

# **Cameron Memorial Community Hospital, Inc.**

Accountants' Report and Consolidated Financial Statements

September 30, 2010 and 2009



# Cameron Memorial Community Hospital, Inc.

September 30, 2010 and 2009

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## Independent Accountants' Report

Board of Directors  
Cameron Memorial Community Hospital, Inc.  
Angola, Indiana

We have audited the accompanying consolidated balance sheets of Cameron Memorial Community Hospital, Inc. (Hospital) as of September 30, 2010 and 2009, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cameron Memorial Community Hospital, Inc. as of September 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

BKD, LLP

December 13, 2010

# Cameron Memorial Community Hospital, Inc.

## Consolidated Balance Sheets September 30, 2010 and 2009

	2010	2009
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,445,198	\$ 2,567,471
Patient accounts receivable, net of allowance; 2010 - \$2,903,000; 2009 - \$2,307,000	6,245,998	5,005,690
Other receivables	141,386	46,165
Inventory	718,187	661,195
Prepaid expenses	331,372	266,680
Total current assets	8,882,141	8,547,201
<b>Assets Limited as to Use</b>		
Externally restricted by donors	202,488	203,607
Held by trustee under bond indenture agreements	2,459,554	—
Internally designated for capital improvements	1,661,753	1,571,444
Total assets limited as to use	4,323,795	1,775,051
<b>Investments</b>	13,475,758	11,512,091
<b>Property and Equipment, Net</b>	19,051,714	17,018,879
<b>Other Assets, Deferred Financing Costs</b>	293,537	—
Total assets	\$ 46,026,945	\$ 38,853,222
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 1,003,713	\$ 901,814
Accounts payable	1,433,077	1,195,942
Accrued salaries and related liabilities	1,378,274	1,242,379
Accrued expenses and other liabilities	661,957	1,097,631
Estimated amounts due to third-party payers	24,701	723,454
Total current liabilities	4,501,722	5,161,220
<b>Long-Term Debt</b>	15,584,536	9,638,874
<b>Interest Rate Swap Agreement</b>	—	143,739
Total liabilities	20,086,258	14,943,833
<b>Net Assets</b>		
Unrestricted	25,556,099	23,518,006
Temporarily restricted	384,588	391,383
Total net assets	25,940,687	23,909,389
Total liabilities and net assets	\$ 46,026,945	\$ 38,853,222

# Cameron Memorial Community Hospital, Inc.

## Consolidated Statements of Operations Years Ended September 30, 2010 and 2009

	2010	2009
<b>Unrestricted Revenue, Gains and Other Support</b>		
Net patient service revenue	\$ 39,628,528	\$ 38,194,969
Other	2,294,135	1,744,282
Net assets released from restrictions used for operations	<u>13,927</u>	<u>7,076</u>
Total unrestricted revenue, gains and other support	<u>41,936,590</u>	<u>39,946,327</u>
<b>Expenses</b>		
Salaries and wages	13,646,113	13,341,112
Payroll taxes and employee benefits	4,267,793	5,182,995
Purchased services and professional fees	8,826,606	7,829,524
Supplies	2,720,428	2,759,332
Repairs and maintenance	1,211,281	1,150,121
Utilities	564,321	618,830
Equipment rent	478,156	519,443
Insurance	365,737	325,283
Interest	484,313	655,078
Depreciation and amortization	2,218,488	2,342,343
Provision for uncollectible accounts	4,517,230	3,306,267
Other	<u>1,795,588</u>	<u>1,397,288</u>
Total expenses	<u>41,096,054</u>	<u>39,427,616</u>
<b>Operating Income</b>	<u>840,536</u>	<u>518,711</u>
<b>Other Income (Expense)</b>		
Investment return, interest and dividends	231,573	287,646
Realized gain (loss) on investments	63,404	(874,510)
Unrealized gain on trading securities	831,227	499,845
Contribution income	49,993	49,731
Change in fair value of interest rate swap agreement	<u>(122,389)</u>	<u>—</u>
Total other income (expense)	<u>1,053,808</u>	<u>(37,288)</u>
<b>Excess of Revenue Over Expenses</b>	1,894,344	481,423
Change in fair value of interest rate swap agreement	<u>143,749</u>	<u>(44,254)</u>
<b>Increase in Unrestricted Net Assets</b>	<u>\$ 2,038,093</u>	<u>\$ 437,169</u>

# Cameron Memorial Community Hospital, Inc.

## Consolidated Statements of Changes in Net Assets Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Unrestricted Net Assets</b>		
Excess of revenue over expenses	\$ 1,894,344	\$ 481,423
Change in fair value of interest rate swap agreement	<u>143,749</u>	<u>(44,254)</u>
Increase in unrestricted net assets	<u>2,038,093</u>	<u>437,169</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions received	5,795	8,642
Investment return	1,337	1,131
Net assets released from restriction	<u>(13,927)</u>	<u>(7,076)</u>
Increase (decrease) in temporarily restricted net assets	<u>(6,795)</u>	<u>2,697</u>
<b>Increase in Net Assets</b>	2,031,298	439,866
<b>Net Assets, Beginning of Year</b>	<u>23,909,389</u>	<u>23,469,523</u>
<b>Net Assets, End of Year</b>	<u>\$ 25,940,687</u>	<u>\$ 23,909,389</u>

