 2021 and Other Extensions Act which passed on September 30, 2020 allowed providers to extend repayment for a full year before recoupment begins. Memorial Health repaid the remaining portion of recoupment of \$3,831,201 as of December 31, 2022.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

As of and for the year ended December 31, 2022, revenues recognized related to PRF was \$688,985.

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

	<u>Revenue Recognized</u>	<u>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>\$ 4,254,438</u>

14. NET PATIENT SERVICE REVENUE

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

	<u>2022</u>	<u>2021</u>
Patient Revenue:		
Inpatient services	\$ 79,942,186	\$ 82,865,641
Outpatient services	360,608,814	314,277,444
Total patient revenue	<u>440,551,000</u>	<u>397,143,085</u>
Revenue deductions:		
Provision for contractual allowances	260,083,368	222,289,590
Provision for bad debt allowances	7,830,250	9,531,220
Charity care, net of Hospital Care Assurance	2,116,668	2,992,377
Total revenue deductions	<u>270,030,286</u>	<u>234,813,187</u>
Total net patient service revenue	<u>\$ 170,520,714</u>	<u>\$ 162,329,898</u>

15. 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.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

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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 2021 Comprehensive Annual Financial Report for details.

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 and assets 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 year. Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 2 to 10 years).

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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:

	2022	2021
Net pension liability - all employers	\$ 8,700,404,651	\$ 14,807,822,857
Proportion of the net pension liability - Memorial Health	0.292109%	0.284420%
	<u>\$ 25,414,665</u>	<u>\$ 42,116,410</u>
	2022	2021
Net pension asset - all employers	\$ 394,005,071	\$ 288,663,526
Proportion of the net pension asset - Memorial Health	0.435329%	0.443823%
	<u>\$ 1,715,219</u>	<u>\$ 1,281,155</u>

Pension (gain) expense, relating to GASB 68, for the years ending December 31, 2022 and 2021 was (\$2,605,084) and \$3,196,937, respectively.

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

	2022	2021
Net OPEB asset - all employers	\$ 3,132,153,063	\$ 1,781,579,865
Proportion of the net OPEB asset - Memorial Health	0.316350%	0.306973%
	<u>\$ 9,908,566</u>	<u>\$ 5,468,969</u>

OPEB gain relating to GASB 75, for the years ending December 31, 2022 and 2021, was \$7,954,893 and \$31,554,195, respectively.

At December 31, 2022, Memorial Health reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Difference between expected and actual experience	\$ 1,306,243
Assumption changes	3,264,272
Change in proportionate share	1,324,454
Employer contributions subsequent to the measurement date	7,659,423
Total	<u>\$ 13,554,392</u>
Deferred inflows of resources:	
Difference between expected and actual experience	\$ 749,248
Change in proportionate share	11,460
Net difference between projected and actual earnings on pension plan assets	30,597,536
Difference between Memorial Health contributions and proportionate share of contributions	36,020
Total	<u>\$ 31,394,264</u>

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
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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><u>\$ 7,579,853</u></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><u>\$ 18,666,846</u></u>

At December 31, 2022, Memorial Health reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

Deferred outflows of resources:	
Change in proportionate share	\$ 424,239
Difference between Memorial Health contributions and proportionate share of contributions	95,059
Employer contributions subsequent to the measurement date	234,499
Total	<u><u>\$ 753,797</u></u>
Deferred inflows of resources:	
Difference between expected and actual experience	\$ 1,502,978
Net difference between projected and actual earnings on OPEB plan assets	4,723,706
Assumption changes	4,010,876
Total	<u><u>\$ 10,237,560</u></u>

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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>

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:

2023	\$ 3,127,730
2024	10,283,922
2025	7,211,332
2026	4,878,711
2027	2,305
Thereafter	(4,705)
Total	<u><u>\$ 25,499,295</u></u>

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:

2023	\$ 5,890,678
2024	2,117,081
2025	1,032,105
2026	678,398
Total	<u><u>\$ 9,718,262</u></u>

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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. Effective January 1, 2022, eligible non-Medicare retirees are part of a connector program similar to Medicare-enrolled members.

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 2022 and 2021, 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.

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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 was 0.0% during calendar year 2022 and 2021. For Combined Plan, the portion of employer contributions allocated to healthcare was 0.0% from January 1, 2021 to June 30, 2022, and was 2.0% from July 1, 2022 to December 31, 2022. 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 2022 and 2021 was 4.0%.

