

Financial Statements  
June 30, 2013 and 2012

**Hand County Memorial Hospital, Inc.**



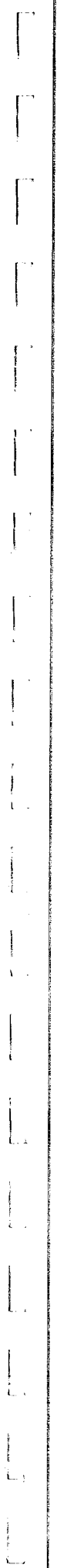
Hand County Memorial Hospital, Inc.

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June 30, 2013 and 2012

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CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

To the Board of Directors  
Hand County Memorial Hospital, Inc.  
Miller, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of Hand County Memorial Hospital, Inc., which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hand County Memorial Hospital, Inc. as of June 30, 2013 and 2012, and the results of its operations, changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
November 15, 2013



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	2013	2012
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 15,567	\$ 27,934
Assets limited as to use	159,450	155,566
Receivables		
Patients and residents, net of allowances	94,500	87,399
Construction	408,005	374,673
Other	5,906	22,411
Supplies	3,858	5,947
Prepaid expenses	10,511	10,820
<b>Total current assets</b>	<b>697,797</b>	<b>684,750</b>
<b>Assets Limited as to Use</b>		
By Board for capital improvements and debt redemption	505,801	578,195
Under bond indenture agreement	24,041	26,222
Under state unemployment agreement	5,108	5,088
<b>Total assets limited as to use</b>	<b>534,950</b>	<b>609,505</b>
<b>Property and Equipment, Net</b>	<b>3,463,634</b>	<b>3,570,918</b>
<b>Other Assets</b>		
Deferred financing costs, net	2,509	3,787
Interest in net assets of Avera Health Foundation	172,920	137,302
Due from Avera McKennan	796,570	796,570
<b>Total other assets</b>	<b>971,999</b>	<b>937,659</b>
	<b>\$ 5,668,380</b>	<b>\$ 5,802,832</b>



Hand County Memorial Hospital, Inc.  
Balance Sheets  
June 30, 2013 and 2012

	2013	2012
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 150,000	\$ 157,000
Construction line of credit	203,909	153,909
Accounts payable		
Trade	36,229	17,641
Construction	428,664	374,673
Accrued expenses		
Salaries and wages	15,887	15,603
Vacation	36,119	47,633
Interest	12,170	72,704
Payroll taxes, withholdings, and other	4,729	13,832
<b>Total current liabilities</b>	<b>887,707</b>	<b>852,995</b>
<b>Long-Term Debt, Less Current Maturities</b>	<b>260,501</b>	<b>410,831</b>
<b>Total liabilities</b>	<b>1,148,208</b>	<b>1,263,826</b>
<b>Net Assets</b>		
Unrestricted	4,387,817	4,430,604
Temporarily restricted	93,107	69,154
Permanently restricted	39,248	39,248
<b>Total net assets</b>	<b>4,520,172</b>	<b>4,539,006</b>
	<b>\$ 5,668,380</b>	<b>\$ 5,802,832</b>



Hand County Memorial Hospital, Inc.  
 Statements of Operations  
 Years Ended June 30, 2013 and 2012

	2013	2012
<b>Unrestricted Revenue, Gains, and Other Support</b>		
Net patient and resident service revenue		
Assisted living	\$ 427,636	\$ 445,982
Ambulance services	178,682	171,331
Home health	118,231	144,000
Homemaker	63,397	59,876
Community health	85,309	88,517
Total net patient and resident service revenue	873,255	909,706
Dietary revenue	116,372	122,451
Wellness revenue	46,190	48,705
Lease revenue	404,455	239,744
Other revenue	1,788	10,190
Total revenue, gains, and other support	1,442,060	1,330,796
<b>Expenses</b>		
Salaries and wages	687,486	685,349
Employee benefits	145,874	124,050
Supplies and other expense	316,030	315,958
Depreciation and amortization	224,399	186,639
Lease and rental	231,068	83,678
Interest	33,827	-
Provision for bad debts, net	11,253	9,373
Total expenses	1,649,937	1,405,047
Operating Loss	(207,877)	(74,251)
<b>Other Income (Expense)</b>		
Investment income (loss)	36,921	(12,876)
Gain on sales and disposals of property and equipment	5,259	-
Contributions to foundation	(70,637)	-
Unrestricted contributions	-	7,911
Total other income (expense)	(28,457)	(4,965)
Revenues Less Than Expenses	(236,334)	(79,216)
Contributions and Grants for Capital	193,547	125,215
(Decrease) Increase in Unrestricted Net Assets	\$ (42,787)	\$ 45,999



Hand County Memorial Hospital, Inc.  
 Statements of Changes in Net Assets  
 Years Ended June 30, 2013 and 2012

	2013	2012
<b>Unrestricted Net Assets</b>		
Revenues less than expenses	\$ (236,334)	\$ (79,216)
Contributions and grants for capital	193,547	125,215
(Decrease) increase in unrestricted net assets	(42,787)	45,999
<b>Temporarily Restricted Net Assets</b>		
Change in interest in net assets of Avera Health Foundation	23,953	17,279
(Decrease) Increase in Net Assets	(18,834)	63,278
Net Assets, Beginning of Year	4,539,006	4,475,728
Net Assets, End of Year	\$ 4,520,172	\$ 4,539,006



Hand County Memorial Hospital, Inc.  
 Statements of Cash Flows  
 Years Ended June 30, 2013 and 2012

	2013	2012
<b>Operating Activities</b>		
Change in net assets	\$ (18,834)	\$ 63,278
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	224,399	186,639
Gain on sales and disposals of property and equipment	(5,259)	-
Change in unrealized gains and losses on investments	(15,649)	50,761
Realized gains on investments, net	(20,628)	(11,781)
Undistributed portion of change in interest in net assets of Avera Health Foundation	(32,880)	(24,252)
Restricted contributions	(193,547)	(125,215)
Change in assets and liabilities		
Receivables	9,404	(20,005)
Supplies	2,089	(590)
Prepaid expenses and other assets	309	(2,678)
Accounts payable	18,588	(2,434)
Accrued expenses and other liabilities	(80,867)	37,894
<b>Net Cash (used for) from Operating Activities</b>	<b>(112,875)</b>	<b>151,617</b>
<b>Investing Activities</b>		
Purchase of property and equipment	(136,403)	(554,745)
Proceeds on the sale of property and equipment	79,816	-
Change in construction receivable	(33,332)	(374,673)
Sale of assets limited as to use	104,210	578,555
<b>Net Cash from (used for) Investing Activities</b>	<b>14,291</b>	<b>(350,863)</b>
<b>Financing Activities</b>		
Increase in other accounts receivable	-	(4,609)
Proceeds from issuance of short-term line of credit	50,000	153,909
Principal payments on long-term debt	(157,330)	(146,673)
Restricted contributions	193,547	125,215
<b>Net Cash from Financing Activities</b>	<b>86,217</b>	<b>127,842</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(12,367)</b>	<b>(71,404)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>27,934</b>	<b>99,338</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 15,567</b>	<b>\$ 27,934</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest, net of interest capitalized of \$-0- in 2013 and \$48,250 in 2012	<b>\$ 94,361</b>	<b>\$ -</b>
<b>Supplemental Disclosure of Noncash Investing Activities</b>		
Change in accounts payable for purchases of property	<b>\$ 53,991</b>	<b>\$ (271,521)</b>





## **Note 1 - Organization and Significant Accounting Policies**

### **Organization**

Hand County Memorial Hospital, Inc. (Organization) operates a health care organization and a 26-bed assisted living center located in Miller, South Dakota. Health care services provided by the Organization include home health services, wellness services, community nursing services, nutrition services, and ambulance services. In addition, the Organization owns hospital property and equipment which is leased to a third party for the operation of a 25-bed acute care hospital.

