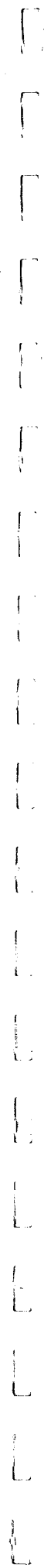




Financial Statements  
June 30, 2017 and 2016

**Hand County Memorial Hospital, Inc.**



Hand County Memorial Hospital, Inc.  
Table of Contents  
June 30, 2017 and 2016

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Independent Accountant’s Review Report..... 1

Financial Statements

    Balance Sheets.....2

    Statements of Operations .....3

    Statements of Changes in Net Assets .....4

    Statements of Cash Flows .....5

    Notes to Financial Statements .....6





CPAs & BUSINESS ADVISORS

## Independent Accountant's Review Report

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

We have reviewed the accompanying balance sheet of Hand County Memorial Hospital, Inc. (the "Organization"), as of June 30, 2017, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### 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.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### Other Matter—Report on June 30, 2016 Financial Statements

The financial statements as of and for the year ended June 30, 2016 were audited by us, and we expressed an unqualified opinion on them in our report dated November 11, 2016. We have not performed any auditing procedures since that date.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
October 13, 2017

1941



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|   | 2017<br>Reviewed | 2016<br>Audited |
|---|------------------|-----------------|
| Assets  |                  |                 |
| Current Assets  |                  |                 |
| Cash and cash equivalents                             | \$ 119,229       | \$ 97,637       |
| Assets limited as to use                              | 46,238           | 58,988          |
| Receivables   |                  |                 |
| Patients and residents, net of allowances             | 67,180           | 75,784          |
| Other   | 1,795            | 1,795           |
| Supplies  | 5,717            | 4,901           |
| Prepaid expenses                                      | 10,799           | 11,269          |
| Total current assets                                  | 250,958          | 250,374         |
| Assets Limited as to Use                              |                  |                 |
| By Board for capital improvements and debt redemption | 411,978          | 380,446         |
| Under bond indenture agreement                        | 23,872           | 11,123          |
| Under state unemployment agreement                    | 5,186            | 5,170           |
| Total assets limited as to use                        | 441,036          | 396,739         |
| Property and Equipment, Net                           | 3,349,005        | 3,333,591       |
| Other Assets  |                  |                 |
| Interest in net assets of Avera Health Foundation     | 175,889          | 241,652         |
| Due from Avera McKennan                               | 796,570          | 796,570         |
| Total other assets                                    | 972,459          | 1,038,222       |
| Total assets  | \$ 5,013,458     | \$ 5,018,926    |



## Hand County Memorial Hospital, Inc.

## Balance Sheets

June 30, 2017 and 2016

|   | 2017<br>Reviewed | 2016<br>Audited |
|---|------------------|-----------------|
| Liabilities and Net Assets              |                  |                 |
| Current Liabilities                     |                  |                 |
| Current maturities of long-term debt    | \$ 95,000        | \$ 103,000      |
| Accounts payable                        | 17,369           | 20,013          |
| Accrued expenses                        |                  |                 |
| Salaries and wages                      | 22,609           | 21,116          |
| Vacation                                | 29,409           | 25,624          |
| Interest                                | 543              | 1,865           |
| Payroll taxes, withholdings, and other  | 10,659           | 7,599           |
| Total current liabilities               | 175,589          | 179,217         |
| Long-Term Debt, Less Current Maturities | 197,496          | 292,740         |
| Total liabilities                       | 373,085          | 471,957         |
| Net Assets                              |                  |                 |
| Unrestricted                            | 4,495,498        | 4,370,717       |
| Temporarily restricted                  | 105,627          | 137,004         |
| Permanently restricted                  | 39,248           | 39,248          |
| Total net assets                        | 4,640,373        | 4,546,969       |
| Total liabilities and net assets        | \$ 5,013,458     | \$ 5,018,926    |



Hand County Memorial Hospital, Inc.  
Statements of Operations  
Years Ended June 30, 2017 and 2016

|   | 2017<br>Reviewed | 2016<br>Audited |
|---|------------------|-----------------|
| Unrestricted Revenue, Gains, and Other Support              |                  |                 |
| Net patient and resident service revenue                    |                  |                 |
| Assisted living   | \$ 536,812       | \$ 504,615      |
| Ambulance services  | 197,738          | 206,478         |
| Community health  | 81,025           | 84,040          |
| Total net patient and resident service revenue              | 815,575          | 795,133         |
| Dietary revenue   | 139,002          | 135,156         |
| Wellness revenue  | 36,140           | 44,818          |
| Lease revenue   | 560,660          | 415,986         |
| Gain on sales and disposals of property and equipment       | 1,832            | 2,382           |
| Other revenue   | 3,510            | 3,731           |
| Total revenue, gains, and other support                     | 1,556,719        | 1,397,206       |
| Expenses  |                  |                 |
| Salaries and wages  | 546,325          | 513,882         |
| Employee benefits   | 116,572          | 95,239          |
| Supplies and other expense                                  | 293,411          | 278,430         |
| Depreciation and amortization                               | 193,658          | 202,937         |
| Lease and rental  | 419,820          | 281,510         |
| Interest  | 13,367           | 17,452          |
| Provision for bad debts, net                                | 13,056           | 19,200          |
| Total expenses  | 1,596,209        | 1,408,650       |
| Operating Loss  | (39,490)         | (11,444)        |
| Other Income (Expense)                                      |                  |                 |
| Investment income (loss)                                    | 32,973           | (1,332)         |
| Change in interest in net assets of Avera Health Foundation | 9,615            | 12,857          |
| Other income (expense), net                                 | 42,588           | 11,525          |
| Revenues in Excess of Expenses from Continuing Operations   | 3,098            | 81              |
| Discontinued Operations                                     |                  |                 |
| Loss from discontinued operations                           | -                | (34,253)        |
| Revenues in Excess of (Less Than) Expenses                  | 3,098            | (34,172)        |
| Contributions and Grants for Capital                        | 71,683           | 61,875          |
| Change in interest in net assets of Avera Health Foundation |                  |                 |
| Released from restrictions for capital purchases            | 50,000           | -               |
| Change in Unrestricted Net Assets                           | \$ 124,781       | \$ 27,703       |



