



Financial Statements  
June 30, 2016 and 2015  
**Hand County Memorial Hospital, Inc.**



Hand County Memorial Hospital, Inc.  
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June 30, 2016 and 2015

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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. (the "Organization"), which comprise the balance sheets as of June 30, 2016 and 2015, 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 Organization'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 Organization'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, 2016 and 2015, and the results of its operations, changes in net assets, and 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 11, 2016

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	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 97,637	\$ 11,638
Assets limited as to use	58,988	62,013
Receivables		
Patients and residents, net of allowances	75,784	86,970
Other	1,795	1,795
Supplies	4,901	2,241
Prepaid and other expenses	11,269	11,849
Total current assets	<u>250,374</u>	<u>176,506</u>
<b>Assets Limited as to Use</b>		
By Board for capital improvements and debt redemption	380,446	387,000
Under bond indenture agreement	11,123	8,098
Under state unemployment agreement	5,170	5,155
Total assets limited as to use	<u>396,739</u>	<u>400,253</u>
<b>Property and Equipment, Net</b>	<u>3,333,591</u>	<u>3,503,603</u>
<b>Other Assets</b>		
Interest in net assets of Avera Health Foundation	241,652	225,368
Due from Avera McKennan	796,570	796,570
Total other assets	<u>1,038,222</u>	<u>1,021,938</u>
	<u>\$ 5,018,926</u>	<u>\$ 5,102,300</u>



Hand County Memorial Hospital, Inc.  
Balance Sheets  
June 30, 2016 and 2015

	2016	2015
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 103,000	\$ 102,000
Accounts payable	20,013	20,078
Accrued expenses		
Salaries and wages	21,116	19,666
Vacation	25,624	35,168
Interest	1,865	3,459
Payroll taxes, withholdings, and other	7,599	10,439
	179,217	190,810
Long-Term Debt, Less Current Maturities	292,740	395,651
	471,957	586,461
<b>Net Assets</b>		
Unrestricted	4,370,717	4,343,014
Temporarily restricted	137,004	133,577
Permanently restricted	39,248	39,248
	4,546,969	4,515,839
	\$ 5,018,926	\$ 5,102,300



Hand County Memorial Hospital, Inc.  
Statements of Operations  
Years Ended June 30, 2016 and 2015

	2016	2015
<b>Unrestricted Revenue, Gains, and Other Support</b>		
Net patient and resident service revenue		
Assisted living	\$ 504,615	\$ 470,727
Ambulance services	206,478	141,959
Community health	84,040	82,194
	795,133	694,880
Dietary revenue	135,156	112,558
Wellness revenue	44,818	45,554
Lease revenue	415,986	397,822
Gain on sales and disposals of property and equipment	2,382	3,432
Other revenue	3,731	6,138
	1,397,206	1,260,384
<b>Expenses</b>		
Salaries and wages	513,882	519,353
Employee benefits	95,239	96,509
Supplies and other expense	278,430	279,710
Depreciation and amortization	202,937	188,803
Lease and rental	281,510	281,145
Interest	17,452	19,392
Provision for bad debts, net	19,200	9,477
	1,408,650	1,394,389
Operating Loss	(11,444)	(134,005)
<b>Other Income (Expense)</b>		
Investment loss	(1,332)	(10,585)
Change in interest in net assets of Avera Health Foundation	12,857	6,152
	11,525	(4,433)
Revenues in Excess of (Less Than)		
Expenses from Continuing Operations	81	(138,438)
Discontinued Operations		
Loss from discontinued operations	(34,253)	(30,698)
Revenues Less Than Expenses	(34,172)	(169,136)
Contributions and Grants for Capital	61,875	158,732
Change in Unrestricted Net Assets	\$ 27,703	\$ (10,404)

See Notes to Financial Statements



Hand County Memorial Hospital, Inc.  
 Statements of Changes in Net Assets  
 Years Ended June 30, 2016 and 2015