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, 2021 for pension (OPEB is rolled forward from December 31, 2020 actuarial valuation date)

Actuarial Assumptions

Valuation Date: December 31, 2021 for pension and December 31, 2020 for OPEB

Rolled Forward Measurement Date: December 31, 2021 for OPEB

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 6.90% for pension and 6.00% for OPEB

Inflation: 2.75%

Projected Salary Increases: 2.75% - 10.75%

Cost-of-Living Adjustments: 3.00% Simple for those retiring before January 7, 2013, 3.00% Simple for those retiring after January 7, 2013 through 2022, then 2.05% Simple.

Health Care Cost Trend: 5.50% initial, 3.50% ultimate through 2034

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Mortality Rates

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality Tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality Tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For the previously described tables, the base year is 2010 and the mortality rates for a particular year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

Date of Last Experience Study

December 31, 2020

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.

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	24%	1.0%
Domestic Equity	21%	3.8%
Real Estate	11%	3.7%
Private Equity	12%	7.4%
International Equity	23%	4.9%
Risk Parity	5%	2.9%
Other Investments	4%	2.9%
Total	<u>100%</u>	

* Returns presented as arithmetic means

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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%	0.9%
Domestic Equity	25%	3.8%
Real Estate	7%	3.7%
International Equity	25%	4.9%
Risk Parity	2%	2.9%
Other Investments	7%	1.9%
Total	<u>100%</u>	

* Returns presented as arithmetic means

Discount Rate

Pension: The discount rate used to measure the total pension liability was 6.9% 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.

OPEB: A discount rate of 6.0% was used to measure the total OPEB asset on the measurement date of December 31, 2021. 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 1.84%. 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 2121. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2121, and the municipal bond rate was applied to all health care costs after that date.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 2022 is 5.5%. 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 Liability to Changes in Discount Rate

1% Decrease (5.9%)	Current Rate (6.9%)	1% Increase (7.9%)
<u>\$ 67,006,884</u>	<u>\$ 25,414,665</u>	<u>\$ 9,195,591</u>

Sensitivity of Net Pension Asset to Changes in Discount Rate

1% Decrease (5.9%)	Current Rate (6.9%)	1% Increase (7.9%)
<u>\$ 1,279,867</u>	<u>\$ 1,715,218</u>	<u>\$ 2,054,753</u>

Sensitivity of Net OPEB Asset to Changes in Discount Rate

1% Decrease (5.0%)	Current Rate (6.0%)	1% Increase (7.0%)
<u>\$ 5,827,167</u>	<u>\$ 9,908,566</u>	<u>\$ 13,296,191</u>

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

1% Decrease (7.5%)	Current Rate (8.5%)	1% Increase (9.5%)
<u>\$ 10,015,641</u>	<u>\$ 9,908,566</u>	<u>\$ 9,781,542</u>

The amount of contributions recognized by the OPERS Plan from Memorial Health for the years ending December 31, 2022 and 2021 were approximately \$7,659,000 and \$6,214,000, respectively.

The amount of contributions recognized by the OPEB Plan from Memorial Health for the years ending December 31, 2022 and 2021 were approximately \$234,000 and \$28,000, respectively.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

16. 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.

17. 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.

18. 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 \$1,000,000 per claim stop-loss policy with a private insurance carrier for worker's compensation.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Activity in Memorial Health's accrued employee health claims liability during 2022 and 2021 is summarized as follows:

	2022	2021
Balance, beginning of year	\$ 1,556,550	\$ 233,660
Current year claims incurred and changes in estimates for claims incurred in prior years	7,613,071	8,984,441
Claims and expenses paid	(7,889,858)	(7,661,551)
Balance, end of year	<u>\$ 1,279,763</u>	<u>\$ 1,556,550</u>

19. 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 2022 and 2021 through Memorial Health Foundation.

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 2022 and 2021, Memorial Hospital received distributions of \$135,938 and \$59,063, 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 2022 and 2021, Memorial Hospital received distributions of \$19,584 and \$32,538, respectively, through Memorial Health Foundation.