# Cameron Memorial Community Hospital, Inc.

## Consolidated Statements of Cash Flows Years Ended September 30, 2010 and 2009

	2010	2009
<b>Operating Activities</b>		
Increase in net assets	\$ 2,031,298	\$ 439,866
Items not requiring cash		
Depreciation and amortization	2,218,488	2,342,343
Net realized and unrealized (gains) losses on investments	(894,631)	374,665
Change in fair value of interest rate swap agreement	(21,360)	44,254
Changes in		
Patient accounts receivable, net	(1,240,308)	(460,277)
Accounts payable	(81,403)	(383,862)
Estimated amounts due to (from) third-party settlements	(698,753)	997,237
Other assets and liabilities	(516,684)	382,858
Net cash provided by operating activities	796,647	3,737,084
<b>Investing Activities</b>		
Proceeds from disposition of investments	7,202,326	3,481,552
Purchase of investments	(10,820,106)	(2,772,250)
Purchase of property and equipment	(4,226,322)	(2,239,001)
Net cash used in investing activities	(7,844,102)	(1,529,699)
<b>Financing Activities</b>		
Principal payments on long-term debt	(8,165,563)	(336,538)
Principal payments on capital lease obligations	(551,876)	(525,316)
Proceeds from issuance of long-term debt	14,765,000	—
Payment upon termination of interest rate swap agreement	(122,379)	—
Net cash provided by (used in) financing activities	5,925,182	(861,854)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(1,122,273)	1,345,531
<b>Cash and Cash Equivalents, Beginning of Year</b>	2,567,471	1,221,940
<b>Cash and Cash Equivalents, End of Year</b>	\$ 1,445,198	\$ 2,567,471
<b>Supplemental Cash Flows Information</b>		
Interest paid (net of capitalized interest)	\$ 488,600	\$ 660,654
Property and equipment in accounts payable	318,538	67,535

**Cameron Memorial Community Hospital, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2010 and 2009**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Cameron Memorial Community Hospital, Inc. (Hospital), a not-for-profit organization, is a general acute care facility in Angola, Indiana with 25 licensed beds and associated ancillary service departments including outpatient services, home health care and an urgent care center in Angola, Indiana. The Hospital provides health care services primarily in the northeast portion of Indiana. Expenses relate to the provision of medical care and related general and administrative costs.

Cameron Medical Outreach, Inc. (CMO), a not-for-profit organization, is a community outreach organization providing health care needs of indigent individuals, medically underserved areas and the community as a whole. The Hospital is the sole member of Cameron Medical Outreach, Inc. CMO began operations on October 1, 2007, and operates an assisted living facility (Cameron Woods) and medical office buildings in Angola, Indiana.

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of Cameron Memorial Community Hospital, Inc. (Hospital) and Cameron Medical Outreach, Inc. (CMO), the Hospital's wholly controlled subsidiary. Intercompany transactions and balances have been eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Hospital and CMO consider all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At September 30, 2010, cash equivalents consisted primarily of money market funds and certificates of deposit.

The financial institutions holding the Hospital's and CMO's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2012, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Interest-bearing accounts are insured by the FDIC up to \$250,000. At September 30, 2010, none of the Hospital's and CMO's interest-bearing cash accounts exceeded federally insured limits.

Cash equivalents awaiting longer-term investing are included as investments in the consolidated balance sheets.

**Cameron Memorial Community Hospital, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2010 and 2009**

***Patient Accounts Receivable***

The Hospital and CMO report patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the entities bill third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. The investment in equity investee is reported on the equity method of accounting. Investment return includes dividend, interest and other investment income, and realized and unrealized gains and losses on investments carried at fair value. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of operations and changes in net assets as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Hospital invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheets.

***Assets Limited as to Use***

Assets limited as to use include: (1) assets restricted by donors, (2) assets held by trustees under bond indenture agreements and (3) assets set aside by the Board of Directors for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital are included in current assets.

***Inventory***

Supply inventories are stated at the lower of cost, determined using the first-in, first-out (FIFO) method, or market.

***Property and Equipment***

Property and equipment other than that received by donation are reported at cost and depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

**Cameron Memorial Community Hospital, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2010 and 2009**

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

The Hospital capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred at was:

	<b>2010</b>	<b>2009</b>
Total interest expense incurred on borrowings for project	\$ 161,872	\$ —
Interest income from investment of proceeds of borrowings for project	—	—
Net interest cost capitalized	<u>\$ 161,872</u>	<u>\$ 0</u>
Interest capitalized	\$ 161,872	\$ —
Interest charged to expense	<u>484,313</u>	<u>655,078</u>
Total interest incurred	<u>\$ 646,185</u>	<u>\$ 655,078</u>

***Deferred Financing Costs***

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose.