	2016	2015
Unrestricted Net Assets		
Revenues less than expenses	\$ (34,172)	\$ (169,136)
Contributions and grants for capital	61,875	158,732
Change in unrestricted net assets	27,703	(10,404)
Temporarily Restricted Net Assets		
Change in interest in net assets of Avera Health Foundation	3,427	5,712
Change in Net Assets	31,130	(4,692)
Net Assets, Beginning of Year	4,515,839	4,520,531
Net Assets, End of Year	\$ 4,546,969	\$ 4,515,839



Hand County Memorial Hospital, Inc.  
 Statements of Cash Flows  
 Years Ended June 30, 2016 and 2015

	2016	2015
<b>Operating Activities</b>		
Change in net assets	\$ 31,130	\$ (4,692)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	202,937	188,803
Gain on sales and disposals of property and equipment	(2,382)	(3,432)
Change in unrealized gains and losses on investments	7,052	22,415
Realized gains on investments, net	(5,204)	(11,280)
Undistributed portion of change in interest in net assets of Avera Health Foundation	(16,284)	(9,565)
Restricted contributions	(61,875)	(158,732)
Change in assets and liabilities		
Receivables	11,186	2,263
Supplies	(2,660)	1,684
Prepaid expenses and other assets	580	(751)
Accounts payable	(65)	(25,124)
Accrued expenses and other liabilities	(12,528)	(9,057)
<b>Net Cash from (used for) Operating Activities</b>	<b>151,887</b>	<b>(7,468)</b>
<b>Investing Activities</b>		
Purchase of property and equipment	(32,925)	(282,241)
Proceeds on the sale of property and equipment	2,382	3,432
Sale of assets limited as to use	4,691	78,244
<b>Net Cash used for Investing Activities</b>	<b>(25,852)</b>	<b>(200,565)</b>
<b>Financing Activities</b>		
Proceeds from issuance of long-term debt	-	127,241
Principal payments on long-term debt	(101,911)	(82,976)
Restricted contributions	61,875	158,732
<b>Net Cash (used for) from Financing Activities</b>	<b>(40,036)</b>	<b>202,997</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>85,999</b>	<b>(5,036)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>11,638</b>	<b>16,674</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 97,637</b>	<b>\$ 11,638</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<b>\$ 19,046</b>	<b>\$ 21,221</b>





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

### **Organization**

Hand County Memorial Hospital, Inc. (the Organization) operates a health care organization and a 24-bed assisted living center located in Miller, South Dakota. Health care services provided by the Organization include wellness services, community nursing services, nutrition services, ambulance services as well as home care services through September 30, 2015. In addition, the Organization owns hospital property and equipment which is leased to a third party for the operation of a critical access acute care hospital.

### **Discontinued Operations**

Effective October 1, 2015, the Organization discontinued its Home Health and Homemaker operations and transferred the operations of those programs to another nonprofit organization. Revenues for these operations were \$48,900 and \$193,948, total operating expenses were \$83,153 and \$224,646, resulting in a loss on discontinued operations of \$34,253 and \$30,698 for the years ended June 30, 2016 and 2015, respectively

### **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.

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 and uncollectible accounts on patient and resident receivables for the years ended June 30, 2016 and 2015, was \$11,000 and \$14,000, 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, 2016 and 2015. 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.

### **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. 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.



### **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 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.



**Income Taxes**

The Organization is a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that unrelated to its exempt purpose. The Organization files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income.

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.

**Advertising Costs**

The Organization expenses advertising costs as incurred.

**Reclassification**

Reclassifications have been made to the June 30, 2015 financial information to make it conform to the current year presentation. The reclassification has no effect on previously reported operating results or changes in net assets.

