

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, 2019 and 2018, and have issued our report thereon, dated September 6, 2019, 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 6, 2019.

Balance Sheets – Hospital Only June 30, 2019 and 2018

ASSETS Current assets: Current assets: Cash and cash equivalents \$ 6,789,292 5,732,626 Receivables - Patients, net of allowance for doubtful accounts of \$ 1,610,000 in 2019 and \$1,577,000 in 2018 7,407,964 6,270,131 Other 10,2019 and \$1,577,000 in 2018 7,407,964 6,270,131 Other 11,746,787 1,677,255 Prepaid expenses 1,746,787 1,677,255 Total current assets 370,598 Total current assets 17,877,998 15,245,688 Assets limited as to use 4,322,017 3,830,879 Investments 370,598 Property and equipment, net 33,835,828 32,366,941 Other assets 183,275 198,821 Total assets \$ 64,140,482 60,808,299 LLABILITIES AND NET ASSETS Current liabilities: Current liabilities: - Current liabilities: -906,478 Accrued salaries, vacation and benefits payable 1,929,687 1,526,318 Other accrued expenses <th></th> <th></th> <th>2019</th> <th>2018</th>			2019	2018
Cash and cash equivalents \$ 6,789,292 5,732,626 Receivables - Patients, net of allowance for doubtful accounts of \$1,610,000 in 2019 and \$1,577,000 in 2018 7,407,964 6,270,131 Other 703,478 109,032 Inventories 1,746,787 1,677,255 Prepaid expenses 1,230,477 1,086,046 Estimated third-party payor settlements - 370,598 Total current assets 17,877,998 15,245,688 Assets limited as to use 4,322,017 3,830,879 Investments 7,921,364 9,165,970 Property and equipment, net 03,835,828 32,366,941 Other assets 183,275 198,821 Total assets \$ 64,140,482 60,808,299 LIABILITIES AND NET ASSETS Current portion of long-term debt \$ 296,647 2,444,131 Accoud salaries, vacation and benefits payable 1,929,687 1,526,318 - Current portion of long-term debt \$ 296,647 - - Accrued salaries, vacation and benefits payable 1,929,687				
Receivables - Patients, net of allowance for doubtful accounts of \$1,610,000 in 2019 and \$1,577,000 in 2018 7,407,964 6,270,131 Other 703,478 109,032 Inventories 1,746,787 1,677,255 Prepaid expenses 1,230,477 1,086,046 Estimated third-party payor settlements - 370,598 Total current assets 17,877,998 15,245,688 Assets limited as to use 4,322,017 3,830,879 Investments 7,921,364 9,165,970 Property and equipment, net 01her assets 183,275 198,821 Other assets 183,275 198,821 198,821 Current isplitties: Current portion of long-term debt \$ 296,647 2,444,131 Accound salaries, vacation and benefits payable 1,551,248 Accrued salaries, vacation and benefits payable 1,524,240 14,220,979 Total current liabilities: 6,124,754 5,333,152 LABILITIES AND NET ASSETS Current portion of long-term debt \$ 296,647 2,444,131 Accrued salarie	-	<u>^</u>	0 700 000	5 700 000
Patients, net of allowance for doubtful accounts of \$1,610,000 in 2019 and \$1,577,000 in 2018 7,407,964 6,270,131 Other 703,478 109,032 Inventories 1,746,787 1,677,255 Prepaid expenses 1,230,477 1,086,046 Estimated third-party payor settlements 370,598 Total current assets 17,877,998 15,245,688 Assets limited as to use 4,322,017 3,830,879 Investments 7,921,364 9,165,970 Property and equipment, net 33,835,828 32,366,941 Other assets \$ 64,140,482 60,808,299 LIABILITIES AND NET ASSETS E E Current liabilities: Current of long-term debt \$ 296,647 2,444,131 Accounts payable 1,551,248 - Trade 695,454 847,728 - - - Current liabilities: 0,296,877 1,526,318 - - Current liabilities 6,124,754 5,333,152 - - - <td></td> <td>\$</td> <td>6,789,292</td> <td>5,732,626</td>		\$	6,789,292	5,732,626
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Prepaid expenses 1,230,477 1,086,046 Estimated third-party payor settlements 370,598 Total current assets 17,877,998 15,245,688 Assets limited as to use 4,322,017 3,830,879 Investments 7,921,364 9,165,970 Property and equipment, net 33,835,828 32,366,941 Other assets 183,275 198,821 Total assets \$ 64,140,482 60,808,299 LIABILITIES AND NET ASSETS Current liabilities: Current portion of long-term debt \$ 296,647 2,444,131 Accounts payable 1,551,248 44,728 Construction and equipment 1,551,248 Accourd salaries, vacation and benefits payable 1929,687 1,526,318 Other accrued expenses 745,240 514,975 Accourd salaries, vacation and benefits payable 6,124,754 5,333,152				
Estimated third-party payor settlements 370,598 Total current assets 17,877,998 15,245,688 Assets limited as to use 4,322,017 3,830,879 Investments 7,921,364 9,165,970 Property and equipment, net 33,835,828 32,366,941 Other assets 183,275 198,821 Total assets \$ 64,140,482 60,808,299 LLABILITIES AND NET ASSETS Current liabilities: Current portion of long-term debt \$ 296,647 2,444,131 Accorunts payable 1,551,248 Trade 695,454 847,728 Accrued salaries, vacation and benefits payable 1,929,687 1,526,318 Other accrued expenses 745,240 514,975 Estimated third-party payor settlements 906,478 Total current liabilities 6,124,754 5,333,152 - Long-term debt, net of current portion 14,209,999 14,485,504 - Deferred compensation	Inventories		1,746,787	1,677,255
Total current assets $17,877,998$ $15,245,688$ Assets limited as to use $4,322,017$ $3,830,879$ Investments $7,921,364$ $9,165,970$ Property and equipment, net $33,835,828$ $32,366,941$ Other assets $183,275$ $198,821$ Total assets $64,140,482$ $60,808,299$ LIABILITIES AND NET ASSETSCurrent portion of long-term debt $$296,647$ $2,444,131$ Accounts payable $1,551,248$ $$ Trade $695,454$ $847,728$ Construction and equipment $1,551,248$ $$ Accrued salaries, vacation and benefits payable $1,929,687$ $1,526,318$ Other accrued expenses $745,240$ $514,975$ Estimated third-party payor settlements $906,478$ $$ Total current liabilities $6,124,754$ $5,333,152$ Long-term debt, net of current portion $14,209,999$ $14,485,504$ Deferred compensation $257,527$ $219,572$ Total liabilities $20,592,280$ $20,038,228$ Net assets:Without donor restrictions $43,548,202$ $40,770,071$	Prepaid expenses		1,230,477	1,086,046
Assets limited as to use $4,322,017$ $3,830,879$ Investments $7,921,364$ $9,165,970$ Property and equipment, net $33,835,828$ $32,366,941$ Other assets $183,275$ $198,821$ Total assets LABILITIES AND NET ASSETS Current liabilities:Current portion of long-term debt\$ 296,647Accounts payable $1,551,248$ Trade $695,454$ Bother accrued salaries, vacation and benefits payable $1,929,687$ Accrued salaries, vacation and benefits payable $745,240$ State of third-party payor settlements $906,478$ Protect or compensation $257,527$ Construction and equipment $1,229,999$ Accrued salaries, vacation and benefits payable $906,478$ Other accrued expenses $745,240$ State of current portion $14,209,999$ I4,485,504 $257,527$ Construction $257,527$ Conduction $20,592,280$ 20,038,228Net assets: $Without donor restrictions$ Without donor restrictions $43,548,202$ 40,770,071	Estimated third-party payor settlements	_		370,598
Investments7,921,3649,165,970Property and equipment, net $33,835,828$ $32,366,941$ Other assets $183,275$ $198,821$ Total assets\$ $64,140,482$ $60,808,299$ LIABILITIES AND NET ASSETSCurrent portion of long-term debt\$ $296,647$ $2,444,131$ Accounts payable $695,454$ $847,728$ Trade $695,454$ $847,728$ Construction and equipment $1,551,248$ $$ Accrued salaries, vacation and benefits payable $7,929,687$ $1,526,318$ Other accrued expenses $745,240$ $514,975$ Estimated third-party payor settlements $906,478$ $$ Total current liabilities $6,124,754$ $5,333,152$ Long-term debt, net of current portion $14,209,999$ $14,485,504$ Deferred compensation $257,527$ $219,572$ Total liabilities $20,592,280$ $20,038,228$ Net assets:Without donor restrictions $43,548,202$ $40,770,071$	Total current assets		17,877,998	15,245,688
Investments 7,921,364 9,165,970 Property and equipment, net 33,835,828 32,366,941 Other assets 183,275 198,821 Total assets \$ 64,140,482 60,808,299 LIABILITIES AND NET ASSETS Current portion of long-term debt \$ 296,647 2,444,131 Accounts payable 1,551,248 Trade 695,454 847,728 Construction and equipment 1,551,248 Accrued salaries, vacation and benefits payable 1,929,687 1,526,318 Other accrued expenses 745,240 514,975 Estimated third-party payor settlements 906,478 Total current liabilities 6,124,754 5,333,152 Long-term debt, net of current portion 14,209,999 14,485,504 Deferred compensation 257,527 219,572 Total liabilities 20,592,280 20,038,228 Net assets: Without donor restrictions 43,548,202 40,770,071	Assets limited as to use		4,322,017	3,830,879
Other assets 183,275 198,821 Total assets \$ 64,140,482 60,808,299 LIABILITIES AND NET ASSETS 296,647 2,444,131 Accounts payable \$ 296,647 2,444,131 Accounts payable 695,454 847,728 Trade 695,454 847,728 Construction and equipment 1,551,248 Accrued salaries, vacation and benefits payable 1,929,687 1,526,318 Other accrued expenses 745,240 514,975 Estimated third-party payor settlements 906,478 Total current liabilities 6,124,754 5,333,152 Long-term debt, net of current portion 14,209,999 14,485,504 Deferred compensation 257,527 219,572 Total liabilities 20,592,280 20,038,228 Net assets: Without donor restrictions 43,548,202 40,770,071	Investments			
Total assets\$64,140,48260,808,299LIABILITIES AND NET ASSETSCurrent liabilities: Current portion of long-term debt\$296,6472,444,131Accounts payable Trade695,454847,728Construction and equipment1,551,248Accrued salaries, vacation and benefits payable1,929,6871,526,318Other accrued expenses745,240514,975Estimated third-party payor settlements906,478Total current liabilities6,124,7545,333,152Long-term debt, net of current portion14,209,99914,485,504Deferred compensation257,527219,572Total liabilities20,592,28020,038,228Net assets: Without donor restrictions43,548,20240,770,071	Property and equipment, net		33,835,828	32,366,941
LIABILITIES AND NET ASSETSCurrent liabilities:Current portion of long-term debt\$ 296,6472,444,131Accounts payableTradeConstruction and equipment1,551,248Accrued salaries, vacation and benefits payable1,929,6870ther accrued expenses256,318Other accrued expenses906,478Total current liabilities6,124,7545,333,152Long-term debt, net of current portion14,209,99914,485,504257,527219,572Total liabilities20,592,28020,038,228Net assets:Without donor restrictions43,548,20240,770,071	Other assets		183,275	198,821
Current liabilities:\$296,6472,444,131Accounts payableTrade695,454847,728Trade695,454847,728Construction and equipment1,551,248Accrued salaries, vacation and benefits payable1,929,6871,526,318Other accrued expenses745,240514,975Estimated third-party payor settlements906,478Total current liabilities6,124,7545,333,152Long-term debt, net of current portion14,209,99914,485,504Deferred compensation257,527219,572Total liabilities20,592,28020,038,228Net assets:Without donor restrictions43,548,20240,770,071	Total assets	\$	64,140,482	60,808,299
Current portion of long-term debt\$ 296,6472,444,131Accounts payable1,551,248Trade695,454847,728Construction and equipment1,551,248Accrued salaries, vacation and benefits payable1,929,6871,526,318Other accrued expenses745,240514,975Estimated third-party payor settlements906,478Total current liabilities6,124,7545,333,152Long-term debt, net of current portion14,209,99914,485,504Deferred compensation257,527219,572Total liabilities20,592,28020,038,228Net assets: Without donor restrictions43,548,20240,770,071	LIABILITIES AND NET ASSETS			
Accounts payable Trade695,454 695,454847,728 847,728Construction and equipment1,551,248 1,929,687Accrued salaries, vacation and benefits payable1,929,687 745,2401,526,318 514,975Other accrued expenses745,240514,975Estimated third-party payor settlements906,478Total current liabilities6,124,7545,333,152Long-term debt, net of current portion14,209,999 257,52714,485,504 219,572Deferred compensation20,592,28020,038,228Net assets: Without donor restrictions43,548,20240,770,071				
Trade 695,454 847,728 Construction and equipment 1,551,248 Accrued salaries, vacation and benefits payable 1,929,687 1,526,318 Other accrued expenses 745,240 514,975 Estimated third-party payor settlements 906,478 Total current liabilities 6,124,754 5,333,152 Long-term debt, net of current portion 14,209,999 14,485,504 Deferred compensation 257,527 219,572 Total liabilities 20,592,280 20,038,228 Net assets: Without donor restrictions 43,548,202 40,770,071		\$	296,647	2,444,131
Construction and equipment 1,551,248 Accrued salaries, vacation and benefits payable 1,929,687 1,526,318 Other accrued expenses 745,240 514,975 Estimated third-party payor settlements 906,478 Total current liabilities 6,124,754 5,333,152 Long-term debt, net of current portion 14,209,999 14,485,504 Deferred compensation 257,527 219,572 Total liabilities 20,592,280 20,038,228 Net assets: Without donor restrictions 43,548,202 40,770,071			695 454	847 728
Accrued salaries, vacation and benefits payable1,929,6871,526,318Other accrued expenses745,240514,975Estimated third-party payor settlements906,478Total current liabilities6,124,7545,333,152Long-term debt, net of current portion14,209,99914,485,504Deferred compensation257,527219,572Total liabilities20,592,28020,038,228Net assets:Without donor restrictions43,548,20240,770,071				
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Total current liabilities 6,124,754 5,333,152 Long-term debt, net of current portion 14,209,999 14,485,504 Deferred compensation 257,527 219,572 Total liabilities 20,592,280 20,038,228 Net assets: Without donor restrictions 43,548,202 40,770,071				
Long-term debt, net of current portion14,209,99914,485,504Deferred compensation257,527219,572Total liabilities20,592,28020,038,228Net assets: Without donor restrictions43,548,20240,770,071	Estimated third-party payor settlements		906,478	
Deferred compensation 257,527 219,572 Total liabilities 20,592,280 20,038,228 Net assets: 43,548,202 40,770,071	Total current liabilities		6,124,754	5,333,152
Total liabilities 20,592,280 20,038,228 Net assets: 43,548,202 40,770,071	•		14,209,999	
Net assets:Without donor restrictions43,548,20240,770,071	Deferred compensation	_	257,527	219,572
Without donor restrictions 43,548,202 40,770,071	Total liabilities	_	20,592,280	20,038,228
	Net assets:			
Total liabilities and net assets \$\$	Without donor restrictions	_	43,548,202	40,770,071
	Total liabilities and net assets	\$	64,140,482	60,808,299

Statements of Operations – Hospital Only June 30, 2019 and 2018

	 2019	2018
REVENUE WITHOUT DONOR RESTRICTIONS: Net patient service revenue S Provision for bad debts	\$ 48,303,201 (1,224,138)	45,188,840 (1,369,263)
Net patient service revenue, less provision for bad debts	47,079,063	43,819,577
Other operating revenue	 1,687,271	1,595,426
Total revenue without donor restrictions	 48,766,334	45,415,003
EXPENSES:		10 10 10 0 0 0
Salaries and wages	17,125,457	16,131,978
Employee health and welfare Supplies and other	5,760,224 18,998,568	6,331,488 17,142,165
Depreciation	4,269,710	4,271,145
Interest	4,209,710	736,422
Insurance	 193,332	202,509
Total expenses	 46,969,194	44,815,707
OPERATING INCOME	 1,797,140	599,296
NONOPERATING GAINS, NET:		
Investment income, net	556,570	519,760
Unrestricted gifts, grants and bequests	 424,421	105,812
Nonoperating gains, net	 980,991	625,572
EXCESS OF REVENUE OVER EXPENSES	 2,778,131	1,224,868
INCREASE NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 2,778,131	1,224,868

Statements of Changes in Net Assets – Hospital Only June 30, 2019 and 2018

	_	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS: Operating income Nonoperating gains, net	\$	1,797,140 980,991	599,296 625,572
Increase in net assets without donor restrictions	_	2,778,131	1,224,868
INCREASE IN NET ASSETS		2,778,131	1,224,868
NET ASSETS, beginning of year, as restated	_	40,770,071	39,545,203
NET ASSETS, end of year	\$	43,548,202	40,770,071

Statements of Cash Flows – Hospital Only June 30, 2019 and 2018

CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH FLOWS FROW OF ERATING ACTIVITIES.		
Cash received from patients and third-party payors \$	47,218,306	43,447,131
Cash received from others	1,517,246	1,924,364
Cash paid for employee salaries and related benefits	(22,252,047)	(22,550,319)
Cash paid to suppliers	(19,558,137)	(17,616,471)
Interest paid	(600,761)	(711,053)
Investment income received	556,570	519,760
Net cash provided by operating activities	6,881,177	5,013,412
CASH FLOWS FROM INVESTING ACTIVITIES:		
Withdrawls from investments	1,244,606	3,593,231
Deposits to assets limited as to use, net	(453,183)	(216,963)
Deductions from other assets	15,546	2,116
Purchase of property and equipment, net	(4,187,349)	(2,784,495)
Net cash provided by (used in) investing activities	(3,380,380)	593,889
CASH FLOWS FROM FINANCING ACTIVITIES;		
Payments on long-term debt	(2,444,131)	(2,773,103)
INCREASE IN CASH AND CASH EQUIVALENTS	1,056,666	2,834,198
CASH AND CASH EQUIVALENTS, beginning of year	5,732,626	2,898,428
CASH AND CASH EQUIVALENTS, end of year \$	6,789,292	5,732,626

Statements of Cash Flows – Hospital Only (Continued) June 30, 2019 and 2018

		2019	2018
RECONCILIATION OF CHANGE IN NET ASSETS TO NET	•		
CASH PROVIDED BY OPERATING ACTIVITIES:			
Increase in net assets	\$	2,778,131	1,224,868
Adjustments to reconcile the change in net assets to			
net cash provided by operating activities:			
Depreciation expense		4,269,710	4,271,145
Amortization of debt issuance costs		21,142	25,369
Gain on disposal of property and equipment			(8,167)
(Increase) decrease in current assets:			
Receivables:			
Patient		(1,137,833)	(161,444)
Affiliate			11,071
Other		(594,446)	220,222
Inventories		(69,532)	(51,395)
Prepaid expenses		(144,431)	(30,917)
Estimated third-party payor settlements		370,598	(211,002)
Increase (decrease) in current liabilities:			
Accounts payable		(152,274)	(189,485)
Accrued salaries, vacation, and benefits payable		403,369	(70,910)
Other accrued expenses		230,265	(15,943)
Estimated third-party payor settlements		906,478	
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Net cash provided by operating activities	\$	6,881,177	5,013,412
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