***Patient Accounts Receivable Financing***

Under a credit financing agreement, qualified self-pay patients can receive interest-bearing loans from an independent financial institution to pay their receivable balances to the Hospital. The transfer of these receivables is with full recourse to the Hospital. At September 30, 2010 and 2009, these receivables totaled \$188,518 and \$254,548, respectively. The Hospital has made provision for accounts estimated to be uncollectible in the allowance for uncollectible accounts under these agreements.

***Net Patient Service Revenue***

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered,

# **Cameron Memorial Community Hospital, Inc.**

## **Notes to Consolidated Financial Statements**

### **September 30, 2010 and 2009**

including estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and revised in future periods, as adjustments become known.

#### ***Charity Care***

The Hospital and CMO provide care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the entities do not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

#### ***Contributions***

Unconditional promises to give cash and other assets are accrued at estimated fair values at the date each promise 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 as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Receipt of contributions which are conditional are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

#### ***Self-Insured Employee Health Claims***

The Hospital is self-insured for its exposure to risk of loss from employee health claims. An estimated provision is accrued for employee health claims at September 30, 2010 and 2009, and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

#### ***Estimated Malpractice Costs***

An annual estimated provision is accrued for the self-insured portion of medical malpractice claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported.

#### ***Income Taxes***

The Hospital and CMO have been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Hospital and CMO are subject to federal income tax on any unrelated business taxable income.

The Hospital and CMO file tax returns in the Indiana and U.S. federal jurisdictions. With a few exceptions, the Hospital and CMO are no longer subject to Indiana and U.S. federal examinations by tax authorities for years before 2007.

**Cameron Memorial Community Hospital, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2010 and 2009**

***Excess of Revenue Over Expenses***

The statements of operations include excess of revenue over expenses. Changes in unrestricted net assets which are excluded from the excess of revenue over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, the change in value of an interest rate swap agreement designated for hedge accounting and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such assets).

***Reclassification***

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on the change in net assets.

**Note 2: Charity Care**

Charges excluded from revenue under the entities' charity care policies were \$833,886 and \$1,066,728 for 2010 and 2009, respectively.

**Note 3: Net Patient Service Revenue and Estimated Amounts due to Third-Party Payers**

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

*Medicare.* On February 1, 2003, the Hospital elected critical access hospital (CAH) designation. As a CAH, inpatient and outpatient services are paid on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with a final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicare fiscal intermediaries.

*Medicaid.* For Medicaid inpatient services, the Hospital is reimbursed under a prospectively determined rate-per-discharge. Reimbursement for Medicaid outpatient services is based on predetermined rates. The differences between standard charges and reimbursement from this program are recorded as contractual adjustments.

Approximately 41% and 39% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2010 and 2009, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

# Cameron Memorial Community Hospital, Inc.

## Notes to Consolidated Financial Statements September 30, 2010 and 2009

The 2010 net patient service revenue increased approximately \$722,000 due to changes in previously estimated settlements and other reimbursement amounts from prior years.

A summary of gross patient service revenue and contractual adjustments for the years ended September 30, 2010 and 2009, are as follows:

	2010	2009
Patient service revenue		
Routine services	\$ 4,279,251	\$ 4,017,565
Inpatient	7,545,050	6,648,332
Outpatient	57,074,047	53,522,574
Charity care	<u>(833,886)</u>	<u>(1,066,728)</u>
Total patient service revenue	68,064,462	63,121,743
Contractual adjustments	<u>(28,435,934)</u>	<u>(24,926,774)</u>
Net patient service revenue	<u>\$ 39,628,528</u>	<u>\$ 38,194,969</u>

### Note 4: Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables, net of contractals, from patients and third-party payers at September 30 was:

	2010	2009
Commercial insurance	14%	21%
Medicare	25	18
Medicaid	3	8
Self-pay	34	37
Blue Cross	8	11
Workers' compensation	1	1
Other	<u>15</u>	<u>4</u>
	<u>100%</u>	<u>100%</u>

# Cameron Memorial Community Hospital, Inc.

## Notes to Consolidated Financial Statements September 30, 2010 and 2009

### Note 5: Investments and Investment Return

#### *Assets Limited as to Use*

Assets limited as to use at September 30 include:

	2010	2009
Externally restricted by donors		
Cash	\$ <u>202,488</u>	\$ <u>203,607</u>
Held by trustee under bond indenture agreements		
Money market funds	\$ <u>2,459,554</u>	\$ <u>0</u>
Internally designated for capital improvements		
Money market funds	\$ —	\$ 1,571,444
Mutual funds	<u>1,661,753</u>	<u>—</u>
	<u>\$ 1,661,753</u>	<u>\$ 1,571,444</u>

#### *Long-Term Investments*

Long-term investments at September 30 include:

	2010	2009
Money market funds	\$ 576,458	\$ 726,192
Mutual funds	9,918,706	7,917,793
Common stocks	2,801,575	2,746,297
U.S. Government agency securities	<u>179,019</u>	<u>121,809</u>
	<u>\$ 13,475,758</u>	<u>\$ 11,512,091</u>

Total investment return is comprised of the following:

	2010	2009
Interest and dividend income (net of fees of \$70,809 and \$60,295)	\$ 232,910	\$ 288,777
Realized gains (losses) on sales of securities	63,404	(874,510)
Unrealized gains on trading securities	<u>831,227</u>	<u>499,845</u>
Total investment return	<u>\$ 1,127,541</u>	<u>\$ (85,888)</u>

**Cameron Memorial Community Hospital, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2010 and 2009**

Total investment return is reflected in the statements of operations and changes in net assets as follows:

	<b>2010</b>	<b>2009</b>
Unrestricted net assets		
Other nonoperating income	\$ 1,126,204	\$ (87,019)
Temporarily restricted net assets	<u>1,337</u>	<u>1,131</u>
	<u>\$ 1,127,541</u>	<u>\$ (85,888)</u>

**Note 6: Property and Equipment, Net**

Property and equipment is recorded at cost, and at September 30 consist of:

	<b>2010</b>	<b>2009</b>	<b>Estimated Useful Life</b>
Buildings and improvements	\$ 20,988,993	\$ 20,871,893	5-50 years
Equipment	13,945,154	13,496,353	3-20 years
Construction in progress	<u>2,712,388</u>	<u>408,622</u>	
	37,646,535	34,776,868	
Less accumulated depreciation and amortization	<u>(22,543,015)</u>	<u>(20,463,110)</u>	
	15,103,520	14,313,758	
Land	1,043,373	1,043,373	
Land held for expansion	<u>2,904,821</u>	<u>1,661,748</u>	
Property and equipment, net	<u>\$ 19,051,714</u>	<u>\$ 17,018,879</u>	

**Note 7: Note Payable to Bank**

The Hospital has a \$2,000,000 revolving bank line of credit expiring in 2011. At September 30, 2010 there were no borrowings against this line. The line is unsecured. Interest varies with the bank's prime rate and is payable monthly.

**Cameron Memorial Community Hospital, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2010 and 2009**

**Note 8: Long-Term Debt**

Long-term debt at September 30 consists of the following:

	2010	2009
Farmers Home Administration, United States Department of Agriculture promissory notes, dated April 28, 1997, 4.875% and 5.00%, payable in equal monthly installments of \$18,399 including interest, final payment originally due April 2037. This note was paid in full in 2010 in conjunction with the issuance of the Series 2009A and 2009 B Revenue Bonds	\$ —	\$ 3,270,574
Farmers Home Administration, United States Department of Agriculture promissory note of \$3,000,000, dated December 22, 1999, 4.75%, payable in equal monthly installments of \$13,980 including interest, final payment originally due December 2039. This note was paid in full in 2010 in conjunction with the issuance of the Series 2009A and 2009 B Revenue Bonds	—	2,687,531
Farmers Home Administration, United States Department of Agriculture promissory note of \$3,800,000, dated July 30, 1975, 5.00%, payable in equal monthly installments of \$18,620 including interest, final payment originally due June 2015. This note was paid in full in 2010 in conjunction with the issuance of the Series 2009A and 2009 B Revenue Bonds	—	1,082,299
Bank mortgage note of \$1,500,000, dated December 22, 1999, variable interest rate of 1.62% over 90-day LIBOR (1.93% at September 30, 2009), payable in equal quarterly installments of \$18,750 plus interest, final payment originally due January 2020. This note was paid in full in 2010 in conjunction with the issuance of the Series 2009A and 2009 B Revenue Bonds	—	806,250
Indiana Finance Authority Health Facility Revenue Bonds, Series 2009A, dated December 29, 2009, 3.08%, payable in monthly installments of \$47,860 including interest, final payment due January 2013	9,782,495	—

**Cameron Memorial Community Hospital, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
Indiana Finance Authority Health Facility Revenue Bonds, Series 2009B, dated December 29, 2009, 3.25%, payable in monthly installments of \$23,225 including interest, final payment due January 2013	\$ 4,663,596	\$ —
Various capital lease obligations, imputed interest rates of 8.00%, expiring between 2013 and 2014, collateralized by leased equipment	<u>2,142,158</u>	<u>2,694,034</u>
	16,588,249	10,540,688
Less current maturities	<u>(1,003,713)</u>	<u>(901,814)</u>
	<u>\$ 15,584,536</u>	<u>\$ 9,638,874</u>

The Farmers Home Administration promissory notes were collateralized by a mortgage on substantially all Hospital property including Cameron Woods (the assisted living center), equipment, accounts receivable and revenue. The bank mortgage and term note were collateralized by a mortgage on Cameron Woods and certain investments held with such bank. These promissory notes were paid in full during 2010 in conjunction with issuance of the Series 2009A and 2009B Indiana Finance Authority Health Facility Revenue Bonds.