**Note 2 - Property and Equipment**

A summary of leasehold improvements and equipment at June 30, 2016 and 2015, is as follows:

	2016		2015	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 355,603	\$ -	\$ 355,603	\$ -
Land improvements	65,478	65,478	65,478	63,997
Leasehold improvements	1,457,932	910,877	1,476,901	899,453
Building equipment	3,570,003	1,326,175	3,580,505	1,221,328
Equipment	546,154	359,049	586,825	376,931
	<u>\$ 5,995,170</u>	<u>\$ 2,661,579</u>	<u>\$ 6,065,312</u>	<u>\$ 2,561,709</u>
Net leasehold improvements and equipment		<u>\$ 3,333,591</u>		<u>\$ 3,503,603</u>





**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 is as follows:

**Medicare:** Until discontinued in September 2015, 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.

**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, 2016 and 2015, is shown in the following table.

	2016	2015
Under bond indenture agreement		
Cash and cash equivalents	\$ 20,111	\$ 20,111
Certificates of deposit	50,000	50,000
Less amount shown as current assets	(58,988)	(62,013)
	\$ 11,123	\$ 8,098
By board for capital improvements and debt redemption		
Cash and cash equivalents	\$ 229,118	\$ 234,824
Pooled Investment Fund *	151,275	152,098
Interest receivable	53	78
	\$ 380,446	\$ 387,000
Under state unemployment agreement		
Certificate of deposit	\$ 5,170	\$ 5,155



**\*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.

As of June 30, 2016 and 2015, the Avera Pooled Investment Fund assets were comprised of the following types of investments:

	2016	2015
Equity mutual funds	30.8%	31.0%
Fixed income mutual funds	14.1%	18.1%
Non-publicly traded alternative investments		
Hedge fund	15.1%	14.1%
Real asset	2.0%	2.3%
Publicly traded equity securities	8.8%	7.9%
Foreign equities	5.3%	5.9%
Corporate bonds	7.0%	5.5%
Balanced mutual funds	4.5%	4.9%
U.S. government issues	1.9%	2.5%
Cash and short-term investments	6.6%	5.5%
Cost method investments	1.4%	0.0%
Other fixed income	2.5%	2.3%
	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, 2016 and 2015:

	2016	2015
Interest income	\$ 516	\$ 550
Realized gains on investments, net	5,204	11,280
Change in unrealized gains and losses on investments	(7,052)	(22,415)
	\$ (1,332)	\$ (10,585)



**Note 5 - Leases**

**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. 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. Annual lease payments are approximately \$271,000.

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**Note 6 - Long-Term Debt**

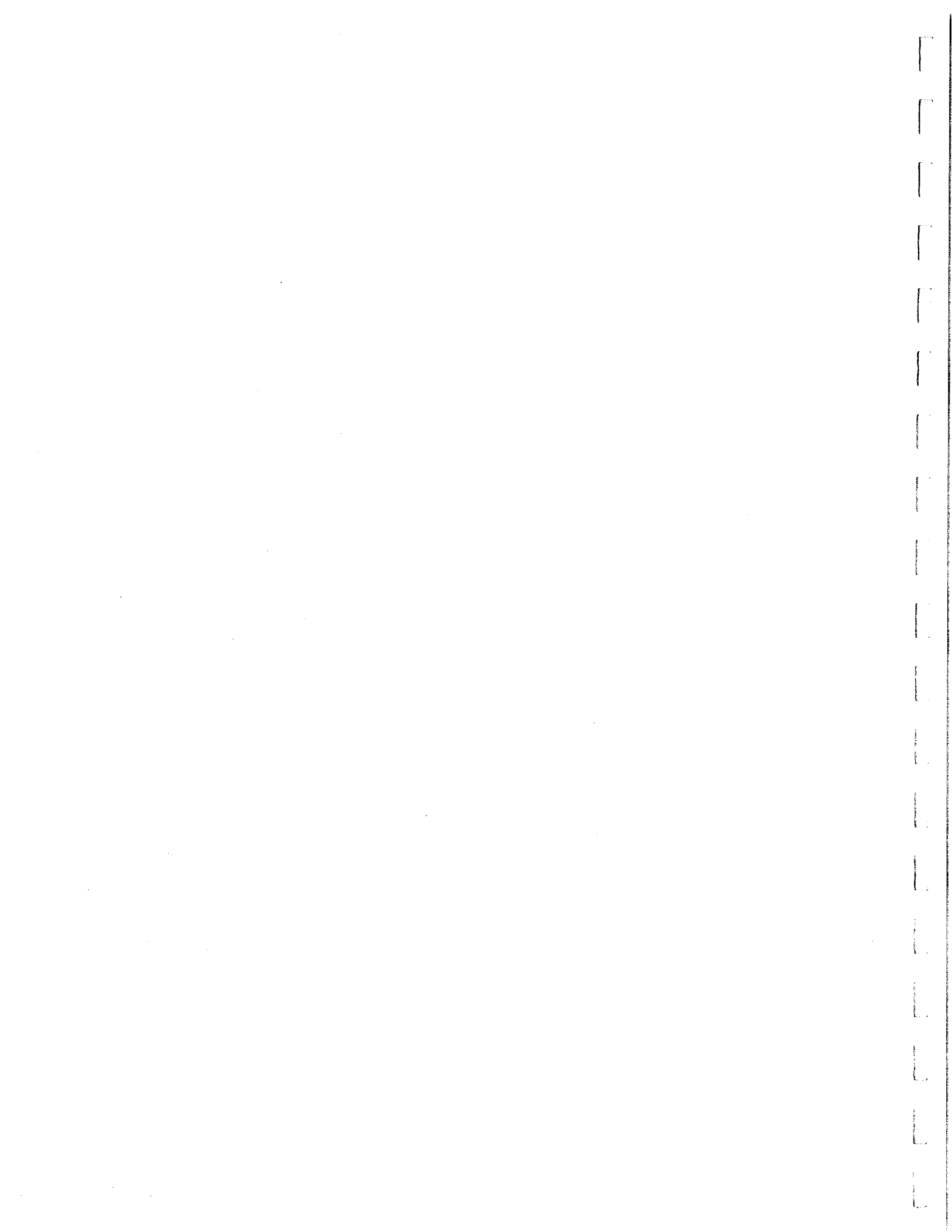
Long-term debt consists of:

	2016	2015
5.50% City of Miller, Economic Development Revenue Bonds, Series 1997, serial bonds due in varying semi-annual installments through January 2018, secured by a mortgage on property and leased assets	\$ 100,000	\$ 155,000
3.85% Rural Electric Economic Development Loan, due in monthly installments of \$1,944 through November 2023	159,926	176,742
2.50% American Bank and Trust note, due in monthly installments of \$1,612 through March 2020	69,147	86,499
Non interest bearing Stryker Financing note, due in annual installments of \$7,299 payable through March 2019	21,893	29,190
4.00% Contract for deed, due in annual installments of \$7,460 payable through April 2023	44,774	50,220
	395,740	497,651
Less current maturities	(103,000)	(102,000)
	\$ 292,740	\$ 395,651

Long-term debt maturities are as follows:

<u>Years Ending June 30,</u>	
2017	\$ 103,000
2018	95,000
2019	51,000
2020	40,000
2021	27,000
Thereafter	79,740
	\$ 395,740

Under the terms of the revenue bond and rural electric economic development (REED) 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. Management believes the Organization was in compliance with all restrictive covenants at June 30, 2016.





**Note 7 - Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	2016	2015
Interest in Foundation, consisting of investments held to support various health care related programs and services	\$ 137,004	\$ 133,577

Permanently restricted net assets at June 30, 2016 and 2015, are restricted to:

	2016	2015
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 8 - 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 \$10,191 and \$13,899, respectively, for the years ended June 30, 2016 and 2015.

**Note 9 - Beneficial Interest in Assets Held by Community Foundation**

During 2009, Hand County Health, Wellness and Community Foundation, Inc. (HCHWC Foundation) was established as a community foundation for the public benefit, charitable, educational, religious, health, wellness, or scientific purposes. HCHWC Foundation's activities include fundraising for the Organization. In accordance with legal practice for community foundations, the HCHWC Foundation has been granted variance power to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. HCHWC Foundation has assets totaling \$52,636 that are restricted for the use of the Organization at June 30, 2016.

During the years ended June 30, 2016 and 2015, the Organization received contributions from HCHWC Foundation, totaling \$49,371 and \$146,572 respectively.



**Note 10 - 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, 2016 and 2015, are as follows:

	2016	2015
Health care services	\$ 1,320,825	\$ 1,305,349
General and administrative	87,825	89,040
	\$ 1,408,650	\$ 1,394,389

**Note 11 - 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 12 - Subsequent Events**

The Organization has evaluated subsequent events through November 11, 2016, the date which the financial statements were available to be issued.



# **Avera Hand County Campus**

## **Financial Summary**

For the Month Ending June 30, 2016



# Financial Scorecard - June 2016

## VOLUMES

	June 2016			June 2016 YTD			
	Actual	Budget	Var.	Actual	Budget	Var.	
P ACUTE	Admissions	14	17	(3)	190	200	(10)
	Discharges	15	13	2	192	195	(3)
	Patient Days	35	48	(13)	554	570	(16)
IP SWING	Admissions	6	7	(1)	77	95	(18)
	Discharges	5	7	(2)	76	95	(19)
	Patient Days	52	63	(11)	719	800	(81)
P TOTAL	Admissions	20	24	(4)	267	295	(28)
	Discharges	20	20	-	268	290	(22)
	Patient Days	87	111	(24)	1,273	1,370	(97)
<b>Total Op Visits</b>	<b>1,172</b>	<b>1,126</b>	<b>46</b>	<b>14,812</b>	<b>13,600</b>	<b>1,212</b>	

## GROSS REVENUE, DEDUCTIONS AND NET REVENUE

	June 2016			June 2016 YTD			
	Actual	Budget	Var.	Actual	Budget	Var.	
GROSS	Inpatient	\$ 191,830	\$ 194,041	\$ (2,211)	\$ 2,558,992	\$ 2,263,063	\$ 295,929
	Outpatient	\$ 614,858	\$ 749,050	\$ (134,192)	\$ 7,356,442	\$ 6,706,112	\$ 650,330
	Clinic	\$ 111,891	\$ 92,094	\$ 19,797	\$ 1,069,291	\$ 1,029,040	\$ 40,251
<b>Total Gross</b>	<b>\$ 918,580</b>	<b>\$ 1,035,185</b>	<b>\$ (116,605)</b>	<b>\$ 10,984,726</b>	<b>\$ 9,998,215</b>	<b>\$ 986,511</b>	
DEDUCT	Contractuals	\$ 22,325	213,738	\$ 191,413	\$ 2,880,087	2,591,804	\$ (288,283)
	Charity Care	\$ 426	780	\$ 354	\$ 16,256	9,364	\$ (6,892)
	Bad Debt	\$ 42,767	\$ 12,233	\$ (30,534)	\$ 241,291	\$ 149,540	\$ (91,751)
<b>Total Net</b>	<b>\$ 833,062</b>	<b>\$ 808,434</b>	<b>\$ 44,628</b>	<b>\$ 7,847,092</b>	<b>\$ 7,247,507</b>	<b>\$ 599,585</b>	
<b>Other Revenue</b>	<b>\$ 41,850</b>	<b>\$ 40,344</b>	<b>\$ 1,506</b>	<b>\$ 449,536</b>	<b>\$ 484,128</b>	<b>\$ (34,592)</b>	
<b>Total Revenue</b>	<b>\$ 894,912</b>	<b>\$ 848,778</b>	<b>\$ 46,134</b>	<b>\$ 8,296,628</b>	<b>\$ 7,731,635</b>	<b>\$ 564,993</b>	

## KEY RATIOS

	June 2016			June 2016 YTD			
	Actual	Budget	Var.	Actual	Budget	Var.	
IP MIX %	Inpatient	20.9%	18.7%	2.1%	23.3%	22.6%	0.7%
	Outpatient	66.9%	72.4%	-5.4%	67.0%	67.1%	-0.1%
	Clinic	12.2%	8.9%	3.3%	9.7%	10.3%	-0.6%
DEDUCT	Contractual	2.4%	20.6%	18.2%	26.2%	25.9%	-0.3%
	Charity	0.0%	0.1%	0.0%	0.1%	0.1%	-0.1%
	Bad Debt % Gross	4.7%	1.2%	3.5%	2.2%	1.5%	-0.7%
EXP	Labor % Revenue	44.8%	45.6%	-0.8%	53.3%	58.9%	-5.6%
	Benefits % Salary	47.6%	33.9%	13.7%	35.3%	33.6%	-1.6%
MARG	Op. Margin %	35.3%	28.1%	7.2%	14.5%	6.6%	8.0%
	Net Margin %	35.6%	28.2%	7.4%	14.7%	6.7%	8.0%
<b>FTE Count</b>	<b>56.2</b>	<b>60.8</b>	<b>4.6</b>	<b>56.8</b>	<b>60.6</b>	<b>3.8</b>	

## EXPENSES AND OPERATING MARGIN

	June 2016			June 2016 YTD			
	Actual	Budget	Var.	Actual	Budget	Var.	
LABOR	Salaries	\$ 271,396	\$ 289,164	\$ 17,768	\$ 3,267,128	\$ 3,408,392	\$ 141,264
	Benefits	\$ 129,189	\$ 97,953	\$ (31,236)	\$ 1,152,412	\$ 1,146,153	\$ (6,259)
	<b>Total Labor</b>	<b>\$ 400,585</b>	<b>\$ 387,117</b>	<b>\$ (13,468)</b>	<b>\$ 4,419,540</b>	<b>\$ 4,554,545</b>	<b>\$ 135,005</b>
SUPPLIES	Medical Fees	\$ (32)	\$ 4,334	\$ 4,366	\$ 73,562	\$ 52,008	\$ (21,554)
	Purch Svcs	\$ 61,827	\$ 50,489	\$ (11,338)	\$ 638,828	\$ 605,868	\$ (32,960)
	<b>Total Supplies</b>	<b>\$ 22,030</b>	<b>\$ 50,086</b>	<b>\$ 28,056</b>	<b>\$ 639,679</b>	<b>\$ 603,527</b>	<b>\$ (36,152)</b>
OTHER	Other	\$ 79,411	\$ 97,280	\$ 17,869	\$ 1,134,219	\$ 1,166,880	\$ (32,661)
	Depreciation	\$ 15,081	\$ 20,562	\$ 5,481	\$ 183,654	\$ 239,524	\$ 55,870
<b>Total Expenses</b>	<b>\$ 578,902</b>	<b>\$ 609,868</b>	<b>\$ 30,966</b>	<b>\$ 7,089,482</b>	<b>\$ 7,222,352</b>	<b>\$ 132,870</b>	
<b>Oper. Margin</b>	<b>\$ 316,010</b>	<b>\$ 238,910</b>	<b>\$ 77,100</b>	<b>\$ 1,207,146</b>	<b>\$ 509,283</b>	<b>\$ 697,863</b>	

# Income Statement - June 2016

Aveira Hand County Campus Consolidated Statement of Operations For the Period Ended June 30, 2016 Variance Favorable / (Unfavorable)			
	Month	Year to date	
Actual	Budget	Budget	Variance
<b>GROSS PATIENT SERVICE REVENUE</b>			
\$ 191,830	\$ 194,041	\$ 2,558,992	\$ 2,263,063
\$ 614,858	\$ 749,050	\$ 7,356,442	\$ 6,706,112
\$ 111,891	\$ 92,094	\$ 1,069,291	\$ 1,029,040
<b>\$ 918,579</b>	<b>\$ 1,035,185</b>	<b>\$ 10,984,725</b>	<b>\$ 9,998,215</b>
			<b>\$ 986,510</b>
<b>DEDUCTIONS FROM REVENUE</b>			
22,325	213,738	2,880,087	2,591,804
426	780	16,256	9,364
42,767	12,233	241,291	149,540
65,518	226,751	3,137,634	2,750,708
<b>\$ 853,061</b>	<b>\$ 808,434</b>	<b>\$ 7,847,091</b>	<b>\$ 7,247,507</b>
			<b>\$ 599,584</b>
<b>NET PATIENT SERVICE REVENUE</b>			
41,405	38,720	431,495	464,640
445	1,624	18,041	19,488
41,850	40,344	449,536	484,128
<b>\$ 894,911</b>	<b>\$ 848,778</b>	<b>\$ 8,296,627</b>	<b>\$ 7,731,635</b>
			<b>\$ 564,992</b>
<b>OTHER OPERATING REVENUE</b>			
271,396	289,164	3,267,128	3,408,392
129,189	97,953	1,152,412	1,146,153
(32)	4,334	73,562	52,008
61,827	50,489	638,828	605,868
22,030	50,086	639,679	603,527
23,978	13,863	213,235	166,356
61,220	65,170	712,093	782,040
4,070	4,015	48,030	47,700
(9,857)	14,232	160,861	170,784
15,081	20,562	183,654	239,524
<b>\$ 578,902</b>	<b>\$ 609,868</b>	<b>\$ 7,089,482</b>	<b>\$ 7,222,352</b>
			<b>\$ 132,870</b>
<b>TOTAL OPERATING EXPENSE</b>			
<b>\$ 316,009</b>	<b>\$ 238,910</b>	<b>\$ 1,207,145</b>	<b>\$ 609,283</b>
			<b>\$ 697,862</b>
<b>NET OPERATING INCOME</b>			
254	-	315	315
2,261	502	11,010	6,024
2,515	502	11,325	6,024
<b>\$ 318,524</b>	<b>\$ 239,412</b>	<b>\$ 1,218,470</b>	<b>\$ 545,307</b>
			<b>\$ 703,163</b>
<b>NET INCOME PRIOR TO UNREAL CHG. IN INVESTMENTS</b>			
\$ 318,524	\$ 239,412	\$ 1,218,470	\$ 545,307
			<b>\$ 703,163</b>
<b>INCREASE / (DECREASE) IN NET ASSETS</b>			
\$ 318,524	\$ 239,412	\$ 1,218,470	\$ 545,307
			<b>\$ 703,163</b>

Unrealized Gains / (Losses) on Investments

# Balance Sheet -- June 2016

Avera Hand County Campus  
 Comparative Balance Sheets  
 For the Period Ended June 30, 2016

	Current Month June 30, 2016	Prior Month May 31, 2016	Prior Year June 30, 2015
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 79,061	\$ 208,218	\$ 41,256
Accounts Receivable, Patients	1,502,481	1,620,239	1,443,043
Less: Allowances and Uncollectibles, Patients	(609,550)	(601,276)	(526,200)
Net accounts receivable, patients	892,931	1,018,963	916,843
Other Receivables	70,636	100,727	101,455
Inventories	148,455	128,504	125,219
Prepaid Expenses	64,758	66,112	69,028
Current Portion of Assets Whose Use Is Limited	1,633,900	1,609,210	1,560,790
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 2,889,741</b>	<b>\$ 3,131,734</b>	<b>\$ 2,814,592</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Fixed and Moveable Equipment	1,675,640	1,605,860	1,464,444
Less: Accumulated Depreciation	(916,930)	(901,849)	(733,274)
Net Property, Plant and Equipment	758,710	704,011	731,170
<b>OTHER ASSETS</b>			
Goodwill	31,164	31,752	38,220
<b>TOTAL ASSETS</b>	<b>\$ 3,679,615</b>	<b>\$ 3,867,497</b>	<b>\$ 3,583,982</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	56,779	107,392	40,754
Due to McKennan	(792,304)	(598,519)	313,194
Accrued Payroll, Payroll Taxes and Vacation Pay	215,053	214,364	187,403
Due to Third Party Payors	(223,186)	43,212	(178,063)
Deferred Revenue	-	21,807	17,561
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ (743,658)</b>	<b>\$ (211,744)</b>	<b>\$ 380,849</b>
Unrestricted Net Assets	4,423,272	4,079,240	3,203,134
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,679,614</b>	<b>\$ 3,867,496</b>	<b>\$ 3,583,982</b>
<b>Return on Assets</b>			
Gross Days in Accounts Receivable	Year to date June 30, 2016 33.11%	Year to date May 31, 2016 25.38%	Variance Fav./ (Unfav.) 7.73%
	46.20	51.80	5.60