20. 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, 2022 and 2021, Memorial Hospital had amounts accrued of approximately \$400,000 and \$318,000 for amounts due to OSU relating to revenues earned during 2022 and 2021, respectively.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

21. BLENDED COMPONENT UNITS

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

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, 2022:

	<u>Memorial Gables</u>	<u>Memorial Health Foundation</u>	<u>Memorial Medical Group</u>	<u>Memorial Ohio Properties, LLC</u>	<u>Blended Component Unit Total</u>
Assets:					
Current assets	\$ 1,250,904	\$ 1,531,198	\$ 2,059,499	\$ 958,220	\$ 5,799,821
Capital assets, net	5,121,085	-	-	22,073,776	27,194,861
Other assets	1,094,806	669,989	-	12,950,707	14,715,502
Deferred outflows of resources	1,087,423	-	-	-	1,087,423
Total assets and deferred outflows of resources	<u>\$ 8,554,218</u>	<u>\$ 2,201,187</u>	<u>\$ 2,059,499</u>	<u>\$ 35,982,703</u>	<u>\$ 48,797,607</u>
Liabilities:					
Current liabilities	\$ 1,337,053	\$ 9,500	\$ 778,074	\$ 516,970	\$ 2,641,597
Due to Memorial Hospital	1,679,914	29,278	1,751,583	-	3,460,775
Long term debt	458,772	-	-	17,974,194	18,432,966
Other liabilities	1,993,570	-	199,417	-	2,192,987
Deferred inflows of resources	3,164,019	-	-	13,559,237	16,723,256
Total liabilities and deferred inflows of resources	8,633,328	38,778	2,729,074	32,050,401	43,451,581
Net position:					
Net investment in capital assets	4,229,967	-	-	3,639,987	7,869,954
Restricted - expendable for					
Capital improvements	-	53,260	-	-	53,260
Pensions	130,357	-	-	-	130,357
Other post-employment benefits	753,051	-	-	-	753,051
Unrestricted	(5,192,485)	2,109,149	(669,575)	292,315	(3,460,596)
Total net position	<u>(79,110)</u>	<u>2,162,409</u>	<u>(669,575)</u>	<u>3,932,302</u>	<u>5,346,026</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,554,218</u>	<u>\$ 2,201,187</u>	<u>\$ 2,059,499</u>	<u>\$ 35,982,703</u>	<u>\$ 48,797,607</u>

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Memorial Ohio Properties, LLC	Blended Component Unit Total
Operating revenues					
Net patient service revenue	\$ 7,121,629	\$ -	\$ 12,389,569	\$ -	\$ 19,511,198
Other operating revenues	195,869	-	8,424,928	4,882,669	13,503,466
Total operating revenues	<u>7,317,498</u>	<u>-</u>	<u>20,814,497</u>	<u>4,882,669</u>	<u>33,014,664</u>
Operating expenses					
Depreciation and amortization	545,343	-	68,942	212,244	826,529
Other operating expenses	6,015,128	168,903	21,384,528	561,104	28,129,663
Total operating expenses	<u>6,560,471</u>	<u>168,903</u>	<u>21,453,470</u>	<u>773,348</u>	<u>28,956,192</u>
Income (Loss) from operations	757,027	(168,903)	(638,973)	4,109,321	4,058,472
Non-operating gains (losses)					
Investment income	-	174,338	-	-	174,338
Interest expense	(23,171)	-	-	(177,019)	(200,190)
Noncapital grants and contributions	730,911	-	-	-	730,911
Other nonoperating income (expense)	(1,844)	257,951	-	-	256,107
Total non-operating gains (losses)	<u>705,896</u>	<u>432,289</u>	<u>-</u>	<u>(177,019)</u>	<u>961,166</u>
Transfers to Memorial Hospital	-	(91,211)	-	-	(91,211)
Increase (decrease) in net position	1,462,923	172,175	(638,973)	3,932,302	4,928,427
Net position - beginning of year	(1,542,033)	1,990,234	(30,602)	-	417,599
Net position - end of year	<u>\$ (79,110)</u>	<u>\$ 2,162,409</u>	<u>\$ (669,575)</u>	<u>\$ 3,932,302</u>	<u>\$ 5,346,026</u>