The Series 2009A and 2009B Revenue Bonds are collateralized by a mortgage and security agreement pledging essentially all of the Hospital's and CMO's property and equipment. In connection with the Series 2009A and 2009B Revenue Bonds, the entities are required to meet certain covenant requirements.

Property and equipment include the following property under capital leases:

	<b>2010</b>	<b>2009</b>
Equipment	\$ 5,405,801	\$ 5,405,801
Less accumulated depreciation	<u>(4,128,231)</u>	<u>(3,374,776)</u>
	<u>\$ 1,277,570</u>	<u>\$ 2,031,025</u>

# Cameron Memorial Community Hospital, Inc.

## Notes to Consolidated Financial Statements September 30, 2010 and 2009

Aggregate annual maturities of long-term debt and payments on capital lease obligations at September 30, 2010, are as follows:

	Long-Term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2011	\$ 404,762	\$ 785,152
2012	417,644	787,775
2013	13,623,685	798,821
2014	<u>—</u>	<u>207,540</u>
	<u>\$ 14,446,091</u>	2,579,288
Less amount representing interest		<u>(437,130)</u>
Present value of future minimum lease payments		2,142,158
Less current maturities		<u>(598,951)</u>
Noncurrent portion		<u>\$ 1,543,207</u>

### Note 9: Derivative Financial Instrument

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the entities entered into an interest rate swap agreement for a portion of its floating rate debt. In 2010, this financial instrument was terminated, resulting in a payment by the entities of \$122,379 to the counterparty. The agreement provided for the entities and another party to exchange the difference between a variable and fixed interest rate (7.98%) on a notional amount of \$787,500 at September 30 2009. The difference between the variable interest rate and the fixed interest rate was settled quarterly and was reflected in interest expense. Management had designated the interest swap agreement as a cash flow hedging instrument and had determined the agreement qualified for hedge accounting. As a result, the agreement was recorded at its fair value with subsequent changes in fair value excluded from the excess of revenue over expenses.

### Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30 are available for the following purpose:

	2010	2009
Health care services		
MRI housing addition	\$ 182,100	\$ 187,776
Home health care	<u>202,488</u>	<u>203,607</u>
	<u>\$ 384,588</u>	<u>\$ 391,383</u>

**Cameron Memorial Community Hospital, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2010 and 2009**

During 2010 and 2009, net assets were released from donor restrictions by incurring expenses or satisfying the restricted purposes in the amounts of \$13,927 and \$7,076, respectively.

**Note 11: Operating Leases**

Noncancellable operating leases for certain diagnostic equipment and computer software and hardware expire in various years through March 2014. Rental payments include minimum rentals, plus contingent rentals based on the number of procedures performed using the equipment.

Future minimum lease payments at September 30, 2010, were:

2011	\$ 366,084
2012	246,394
2013	148,912
2014	<u>5,140</u>
	<u>\$ 766,530</u>

Rental expense for all operating leases at September 30 consisted of:

	<u>2010</u>	<u>2009</u>
Minimum rentals	\$ 366,084	\$ 425,717
Contingent rentals	<u>54,728</u>	<u>49,736</u>
	<u>\$ 420,812</u>	<u>\$ 475,453</u>

The Hospital and CMO own a medical office building and an oncology facility adjacent to the Hospital facility along with an assisted living facility. The medical office building and equipment are included in property and equipment, with a cost of \$1,563,677 and accumulated depreciation of \$1,087,346 and \$1,038,310 at September 30, 2010 and 2009, respectively. The oncology facility is included in property and equipment with a cost of \$1,297,182 and accumulated depreciation of \$316,168 and \$282,953 at September 30, 2010 and 2009, respectively. The assisted living facility is also included in property and equipment, with a cost of \$4,578,384 and \$4,582,056 and accumulated depreciation of \$1,285,667 and \$1,190,152 at September 30, 2010 and 2009, respectively.

The entities lease space in the medical office building and portion of the oncology facility to physicians and tenants under various operating leases, with terms of three years with three-year renewal options. The entities also operate an assisted living facility which leases apartments under cancellable month-to-month lease terms. Rental income under the term of these leases is included in other revenue and was \$1,531,037 and \$1,446,482 in 2010 and 2009, respectively.

**Cameron Memorial Community Hospital, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2010 and 2009**

Future minimum lease payments to be received at September 30, 2010, were:

2011	\$	142,827
2012		<u>47,205</u>
Future minimum lease receipts	\$	<u>190,032</u>

**Note 12: Pension Plan**

The Hospital has a defined contribution pension plan covering substantially all employees. The Board of Directors annually determines the amount, if any, of the Hospital's contributions to the plan. Pension expense was \$449,901 and \$451,398 for 2010 and 2009, respectively.

**Note 13: Medical Malpractice**

The Hospital and CMO participate in the Indiana Medical Malpractice Act which limits the maximum recovery for qualified medical malpractice claims to \$1,250,000 per occurrence, the first \$250,000 of which would be the responsibility of the entities, with the balance paid by the state of Indiana Patient Compensation Fund.

The entities purchase medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional services occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the entities' claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

**Note 14: Self-Insured Employee Health Claims**

The Hospital is self-insured for the first \$85,000 per occurrence and \$3,126,000 in aggregate of employee health claims. The Hospital purchases commercial insurance coverage above the self-insurance limits. The liability for employee health claims represents management's estimate of all incurred and reported claims plus estimated incurred but not reported claims based on the Hospital's reporting system. The carrying amount of the liability was approximately \$509,000 and \$701,000 as of September 30, 2010 and 2009, respectively. The liability is included in accrued expenses and other liabilities in the accompanying balance sheets. It is reasonably possible that the Hospital's estimate of losses will change by a material amount in the near term.

# Cameron Memorial Community Hospital, Inc.

## Notes to Consolidated Financial Statements September 30, 2010 and 2009

### Note 15: Functional Expenses

The Hospital and CMO provide general health care services to residents within its geographic location including pediatric care, cardiac intensive care and outpatient surgery. Expenses related to providing these services are as follows:

	<u>2010</u>	<u>2009</u>
Health care services	\$ 34,931,646	\$ 33,513,474
General and administrative	<u>6,164,408</u>	<u>5,914,142</u>
	<u>\$ 41,096,054</u>	<u>\$ 39,427,616</u>

### Note 16: Related Party Transactions

Cameron Memorial Community Hospital, Inc. and Cameron Hospital Foundation, Inc. (Foundation) are related parties that are not financially interrelated organizations. The Foundation was established to solicit contributions from the general public and to help support community and health care related educational events. In the absence of donor restrictions, funds are distributed as determined by the Foundation's Board of Directors, which are separately appointed from that of the Hospital. The Hospital provides accounting and financial management services to the Foundation and bills the Foundation \$16,000 annually.

The Foundation contributed approximately \$50,000 to the Hospital in fiscal years 2010 and 2009. There were no significant intercompany receivables or payables at September 30, 2010 and 2009.

### Note 17: Investments in Equity Investee and Long-Term Debt Guarantee

The Hospital had a 40% interest in Tri-State Medical Imaging Center LLC (Tri-State), a limited liability company located in Angola, Indiana. The joint venture was formed to operate an imaging center. At September 30, 2009, the Hospital had \$0 recorded as its investment.

Tri-State had outstanding \$1,273,099 of debt used for the purchase of imaging equipment at September 30, 2009. The Hospital had guaranteed 40% of the debt service, which is to be paid from Tri-State operating income. The Hospital recorded \$252,634 at September 30, 2009, to reflect its estimated liability for this debt guarantee less assumed asset value within Tri-State.

The Hospital sold its 40% interest in Tri-State Medical Imaging Center LLC during 2010 for a gain of approximately \$268,000, which is included in other revenue. At September 30, 2010, the Hospital has no outstanding guarantee associated with this entity.

### Note 18: Commitments

The Hospital entered into a new capital lease agreement during the year for equipment with a cost of approximately \$1,500,000. The Hospital has made a down payment of approximately \$172,000, which is included in accounts payable as of September 30, 2010. As the Hospital has not yet

**Cameron Memorial Community Hospital, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2010 and 2009**

received the assets for the lease, the capital lease liability has not been recorded as of September 30, 2010.

**Note 19: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Allowance for Net Patient Service Revenue Adjustments***

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 3.

***Malpractice Claims***

Estimates related to the accrual for medical malpractice claims are described in Note 13.

***Employee Health Insurance***

Estimates related to the accrual for self-insured employee health insurance are discussed in Notes 1 and 14.

***Litigation***

In the normal course of business, the entities are, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the entities' insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The entities evaluate such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

***Current Economic Conditions***

The current protracted economic decline continues to present hospitals with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital and CMO.

Current economic conditions have made it difficult for certain of our patients to pay for services rendered. Adjustments to health insurance plans and rising unemployment rates, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital and CMO's future operating results. Further, the effect of

# Cameron Memorial Community Hospital, Inc.

## Notes to Consolidated Financial Statements

### September 30, 2010 and 2009

economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact the Hospital and CMO's ability to meet debt covenants or maintain sufficient liquidity.

#### **Note 20: Disclosures About Fair Value of Assets and Liabilities**

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

#### ***Investments and Assets Limited as to Use***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include common stocks, money market funds and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. Government treasury and agency securities. The inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There were no Level 3 securities.