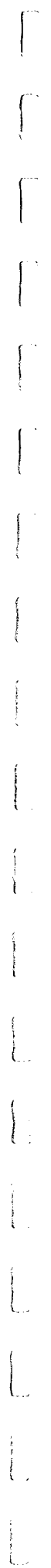
Hand County Memorial Hospital, Inc.  
Statements of Changes in Net Assets  
Years Ended June 30, 2017 and 2016

|   | 2017<br><u>Reviewed</u>    | 2016<br><u>Audited</u>     |
|---|----------------------------|----------------------------|
| Unrestricted Net Assets                                     |                            |                            |
| Revenues in excess of (less than) expenses                  | \$ 3,098                   | \$ (34,172)                |
| Contributions and grants for capital                        | 71,683                     | 61,875                     |
| Released from restrictions for capital                      | <u>50,000</u>              | <u>-</u>                   |
| Change in unrestricted net assets                           | 124,781                    | 27,703                     |
| Temporarily Restricted Net Assets                           |                            |                            |
| Change in interest in net assets of Avera Health Foundation | <u>(31,377)</u>            | <u>3,427</u>               |
| Change in Net Assets  | 93,404                     | 31,130                     |
| Net Assets, Beginning of Year                               | <u>4,546,969</u>           | <u>4,515,839</u>           |
| Net Assets, End of Year                                     | <u><u>\$ 4,640,373</u></u> | <u><u>\$ 4,546,969</u></u> |



Hand County Memorial Hospital, Inc.  
Statements of Cash Flows  
Years Ended June 30, 2017 and 2016

|   | 2017<br>Reviewed  | 2016<br>Audited  |
|---|-------------------|------------------|
| Operating Activities  |                   |                  |
| Change in net assets  | \$ 93,404         | \$ 31,130        |
| Adjustments to reconcile change in net assets<br>to net cash from operating activities  |                   |                  |
| Depreciation and amortization   | 193,658           | 202,937          |
| Gain on sales and disposals of property and equipment                                   | (1,832)           | (2,382)          |
| Change in unrealized gains and losses on investments                                    | 266               | 7,052            |
| Realized gains on investments, net  | (31,285)          | (5,204)          |
| Undistributed portion of change in interest in net assets<br>of Avera Health Foundation | (28,237)          | (16,284)         |
| Restricted contributions  | (71,683)          | (61,875)         |
| Change in assets and liabilities  |                   |                  |
| Receivables   | 8,604             | 11,186           |
| Supplies  | (816)             | (2,660)          |
| Prepaid expenses  | 470               | 580              |
| Accounts payable  | (2,644)           | (65)             |
| Accrued expenses and other liabilities  | 7,016             | (12,528)         |
| Net Cash from Operating Activities  | <u>166,921</u>    | <u>151,887</u>   |
| Investing Activities  |                   |                  |
| Purchase of property and equipment  | (209,072)         | (32,925)         |
| Proceeds on the sale of property and equipment  | 1,832             | 2,382            |
| Net change in assets limited as to use  | (528)             | 4,691            |
| Net Cash used for Investing Activities  | <u>(207,768)</u>  | <u>(25,852)</u>  |
| Financing Activities  |                   |                  |
| Principal payments on long-term debt  | (103,244)         | (101,911)        |
| Distributions from Avera Health Foundation  | 94,000            | -                |
| Restricted contributions  | 71,683            | 61,875           |
| Net Cash from (used for) Financing Activities   | <u>62,439</u>     | <u>(40,036)</u>  |
| Net Increase in Cash and Cash Equivalents   | 21,592            | 85,999           |
| Cash and Cash Equivalents, Beginning of Year  | <u>97,637</u>     | <u>11,638</u>    |
| Cash and Cash Equivalents, End of Year  | <u>\$ 119,229</u> | <u>\$ 97,637</u> |
| Supplemental Disclosure of Cash Flow Information  |                   |                  |
| Cash paid during the year for interest  | <u>\$ 14,689</u>  | <u>\$ 19,046</u> |





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

### **Organization**

Hand County Memorial Hospital, Inc. (the Organization) operates a health care services 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 and clinic.

### **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 \$-0- and \$48,900, total operating expenses were \$-0- and \$83,153, resulting in a loss on discontinued operations of \$-0- and \$34,253 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, was \$9,500 and \$11,000, 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, 2017 and 2016. 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 in excess of (less than) 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 in Excess of Expenses**

Revenues in excess of (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, 2016 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, 2017 and 2016, is as follows:

|  | 2017<br>Reviewed    |                             | 2016<br>Audited     |                             |
|--|---------------------|-----------------------------|---------------------|-----------------------------|
|  | Cost                | Accumulated<br>Depreciation | Cost                | Accumulated<br>Depreciation |
| Land                                     | \$ 384,206          | \$ -                        | \$ 355,603          | \$ -                        |
| Land improvements                        | 71,954              | 65,586                      | 65,478              | 65,478                      |
| Leasehold improvements                   | 1,457,932           | 941,269                     | 1,457,932           | 910,877                     |
| Building equipment                       | 3,733,259           | 1,442,840                   | 3,570,003           | 1,326,175                   |
| Equipment                                | 555,476             | 404,127                     | 546,154             | 359,049                     |
|  | <u>\$ 6,202,827</u> | <u>\$ 2,853,822</u>         | <u>\$ 5,995,170</u> | <u>\$ 2,661,579</u>         |
| Net leasehold improvements and equipment |                     | <u>\$ 3,349,005</u>         |                     | <u>\$ 3,333,591</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, 2017 and 2016, is shown in the following table.