	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Memorial Ohio Properties, LLC	Blended Component Unit Total
Cash provided by (used in):					
Operating activities	\$ (555,593)	\$ (39,609)	\$ (989,196)	\$ 4,436,785	\$ (1,584,398)
Investing activities	194,498	49,661	-	-	244,159
Financing activities	(48,931)	166,740	-	(4,029,250)	117,809
Total	<u>(410,026)</u>	<u>176,792</u>	<u>(989,196)</u>	<u>407,535</u>	<u>(1,222,430)</u>
Cash - beginning of year	1,111,068	378,928	1,947,010	-	3,437,006
Cash - end of year	<u>\$ 701,042</u>	<u>\$ 555,720</u>	<u>\$ 957,814</u>	<u>\$ 407,535</u>	<u>\$ 2,214,576</u>

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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:

	<u>Memorial Gables</u>	<u>Memorial Health Foundation</u>	<u>Memorial Medical Group</u>	<u>Blended Component Unit Total</u>
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	<u>\$ 8,963,158</u>	<u>\$ 2,070,386</u>	<u>\$ 3,364,859</u>	<u>\$ 14,398,403</u>
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	-	53,260	-	53,260
Pensions	114,535	-	-	114,535
Other post-employment benefits	488,926	-	-	488,926
Unrestricted	<u>(6,165,977)</u>	<u>1,936,974</u>	<u>(30,602)</u>	<u>(4,259,605)</u>
Total net position	<u>(1,542,033)</u>	<u>1,990,234</u>	<u>(30,602)</u>	<u>417,599</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,963,158</u>	<u>\$ 2,070,386</u>	<u>\$ 3,364,859</u>	<u>\$ 14,398,403</u>

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

	<u>Memorial Gables</u>	<u>Memorial Health Foundation</u>	<u>Memorial Medical Group</u>	<u>Blended Component Unit Total</u>
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	(30,930)	-	-	(30,930)
Noncapital grants and contributions	5,539	-	228,381	233,920
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	-	(820,673)	-	(820,673)
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>

	<u>Memorial Gables</u>	<u>Memorial Health Foundation</u>	<u>Memorial Medical Group</u>	<u>Blended Component Unit Total</u>
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>

22. 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. 96, Subscription-Based Information Technology Arrangement, which defines a subscription-based information technology arrangement (SBITA), which establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA, and required note disclosure regarding a SBITA. GASB Statement No. 96 will be effective for periods beginning after June 15, 2022.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

23. 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.

REQUIRED SUPPLEMENTARY INFORMATION

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 68 PENSION LIABILITIES (UNAUDITED) DECEMBER 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 AND 2014

Schedule of Proportionate Share of the Net Pension Liability (rounding to the nearest 1,000)	2022	2021	2020	2019	2018	2017	2016	2015	2014
Memorial Health's proportion of the collective net pension liability	0.29211%	0.28442%	0.27767%	0.27119%	0.26013%	0.25406%	0.25521%	0.24895%	*
Memorial Health's proportionate share of the net pension liability	\$ 25,415,000	\$ 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	0.43533%	0.44382%	0.46649%	0.47495%	0.48127%	0.50236%	0.43231%	0.35544%	*
Memorial Health's proportionate share of the net pension asset	\$ 1,715,219	\$ 1,281,155	\$ 972,744	\$ 541,920	\$ 671,960	\$ 281,688	\$ 212,021	\$ 138,945	*
Memorial Health's covered payroll	\$ 44,583,000	\$ 42,184,000	\$ 45,147,000	\$ 39,665,000	\$ 33,770,000	\$ 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	57.0%	99.8%	121.6%	187.3%	120.8%	165.8%	113.6%	73.7%	*
Plan fiduciary net position as a percentage of the total pension liability	93.0%	87.2%	82.4%	74.9%	84.9%	77.4%	81.2%	86.5%	*
Schedule of Memorial Health's Contributions									
Contractually required contribution	\$ 7,659,000	\$ 6,214,000	\$ 5,881,000	\$ 6,161,000	\$ 5,407,000	\$ 4,728,000	\$ 4,176,000	\$ 4,671,000	\$ 4,906,000
Contributions in relation to the contractually required contribution	\$ 7,659,000	\$ 6,214,000	\$ 5,881,000	\$ 6,161,000	\$ 5,407,000	\$ 4,728,000	\$ 4,176,000	\$ 4,671,000	\$ 4,906,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 56,385,000	\$ 44,583,000	\$ 42,184,000	\$ 45,147,000	\$ 39,665,000	\$ 33,770,000	\$ 34,796,000	\$ 38,924,000	\$ 40,883,000
Contributions as a percentage of covered payroll	13.6%	13.9%	13.9%	13.6%	13.6%	14.0%	12.0%	12.0%	12.0%