# Cameron Memorial Community Hospital, Inc.

## Notes to Consolidated Financial Statements September 30, 2010 and 2009

### ***Interest Rate Swap Agreement***

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, is classified within Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2010 and 2009:

		2010			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value				
<b>Investments</b>					
Money market funds	\$ 576,458	\$ 576,458	\$ —	\$ —	\$ —
Mutual funds	9,918,706	9,918,706	—	—	—
Common stocks	2,801,575	2,801,575	—	—	—
U.S. Government treasury and agency securities	179,019	—	179,019	—	—
<b>Assets Limited as to Use</b>					
Money market funds	2,459,554	2,459,554	—	—	—
Mutual fund	1,661,753	1,661,753	—	—	—

# Cameron Memorial Community Hospital, Inc.

## Notes to Consolidated Financial Statements September 30, 2010 and 2009

		2009			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value			
Investments					
Money market funds	\$	726,192	\$ 726,192	\$ —	\$ —
Mutual funds		7,917,793	7,917,793	—	—
Common stocks		2,746,297	2,746,297	—	—
U.S. Government agency securities		121,809	—	121,809	—
Assets Limited as to Use					
Money market funds		1,571,444	1,571,444	—	—
Interest rate swap agreement		143,739	—	143,739	—

### Note 21: Subsequent Events

Subsequent events have been evaluated through December 13, 2010, which is the date the financial statements were available to be issued.

The Hospital is currently in the final planning stages of a \$52,400,000 redevelopment project including the construction of a \$37,000,000 replacement hospital facility on its current facility site. A financing plan which includes \$47,000,000 in new long-term debt in addition to assumed contributions and use of available Hospital investments to finance the project as well to refinance \$14,000,000 in existing debt was also in final development as of December 13, 2010. Current plans call for execution of the financing plan and initiation of the construction phase of the redevelopment project in fiscal year 2011. At September 30, 2010, the Hospital had expended approximately \$5,600,000 on initial planning activities and to acquire land for the redevelopment project. In December 2010, the Hospital entered into a \$31,260,000 Guaranteed Maximum Price contract with a third-party to construct the replacement facility and had initiated planning portions of the contract committing the Hospital to approximately \$1,000,000 in future expenditures under the contract, with the remaining contract balance cancellable at the Hospital's discretion. The Hospital had no other firm commitments associated with the redevelopment project or the financing plan as of December 13, 2010.

## Independent Accountants' Report on Supplementary Information

Board of Directors  
Cameron Memorial Community Hospital, Inc.  
Angola, Indiana

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual companies, and is not a required part of the basic consolidated financial statements. The consolidating information has been subjected to the procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

BKD, LLP

Fort Wayne, Indiana  
December 13, 2010

# Cameron Memorial Community Hospital, Inc.

## Consolidating Balance Sheet

September 30, 2010

	Cameron Memorial Community Hospital, Inc.	Cameron Medical Outreach, Inc.	Eliminating Entries	Totals
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,207,499	\$ 237,699	\$ —	\$ 1,445,198
Patient accounts receivable, net of allowance; 2010 - \$2,903,000	6,245,998	—	—	6,245,998
Other receivables	445,868	352,752	(657,234)	141,386
Inventory	718,187	—	—	718,187
Prepaid expenses	<u>331,372</u>	<u>—</u>	<u>—</u>	<u>331,372</u>
Total current assets	<u>8,948,924</u>	<u>590,451</u>	<u>(657,234)</u>	<u>8,882,141</u>
<b>Assets Limited as to Use</b>				
Externally restricted by donors	202,488	—	—	202,488
Held by trustee under bond indenture agreements	2,459,554	—	—	2,459,554
Internally designated for capital improvements	<u>1,661,753</u>	<u>—</u>	<u>—</u>	<u>1,661,753</u>
Total assets limited as to use	<u>4,323,795</u>	<u>—</u>	<u>—</u>	<u>4,323,795</u>
<b>Investments</b>	<u>16,955,428</u>	<u>—</u>	<u>(3,479,670)</u>	<u>13,475,758</u>
<b>Property and Equipment, Net</b>	<u>15,758,997</u>	<u>3,292,717</u>	<u>—</u>	<u>19,051,714</u>
<b>Other Assets, Deferred Financing Costs</b>	<u>293,537</u>	<u>—</u>	<u>—</u>	<u>293,537</u>
Total assets	<u>\$ 46,280,681</u>	<u>\$ 3,883,168</u>	<u>\$ (4,136,904)</u>	<u>\$ 46,026,945</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Current maturities of long-term debt	\$ 1,003,713	\$ —	\$ —	\$ 1,003,713
Accounts payable	1,785,829	304,482	(657,234)	1,433,077
Accrued salaries and related liabilities	1,378,274	—	—	1,378,274
Accrued expenses and other liabilities	661,957	—	—	661,957
Estimated amounts due to third-party settlements	<u>24,701</u>	<u>—</u>	<u>—</u>	<u>24,701</u>
Total current liabilities	4,854,474	304,482	(657,234)	4,501,722
<b>Long-Term Debt</b>	<u>15,584,536</u>	<u>—</u>	<u>—</u>	<u>15,584,536</u>
Total liabilities	<u>20,439,010</u>	<u>304,482</u>	<u>(657,234)</u>	<u>20,086,258</u>
<b>Net Assets</b>				
Unrestricted	25,457,083	3,578,686	(3,479,670)	25,556,099
Temporarily restricted	<u>384,588</u>	<u>—</u>	<u>—</u>	<u>384,588</u>
Total net assets	<u>25,841,671</u>	<u>3,578,686</u>	<u>(3,479,670)</u>	<u>25,940,687</u>
Total liabilities and net assets	<u>\$ 46,280,681</u>	<u>\$ 3,883,168</u>	<u>\$ (4,136,904)</u>	<u>\$ 46,026,945</u>

