

**Independent Auditor's Report
on the Supplementary Information**

To the Board of Directors of
The Community Hospital Association
McCook, Nebraska:

We have audited the consolidated financial statements of The Community Hospital Association (Hospital) as of and for the years ended June 30, 2017 and 2016, and have issued our report thereon, dated September 8, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The supplementary information submitted herewith is as follows:

1. Balance Sheets – Hospital Only
2. Statements of Operations – Hospital Only
3. Statements of Changes in Net Assets – Hospital Only
4. Statements of Cash Flows – Hospital Only

SEIM JOHNSON, LLP

Omaha, Nebraska,
September 8, 2017.

The Community Hospital Association

Balance Sheets – Hospital Only June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,898,428	3,405,303
Receivables -		
Patients, net of allowance for doubtful accounts of \$1,578,000 in 2017 and \$1,865,000 in 2016	6,108,687	6,314,869
Affiliate	11,071	21,128
Other	329,254	977,586
Inventories	1,625,860	1,595,088
Prepaid expenses	1,055,129	952,981
Estimated third-party payor settlements	159,596	--
Total current assets	12,188,025	13,266,955
Assets limited as to use	3,577,143	3,251,631
Investments	12,759,201	13,664,667
Property and equipment, net	33,845,424	36,553,832
Other assets	200,937	383,718
Total assets	\$ <u>62,570,730</u>	<u>67,120,803</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 2,773,100	2,666,651
Accounts payable	1,037,213	771,715
Accrued salaries, vacation and benefits payable	1,597,228	1,908,348
Other accrued expenses	529,228	413,613
Estimated third-party payor settlements	--	797,648
Total current liabilities	5,936,769	6,557,975
Long-term debt, net of current portion	16,904,269	19,782,149
Deferred compensation	184,489	255,409
Total liabilities	23,025,527	26,595,533
Net assets:		
Unrestricted	39,545,203	40,525,270
Total liabilities and net assets	\$ <u>62,570,730</u>	<u>67,120,803</u>

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Statements of Operations – Hospital Only June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED REVENUE:		
Net patient service revenue, before provision for bad debts	\$ 42,905,343	45,133,025
Provision for bad debts	<u>(1,118,118)</u>	<u>(1,411,283)</u>
Net patient service revenue	41,787,225	43,721,742
Other operating revenue	<u>1,255,525</u>	<u>3,059,035</u>
Total unrestricted revenue	<u>43,042,750</u>	<u>46,780,777</u>
EXPENSES:		
Salaries and wages	16,427,861	15,745,123
Employee health and welfare	5,325,675	4,823,976
Supplies and other	17,187,727	18,609,794
Depreciation	4,446,142	4,696,587
Interest	843,962	952,133
Insurance	<u>179,093</u>	<u>181,264</u>
Total expenses	<u>44,410,460</u>	<u>45,008,877</u>
OPERATING INCOME (LOSS)	<u>(1,367,710)</u>	<u>1,771,900</u>
NONOPERATING GAINS, NET:		
Investment income, net	185,201	343,139
Unrestricted gifts, grants and bequests	<u>104,069</u>	<u>83,532</u>
Nonoperating gains, net	<u>289,270</u>	<u>426,671</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	(1,078,440)	2,198,571
TRANSFER FROM AFFILIATE	<u>98,373</u>	<u>--</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ <u><u>(980,067)</u></u>	<u><u>2,198,571</u></u>

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Statements of Changes in Net Assets – Hospital Only June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS:		
Operating income (loss)	\$ (1,367,710)	1,771,900
Nonoperating gains, net	289,270	426,671
Transfer from affiliate	<u>98,373</u>	<u>--</u>
Increase (decrease) in unrestricted net assets	<u>(980,067)</u>	<u>2,198,571</u>
NET ASSETS, beginning of year	<u>40,525,270</u>	<u>38,326,699</u>
NET ASSETS, end of year	<u>\$ 39,545,203</u>	<u>40,525,270</u>

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Statements of Cash Flows – Hospital Only June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patients and third-party payors	\$ 41,036,163	44,675,424
Cash received from others	2,052,648	3,261,186
Cash paid for employee salaries and related benefits	(21,949,041)	(20,914,465)
Cash paid to suppliers	(17,234,242)	(19,431,270)
Cash received from affiliate	98,373	--
Interest paid	(818,593)	(926,764)
Investment income received	185,201	343,139
	<u>3,370,509</u>	<u>7,007,250</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Withdrawals from (deposits to) investments	905,466	(2,332,170)
Deposits to assets limited as to use, net	(396,432)	(48,525)
Additions to other assets	182,781	(71,194)
Purchase of property and equipment, net	<u>(1,772,399)</u>	<u>(3,502,873)</u>
	<u>(1,080,584)</u>	<u>(5,954,762)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	<u>(2,796,800)</u>	<u>(2,574,580)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(506,875)	(1,522,092)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,405,303</u>	<u>4,927,395</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,898,428</u>	<u>3,405,303</u>

The Community Hospital Association

Statements of Cash Flows – Hospital Only (Continued) June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (980,067)	2,198,571
Adjustments to reconcile the change in net assets to net cash provided by operating activities -		
Depreciation expense	4,446,142	4,696,587
Amortization of debt issuance costs	25,369	25,369
Gain loss on disposal of property and equipment	34,665	28,281
(Increase) decrease in current assets -		
Receivables -		
Patient	206,182	(14,435)
Affiliate	10,057	4,305
Other	648,332	86,033
Inventories	(30,772)	(105,296)
Prepaid expenses	(102,148)	53,024
Estimated third-party payor settlements	(159,596)	170,469
Increase (decrease) in current liabilities -		
Accounts payable	265,498	(587,940)
Accrued salaries, vacation, and benefits payable	(311,120)	(140,975)
Other accrued expenses	115,615	(204,391)
Estimated third-party payor settlements	(797,648)	797,648
Net cash provided by operating activities	\$ <u>3,370,509</u>	<u>7,007,250</u>