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 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, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 AND 2014

Schedule of Proportionate Share of the Net OPEB (Asset) Liability (rounding to the nearest 1,000)	2022	2021	2020	2019	2018	2017	2016	2015	2014
Memorial Health's proportion of the collective net OPEB liability	0.31635%	0.30697%	0.29883%	0.29161%	0.26708%	*	*	*	*
Memorial Health's proportionate share of the net OPEB liability	\$ 9,909,000	\$ 5,469,000	\$ 41,277,000	\$ 38,019,000	\$ 29,003,000	*	*	*	*
Memorial Health's covered payroll	\$ 44,583,000	\$ 42,184,000	\$ 45,147,000	\$ 39,665,000	\$ 33,770,000	\$ 34,796,000	\$ 38,924,000	\$ 40,883,000	*
Memorial Health's proportionate share of the net OPEB liability as a percentage of its covered payroll	22.2%	13.0%	12.1%	95.9%	85.9%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	128.2%	115.6%	47.8%	46.3%	54.1%	*	*	*	*
Schedule of Memorial Health's Contributions									
Contractually required OPEB contribution	\$ 234,000	\$ 28,000	\$ 25,000	\$ 160,000	\$ 146,000	\$ -	\$ 696,000	\$ 778,000	\$ 818,000
Contributions in relation to the contractually required contribution	\$ 234,000	\$ 28,000	\$ 25,000	\$ 160,000	\$ 146,000	\$ -	\$ 696,000	\$ 778,000	\$ 818,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 56,385,000	\$ 44,583,000	\$ 42,184,000	\$ 45,147,000	\$ 39,665,000	\$ 33,770,000	\$ 34,796,000	\$ 38,924,000	\$ 40,883,000
Contributions as a percentage of covered payroll	0.4%	0.1%	0.1%	0.4%	0.4%	0.0%	2.0%	2.0%	2.0%

Note: This schedule is intended to present ten years of the proportionate share of the net OPEB 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 2021, the OPERS' Board of Trustees' actuarial consultants conducted an experience study for the period of 2016 through 2020, 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 2022 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 6.9%.
- Projected salary increases decreased to 2.75% to 10.75% for the Traditional Pension Plan in 2022 and 2.75% to 8.25% for the Combined Plan in 2022.

2. Defined Benefit Postemployment Benefits Other Than Pensions

Changes of Assumptions:

Amounts reported in 2022 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 decreased from 3.25% to 2.75%.
- Actuarially assumed discount rate increased from 6.0% to 6.9%.
- Health care cost trend rate decreased from 8.5% initial, 3.5% ultimate in 2035 to 5.5% initial, 3.5% in 2034.

See report of independent auditors.

SUPPLEMENTARY INFORMATION

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINING STATEMENT OF NET POSITION DECEMBER 31, 2022

Assets and Deferred Outflows of Resources

	Memorial Hospital	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Memorial Ohio Properties, LLC	Eliminating Entries	Total
Current assets							
Cash and cash equivalents	\$ 33,058,677	\$ 701,042	\$ 555,720	\$ 957,814	\$ 407,535	\$ -	\$ 35,680,788
Patient accounts receivable	18,383,851	527,472	-	1,101,685	-	-	20,013,008
Short-term investments	15,236,382	-	914,970	-	-	-	16,151,352
Prepaid expenses and other current assets	3,085,120	22,390	7,248	-	-	(131,903)	2,982,855
Inventories	2,211,467	-	-	-	-	-	2,211,467
Current portion of contributions receivable	-	-	53,260	-	-	-	53,260
Current portion of lease receivable	-	-	-	-	550,685	(443,778)	106,907
Due from affiliate	3,460,775	-	-	-	-	(3,460,775)	-
Total current assets	75,436,272	1,250,904	1,531,198	2,059,499	958,220	(4,036,456)	77,199,637
Capital assets, net	124,306,755	5,121,085	-	-	22,073,776	(12,102,207)	139,399,409
Long-term investments	74,854,071	-	-	-	-	-	74,854,071
Assets limited as to use							
Internally designated for specific purpose	130,475	211,398	-	-	-	-	341,873
Restricted by donors for capital improvements	561,846	-	-	-	-	-	561,846
Total assets limited as to use	692,321	211,398	-	-	-	-	903,719
Other assets							
Lease receivable, net of current portion	-	-	-	-	12,950,707	(11,753,419)	1,197,288
Investment in joint ventures	-	-	669,989	-	-	-	669,989
Other assets	1,159,015	-	-	-	-	-	1,159,015
Total other assets	1,159,015	-	669,989	-	12,950,707	(11,753,419)	3,026,292
Net pension asset	1,584,862	130,357	-	-	-	-	1,715,219
Net other post-employment benefit asset	9,155,515	753,051	-	-	-	-	9,908,566
Total noncurrent assets	211,752,539	6,215,891	669,989	-	35,024,483	(23,855,626)	229,807,276
Deferred outflows of resources							
Excess consideration from acquisition	112,369	-	-	-	-	-	112,369
Pension	12,524,258	1,030,134	-	-	-	-	13,554,392
Other post-employment benefits	696,508	57,289	-	-	-	-	753,797
Total deferred outflows of resources	13,333,135	1,087,423	-	-	-	-	14,420,558
Total assets and deferred outflows of resources	\$ 300,521,946	\$ 8,554,218	\$ 2,201,187	\$ 2,059,499	\$ 35,982,703	\$ (27,892,082)	\$ 321,427,471