**Cameron Memorial Community Hospital, Inc.**  
**Consolidating Statement of Operations**  
**Year Ended September 30, 2010**

	Cameron Memorial Community Hospital, Inc.	Cameron Medical Outreach, Inc.	Eliminating Entries	Totals
<b>Unrestricted Revenue, Gains and Other Support</b>				
Net patient service revenue	\$ 39,628,528	\$ —	\$ —	\$ 39,628,528
Other	1,039,435	1,607,452	(352,752)	2,294,135
Net assets released from restrictions used for operations	<u>13,927</u>	<u>—</u>	<u>—</u>	<u>13,927</u>
Total unrestricted revenue, gains and other support	<u>40,681,890</u>	<u>1,607,452</u>	<u>(352,752)</u>	<u>41,936,590</u>
<b>Expenses</b>				
Salaries and wages	13,141,816	504,297	—	13,646,113
Payroll taxes and employee benefits	4,267,793	—	—	4,267,793
Purchased services and professional fees	8,783,007	43,599	—	8,826,606
Supplies	2,720,428	—	—	2,720,428
Repairs and maintenance	1,175,888	35,393	—	1,211,281
Utilities	464,142	100,179	—	564,321
Equipment rent	814,036	16,872	(352,752)	478,156
Insurance	365,737	—	—	365,737
Interest	441,303	43,010	—	484,313
Depreciation and amortization	2,096,753	121,735	—	2,218,488
Provision for uncollectible accounts	4,517,230	—	—	4,517,230
Other	<u>1,315,172</u>	<u>480,416</u>	<u>—</u>	<u>1,795,588</u>
Total expenses	<u>40,103,305</u>	<u>1,345,501</u>	<u>(352,752)</u>	<u>41,096,054</u>
<b>Operating Income</b>	<u>578,585</u>	<u>261,951</u>	<u>—</u>	<u>840,536</u>
<b>Other Income (Expense)</b>				
Investment return, interest and dividends	231,573	—	—	231,573
Realized gain on investments	63,404	—	—	63,404
Unrealized gain on trading securities	831,227	—	—	831,227
Contribution income	49,993	—	—	49,993
Change in fair value of interest rate swap agreement	<u>—</u>	<u>(122,389)</u>	<u>—</u>	<u>(122,389)</u>
Total other income (expense)	<u>1,176,197</u>	<u>(122,389)</u>	<u>—</u>	<u>1,053,808</u>
<b>Excess of Revenue Over Expenses</b>	1,754,782	139,562	—	1,894,344
Change in fair value of interest rate swap agreement	<u>—</u>	<u>143,749</u>	<u>—</u>	<u>143,749</u>
<b>Increase in Unrestricted Net Assets</b>	<u>\$ 1,754,782</u>	<u>\$ 283,311</u>	<u>\$ 0</u>	<u>\$ 2,038,093</u>

**Cameron Memorial Community Hospital, Inc.**  
**Consolidating Statement of Changes in Net Assets**  
**Year Ended September 30, 2010**

	Cameron Memorial Community Hospital, Inc.	Cameron Medical Outreach, Inc.	Eliminating Entries	Totals
<b>Unrestricted Net Assets</b>				
Excess of revenue over expenses	\$ 1,754,782	\$ 139,562	\$ —	\$ 1,894,344
Change in fair value of interest rate swap agreement	<u>—</u>	<u>143,749</u>	<u>—</u>	<u>143,749</u>
Increase in unrestricted net assets	<u>1,754,782</u>	<u>283,311</u>	<u>—</u>	<u>2,038,093</u>
<b>Temporarily Restricted Net Assets</b>				
Contributions received	5,795	—	—	5,795
Investment return	1,337	—	—	1,337
Net assets released from restriction	<u>(13,927)</u>	<u>—</u>	<u>—</u>	<u>(13,927)</u>
Decrease in temporarily restricted net assets	<u>(6,795)</u>	<u>—</u>	<u>—</u>	<u>(6,795)</u>
<b>Increase in Net Assets</b>	1,747,987	283,311	—	2,031,298
<b>Net Assets, Beginning of Year</b>	23,518,006	391,383	—	23,909,389
<b>Transfers From Subsidiaries</b>	<u>575,678</u>	<u>2,903,992</u>	<u>(3,479,670)</u>	<u>0</u>
<b>Net Assets, End of Year</b>	<u>\$ 25,841,671</u>	<u>\$ 3,578,686</u>	<u>\$ (3,479,670)</u>	<u>\$ 25,940,687</u>