### **Use of Estimates**

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

### **Cash and Cash Equivalents**

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding assets limited as to use.

### **Patient, Resident, and Other Receivables**

Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim. Interest is not charged on delinquent patient accounts.

Other receivables are comprised of a receivable from the Hand County Health, Wellness and Community Foundation, Inc., for reimbursement of fundraising expenses paid on their behalf, and student loan receivables from prospective employees of the Organization. In connection with the construction project discussed in Note 5, the Organization receives funds under general obligation bonds with Hand County and the United States Department of Agriculture (USDA) to reimburse construction costs associated with a master project that involves the remodeling and new construction of the Organization's owned and leased facilities. The Organization records construction receivables for the construction expenditures related to the project that are owned by the County and will be paid with the proceeds of the general obligation bonds.

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The estimated allowance for contractual adjustments on patient and resident receivables and uncollectible accounts for the years ended June 30, 2013 and 2012, was \$26,500 and \$10,900, respectively. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts.

The estimated uncollectible allowance for student loan receivables was \$1,375 for the years ended June 30, 2013 and 2012. Management considers historical write off and recovery information in determining the estimated bad debt provision.



### **Donor-restricted Gifts**

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

### **Supplies**

Supplies are stated at lower of cost (first-in, first-out) or market.

### **Assets Limited as to Use**

Assets limited as to use include assets set aside by the Board of Directors for future capital improvements and debt redemption, over which the Board retains control and may, at its discretion, subsequently use for other purposes, and assets held by a trustee under an indenture agreement. Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets.

### **Deferred Financing Costs**

Deferred financing costs represent the costs related to the issuance of the bonds and are being amortized on the effective interest method over the term of the outstanding debt. Deferred financing costs are presented net of accumulated amortization of \$58,346 and \$57,068 for the years ended June 30, 2013 and 2012, respectively.

### **Investments and Investment Income**

Investments with readily determinable market values are stated at fair value. The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national and foreign securities exchanges. Certificates of deposit are recorded at historical cost, plus accrued interest. The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 825. ASC 825 permits entities to choose to measure many financial instruments and certain other items at fair value. All investments are classified as trading securities, therefore investment income or loss (including interest income, dividends, net changes in unrealized gains and losses, and net realized gains and losses) is included in revenues less than expenses unless the income or loss is restricted by donor or law.

The Organization, through its affiliation with Avera Health, participates in the Avera Pooled Investment Fund, a fund administered by Avera Health. The Pooled Investment Fund has a portion of its holdings in alternative investments, which are not readily marketable. These alternative investments include partnerships and other interests that invest in hedge funds, real asset funds, and private equity/venture capital funds, among others. Many of these alternative investments have fair values that are determined using the net asset value (NAV) provided by the investment manager. NAV is a practical expedient to determine the fair value of investments that do not have readily determinable fair values and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Investment income, including interest, dividends, realized gains and losses, and unrealized gains and losses are allocated to participants of the Avera Pooled Investment Fund based upon their pro rata share of the investments.

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**Interest in Net Assets of Foundation**

Avera Health Foundation, an affiliate of the Organization, solicits contributions and holds funds on behalf of the Organization. The Organization's interest in these funds is recorded in assets limited as to use in the accompanying financial statements. Changes in the funds held by the Foundation are recorded as change in interest in net assets of Avera Health Foundation in the accompanying financial statements.

**Property and Equipment**

Property and equipment acquisitions in excess of \$1,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations, if any, is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The estimated useful lives of property and equipment are as follows:

Land improvements	5-25 years
Leasehold improvements	5-35 years
Equipment	5-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from revenues less than of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

**Revenues Less Than of Expenses**

Revenues less than expenses excludes unrealized gains and losses on investments other than trading securities, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors.

**Net Patient and Resident Service Revenue**

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



**Income Taxes**

The Organization is a South Dakota nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS, annually.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties were incurred. The Organization's federal Form 990T filings are no longer subject to federal tax examinations by tax authorities for years before 2009.

**Advertising Costs**

The Organization expenses advertising costs as incurred.

**Note 2 - Property and Equipment**

A summary of leasehold improvements and equipment at June 30, 2013 and 2012, follows:

	2013		2012	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 348,084	\$ -	\$ 348,084	\$ -
Land improvements	65,478	58,176	65,478	55,266
Leasehold improvements	1,549,255	899,017	1,871,386	1,174,442
Building equipment	3,378,942	1,063,163	3,232,413	964,723
Equipment	811,639	696,045	924,322	721,448
Construction in process	26,637	-	45,114	-
	<u>\$ 6,180,035</u>	<u>\$ 2,716,401</u>	<u>\$ 6,486,797</u>	<u>\$ 2,915,879</u>
Net leasehold improvements and equipment		<u>\$ 3,463,634</u>		<u>\$ 3,570,918</u>

Construction in progress consists of minor exterior capital improvements which are scheduled to be completed in fiscal year 2014. There are no remaining contractual commitments related to these projects.

**Note 3 - Net Patient Service Revenue**

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

**Medicare:** Home health services provided to Medicare beneficiaries are reimbursed under a prospectively determine basis. Certain other services provided to Medicare beneficiaries are billed based on a fixed fee for service.





Hand County Memorial Hospital, Inc.

Notes to Financial Statements  
June 30, 2013 and 2012

**Medicaid:** The Organization is reimbursed for assisted living resident services at established daily rates as prescribed by the South Dakota Department of Human Services.

The Organization has also entered into payment agreements with certain commercial and other insurance carriers. The basis for payment to the Organization under these agreements includes prospectively determined rates, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is an ongoing level of uncertainty relative to the estimated liability for prior period cost reports. There is a reasonable possibility that recorded estimates will change by a material amount in the near term.

**Note 4 - Investments and Investment Income**

**Assets Limited as to Use**

The composition of assets limited as to use at June 30, 2013 and 2012, is shown in the following table.

	2013	2012
Under bond indenture agreement		
Cash and cash equivalents	\$ 35,491	\$ 33,788
Certificates of deposit	148,000	148,000
Less amount shown as current assets	(159,450)	(155,566)
	\$ 24,041	\$ 26,222
By board for capital improvements and debt redemption		
Cash and cash equivalents	\$ 138,487	\$ 187,920
Pooled Investment Fund *	367,000	389,779
Interest receivable	314	496
	\$ 505,801	\$ 578,195
Under state unemployment agreement		
Certificate of deposit	\$ 5,108	\$ 5,088

**\*Pooled Investment Fund**

The Organization is a participant in the Avera Pooled Investment Fund, a fund administered by Avera Health that is maintained for the benefit of facilities that are sponsored, operated, or managed by Avera Health. Investments are made in conformity with the objectives and guidelines of the Avera Health Pooled Investment Committee. Within the fund, facilities share in a pool of investments that are managed by various fund managers. Asset valuation and income and losses of the fund are allocated to participating members based on the carrying amount of their investment in the fund.



Hand County Memorial Hospital, Inc.  
Notes to Financial Statements  
June 30, 2013 and 2012

As of June 30, 2013 and 2012, the Avera Pooled Investment Fund assets were comprised of the following types of investments:

	2013	2012
Equity mutual funds	28.7%	20.8%
Fixed income mutual funds	17.2%	15.9%
Publicly traded equity securities	10.7%	12.0%
Non-publicly traded alternative investments		
Hedge fund	11.8%	11.3%
Real asset	2.5%	2.6%
Corporate bonds	6.1%	5.7%
Foreign equities	5.7%	5.9%
Cash and short-term investments	5.6%	11.9%
Balanced mutual funds	4.9%	2.8%
U.S. government issues	4.4%	8.7%
Other fixed income	2.4%	2.4%
	100.0%	100.0%

**Investment Income**

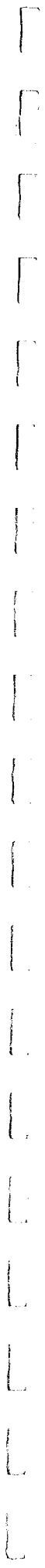
Investment income and gains and losses on assets limited as to use, cash equivalents, and other investments consisted of the following for the years ended June 30, 2013 and 2012:

	2013	2012
Interest income	\$ 644	\$ 26,104
Realized gains on investments, net	20,628	11,781
Change in unrealized gains and losses on investments	15,649	(50,761)
	\$ 36,921	\$ (12,876)

**Note 5 - Leases**

**Construction Project Affecting Lessor Lease and Lessee Lease**

During the year ended June 30, 2013, the Organization and Hand County completed a joint construction project. The Organization handled all of the construction period financing during the course of the project for both itself and Hand County. The construction project was financed with a combination of \$3.5 million of general obligation bonds issued by Hand County, a USDA Community Development Block Grant (CDBG), a low interest loan from the Rural Electric Economic Development (REED) Fund, and existing investment reserve funds of the Organization.



The portion of the project financed by general obligation bonds, and the CDBG will be the assets of Hand County, and will be leased from Hand County under the Organization's existing lessor lease arrangement. A portion of the newly constructed facilities will be used for the Organization's operations, with the majority of the assets being leased by the current lessor of hospital operations.

#### **Lessor Leases**

The Organization leases real and personal property from Hand County. The agreement is for the period April 6, 2010 through April 5, 2030. The assets and liabilities existing at the end of the lease period are to be returned to the county.

#### **Lessee Leases**

As mentioned in Note 1, a portion of the Organization's business consists of the leasing of its hospital facilities and operations to a third party.

Effective April, 6, 2010, the Organization signed a lease agreement with the lessor of the hospital operations. Under the agreement, the Organization's hospital and clinic property and equipment are leased under a long-term lease contract which expires April 5, 2030. The lease is accounted for as an operating lease. The contract calls for reimbursement of principal and interest debt payments on the Series 1993 and Series 1997 bonds, including any lender-required fees or charges paid with any debt payments. The Organization will receive lease revenue ranging from approximately \$150,000 to \$200,000 annually during the term of the lease.

In addition, the lessor has also agreed to make payments equal to the principal and interest on \$3.5 million general obligation bonds issued by Hand County in connection with the construction and remodeling project finished in 2013.



**Note 6 - Long-Term Debt**

Long-term debt consists of:

	2013	2012
3.88% City of Miller, Economic Development Revenue Bonds, Series 1993, serial bonds due in varying semi-annual installments to January 2014, secured by leased assets	\$ 100,000	\$ 195,000
5.50% City of Miller, Economic Development Revenue Bonds, Series 1997, serial bonds due in varying semi-annual installments to January 2018, secured by leased assets	250,000	290,000
2.85% Contract for deed, due in annual installments of \$18,000 payable on December 31 through 2012	-	17,483
4.00% Contract for deed, due in annual installments of \$7,460 payable on April 15 through 2023	60,501	65,348
	410,501	567,831
Less current maturities	(150,000)	(157,000)
	\$ 260,501	\$ 410,831

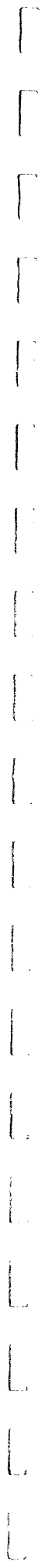
Long-term debt maturities are as follows:

Years Ending June 30,

2014	\$ 150,000
2015	55,000
2016	60,000
2017	61,000
2018	51,000
Thereafter	33,501
	\$ 410,501

Under the terms of the revenue bonds loan agreements, the Organization is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the financial statements. The loan agreements also places limits on the incurrence of additional borrowings and requires that the Organization satisfy certain measures of financial performance as long as the bonds are outstanding.

The revenue bonds are secured by a mortgage on substantially all leasehold improvements and equipment. The Organization has made certain covenants in connection with the revenue bonds.





**Note 7 - Construction Line of Credit**

The Organization has entered into a line-of-credit agreement providing maximum borrowing of \$350,000. The line of credit expired on September 30, 2013. Interest on unpaid principal is payable quarterly at 5.50%. As of June 30, 2013 and 2012, the Organization had an outstanding principle balance of \$203,909 and \$153,909, respectively. The interest payable as of June 30, 2013 and 2012 was \$2,804 and \$2,116, respectively.

**Note 8 - Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012:

	2013	2012
Interest in Foundation, consisting of investments held to support various health care related programs and services	\$ 93,107	\$ 69,154

Permanently restricted net assets at June 30, 2013 and 2012, are restricted to:

	2013	2012
Interest in Foundation, consisting of investments to be held in perpetuity, the income from which is expandable to support various health care services	\$ 39,248	\$ 39,248

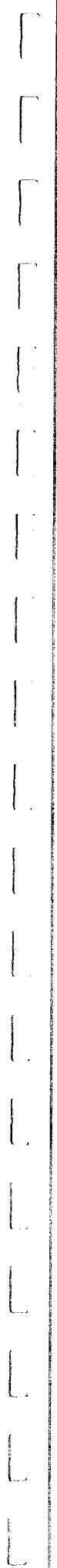
**Note 9 - Pension Plan**

The Organization sponsors a SIMPLE IRA (Savings Incentive Match Plan for Employees Individual Retirement Account) plan under which employees become participants upon reaching age 21 and completing one year of service. Matching employer contributions of up to 3 percent of annual compensation are deposited with the plan trustee who invests the plan assets. The total pension expense for this plan was \$10,731 and \$14,572, respectively for the years ended June 30, 2013 and 2012.

**Note 10 - Related Party**

During the years ended June 30, 2013 and 2012, the Organization received contributions from Hand County Health, Wellness and Community Foundation, Inc., a related entity, totaling \$193,547 and \$125,215 respectively.

The Organization made contributions to the Hand County Health, Wellness and Community Foundation, Inc. totaling \$70,637 during the year ended June 30, 2013.



**Note 11 - Functional Expenses**

The Organization provides health care services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended June 30, 2013 and 2012, are as follows:

	2013	2012
Health care services	\$ 1,556,848	\$ 1,288,094
General and administrative	93,089	116,953
	\$ 1,649,937	\$ 1,405,047

**Note 12 - Contingency**

**Malpractice Insurance**

The Organization has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. The Organization is also insured under an excess umbrella liability policy with a limit of \$10 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

**Note 13 - Subsequent Events**

The Organization has evaluated subsequent events through November 15, 2013, the date which the financial statements were available to be issued.

Subsequent to June 30, 2013, the Organization purchased real estate held for future use adjacent to the Organization's campus and other property for \$110,000. This purchased was financed with the Organization's construction line of credit. The real estate is being held in the event that additional property is needed for future expansion of the Organization's campus.





CPAs & BUSINESS ADVISORS

To the Board of Directors  
Hand County Memorial Hospital, Inc.  
Miller, South Dakota

We have audited the financial statements of Hand County Memorial Hospital, Inc. for the year ended June 30, 2013, and have issued our report thereon dated November 15, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 24, 2013. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hand County Memorial Hospital, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

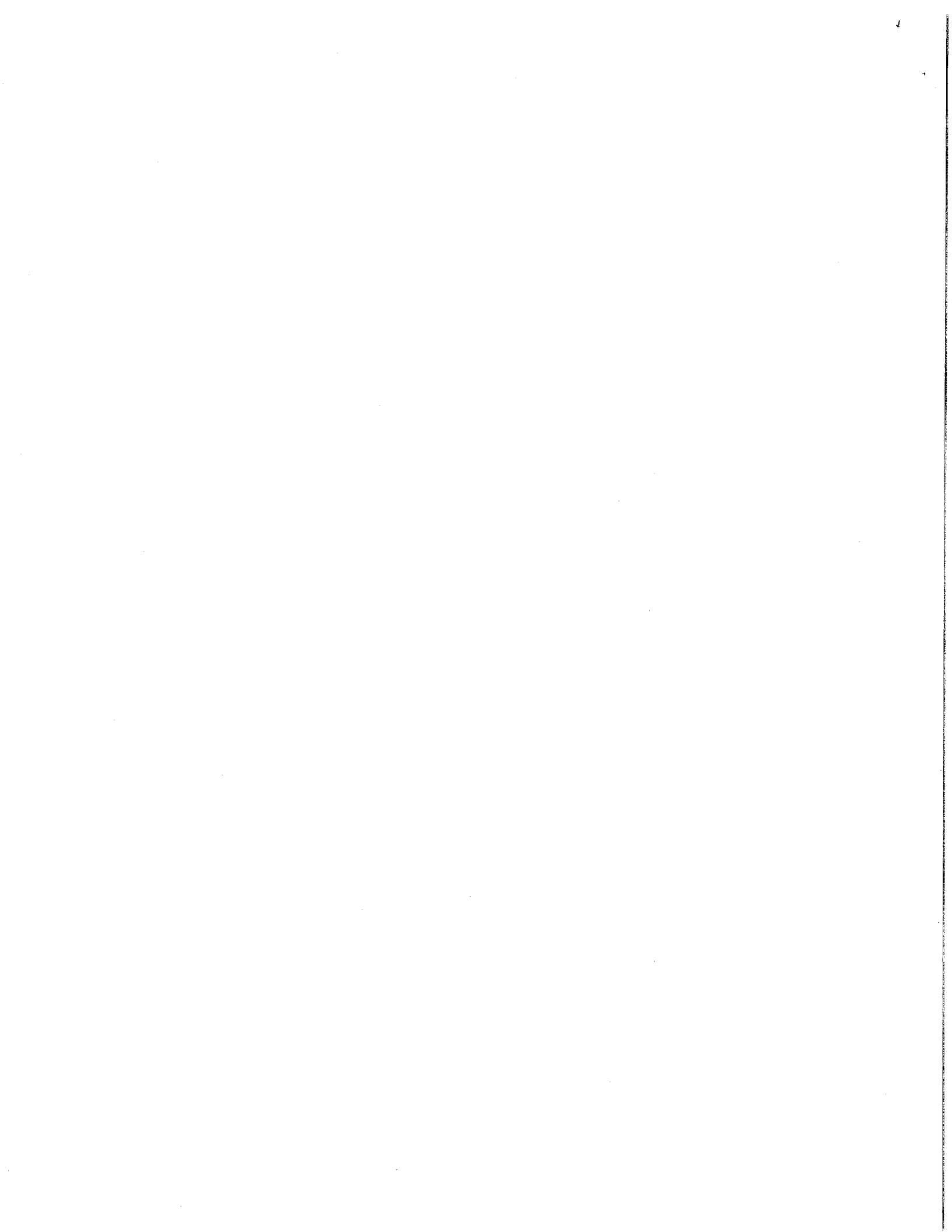
Allowance for Contractuals and Doubtful Accounts – Management's estimate of the allowance for contractuals and doubtful accounts is based on historical loss levels and an analysis of the collectability of individual accounts.

Depreciation Expense – Management's estimate of depreciation expense is based on the estimated useful lives assigned using industry recommended averages and historical experience. Depreciation is calculated using the straight-line method.

We evaluated the key factors and assumptions used to develop the estimates related to the collectability of patient receivables, and depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.



## Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following misstatements were detected as a result of our audit procedures and have been corrected by management:

To adjust allowance for uncollectible accounts	\$ (6,600)
To record non-medical supply expenses	(5,890)
To record depreciation expense	(4,104)
To record loss on sale of assets	<u>(6,096)</u>
Decrease in net assets	<u>\$ (22,690)</u>

There were no significant uncorrected misstatements as a result of the audit procedures.

## Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## Management Representations

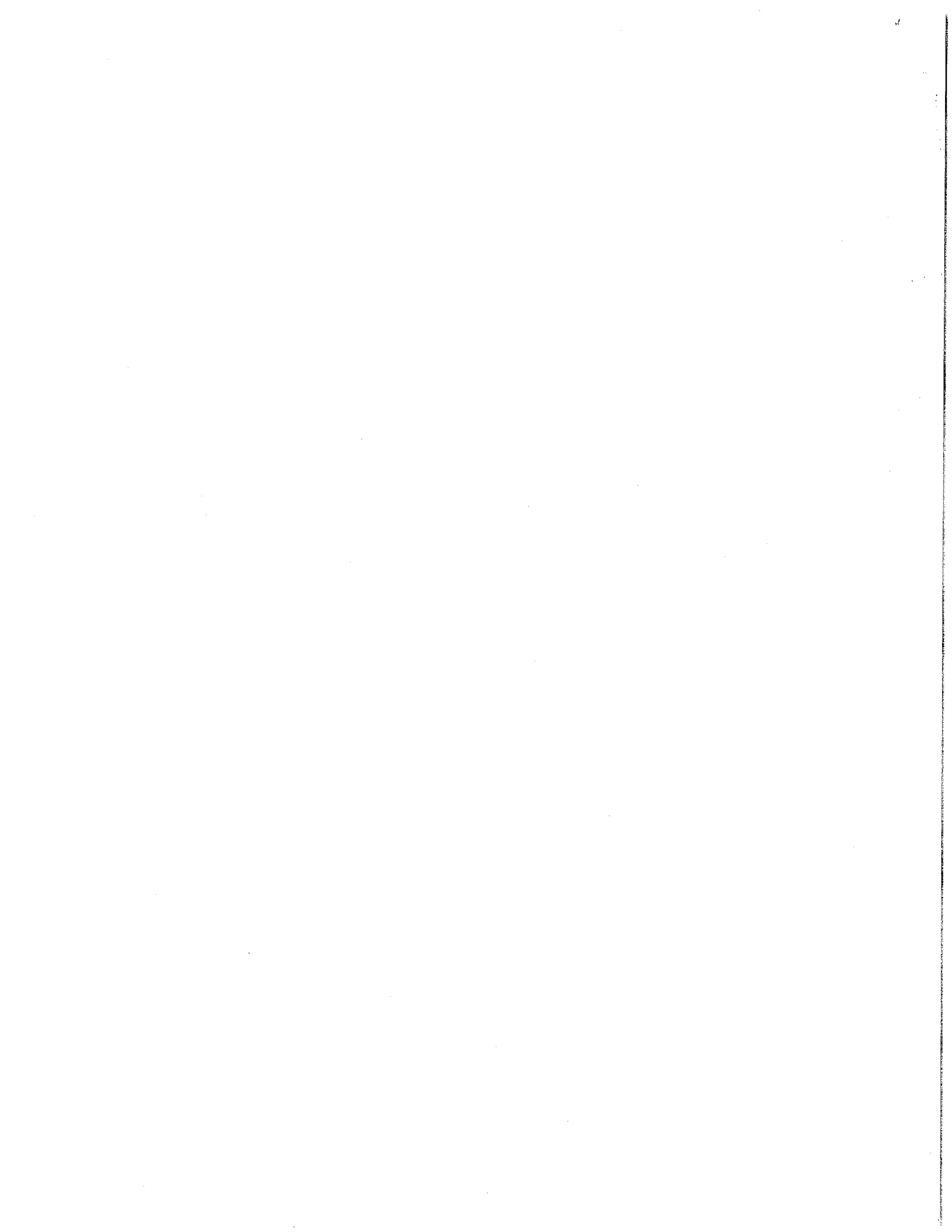
We have requested certain representations from management that are included in the management representation letter dated November 11, 2013.

## Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.





## Other Matters

### **Accounting for Leases**

On August 17, 2010, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) issued Proposed Accounting Standards Update 1850-100, *Leases*. The joint committee received many comments regarding this proposal. They have continued to meet periodically and make revisions to the draft. Due to the changes made, the joint committee re-exposed the proposal on May 16, 2013. While changes continue to be made, the underlying fundamentals of the accounting for leases remain unchanged. Under the guidance in the proposed standard, the lessee would recognize an asset representing its right to use the leased ('underlying') asset for the lease term (the 'right-of-use' asset) and a liability to make lease payments for lease terms greater than one year. Substantially all leases currently considered operating leases would now be brought onto the balance sheet. Assets and liabilities recognized by lessees would be measured on a basis that:

- Assumes the longest possible lease term that is more likely than not to occur, taking into account the effect of any options to extend or terminate the lease.
- Is updated when changes in facts or circumstances indicate that there would be a significant change in those assets or liabilities since the previous reporting period.

Leases will be classified into Type A leases (assets other than property) and Type B leases (property – land and/or building or part of a building). In both approaches, the lessee would recognize a right-of-use asset and a lease liability, initially measured at the present value of lease payments. For Type A leases, the lessee would recognize the unwinding of the discount on the lease liability as interest separately from the amortization of the right-of-use asset. For Type B leases, the lessee would recognize a single lease cost, combining the unwinding of the discount on the lease liability with the amortization of the right-of-use asset on a straight-line basis.

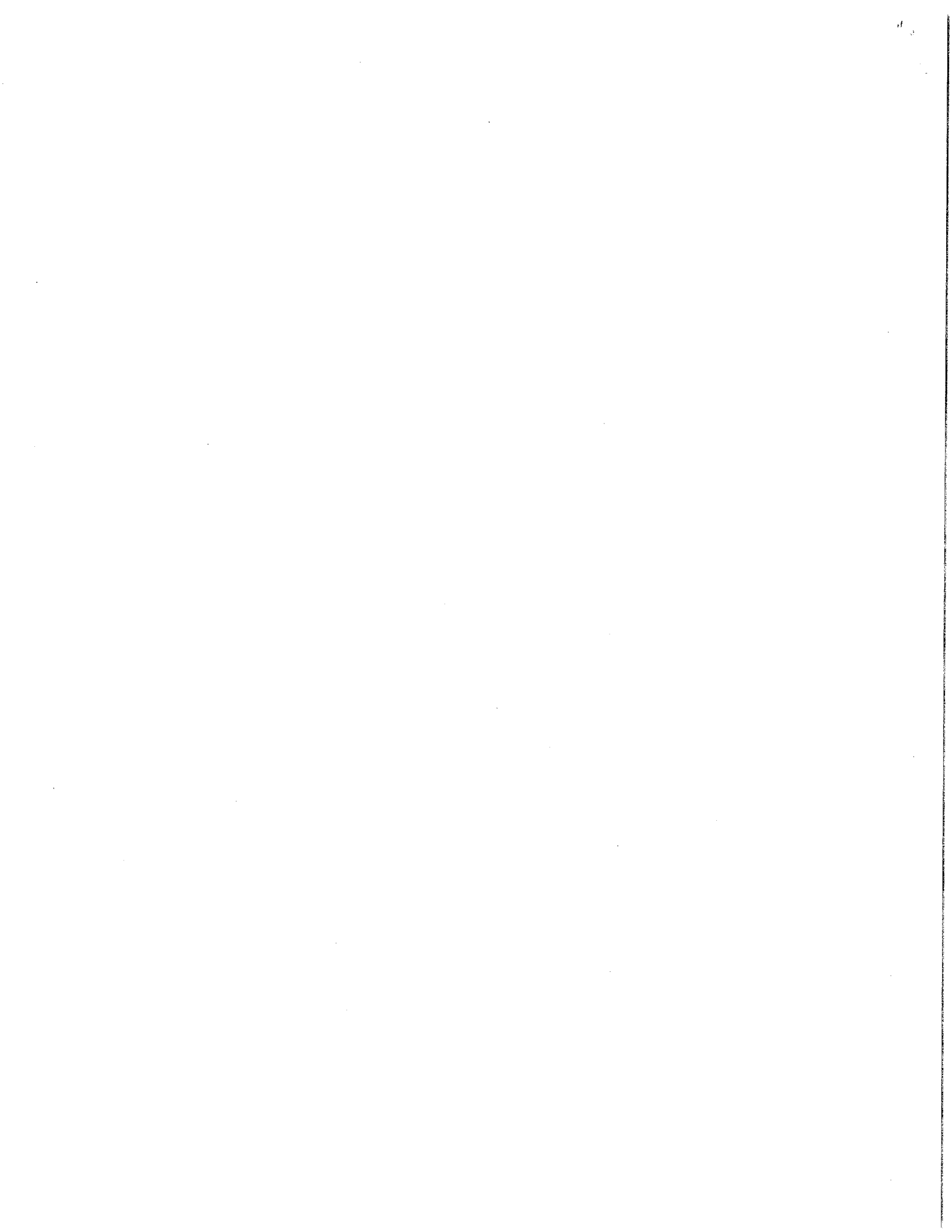
Leases with a maximum possible term (including any options to extend) of 12 months or less would be permitted to make an accounting policy election, by class of underlying asset, to apply simplified requirements that would be similar to existing operating lease accounting.

The FASB maintains a Project Update webpage that tracks the progress of the proposed standard. The timeline for an effective date of the final standard is unknown, but speculation is an effective date in 2016 or 2017.

This information is intended solely for the use of the Board of Directors and management of Hand County Memorial Hospital, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
November 15, 2013





CPAs & BUSINESS ADVISORS

To Board of Directors and Management  
Hand County Memorial Hospital, Inc.  
Miller, South Dakota

In planning and performing our audit of the financial statements of Hand County Memorial Hospital, Inc. (Organization) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the Organization's internal control to be significant deficiencies:

#### Preparation of Financial Statements

We were requested to draft the financial statements and accompanying notes to the financial statements. The Organization does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting standards, on a periodic or annual basis. In addition, material journal entries were proposed and posted as a result of the audit. The guidance in AU-C 265, *Communicating Internal Control Related Matters Identified in An Audit*, requires us to communicate this matter to those charged with governance. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decisions whether to accept the degree of risk associated with this condition because of cost or other considerations.



Limited Size of Office Staff

It is desirable, from a standpoint of good internal control, that the functions of execution of transactions, recording of transactions, and accountability for assets be performed by different individuals. We realize that, in an organization of your size, complete segregation of duties may not be possible; however, we bring this to your attention as a matter of record.

Area in which lack of segregation of duties was noted includes:

- The accountant handles multiple accounting functions, including posting transactions to the general ledger, preparing monthly reconciliations, preparing checks, and posting manual adjusting journal entries.

The above control deficiency in combination with limited financial oversight and monthly review procedures increase risk that mistakes are appropriately identified and corrected on a timely basis. We feel that it would be in the best interest of the Organization if changes were made to the control structure surrounding certain processes. Recommendations include the following:

- A centralized billing function exists for all revenue sources except the Home Health, Homemaker, and Community Health. In order to prevent unrecorded revenue and address concerns related to cash receipt of payments and timely reporting, we recommend that the Organization consider centralizing all billing functions including the aforementioned revenue sources.
- Manual journal entries posted by the accountant need to be reviewed on a regular basis.
- Ambulance reports for pre-hospital care should be filled out and signed by the emergency medical technicians.

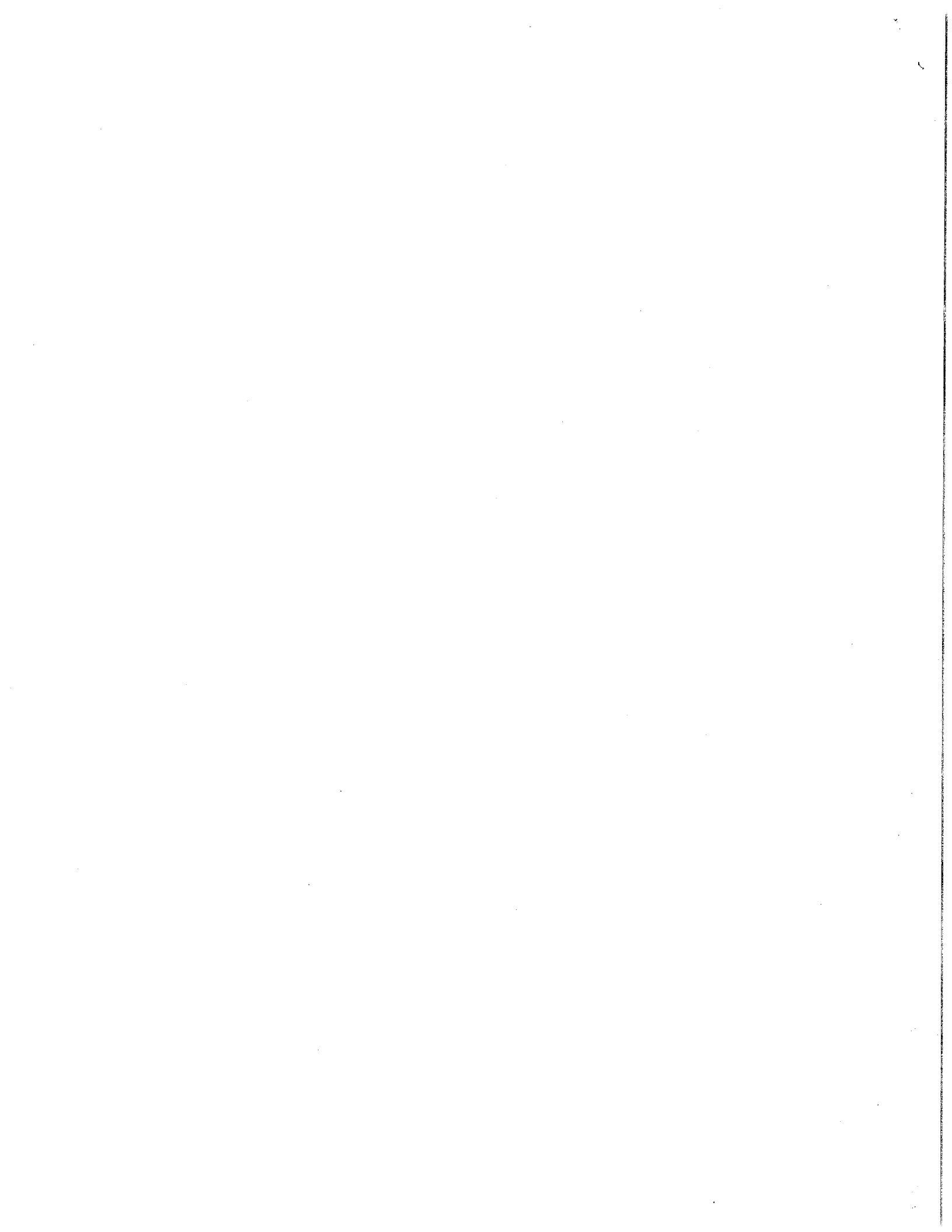
In determining how to eliminate the lack of segregation of duties, management must weigh the costs of any proposed changes against the expected benefits.

\* \* \* \* \*

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Eide Sully LLP*

Sioux Falls, South Dakota  
November 15, 2013



# Income Statement - June 2013

		Actual		Month		Variance		Actual		Year to date		Variance	
		Budget		Budget		Variance Favorable / (Unfavorable)		Budget		Budget		Variance	
<b>Avera, Hand County Campus</b> <b>Consolidated Statement of Operations</b> <b>For the Period Ended June 30, 2013</b>													
<b>GROSS PATIENT SERVICE REVENUE</b>													
	Inpatient Revenue	\$ 115,756	\$ 173,291	\$ (57,535)				\$ 1,830,068	\$ 2,144,394	\$ (314,326)			
	Outpatient Revenue	389,674	472,760	(83,086)				5,084,381	5,789,377	(704,996)			
	Clinic Revenue	57,862	80,881	(23,019)				882,274	982,206	(99,932)			
	<b>TOTAL GROSS REVENUE</b>	<b>\$ 563,292</b>	<b>\$ 726,932</b>	<b>\$ (163,640)</b>				<b>\$ 7,746,723</b>	<b>\$ 8,915,977</b>	<b>\$ (1,169,254)</b>			
<b>DEDUCTIONS FROM REVENUE</b>													
	Contractual Adjustments	108,846	188,382	79,536				1,395,287	2,350,280	954,993			
	Charity Care	(1,526)	2,993	4,519				44,035	36,416	(7,619)			
	Provision for Bad Debt	4,804	9,570	4,766				124,936	115,610	(9,326)			
	<b>TOTAL DEDUCTIONS FROM REVENUE</b>	<b>112,124</b>	<b>200,945</b>	<b>88,821</b>				<b>1,564,258</b>	<b>2,502,306</b>	<b>938,048</b>			
	<b>NET PATIENT SERVICE REVENUE</b>	<b>\$ 451,167</b>	<b>\$ 525,987</b>	<b>\$ (74,820)</b>				<b>\$ 6,182,465</b>	<b>\$ 6,413,671</b>	<b>\$ (231,206)</b>			
<b>OTHER OPERATING REVENUE</b>													
	Other Operating Revenue	56,843	39,814	17,029				635,781	423,768	212,013			
	Operating Interest Income	1,496	1,540	(44)				20,083	18,480	1,603			
	<b>TOTAL OTHER OPERATING REVENUE</b>	<b>58,339</b>	<b>41,354</b>	<b>16,985</b>				<b>655,864</b>	<b>442,248</b>	<b>213,616</b>			
	<b>TOTAL OPERATING REVENUE</b>	<b>\$ 509,506</b>	<b>\$ 567,341</b>	<b>\$ (57,835)</b>				<b>\$ 6,838,330</b>	<b>\$ 6,855,919</b>	<b>\$ (17,590)</b>			
<b>OPERATING EXPENSES</b>													
	Salaries and Wages	236,724	253,001	16,277				2,975,251	3,055,347	80,096			
	Employee Benefits	84,395	90,910	6,515				960,808	1,048,115	87,307			
	Medical Fees	2,945	2,651	(294)				41,368	31,812	(9,556)			
	Purchased Services	67,914	36,430	(31,484)				674,037	452,627	(221,410)			
	Supplies	24,697	55,610	30,913				637,035	670,251	33,216			
	Repairs and Maintenance	19,321	10,198	(9,123)				130,115	122,376	(7,739)			
	Other Expenses	84,676	59,379	(25,297)				898,483	713,159	(185,324)			
	Insurance	4,079	3,182	(897)				42,327	38,070	(4,257)			
	Utilities and Telephone	36,226	12,449	(23,777)				159,505	151,479	(8,026)			
	Interest	-	-	-				-	-	-			
	Depreciation and Amortization	12,815	14,247	1,432				131,700	149,507	17,807			
	<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 573,791</b>	<b>\$ 538,057</b>	<b>\$ (35,734)</b>				<b>\$ 6,650,628</b>	<b>\$ 6,432,743</b>	<b>\$ (217,885)</b>			
	<b>NET OPERATING INCOME</b>	<b>\$ (64,285)</b>	<b>\$ 29,284</b>	<b>\$ (93,569)</b>				<b>\$ 187,702</b>	<b>\$ 423,176</b>	<b>\$ (235,474)</b>			
<b>NON OPERATING GAINS / (LOSSES)</b>													
	Investment Income / (Loss)	-	-	-				-	-	-			
	Other Gains / (Losses)	356	253	103				4,783	3,036	(1,747)			
	<b>TOTAL NON OPERATING GAINS / (LOSSES)</b>	<b>356</b>	<b>253</b>	<b>103</b>				<b>4,783</b>	<b>3,036</b>	<b>(1,747)</b>			
	<b>NET INCOME PRIOR TO UNREAL. CHG. IN INVESTMENT</b>	<b>\$ (63,929)</b>	<b>\$ 29,537</b>	<b>\$ (93,466)</b>				<b>\$ 192,485</b>	<b>\$ 426,212</b>	<b>\$ (233,727)</b>			
	Unrealized Gains / (Losses) on Investments	-	-	-				11,999	-	(11,999)			
	<b>INCREASE / (DECREASE) IN NET ASSETS</b>	<b>\$ (63,929)</b>	<b>\$ 29,537</b>	<b>\$ (93,466)</b>				<b>\$ 204,484</b>	<b>\$ 426,212</b>	<b>\$ (221,728)</b>			
<b>KEY OPERATING RATIOS</b>													
Variance Favorable / (Unfavorable)													
	Contractuals as % of Gross Patient Service Revenue	19.3%	25.9%	6.6%				18.0%	26.4%	-8.3%			
	Charity Care as % of Gross Patient Service Revenue	0.9%	1.3%	0.5%				1.6%	1.3%	0.3%			
	Labor Expense as % of Total Revenue	63.0%	60.6%	-2.4%				57.6%	59.9%	-2.3%			
	Bad Debt as % of Total Revenue	0.9%	1.7%	0.7%				1.8%	1.7%	0.1%			
	Operating Income as % of Total Revenue	-12.5%	5.2%	-17.8%				2.7%	6.2%	-3.4%			
	Excess Revenues over Expenses as % Total Revenue	-12.5%	5.2%	-17.8%				3.0%	6.2%	-3.2%			
	Full Time Equivalents (FTE's)	57.1	60.0	2.9				56.5	59.7	3.2			

# Balance Sheet – June 2013

Avera, Hand County Campus  
 Comparative Balance Sheets  
 For the Period Ended June 30, 2013

	Current Month June 30, 2013	Prior Month May 31, 2013	Prior Year June 30, 2012
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 84,969	\$ 156,192	\$ 61,616
Accounts Receivable, Patients	1,392,226	1,449,994	1,057,083
Less: Allowances and Uncollectibles, Patients	(443,243)	(430,088)	(411,319)
Net accounts receivable, patients	948,983	1,019,906	645,764
Other Receivables	104,538	99,329	206,260
Inventories	115,028	138,413	131,281
Prepaid Expenses	50,255	43,051	64,416
Current Portion of Assets Whose Use Is Limited	773,574	894,142	591,447
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 2,077,347</b>	<b>\$ 2,351,033</b>	<b>\$ 1,700,784</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Fixed and Moveable Equipment	951,555	904,492	787,404
Less: Accumulated Depreciation	(372,430)	(359,615)	(240,730)
Net Property, Plant and Equipment	579,124	544,876	546,674
<b>OTHER ASSETS</b>			
Goodwill	52,332	52,920	59,388
<b>TOTAL ASSETS</b>	<b>\$ 2,708,804</b>	<b>\$ 2,948,830</b>	<b>\$ 2,306,846</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	59,373	77,928	26,812
Due to McKennan	264,030	349,044	232,128
Accrued Payroll, Payroll Taxes and Vacation Pay	189,258	211,917	199,852
Due to Third Party Payors	178,944	227,747	(17,050)
Deferred Revenue	34,361	35,426	11,750
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 725,966</b>	<b>\$ 902,063</b>	<b>\$ 453,492</b>
Unrestricted Net Assets	1,982,838	2,046,767	1,853,354
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,708,804</b>	<b>\$ 2,948,830</b>	<b>\$ 2,306,846</b>
<b>Return on Assets</b>	<b>Year to date June 30, 2013</b>	<b>FY13 Budget</b>	<b>Variance Fav / (Unfav)</b>
Gross Days in Accounts Receivable	7.55%	14.45%	-6.90%
	70.80	62.00	(8.80)



# Financial Scorecard – June 2013

VOLUMES						
	June 2013			June 2013 YTD		
	Actual	Budget	Var.	Actual	Budget	Var.
IP ACUTE						
Admissions	13	18	(5)	216	255	(39)
Discharges	14	18	(4)	212	255	(43)
Patient Days	32	62	(30)	613	700	(87)
IP SWING						
Admissions	8	12	(4)	94	110	(16)
Discharges	3	12	(9)	92	110	(18)
Patient Days	51	71	(20)	673	850	(177)
IP TOTAL						
Admissions	21	30	(9)	310	365	(55)
Discharges	17	30	(13)	304	365	(61)
Patient Days	83	133	(50)	1,286	1,550	(264)
Q	741	673	68	10,490	8,280	2,210

GROSS REVENUE, DEDUCTIONS AND NET REVENUE						
	June 2013			June 2013 YTD		
	Actual	Budget	Var.	Actual	Budget	Var.
GROSS						
Inpatient	\$ 115,756	\$ 173,291	\$ (57,535)	\$ 1,830,068	\$ 2,144,394	\$ (314,326)
Outpatient	\$ 389,674	\$ 472,760	\$ (83,086)	\$ 5,034,381	\$ 5,789,377	\$ (754,996)
Clinic	\$ 57,862	\$ 80,881	\$ (23,019)	\$ 882,274	\$ 982,206	\$ (99,932)
<b>Total Gross</b>	<b>\$ 563,292</b>	<b>\$ 726,932</b>	<b>\$ (163,640)</b>	<b>\$ 7,746,723</b>	<b>\$ 8,915,977</b>	<b>\$ (1,169,254)</b>
DEDUCT						
Contractuals	\$ 108,846	188,382	\$ 79,536	\$ 1,395,287	2,350,280	\$ 954,993
Charity Care	\$ (1,526)	2,993	\$ 4,519	\$ 44,035	36,416	\$ (7,619)
Bad Debt	\$ 4,804	\$ 9,570	\$ 4,766	\$ 124,936	\$ 115,610	\$ (9,326)
<b>Total Net</b>	<b>\$ 451,167</b>	<b>\$ 525,987</b>	<b>\$ (74,820)</b>	<b>\$ 6,182,465</b>	<b>\$ 6,413,671</b>	<b>\$ (231,206)</b>
OTHER REVENUE						
Other Revenue	\$ 58,339	\$ 41,354	\$ 16,985	\$ 655,864	\$ 442,248	\$ 213,616
<b>Total Revenue</b>	<b>\$ 509,506</b>	<b>\$ 567,341</b>	<b>\$ (57,835)</b>	<b>\$ 6,838,330</b>	<b>\$ 6,855,919</b>	<b>\$ (17,590)</b>

KEY RATIOS						
	June 2013			June 2013 YTD		
	Actual	Budget	Var.	Actual	Budget	Var.
IP MIX %						
Inpatient	20.5%	23.8%	3.3%	23.6%	24.1%	-0.4%
Outpatient	69.2%	65.0%	4.1%	65.0%	64.9%	0.1%
Clinic	10.3%	11.1%	-0.9%	11.4%	11.0%	0.4%
DEDUCT						
Contractual	19.3%	25.9%	6.6%	18.0%	26.4%	8.3%
Charity	-0.3%	0.4%	0.7%	0.6%	0.4%	-0.2%
Bad Debt % Gross	0.9%	1.3%	0.5%	1.6%	1.3%	-0.3%
EXP						
Labor % Revenue	63.0%	60.6%	2.4%	57.6%	59.9%	2.3%
Benefits % Salary	35.7%	35.9%	0.3%	32.3%	34.3%	2.0%
MARG.						
Op. Margin %	-12.6%	5.2%	-17.8%	2.7%	6.2%	-3.4%
Net Margin %	-12.5%	5.2%	-17.8%	3.0%	6.2%	-3.2%
FTE Count	57.1	60.0	2.9	56.5	59.7	3.2

EXPENSES AND OPERATING MARGIN						
	June 2013			June 2013 YTD		
	Actual	Budget	Var.	Actual	Budget	Var.
LABOR						
Salaries	\$ 236,724	\$ 253,001	\$ 16,277	\$ 2,975,251	\$ 3,055,347	\$ 80,096
Benefits	\$ 84,395	\$ 90,910	\$ 6,515	\$ 960,808	\$ 1,048,115	\$ 87,307
<b>Total Labor</b>	<b>\$ 321,119</b>	<b>\$ 343,911</b>	<b>\$ 22,792</b>	<b>\$ 3,936,059</b>	<b>\$ 4,103,462</b>	<b>\$ 167,403</b>
SUPPLIES						
Medical Fees	\$ 2,945	\$ 2,651	\$ (294)	\$ 41,368	\$ 31,812	\$ (9,556)
Purch Svcs	\$ 67,914	\$ 36,430	\$ (31,484)	\$ 674,037	\$ 452,627	\$ (221,410)
Supplies	\$ 24,697	\$ 55,610	\$ 30,913	\$ 637,035	\$ 670,251	\$ 33,216
<b>Total Supplies</b>	<b>\$ 95,556</b>	<b>\$ 94,691</b>	<b>\$ (865)</b>	<b>\$ 1,352,440</b>	<b>\$ 1,154,690</b>	<b>\$ (197,750)</b>
OTHER						
Other	\$ 144,301	\$ 85,208	\$ (59,093)	\$ 1,230,429	\$ 1,025,084	\$ (205,345)
Depreciation	\$ 12,815	\$ 14,247	\$ 1,432	\$ 131,700	\$ 149,507	\$ 17,807
<b>Total Expenses</b>	<b>\$ 573,791</b>	<b>\$ 538,057</b>	<b>\$ (35,734)</b>	<b>\$ 6,650,628</b>	<b>\$ 6,432,743</b>	<b>\$ (217,885)</b>
<b>Oper. Margin</b>	<b>\$ (64,285)</b>	<b>\$ 29,284</b>	<b>\$ (93,569)</b>	<b>\$ 187,702</b>	<b>\$ 423,176</b>	<b>\$ (235,474)</b>