See report of independent auditors.

MEMORIAL HOSPITAL OF UNION COUNTY AND AFFILIATES

COMBINING STATEMENT OF NET POSITION DECEMBER 31, 2022

Liabilities, Deferred Inflows of Resources and Net Position

	Memorial Hospital	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Memorial Ohio Properties, LLC	Eliminating Entries	Total
Current liabilities							
Accounts payable	\$ 13,637,111	\$ 285,866	\$ 9,500	\$ 29,052	\$ 57,375	\$ -	\$ 14,018,904
Accrued salaries, wages and related accruals	9,799,729	559,090	-	749,022	-	-	11,107,841
Estimated third-party settlements	690,000	56,173	-	-	-	-	746,173
Other current liabilities	691,860	3,578	-	-	-	-	695,438
Current portion lease liability	1,984,923	-	-	-	-	(443,778)	1,541,145
Current portion long-term debt	2,002,378	432,346	-	-	459,595	-	2,894,319
Due to affiliate	-	1,679,914	29,278	1,751,583	-	(3,460,775)	-
Total current liabilities	<u>28,806,001</u>	<u>3,016,967</u>	<u>38,778</u>	<u>2,529,657</u>	<u>516,970</u>	<u>(3,904,553)</u>	<u>31,003,820</u>
Long-term liabilities							
Long-term lease liability, net of current portion	27,348,365	-	-	-	-	(11,753,419)	15,594,946
Long-term debt, net of current portion	60,238,198	458,772	-	-	17,974,194	-	78,671,164
Total long-term liabilities	<u>87,586,563</u>	<u>458,772</u>	<u>-</u>	<u>-</u>	<u>17,974,194</u>	<u>(11,753,419)</u>	<u>94,266,110</u>
Other liabilities							
Accrued compensated absences	1,297,718	62,055	-	-	-	-	1,359,773
Net pension liability	23,483,150	1,931,515	-	-	-	-	25,414,665
Other liabilities	52,500	-	-	199,417	-	-	251,917
Total other liabilities	<u>24,833,368</u>	<u>1,993,570</u>	<u>-</u>	<u>199,417</u>	<u>-</u>	<u>-</u>	<u>27,026,355</u>
Deferred inflows of resources							
Pension	29,008,300	2,385,964	-	-	-	-	31,394,264
Other post-employment benefits	9,459,505	778,055	-	-	-	-	10,237,560
Lease receivable	-	-	-	-	13,559,237	(12,234,110)	1,325,127
Total deferred inflows of resources	<u>38,467,805</u>	<u>3,164,019</u>	<u>-</u>	<u>-</u>	<u>13,559,237</u>	<u>(12,234,110)</u>	<u>42,956,951</u>
Total liabilities and deferred inflows of resources	<u>179,693,737</u>	<u>8,633,328</u>	<u>38,778</u>	<u>2,729,074</u>	<u>32,050,401</u>	<u>(27,892,082)</u>	<u>195,253,236</u>
Net position							
Net investment in capital assets	62,066,179	4,229,967	-	-	3,639,987	-	69,936,133
Restricted - expendable for							
Capital improvements	561,846	-	53,260	-	-	-	615,106
Pensions	1,584,862	130,357	-	-	-	-	1,715,219
Other post-employment benefits	9,155,515	753,051	-	-	-	-	9,908,566
Unrestricted	47,459,807	(5,192,485)	2,109,149	(669,575)	292,315	-	43,999,211
Total net position	<u>120,828,209</u>	<u>(79,110)</u>	<u>2,162,409</u>	<u>(669,575)</u>	<u>3,932,302</u>	<u>-</u>	<u>126,174,235</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 300,521,946</u>	<u>\$ 8,554,218</u>	<u>\$ 2,201,187</u>	<u>\$ 2,059,499</u>	<u>\$ 35,982,703</u>	<u>\$ (27,892,082)</u>	<u>\$ 321,427,471</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, 2022