|   | 2017<br>Reviewed | 2016<br>Audited |
|---|------------------|-----------------|
| Under bond indenture agreement                        |                  |                 |
| Cash and cash equivalents                             | \$ 20,110        | \$ 20,111       |
| Certificates of deposit                               | 50,000           | 50,000          |
| Less amount shown as current assets                   | (46,238)         | (58,988)        |
|   | \$ 23,872        | \$ 11,123       |
| By board for capital improvements and debt redemption |                  |                 |
| Cash and cash equivalents                             | \$ 246,891       | \$ 229,171      |
| Pooled Investment Fund *                              | 165,087          | 151,275         |
|   | \$ 411,978       | \$ 380,446      |
| Under state unemployment agreement                    |                  |                 |
| Certificate of deposit                                | \$ 5,186         | \$ 5,170        |



**\*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, 2017 and 2016, the Avera Pooled Investment Fund assets were comprised of the following types of investments:

|   | 2017          | 2016          |
|---|---------------|---------------|
| Equity mutual funds                         | 32.0%         | 30.8%         |
| Fixed income mutual funds                   | 17.4%         | 14.1%         |
| Non-publicly traded alternative investments |               |               |
| Hedge fund                                  | 16.1%         | 15.1%         |
| Real asset                                  | 2.0%          | 2.0%          |
| Corporate bonds                             | 6.2%          | 7.0%          |
| Cash and short-term investments             | 6.1%          | 6.6%          |
| Foreign equities                            | 5.8%          | 5.3%          |
| Publicly traded equity securities           | 5.3%          | 8.8%          |
| Balanced mutual funds                       | 4.7%          | 4.5%          |
| Other fixed income                          | 2.4%          | 2.5%          |
| U.S. government issues                      | 2.0%          | 1.9%          |
| Cost method investments                     | 0.0%          | 1.4%          |
|   | <u>100.0%</u> | <u>100.0%</u> |

**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, 2017 and 2016:

|  | 2017<br>Reviewed | 2016<br>Audited   |
|--|------------------|-------------------|
| Interest income                                      | \$ 1,954         | \$ 516            |
| Realized gains on investments, net                   | 31,285           | 5,204             |
| Change in unrealized gains and losses on investments | (266)            | (7,052)           |
|  | <u>\$ 32,973</u> | <u>\$ (1,332)</u> |



## **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 and clinic 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.



**Note 6 - Long-Term Debt**

Long-term debt consists of:

|   | <u>2017<br/>Reviewed</u> | <u>2016<br/>Audited</u> |
|---|--------------------------|-------------------------|
| 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 | \$ 45,000                | \$ 100,000              |
| 3.85% Rural Electric Economic Development Loan, due in monthly installments of \$1,944 through November 2023  | 142,451                  | 159,926                 |
| 2.50% American Bank and Trust note, due in monthly installments of \$1,612 through March 2020   | 51,345                   | 69,147                  |
| Non interest bearing Stryker Financing note, due in annual installments of \$7,299 payable through March 2019   | 14,595                   | 21,893                  |
| 4.00% Contract for deed, due in annual installments of \$7,460 payable through April 2023   | 39,105                   | 44,774                  |
|   | <u>292,496</u>           | <u>395,740</u>          |
| Less current maturities   | <u>(95,000)</u>          | <u>(103,000)</u>        |
|   | <u>\$ 197,496</u>        | <u>\$ 292,740</u>       |

Long-term debt maturities are as follows:

Years Ending June 30,

|            |                   |
|------------|-------------------|
| 2018       | \$ 95,000         |
| 2019       | 51,000            |
| 2020       | 40,000            |
| 2021       | 27,000            |
| 2022       | 28,000            |
| Thereafter | 51,496            |
|            | <u>\$ 292,496</u> |

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, 2017.





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

Temporarily restricted net assets are available for the following purposes at June 30, 2017 and 2016:

|   | <u>2017<br/>Reviewed</u> | <u>2016<br/>Audited</u> |
|---|--------------------------|-------------------------|
| Interest in Foundation, consisting of investments held to support various health care related programs and services | <u>\$ 105,627</u>        | <u>\$ 137,004</u>       |

Permanently restricted net assets at June 30, 2017 and 2016, are restricted to:

|   | <u>2017<br/>Reviewed</u> | <u>2016<br/>Audited</u> |
|---|--------------------------|-------------------------|
| Interest in Foundation, consisting of investments to be held in perpetuity, the income from which is expandable to support various health care services | <u>\$ 39,248</u>         | <u>\$ 39,248</u>        |

**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 \$9,498 and \$10,191, respectively, for the years ended June 30, 2017 and 2016.

**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 \$47,414 and \$52,636 that are restricted for the use of the Organization at June 30, 2017 and 2016.

During the years ended June 30, 2017 and 2016, the Organization received contributions from HCHWC Foundation, totaling \$56,342 and \$49,371, 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, 2017 and 2016, are as follows:

|                            | 2017<br>Reviewed    | 2016<br>Audited     |
|----------------------------|---------------------|---------------------|
| Health care services       | \$ 1,494,546        | \$ 1,320,825        |
| General and administrative | 101,663             | 87,825              |
|                            | <u>\$ 1,596,209</u> | <u>\$ 1,408,650</u> |

**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.



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BECKER'S

# Hospital CFO Report

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## State-by-state breakdown of 83 rural hospital closures

*Written by Ayla Ellison | January 26, 2018*

Of the 26 states that have seen at least one rural hospital close since 2010, those with the most closures are located in the South, according to research from the North Carolina Rural Health Research Program.

Fourteen hospitals in Texas have closed since 2010, the most of any state. Tennessee has seen the second-most closures, with eight hospitals closing since 2010. In third place is Georgia with six closures, followed by Alabama, Mississippi and North Carolina, which have each seen five hospitals close over the past eight years.

Listed below are the 83 rural hospitals that closed between January 2010 and January 2018, as tracked by the NCRHRP. For the purposes of its analysis, the NCRHRP defined a hospital closure as the cessation in the provision of inpatient services. As of Jan. 26, 2018, all of the facilities listed below had stopped providing inpatient care. However, some of them still offered other services, including outpatient care, emergency care, urgent care or primary care.

### **Alabama**

Chilton Medical Center (Clanton)

Elba General Hospital

Floral Memorial Hospital

Randolph Medical Center (Roanoke)

Southwest Alabama Medical Center (Thomasville)

Lower Oconee Community Hospital (Glenwood)

North Georgia Medical Center (Ellijay)

Stewart-Webster Hospital (Richland)

### **Illinois**

St. Mary's Hospital (Streator)

### **Arizona**

Cochise Regional Hospital (Douglas)

Florence Community Healthcare

Hualapai Mountain Medical Center (Kingman)

### **Kansas**

Central Kansas Medical Center (Great Bend)

Mercy Hospital Independence

### **Kentucky**

New Horizons Medical Center (Owenton)

Nicholas County Hospital (Carlisle)

Parkway Regional Hospital (Fulton)

Westlake Regional Hospital (Columbia)

### **California**

Colusa Regional Medical Center

Corcoran District Hospital

Kingsburg Medical Center

### **Florida**

Campbellton-Graceville Hospital

### **Maine**

Parkview Adventist Medical Center (Brunswick)

Southern Maine Health Care-Sanford Medical Center

St. Andrews Hospital (Boothbay Harbor)

### **Georgia**

Calhoun Memorial Hospital (Arlington)

Charlton Memorial Hospital (Folkston)

Hart County Hospital (Hartwell)

**Massachusetts**

North Adams Regional Hospital

**Michigan**

Cheboygan Memorial Hospital

**Minnesota**

Albany Area Hospital

Lakeside Medical Center (Pine City)

**Mississippi**

Kilmichael Hospital

Merit Health Natchez-Community Campus

Patient's Choice Medical Center of Humphreys County (Belzoni)

Pioneer Community Hospital of Newton

Quitman County Hospital (Marks)

**Missouri**

Parkland Health Center-Weber Road (Farmington)

Sac-Osage Hospital (Osceola)

SoutheastHealth Center of Reynolds County (Ellington)

**Nebraska**

Tilden Community Hospital

**Nevada**

Nye Regional Medical Center (Tonopah)

**North Carolina**

Davie Medical Center-Mocksville

Blowing Rock Hospital

Our Community Hospital (Scotland Neck)

Vidant Pungo Hospital (Belhaven)

Yadkin Valley Community Hospital (Yadkinville)

**Ohio**

Doctors Hospital of Nelsonville

Physicians Choice Hospital-Fremont

**Oklahoma**

Epic Medical Center (Eufaula)

Memorial Hospital & Physician Group (Frederick)

Muskogee Community Hospital

**Pennsylvania**

Mid-Valley Hospital (Peckville)

Saint Catherine Medical Center Fountain Springs (Ashland)

**South Carolina**

Bamberg County Memorial Hospital

Marlboro Park Hospital (Bennettsville)

Southern Palmetto Hospital (Barnwell)

**South Dakota**

Holy Infant Hospital (Hoven)

**Tennessee**

Copper Basin Medical Center (Copperhill)

Gibson General Hospital (Trenton)

Haywood Park Community Hospital (Brownsville)

Humboldt General Hospital

Parkridge West Hospital (Jasper)

Starr Regional Medical Center-Etowah

McNairy Regional Hospital (Selmer)

United Regional Medical Center (Manchester)

**Texas**

Care Regional Medical Center (Aransas Pass)

East Texas Medical Center-Clarksville

East Texas Medical Center-Gilmer

East Texas Medical Center-Mount Vernon

East Texas Medical Center-Trinity

Good Shepherd Medical Center (Linden)

Gulf Coast Medical Center (Wharton)

Hunt Regional Community Hospital of Commerce

Lake Whitney Medical Center (Whitney)

Nix Community General Hospital (Dilley)

Renaissance Hospital Terrell

Shelby Regional Medical Center (Center)

Timberlands Hospital (Crockett)

Wise Regional Health System-Bridgeport

**Virginia**

Lee Regional Medical Center (Pennington Gap)

Pioneer Community Hospital of Patrick (Stuart)

**Wisconsin**

Franciscan Skemp Medical Center (Arcadia)

**HAND COUNTY**  
**INPATIENT ORIGIN DESTINATION STUDY**  
USING THE SDAHO INPATIENT DATABASE

| Hospital                  | 2016       | % of Discharges | 2015       | % of Discharges | 2014       | % of Discharges | 2013       | % of Discharges | 2012       | % of Discharges | 2011       | % of Discharges |
|---------------------------|------------|-----------------|------------|-----------------|------------|-----------------|------------|-----------------|------------|-----------------|------------|-----------------|
| ASL Aberdeen              | 47         | 12.0%           | 46         | 13.7%           | 49         | 13.0%           | 34         | 8.2%            | 38         | 10.4%           | 58         | 13.1%           |
| Sandord Aberdeen          | 0          | 0.0%            | 2          | 0.6%            | 1          | 0.3%            | 0          | 0.0%            | 1          | 0.3%            | 0          | 0.0%            |
| Brookings                 | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            |
| Sanford Chamberlain       | 1          | 0.3%            | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            | 1          | 0.2%            |
| FAMC Faulkton             | 15         | 3.8%            | 12         | 3.6%            | 12         | 3.2%            | 15         | 3.6%            | 11         | 3.0%            | 11         | 2.5%            |
| HRMC Huron                | 18         | 4.6%            | 9          | 2.7%            | 17         | 4.5%            | 20         | 4.8%            | 14         | 3.8%            | 27         | 6.1%            |
| Madison Community         | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            | 1          | 0.3%            | 0          | 0.0%            |
| <b>AHCMH Miller</b>       | <b>170</b> | <b>43.3%</b>    | <b>147</b> | <b>43.9%</b>    | <b>141</b> | <b>37.5%</b>    | <b>183</b> | <b>44.2%</b>    | <b>162</b> | <b>44.1%</b>    | <b>196</b> | <b>44.2%</b>    |
| AQOP Mitchell             | 4          | 1.0%            | 1          | 0.3%            | 2          | 0.5%            | 5          | 1.2%            | 4          | 1.1%            | 8          | 1.8%            |
| ASB - Parkston            | 1          | 0.3%            | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            |
| ASM Pierre                | 20         | 5.1%            | 18         | 5.4%            | 29         | 7.7%            | 19         | 4.6%            | 12         | 3.3%            | 13         | 2.9%            |
| RCR Rapid City            | 0          | 0.0%            | 0          | 0.0%            | 1          | 0.3%            | 1          | 0.2%            | 1          | 0.3%            | 3          | 0.7%            |
| Redfield                  | 1          | 0.3%            | 0          | 0.0%            | 0          | 0.0%            | 3          | 0.7%            | 3          | 0.8%            | 1          | 0.2%            |
| AHH Sioux Falls           | 18         | 4.6%            | 15         | 4.5%            | 13         | 3.5%            | 33         | 8.0%            | 17         | 4.6%            | 21         | 4.7%            |
| AMK Sioux Falls           | 76         | 19.3%           | 70         | 20.9%           | 77         | 20.5%           | 80         | 19.3%           | 71         | 19.3%           | 73         | 16.5%           |
| Sanford Sioux Falls       | 21         | 5.3%            | 14         | 4.2%            | 32         | 8.5%            | 19         | 4.6%            | 28         | 7.6%            | 28         | 6.3%            |
| Sioux Falls Specialty     | 0          | 0.0%            | 1          | 0.3%            | 1          | 0.3%            | 1          | 0.2%            | 3          | 0.8%            | 0          | 0.0%            |
| PLMC Watertown            | 0          | 0.0%            | 0          | 0.0%            | 1          | 0.3%            | 1          | 0.2%            | 1          | 0.3%            | 0          | 0.0%            |
| WMMC Wessington Spring    | 1          | 0.3%            | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            | 0          | 0.0%            | 3          | 0.7%            |
|                           | <b>393</b> | <b>100.0%</b>   | <b>335</b> | <b>100.0%</b>   | <b>376</b> | <b>100.0%</b>   | <b>414</b> | <b>100.0%</b>   | <b>367</b> | <b>100.0%</b>   | <b>443</b> | <b>100.0%</b>   |
| <b>Avera Market Share</b> | <b>337</b> | <b>85.8%</b>    | <b>297</b> | <b>88.7%</b>    | <b>311</b> | <b>82.7%</b>    | <b>354</b> | <b>85.5%</b>    | <b>304</b> | <b>82.8%</b>    | <b>372</b> | <b>84.0%</b>    |





# Financial Scorecard – June 2017

| VOLUMES  |                 |        |       |               |        |        |       |  |  |
|----------|-----------------|--------|-------|---------------|--------|--------|-------|--|--|
|          | June 2017       |        |       | June 2017 YTD |        |        |       |  |  |
|          | Actual          | Budget | Var.  | Actual        | Budget | Var.   |       |  |  |
| IP ACUTE | Admissions      | 11     | 17    | (6)           | 217    | 192    | 25    |  |  |
|          | Discharges      | 12     | 17    | (5)           | 217    | 192    | 25    |  |  |
|          | Patient Days    | 38     | 49    | (11)          | 656    | 570    | 86    |  |  |
| IP SWING | Admissions      | 7      | 4     | 3             | 95     | 80     | 15    |  |  |
|          | Discharges      | 8      | 4     | 4             | 95     | 80     | 15    |  |  |
|          | Patient Days    | 45     | 54    | (9)           | 758    | 680    | 78    |  |  |
| IP TOTAL | Admissions      | 18     | 21    | (3)           | 312    | 272    | 40    |  |  |
|          | Discharges      | 20     | 21    | (1)           | 312    | 272    | 40    |  |  |
|          | Patient Days    | 83     | 103   | (20)          | 1,414  | 1,250  | 164   |  |  |
| OP       | Total OP Visits | 1,147  | 1,315 | (168)         | 14,704 | 15,225 | (521) |  |  |

| GROSS REVENUE, DEDUCTIONS AND NET REVENUE |               |              |              |               |               |               |              |  |  |
|---|---------------|--------------|--------------|---------------|---------------|---------------|--------------|--|--|
|   | June 2017     |              |              | June 2017 YTD |               |               |              |  |  |
|   | Actual        | Budget       | Var.         | Actual        | Budget        | Var.          |              |  |  |
| GROSS                                     | Inpatient     | \$ 233,663   | \$ 207,302   | \$ 26,361     | \$ 3,321,216  | \$ 2,679,900  | \$ 641,316   |  |  |
|   | Outpatient    | \$ 806,863   | \$ 700,876   | \$ 105,987    | \$ 8,251,667  | \$ 8,642,273  | \$ (390,606) |  |  |
|   | Clinic        | \$ 130,802   | \$ 108,961   | \$ 21,841     | \$ 1,183,934  | \$ 1,262,956  | \$ (79,022)  |  |  |
|   | Total Gross   | \$ 1,171,328 | \$ 1,017,139 | \$ 154,189    | \$ 12,756,817 | \$ 12,585,129 | \$ 171,687   |  |  |
|   | Contractuals  | \$ 83,405    | \$ 349,011   | \$ 265,606    | \$ 3,128,158  | \$ 4,321,018  | \$ 1,192,860 |  |  |
| DEDUCT                                    | Charity Care  | \$ (3,468)   | 2,256        | \$ 5,724      | \$ 16,925     | 28,086        | \$ 11,161    |  |  |
|   | Bad Debt      | \$ (18,599)  | \$ 16,504    | \$ 35,103     | \$ 299,269    | \$ 206,200    | \$ (93,069)  |  |  |
| TOTALS                                    | Total Net     | \$ 1,109,990 | \$ 649,368   | \$ 460,622    | \$ 9,312,464  | \$ 8,029,825  | \$ 1,282,639 |  |  |
|   | Other Revenue | \$ 58,585    | \$ 37,023    | \$ 21,562     | \$ 632,124    | \$ 444,276    | \$ 187,848   |  |  |
|   | Total Revenue | \$ 1,168,575 | \$ 686,391   | \$ 482,184    | \$ 9,944,588  | \$ 8,474,101  | \$ 1,470,487 |  |  |

| EXPENSES AND OPERATING MARGIN |                |            |            |               |              |              |              |  |  |
|-------------------------------|----------------|------------|------------|---------------|--------------|--------------|--------------|--|--|
|                               | June 2017      |            |            | June 2017 YTD |              |              |              |  |  |
|                               | Actual         | Budget     | Var.       | Actual        | Budget       | Var.         |              |  |  |
| LABOR                         | Salaries       | \$ 275,698 | \$ 281,498 | \$ 5,800      | \$ 3,413,179 | \$ 3,375,527 | \$ (37,652)  |  |  |
|                               | Benefits       | \$ 81,872  | \$ 113,035 | \$ 31,163     | \$ 1,237,267 | \$ 1,289,561 | \$ 52,294    |  |  |
|                               | Total Labor    | \$ 357,570 | \$ 394,533 | \$ 36,963     | \$ 4,650,446 | \$ 4,665,088 | \$ 14,642    |  |  |
| SUPPLIES                      | Medical Fees   | \$ 1,598   | \$ 1,250   | \$ (348)      | \$ 1,892     | \$ 15,000    | \$ 13,108    |  |  |
|                               | Purch Svcs     | \$ 90,666  | \$ 54,517  | \$ (36,149)   | \$ 697,272   | \$ 654,204   | \$ (43,068)  |  |  |
|                               | Supplies       | \$ 97,081  | \$ 63,630  | \$ (33,451)   | \$ 775,115   | \$ 763,736   | \$ (11,379)  |  |  |
| OTHER                         | Total Supplies | \$ 189,345 | \$ 119,397 | \$ (69,948)   | \$ 1,474,279 | \$ 1,432,940 | \$ (41,339)  |  |  |
|                               | Other          | \$ 112,304 | \$ 98,801  | \$ (13,503)   | \$ 1,133,415 | \$ 1,185,438 | \$ 52,023    |  |  |
|                               | Depreciation   | \$ 13,499  | \$ 16,988  | \$ 3,489      | \$ 166,820   | \$ 199,682   | \$ 32,862    |  |  |
|                               | Total Expenses | \$ 672,718 | \$ 629,719 | \$ (42,999)   | \$ 7,424,960 | \$ 7,483,148 | \$ 58,188    |  |  |
|                               | Oper. Margin   | \$ 495,857 | \$ 56,672  | \$ 439,185    | \$ 2,519,627 | \$ 990,953   | \$ 1,528,674 |  |  |

| KEY RATIOS |                   |        |       |               |        |       |       |  |  |
|------------|-------------------|--------|-------|---------------|--------|-------|-------|--|--|
|            | June 2017         |        |       | June 2017 YTD |        |       |       |  |  |
|            | Actual            | Budget | Var.  | Actual        | Budget | Var.  |       |  |  |
| IP MIX %   | Inpatient         | 19.9%  | 20.4% | -0.4%         | 26.0%  | 21.3% | 4.7%  |  |  |
|            | Outpatient        | 68.9%  | 68.9% | 0.0%          | 64.7%  | 68.7% | -4.0% |  |  |
|            | Clinic            | 11.2%  | 10.7% | 0.5%          | 9.3%   | 10.0% | -0.8% |  |  |
| DEDUCT     | Contractual       | 7.1%   | 34.3% | 27.2%         | 24.5%  | 34.3% | 9.8%  |  |  |
|            | Charity           | -0.3%  | 0.2%  | 0.5%          | 0.1%   | 0.2%  | 0.1%  |  |  |
|            | Bad Debt % Gross  | -1.6%  | 1.6%  | 3.2%          | 2.3%   | 1.6%  | -0.7% |  |  |
| EXP        | Labor % Revenue   | 30.6%  | 57.5% | 26.9%         | 46.8%  | 55.1% | 8.3%  |  |  |
|            | Benefits % Salary | 29.7%  | 40.2% | 10.5%         | 36.2%  | 38.2% | 2.0%  |  |  |
| MARG       | Op. Margin %      | 42.4%  | 8.3%  | 34.2%         | 25.3%  | 11.7% | 13.6% |  |  |
|            | Net Margin %      | 42.8%  | 8.3%  | 34.5%         | 25.6%  | 11.8% | 13.8% |  |  |
|            | FTE Count         | 55.1   | 59.6  | 4.5           | 56.9   | 59.6  | 2.7   |  |  |

# Income Statement – June 2017

| Avera Hand County Campus<br>Consolidated Statement of Operations<br>For the Period Ended June 30, 2017<br>Variance Favorable / (Unfavorable) |                    |                    |          |  |                        |                     |                        |  |          |
|--|--------------------|--------------------|----------|--|------------------------|---------------------|------------------------|--|----------|
| Actual   |                    | Month<br>Budget    | Variance |  | Year to date<br>Actual |                     | Budget                 |  | Variance |
| GROSS PATIENT SERVICE REVENUE  |                    |                    |          |  |                        |                     |                        |  |          |
| \$ 233,663   | \$ 207,302         | \$ 26,361          |          |  | \$ 3,321,216           | \$ 2,679,900        | \$ 641,316             |  |          |
| 806,863  | 700,876            | 105,987            |          |  | 8,251,667              | 8,642,273           | (390,606)              |  |          |
| 130,802  | 108,961            | 21,841             |          |  | 1,183,934              | 1,262,956           | (79,022)               |  |          |
| <b>\$1,171,328</b>   | <b>\$1,017,139</b> | <b>\$ 154,189</b>  |          |  | <b>\$12,756,817</b>    | <b>\$12,585,129</b> | <b>\$ 171,688</b>      |  |          |
| DEDUCTIONS FROM REVENUE  |                    |                    |          |  |                        |                     |                        |  |          |
| 83,405   | 349,011            | 265,606            |          |  | 3,128,158              | 4,321,018           | 1,192,860              |  |          |
| (3,468)  | 2,256              | 5,724              |          |  | 16,925                 | 28,086              | 11,161                 |  |          |
| (18,599)   | 16,504             | 35,103             |          |  | 299,269                | 206,200             | (93,069)               |  |          |
| 61,338   | 367,771            | 306,433            |          |  | 3,444,352              | 4,555,304           | 1,110,952              |  |          |
| <b>\$1,109,990</b>   | <b>\$ 649,368</b>  | <b>\$ 460,622</b>  |          |  | <b>\$ 9,312,464</b>    | <b>\$ 8,029,825</b> | <b>\$ 1,282,639</b>    |  |          |
| OTHER OPERATING REVENUE  |                    |                    |          |  |                        |                     |                        |  |          |
| 58,348   | 35,409             | 22,939             |          |  | 629,274                | 424,908             | 204,366                |  |          |
| 237  | 1,614              | (1,377)            |          |  | 2,850                  | 19,368              | (16,518)               |  |          |
| 58,585   | 37,023             | 21,562             |          |  | 632,124                | 444,276             | 187,848                |  |          |
| <b>\$1,168,575</b>   | <b>\$ 686,391</b>  | <b>\$ 482,184</b>  |          |  | <b>\$ 9,944,588</b>    | <b>\$ 8,474,101</b> | <b>\$ 1,470,487</b>    |  |          |
| OPERATING EXPENSES   |                    |                    |          |  |                        |                     |                        |  |          |
| 275,698  | 281,498            | 5,800              |          |  | 3,413,179              | 3,375,527           | (37,652)               |  |          |
| 81,872   | 113,035            | 31,163             |          |  | 1,237,267              | 1,289,561           | 52,294                 |  |          |
| 1,598  | 1,250              | (348)              |          |  | 1,892                  | 15,000              | 13,108                 |  |          |
| 90,666   | 54,517             | (36,149)           |          |  | 697,272                | 654,204             | (43,068)               |  |          |
| 97,081   | 63,630             | (33,451)           |          |  | 775,115                | 763,736             | (11,379)               |  |          |
| 7,811  | 18,086             | 10,275             |          |  | 170,748                | 217,032             | 46,284                 |  |          |
| 73,338   | 62,239             | (11,099)           |          |  | 766,163                | 746,868             | (19,295)               |  |          |
| 3,109  | 4,273              | 1,164              |          |  | 42,884                 | 51,102              | 8,218                  |  |          |
| 28,046   | 14,203             | (13,843)           |          |  | 153,620                | 170,436             | 16,816                 |  |          |
| 13,499   | 16,988             | 3,489              |          |  | 166,820                | 199,582             | 32,862                 |  |          |
| <b>\$ 672,718</b>  | <b>\$ 629,719</b>  | <b>\$ (42,999)</b> |          |  | <b>\$ 7,424,960</b>    | <b>\$ 7,483,148</b> | <b>\$ 58,188</b>       |  |          |
| <b>\$ 495,857</b>  | <b>\$ 56,672</b>   | <b>\$ 439,185</b>  |          |  | <b>\$ 2,519,627</b>    | <b>\$ 990,953</b>   | <b>\$ 1,528,674</b>    |  |          |
| NON OPERATING GAINS / (LOSSES)   |                    |                    |          |  |                        |                     |                        |  |          |
| 1,421  | -                  | 1,421              |          |  | 10,584                 | -                   | 10,584                 |  |          |
| 2,725  | 429                | 2,296              |          |  | 10,928                 | 5,148               | 5,780                  |  |          |
| 4,146  | 429                | 3,717              |          |  | 21,512                 | 5,148               | 16,364                 |  |          |
| <b>\$ 500,002</b>  | <b>\$ 57,101</b>   | <b>\$ 442,902</b>  |          |  | <b>\$ 2,541,139</b>    | <b>\$ 996,101</b>   | <b>\$ 1,545,038</b>    |  |          |
| NET INCOME PRIOR TO UNREAL. CHG. IN INVESTMENTS  |                    |                    |          |  |                        |                     |                        |  |          |
| -  | -                  | -                  |          |  | -                      | -                   | -                      |  |          |
| Unrealized Gains / (Losses) on Investments   |                    |                    |          |  |                        |                     |                        |  |          |
| <b>\$ 500,002</b>  | <b>\$ 57,101</b>   | <b>\$ 442,902</b>  |          |  | <b>\$ 2,541,139</b>    | <b>\$ 996,101</b>   | <b>\$ 1,545,038</b>    |  |          |
| INCREASE / (DECREASE) IN NET ASSETS  |                    |                    |          |  |                        |                     |                        |  |          |
| KEY OPERATING RATIOS<br>Variance Favorable / (Unfavorable)   |                    |                    |          |  |                        |                     |                        |  |          |
| Actual   |                    | Monthly<br>Budget  | Variance |  | Actual                 |                     | Year to date<br>Budget |  | Variance |
| 7.1%   | 34.3%              | 27.2%              |          |  | 24.5%                  | 34.3%               | -9.8%                  |  |          |
| -1.6%  | 1.6%               | 3.2%               |          |  | 2.3%                   | 1.6%                | 0.7%                   |  |          |
| 30.6%  | 57.5%              | 26.9%              |          |  | 46.8%                  | 55.1%               | -8.3%                  |  |          |
| -1.6%  | 2.4%               | 4.0%               |          |  | 3.0%                   | 2.4%                | 0.6%                   |  |          |
| 42.4%  | 8.3%               | 34.2%              |          |  | 25.3%                  | 11.7%               | 13.6%                  |  |          |
| 42.8%  | 8.3%               | 34.5%              |          |  | 25.6%                  | 11.8%               | 13.8%                  |  |          |
| 55.07  | 59.57              | 4.50               |          |  | 56.89                  | 59.57               | 2.68                   |  |          |

# Balance Sheet – June 2017

| Avera Hand County Campus<br>Comparative Balance Sheets<br>For the Period Ended June 30, 2017 |                                |                             |                             |
|--|--------------------------------|-----------------------------|-----------------------------|
|  | Current Month<br>June 30, 2017 | Prior Month<br>May 31, 2017 | Prior Year<br>June 30, 2016 |

## CURRENT ASSETS

|  |           |           |           |
|--|-----------|-----------|-----------|
| Cash and Cash Equivalents                      | \$ 62,623 | \$ 46,273 | \$ 79,061 |
| Accounts Receivable, Patients                  | 1,645,827 | 1,677,015 | 1,502,481 |
| Less: Allowances and Uncollectibles, Patients  | (605,686) | (618,994) | (609,550) |
| Net accounts receivable, patients              | 1,040,141 | 1,058,021 | 892,931   |
| Other Receivables                              | 124,065   | 137,785   | 70,636    |
| Inventories                                    | 121,375   | 150,250   | 148,455   |
| Prepaid Expenses                               | 191,380   | 209,022   | 64,758    |
| Current Portion of Assets Whose Use Is Limited | 1,728,739 | 1,692,847 | 1,633,900 |

|                             |                     |                     |                     |
|-----------------------------|---------------------|---------------------|---------------------|
| <b>TOTAL CURRENT ASSETS</b> | <b>\$ 3,268,323</b> | <b>\$ 3,294,198</b> | <b>\$ 2,889,741</b> |
|-----------------------------|---------------------|---------------------|---------------------|

## PROPERTY, PLANT AND EQUIPMENT

|                                   |             |             |           |
|-----------------------------------|-------------|-------------|-----------|
| Fixed and Moveable Equipment      | 1,823,711   | 1,829,012   | 1,675,640 |
| Less: Accumulated Depreciation    | (1,083,750) | (1,070,252) | (916,930) |
| Net Property, Plant and Equipment | 739,961     | 758,760     | 758,710   |

## OTHER ASSETS

|          |        |        |        |
|----------|--------|--------|--------|
| Goodwill | 24,108 | 24,696 | 31,164 |
|----------|--------|--------|--------|

|                     |                     |                     |                     |
|---------------------|---------------------|---------------------|---------------------|
| <b>TOTAL ASSETS</b> | <b>\$ 4,032,391</b> | <b>\$ 4,077,654</b> | <b>\$ 3,679,615</b> |
|---------------------|---------------------|---------------------|---------------------|

## CURRENT LIABILITIES

|   |             |             |           |
|---|-------------|-------------|-----------|
| Accounts Payable                                | 35,500      | 66,905      | 56,779    |
| Due to McKennan                                 | (3,565,132) | (3,570,924) | (792,304) |
| Accrued Payroll, Payroll Taxes and Vacation Pay | 248,853     | 249,752     | 215,053   |
| Due to Third Party Payors                       | (66,243)    | 448,911     | (223,186) |
| Deferred Revenue                                | 415,000     | 418,600     | -         |

|                                  |                       |                       |                     |
|----------------------------------|-----------------------|-----------------------|---------------------|
| <b>TOTAL CURRENT LIABILITIES</b> | <b>\$ (2,932,022)</b> | <b>\$ (2,386,756)</b> | <b>\$ (743,658)</b> |
|----------------------------------|-----------------------|-----------------------|---------------------|

Unrestricted Net Assets

|  |           |           |           |
|--|-----------|-----------|-----------|
|  | 6,964,412 | 6,464,410 | 4,423,272 |
|--|-----------|-----------|-----------|

|   |                     |                     |                     |
|---|---------------------|---------------------|---------------------|
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 4,032,391</b> | <b>\$ 4,077,654</b> | <b>\$ 3,679,614</b> |
|---|---------------------|---------------------|---------------------|

|  | Year to date<br>June 30, 2017 | Year to date<br>May 31, 2017 | Year to date<br>June 30, 2016 |
|--|-------------------------------|------------------------------|-------------------------------|
|--|-------------------------------|------------------------------|-------------------------------|

Return on Assets

63.02%

54.61%

33.11%

Gross Days in Accounts Receivable

42.50

45.20

46.20

# Statement of Cash Flow – June 2017

| Avera Hand County Campus<br>Statement of Cash Flows<br>For the Period Ended June 30, 2017 |                        |                               |  |
|---|------------------------|-------------------------------|--|
|   | Month<br>June 30, 2017 | Year to Date<br>June 30, 2017 |  |
| <b>OPERATING ACTIVITIES</b>   |                        |                               |  |
| Increase in Net Assets  | \$ 500,002             | \$ 2,541,139                  |  |
| Adjustments to Reconcile Net Assets:  |                        |                               |  |
| Gain on Disposal of Equipment   |                        |                               |  |
| Depreciation and Amortization   | 13,499                 | 166,820                       |  |
| Change in Assets and Liabilities:   |                        |                               |  |
| Receivables   | 31,600                 | (200,639)                     |  |
| Supplies  | 28,875                 | 27,080                        |  |
| Prepaid Expenses  | 17,642                 | (126,622)                     |  |
| Accounts Payable  | (31,405)               | (21,279)                      |  |
| Due to McKennan   | 5,792                  | (2,772,828)                   |  |
| Accrued Expenses  | (899)                  | 33,800                        |  |
| Goodwill  | 588                    | 7,056                         |  |
| Deferred Income and Other   | (518,754)              | 571,943                       |  |
| <b>NET OPERATING ACTIVITIES</b>   | <b>\$ 46,940</b>       | <b>\$ 226,470</b>             |  |
| <b>INVESTING ACTIVITIES</b>   |                        |                               |  |
| Purchase of Fixed Assets, Net of Retirements  | 5,301                  | (148,071)                     |  |
| Use of Investments for Funding of Capital   | -                      | -                             |  |
| Investment Income/(Loss)  | (35,892)               | (94,840)                      |  |
| Investments in Avera Foundation   |                        |                               |  |
| Transfer to/from Building Equipment Fund  | -                      | -                             |  |
| <b>NET INVESTING ACTIVITIES</b>   | <b>\$ (30,591)</b>     | <b>\$ (242,911)</b>           |  |
| <b>FINANCING ACTIVITIES</b>   |                        |                               |  |
| Capital Transfers   |                        |                               |  |
| Repayment of Debt   | -                      | -                             |  |
| Other Liabilities   |                        |                               |  |
| <b>NET FINANCING ACTIVITIES</b>   | <b>\$ -</b>            | <b>\$ -</b>                   |  |
| <b>Net change in cash and equivalents</b>   | <b>\$ 16,350.00</b>    | <b>\$ (16,438.00)</b>         |  |
| Cash at beginning of period   | 46,273                 | 79,061                        |  |
| Cash at end of period   | 62,623                 | 62,623                        |  |