	Memorial Hospital	Memorial Gables	Memorial Health Foundation	Memorial Medical Group	Memorial Ohio Properties, LLC	Eliminating Entries	Total
Operating revenues							
Net patient service revenue	\$ 151,009,516	\$ 7,121,629	\$ -	\$ 12,389,569	\$ -	\$ -	\$ 170,520,714
Other operating revenue	6,534,301	195,869	-	8,424,928	4,882,669	(13,278,091)	6,759,676
Total operating revenues	157,543,817	7,317,498	-	20,814,497	4,882,669	(13,278,091)	177,280,390
Operating expenses							
Salaries and wages	54,740,475	4,457,581	-	12,845,060	-	283,029	72,326,145
Employee benefits	9,153,684	946,078	-	2,632,301	-	-	12,732,063
Pension	(1,708,232)	(896,852)	-	-	-	-	(2,605,084)
Other post-employment retirement benefits	(7,249,415)	(705,478)	-	-	-	-	(7,954,893)
Supplies	19,198,639	789,324	-	637,956	5,023	-	20,630,942
Professional fees and services	9,196,687	175,651	-	-	-	(137,000)	9,235,338
Purchased services	22,011,194	888,990	-	3,613,362	74,649	(283,029)	26,305,166
Insurance	573,036	58,997	-	345,630	-	-	977,663
Utilities	1,427,602	254,008	38,000	66,134	21,638	-	1,807,382
Depreciation and amortization	10,580,518	545,343	-	68,942	212,244	(201,042)	11,206,005
Other operating expenses	18,198,805	46,829	130,903	1,244,085	459,794	(12,960,555)	7,119,861
Total operating expenses	136,122,993	6,560,471	168,903	21,453,470	773,348	(13,298,597)	151,780,588
Operating gain (loss)	21,420,824	757,027	(168,903)	(638,973)	4,109,321	20,506	25,499,802
Nonoperating revenues (expenses)							
Investment income (loss)	(1,454,879)	-	174,338	-	-	-	(1,280,541)
Interest expense	(2,870,752)	(23,171)	-	-	(177,019)	139,969	(2,930,973)
Noncapital grants and contributions	578,542	730,911	-	-	-	(160,475)	1,148,978
Other nonoperating income (expense)	163,441	(1,844)	257,951	-	-	-	419,548
Total nonoperating revenues (expenses)	(3,583,648)	705,896	432,289	-	(177,019)	(20,506)	(2,642,988)
Excess (deficiency) of revenues over expenses	17,837,176	1,462,923	263,386	(638,973)	3,932,302	-	22,856,814
Transfers	91,211	-	(91,211)	-	-	-	-
Increase (decrease in net position)	17,928,387	1,462,923	172,175	(638,973)	3,932,302	-	22,856,814
Net position - beginning of year	102,899,822	(1,542,033)	1,990,234	(30,602)	-	-	103,317,421
Net position - end of year	\$ 120,828,209	\$ (79,110)	\$ 2,162,409	\$ (669,575)	\$ 3,932,302	\$ -	\$ 126,174,235

See report of independent auditors.

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	102,033,700	5,334,160	-	-	-	107,367,860
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	178,607,795	6,343,517	665,756	-	-	185,617,068
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	\$ 276,958,495	\$ 8,963,158	\$ 2,070,386	\$ 3,364,859	\$ (3,575,666)	\$ 287,781,232

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						
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 refundable advances	3,831,201	-	-	-	-	3,831,201
Current portion lease liability	1,932,977	-	-	-	-	1,932,977
Current portion long-term debt	1,944,454	448,635	-	-	-	2,393,089
Due to affiliate	-	1,312,248	70,652	2,192,766	(3,575,666)	-
Total current liabilities	<u>25,219,670</u>	<u>2,636,992</u>	<u>80,152</u>	<u>3,395,461</u>	<u>(3,575,666)</u>	<u>27,756,609</u>
Long-term liabilities						
Long-term lease liability, net of current portion	14,704,059	-	-	-	-	14,704,059
Long-term debt, net of current portion	<u>62,240,576</u>	<u>865,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,105,618</u>
Total long-term liabilities	76,944,635	865,042	-	-	-	77,809,677
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	<u>105,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,000</u>
Total other liabilities	39,680,275	3,840,473	-	-	-	43,520,748
Deferred inflows of resources						
Pension	16,998,030	1,668,816	-	-	-	18,666,846
Other post-employment benefits	<u>15,216,063</u>	<u>1,493,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,709,931</u>
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	174,058,673	10,505,191	80,152	3,395,461	(3,575,666)	184,463,811
Net position						
Net investment in capital assets	37,848,670	4,020,483	-	-	-	41,869,153
Restricted - expendable for						
Capital improvements	382,268	-	53,260	-	-	435,528
Pensions	1,166,620	114,535	-	-	-	1,281,155
Other post-employment benefits	4,980,043	488,926	-	-	-	5,468,969
Unrestricted	<u>58,522,221</u>	<u>(6,165,977)</u>	<u>1,936,974</u>	<u>(30,602)</u>	<u>-</u>	<u>54,262,616</u>
Total net position	<u>102,899,822</u>	<u>(1,542,033)</u>	<u>1,990,234</u>	<u>(30,602)</u>	<u>-</u>	<u>103,317,421</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 276,958,495</u>	<u>\$ 8,963,158</u>	<u>\$ 2,070,386</u>	<u>\$ 3,364,859</u>	<u>\$ (3,575,666)</u>	<u>\$ 287,781,232</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	\$ 143,025,438	\$ 7,564,965	\$ -	\$ 11,739,495	\$ -	\$ 162,329,898
Other operating revenue	7,055,987	299,785	-	8,081,831	(8,432,959)	7,004,644
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	9,454,165	535,788	-	90,092	-	10,080,045
Other operating expenses	13,662,055	83,011	103,035	1,211,489	(8,295,959)	6,763,631
Total operating expenses	102,233,132	4,904,955	141,035	20,451,195	(8,432,959)	119,297,358
Operating gain (loss)	47,848,293	2,959,795	(141,035)	(629,869)	-	50,037,184
Nonoperating revenues (expenses)						
Investment income (loss)	(99,770)	-	248,326	-	-	148,556
Interest expense	(2,700,702)	(30,930)	-	-	-	(2,731,632)
Noncapital grants and contributions	483,855	5,539	-	228,381	-	717,775
Other nonoperating income (expense)	(49,577)	-	50,600	-	-	1,023
Total nonoperating revenues (expenses)	(2,366,194)	(25,391)	298,926	228,381	-	(1,864,278)
Excess (deficiency) of revenues over expenses	45,482,099	2,934,404	157,891	(401,488)	-	48,172,906
Transfers	820,673	-	(820,673)	-	-	-
Increase (decrease in net position)	46,302,772	2,934,404	(662,782)	(401,488)	-	48,172,906
Net position - beginning of year						
Beginning of year, as previously reported	59,537,080	(4,476,437)	2,653,016	370,886	-	58,084,545
Cumulative effect of accounting change	(2,940,030)	-	-	-	-	(2,940,030)
Net position - beginning of year, as restated	56,597,050	(4,476,437)	2,653,016	370,886	-	55,144,515
Net position - end of year	\$ 102,899,822	\$ (1,542,033)	\$ 1,990,234	\$ (30,602)	\$ -	\$ 103,317,421

See report of independent auditors.



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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**

Memorial Hospital of Union County and Affiliates
500 London Avenue
Marysville, Ohio 43040

To the Board of Trustees:

We have audited, 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' (*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, 2022, 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 10, 2023.

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.

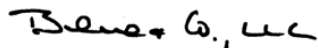
Memorial Hospital of Union County and Affiliates
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by Government Auditing Standards

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.



Westerville, Ohio
May 10, 2023

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 6/22/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov