

# **Gibson General Hospital, Inc. and Affiliate**

Auditor's Report and Combined Financial Statements

September 30, 2013 and 2012

# Gibson General Hospital, Inc. and Affiliate

## September 30, 2013 and 2012

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## Independent Auditor's Report on Combined Financial Statements and Supplementary Information

Board of Directors  
Gibson General Hospital, Inc. and Affiliate  
Princeton, Indiana

We have audited the accompanying combined financial statements of Gibson General Hospital, Inc. and Affiliate, which comprise the combined balance sheets as of September 30, 2013 and 2012, and the related combined statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

### *Management's Responsibility for the Combined Financial Statements*

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Gibson General Hospital, Inc. and Affiliate as of September 30, 2013 and 2012, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

*BKD, LLP*

Indianapolis, Indiana  
February 26, 2014

**Gibson General Hospital, Inc. and Affiliate**  
**Combined Balance Sheets**  
**September 30, 2013 and 2012**

**Assets**

|  | <u>2013</u>          | <u>2012</u>          |
|--|----------------------|----------------------|
| <b>Current Assets</b>  |                      |                      |
| Cash and cash equivalents  | \$ 2,697,045         | \$ 3,369,613         |
| Patient accounts receivable, net of allowance;<br>2013 - \$2,936,607; 2012 - \$2,297,790 | 3,263,137            | 3,570,559            |
| Contributions receivable   | 4,002                | 19,841               |
| Other receivables  | 533,529              | 370,242              |
| Supplies   | 709,189              | 681,551              |
| Prepaid expenses and other   | 247,314              | 182,030              |
| Total current assets   | <u>7,454,216</u>     | <u>8,193,836</u>     |
| <b>Property and Equipment, net</b>   | <u>12,802,315</u>    | <u>11,232,312</u>    |
| <b>Other Assets</b>  |                      |                      |
| Assets limited as to use - internally designated   | 4,728,837            | 4,399,263            |
| Beneficial interest in assets at<br>Community Foundation Alliance                        | 59,959               | 53,318               |
| Deferred financing costs   | 44,686               | 48,540               |
|  | <u>4,833,482</u>     | <u>4,501,121</u>     |
| Total assets   | <u>\$ 25,090,013</u> | <u>\$ 23,927,269</u> |

**Liabilities and Net Assets**

|  |                      |                      |
|--|----------------------|----------------------|
| <b>Current Liabilities</b>                 |                      |                      |
| Current maturities of long-term debt       | \$ 901,132           | \$ 711,131           |
| Accounts payable                           | 769,140              | 733,170              |
| Accrued expenses                           | 1,253,506            | 1,224,892            |
| Estimated amount due to third-party payers | 310,173              | 121,726              |
| Accrued self-insurance liabilities         | 342,855              | 459,387              |
| Total current liabilities                  | <u>3,576,806</u>     | <u>3,250,306</u>     |
| <b>Long-Term Debt</b>                      | <u>9,707,515</u>     | <u>9,010,063</u>     |
| Total liabilities                          | <u>13,284,321</u>    | <u>12,260,369</u>    |
| <b>Net Assets</b>                          |                      |                      |
| Unrestricted                               | 11,687,656           | 11,523,414           |
| Temporarily restricted                     | 58,077               | 90,168               |
| Permanently restricted                     | 59,959               | 53,318               |
| Total net assets                           | <u>11,805,692</u>    | <u>11,666,900</u>    |
| Total liabilities and net assets           | <u>\$ 25,090,013</u> | <u>\$ 23,927,269</u> |

**Gibson General Hospital, Inc. and Affiliate**  
**Combined Statements of Operations**  
**Years Ended September 30, 2013 and 2012**

|  | <b>2013</b>       | <b>2012</b>         |
|--|-------------------|---------------------|
| <b>Unrestricted Revenues, Gains and Other Support</b>                                      |                   |                     |
| Patient service revenue (net of contractual discounts and allowances)                      | \$ 34,479,178     | \$ 35,264,621       |
| Provision for uncollectible accounts   | (3,786,145)       | (3,573,701)         |
| Net patient service revenue less provision for uncollectible accounts                      | 30,693,033        | 31,690,920          |
| Other  | 651,188           | 631,352             |
| Total unrestricted revenues, gains and other support                                       | 31,344,221        | 32,322,272          |
| <b>Expenses and Losses</b>   |                   |                     |
| Salaries and wages   | 14,595,986        | 14,258,519          |
| Employee benefits  | 3,589,054         | 3,513,090           |
| Contracted services  | 2,668,638         | 2,248,504           |
| Supplies   | 2,743,914         | 2,617,976           |
| Physician fees   | 2,090,665         | 2,289,326           |
| Insurance  | 428,134           | 411,562             |
| Lease expense  | 432,316           | 392,204             |
| Utilities  | 646,487           | 559,556             |
| Other  | 753,253           | 741,286             |
| Depreciation and amortization  | 1,047,439         | 1,528,446           |
| Professional fees  | 145,909           | 233,578             |
| Interest   | 321,926           | 309,856             |
| Maintenance and repair   | 863,482           | 760,943             |
| Advertising  | 273,469           | 287,296             |
| Recruiting   | 89,344            | 109,195             |
| Collection   | 139,017           | 146,093             |
| Minor equipment  | 131,266           | 104,463             |
| Provider hospital assessment fee   | 765,177           | 847,515             |
| Total expenses and losses  | 31,725,476        | 31,359,408          |
| <b>Operating Income (Loss)</b>   | <b>(381,255)</b>  | <b>962,864</b>      |
| <b>Other Income (Expense)</b>  |                   |                     |
| Contributions received   | 99,721            | 112,833             |
| Investment income  | 162,141           | 132,090             |
| Assets released from restriction   | 32,091            | 177,692             |
| Total other income   | 293,953           | 422,615             |
| <b>Excess (Deficiency) of Revenues Over Expenses</b>                                       | <b>(87,302)</b>   | <b>1,385,479</b>    |
| Investment return - change in unrealized gains and losses on other than trading securities | 251,544           | 457,924             |
| <b>Increase in Unrestricted Net Assets</b>   | <b>\$ 164,242</b> | <b>\$ 1,843,403</b> |

**Gibson General Hospital, Inc. and Affiliate**  
**Combined Statements of Changes in Net Assets**  
**Years Ended September 30, 2013 and 2012**

|   | <b>2013</b>   | <b>2012</b>   |
|---|---------------|---------------|
| <b>Increase in Unrestricted Net Assets</b>  | \$ 164,242    | \$ 1,843,403  |
| <b>Temporarily Restricted Net Assets</b>  |               |               |
| Contributions   | -             | 16,180        |
| Assets released from restriction  | (32,091)      | (177,692)     |
| Net change in temporarily restricted net assets   | (32,091)      | (161,512)     |
| <b>Permanently Restricted Net Assets - change in beneficial interest in assets at Community Foundation Alliance</b> | 6,641         | (3,429)       |
| <b>Change in Net Assets</b>   | 138,792       | 1,678,462     |
| <b>Net Assets, Beginning of Year</b>  | 11,666,900    | 9,988,438     |
| <b>Net Assets, End of Year</b>  | \$ 11,805,692 | \$ 11,666,900 |

**Gibson General Hospital, Inc. and Affiliate**  
**Combined Statements of Cash Flows**  
**Years Ended September 30, 2013 and 2012**

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| <b>Operating Activities</b>                             |                     |                     |
| Change in net assets                                    | \$ 138,792          | \$ 1,678,462        |
| Items not (providing) requiring cash                    |                     |                     |
| Depreciation and amortization                           | 1,047,439           | 1,528,446           |
| Net unrealized gain on investments                      | (251,544)           | (457,924)           |
| Change in beneficial interest in assets at              |                     |                     |
| Community Foundation Alliance                           | (6,641)             | 3,429               |
| Provision for uncollectible accounts                    | 3,786,145           | 3,573,701           |
| Changes in  |                     |                     |
| Patient accounts receivable, net                        | (3,478,723)         | (4,014,479)         |
| Contributions receivable                                | 15,839              | 144,232             |
| Estimated amounts due from and to third-party payers    | 188,447             | (149,977)           |
| Accounts payable and accrued expenses                   | (51,948)            | (666,749)           |
| Other current assets and liabilities                    | (252,355)           | (216,265)           |
| Net cash provided by operating activities               | <u>1,135,451</u>    | <u>1,422,876</u>    |
| <b>Investing Activities</b>                             |                     |                     |
| Purchase of property and equipment                      | (1,137,507)         | (399,037)           |
| Purchase of investments                                 | (2,532,681)         | (1,092,135)         |
| Proceeds from sale of investments                       | 2,454,651           | 993,900             |
| Net cash used in investing activities                   | <u>(1,215,537)</u>  | <u>(497,272)</u>    |
| <b>Financing Activities</b>                             |                     |                     |
| Principal payments on long-term debt                    | (788,547)           | (921,021)           |
| Proceeds from issuance of long-term debt                | 196,065             | -                   |
| Net cash used in financing activities                   | <u>(592,482)</u>    | <u>(921,021)</u>    |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b> | (672,568)           | 4,583               |
| <b>Cash and Cash Equivalents, Beginning of Year</b>     | <u>3,369,613</u>    | <u>3,365,030</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>           | <u>\$ 2,697,045</u> | <u>\$ 3,369,613</u> |
| <b>Supplemental Cash Flows Information</b>              |                     |                     |
| Interest paid   | \$ 321,926          | \$ 309,856          |
| Property and equipment purchases in accounts payable    | -                   | 98,139              |
| Property and equipment acquired with long-term debt     | 1,479,935           | -                   |

# **Gibson General Hospital, Inc. and Affiliate**

## **Notes to Combined Financial Statements**

### **September 30, 2013 and 2012**

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

##### ***Nature of Operations***

Gibson General Hospital, Inc. (Hospital) primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Gibson County, Indiana. It also operates a home health agency in the same geographic area. The Hospital is affiliated with the Gibson General Health Foundation, Inc. (Foundation) through individuals holding common memberships of their respective governing bodies and through the dedication of fundraising efforts by the Foundation for the benefit of the Hospital.

##### ***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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### ***Principles of Combination***

The accompanying combined financial statements include the financial statements of Gibson General Hospital, Inc. and its affiliate, Gibson General Health Foundation, Inc. Material intercompany transactions and balances have been eliminated.

##### ***Cash and Cash Equivalents***

The Hospital and the Foundation consider all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2013 and 2012, cash equivalents consisted primarily of sweep accounts and money market accounts.

At September 30, 2013, the Hospital's cash accounts exceeded federally insured limits by approximately \$2,177,000.

##### ***Risk Management***

The Hospital is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported and claims incurred but not yet reported.

# **Gibson General Hospital, Inc. and Affiliate**

## **Notes to Combined Financial Statements**

### **September 30, 2013 and 2012**

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return primarily includes 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 combined statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

#### ***Assets Limited as to Use***

Assets limited as to use include 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. The Hospital accounts for its investments as nontrading securities; therefore, changes in fair value are recorded as other changes in net assets.

#### ***Patient Accounts Receivable***

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides a contractual allowance, an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Hospital's allowance for doubtful accounts for self-pay patients was approximately 80% and 76% of self-pay accounts receivable at September 30, 2013 and 2012, respectively. This slight increase was the result of continued negative trends experienced in the collection of amounts from self-pay patients in fiscal year 2013 and 2012.

# **Gibson General Hospital, Inc. and Affiliate**

## **Notes to Combined Financial Statements**

### **September 30, 2013 and 2012**

#### ***Supplies***

The Hospital states supply inventories at the lower of cost, determined using the first-in, first-out method or market.

#### ***Property and Equipment***

Property and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful life of each asset.

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.

#### ***Long-Lived Asset Impairment***

The Hospital evaluates the recoverability of the carrying value of a long-lived asset whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended September 30, 2013 and 2012.

#### ***Deferred Financing Costs***

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are amortized on a straight-line basis over the term of the respective debt.

#### ***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Hospital and the Foundation have 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 Hospital and the Foundation in perpetuity.

#### ***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 and includes 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 such estimated amounts are revised in future periods as adjustments become known.

# **Gibson General Hospital, Inc. and Affiliate**

## **Notes to Combined Financial Statements**

### **September 30, 2013 and 2012**

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

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital's direct and indirect costs for services furnished under its charity care policy aggregated approximately \$495,000 and \$423,000 in 2013 and 2012, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges, which were approximately \$1,115,365 and \$944,000 in 2013 and 2012, respectively.

#### ***Contributions***

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified 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. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

#### ***Beneficial Interest in Assets of Community Foundation Alliance***

Community Foundation Alliance (Alliance) and the Hospital are financially interrelated organizations as defined by accounting principles generally accepted in the United States of America. The Alliance seeks private support for and holds net assets on behalf of the Hospital. The Hospital accounts for its interest in the net assets of the Alliance (Interest) in a manner similar to the equity method. The Interest is stated at fair value, and changes in the Interest are included in change in net assets. Transfers of assets between the Alliance and the Hospital are recognized as increases or decreases in the Interest.

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

The Hospital and the Foundation 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 the Foundation are subject to federal income tax on any unrelated business taxable income. The Hospital's and Foundation's tax years still subject to examination by taxing authorities are years subsequent to 2010.

#### ***Excess (Deficiency) of Revenues Over Expenses***

The combined statements of operations include excess (deficiency) of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities and contributions of long-lived assets.

# **Gibson General Hospital, Inc. and Affiliate**

## **Notes to Combined Financial Statements**

### **September 30, 2013 and 2012**

#### **Self Insurance**

The Hospital has elected to self-insure certain costs related to employee health programs. Costs resulting from noninsured losses are charged to income when incurred. The Hospital has purchased insurance that limits its exposure for individual claims in excess of \$75,000 and its aggregate exposure to \$1,000,000. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. The accrued health claims liability was approximately \$343,000 and \$459,000 at September 30, 2013 and 2012, respectively. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

#### **Electronic Health Records Incentive Program**

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Critical access hospitals are eligible to receive incentive payments for up to four years under the Medicare program for its reasonable costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare utilization plus 20%, limited to 100% of the costs incurred. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2013, the Hospital completed the second-year requirements under the Medicaid program and has recorded revenue of approximately \$161,200. In 2012, the Hospital recorded revenue of approximately \$201,500. In addition, the Hospital completed the first-year requirements under the Medicare program and has recorded revenue of approximately \$50,000 during 2013. These amounts are included in other operating revenue in the combined statements of operations.

#### **Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the combined financial statements were available to be issued.

# Gibson General Hospital, Inc. and Affiliate

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

#### Note 2: Net Patient Service Revenue

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the combined statements of operations as a component of 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. These payment arrangements include:

*Medicare.* The Hospital is designated by Medicare as a critical access hospital (CAH).

Inpatient acute care and swing bed services, and most outpatient services, are reimbursed based on a cost reimbursement methodology. Interim per diem rates for inpatient services and percent of charges for outpatient services are reimbursed throughout the year, with final settlement determined after submission of the annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

*Medicaid.* Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined rate per discharge for inpatient services and per occasion for outpatient services.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital received approximately \$950,000 and \$1.5 million during 2013 and 2012, respectively, due to the enactment of a state specific provider assessment program to increase Medicaid payments to hospitals. This revenue is recorded within net patient service revenue in the combined statements of operations for 2013 and 2012. The Hospital paid approximately \$765,000 and \$850,000 into this Medicaid program for 2013 and 2012, which is recorded as an operating expense in the combined statements of operations. There is no assurance this program will continue to be implemented in the future, and as of September 30, 2013, this provider assessment program was awaiting federal approval to be continued past June 30, 2013.

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.

**Gibson General Hospital, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended September 30, 2013 and 2012, was approximately:

|                          | <b>2013</b>          | <b>2012</b>       |
|--------------------------|----------------------|-------------------|
| Medicare                 | \$ 11,685,827        | \$ 12,267,199     |
| Medicaid                 | 2,595,599            | 2,534,832         |
| Other third-party payers | 16,339,605           | 16,916,403        |
| Patients                 | 3,858,147            | 3,546,187         |
|                          | <u>\$ 34,479,178</u> | <u>35,264,621</u> |

The 2012 net patient service revenue increased by approximately \$500,000 due to removal of previously estimated amounts that are no longer necessary as a result of final settlements. There were no material removals of previously estimated reserves in 2013.

**Note 3: Concentrations 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 net receivables from patients and third-party payers at September 30, 2013 and 2012 is:

|                          | <b>2013</b> | <b>2012</b> |
|--------------------------|-------------|-------------|
| Medicare                 | 22%         | 21%         |
| Medicaid                 | 2%          | 3%          |
| Other third-party payers | 52%         | 55%         |
| Patients                 | 24%         | 21%         |
|                          | <u>100%</u> | <u>100%</u> |

**Gibson General Hospital, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

**Note 4: Investments and Investment Return**

Investments and assets limited as to use at September 30, include:

|                          | <b>2013</b>         | <b>2012</b>         |
|--------------------------|---------------------|---------------------|
| Assets limited as to use |                     |                     |
| Cash equivalents         | \$ 54,598           | \$ 24,392           |
| Equities                 | 1,688,348           | 1,387,062           |
| Equity mutual funds      | 1,466,348           | 1,547,108           |
| Municipal bonds          | 747,307             | 838,355             |
| Bond mutual funds        | 772,236             | 602,346             |
|                          | <u>\$ 4,728,837</u> | <u>\$ 4,399,263</u> |

Total investment return is comprised of the following:

|   | <b>2013</b>       | <b>2012</b>       |
|---|-------------------|-------------------|
| Interest and dividends  | \$ 162,141        | \$ 132,090        |
| Unrealized gain on other than trading securities  | 251,544           | 457,924           |
| Unrealized gain (loss) on beneficial interest in assets at<br>Community Foundation Alliance | <u>6,641</u>      | <u>(3,429)</u>    |
| Total investment return   | <u>\$ 420,326</u> | <u>\$ 586,585</u> |

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

|  | <b>2013</b>       | <b>2012</b>       |
|--|-------------------|-------------------|
| Unrestricted net assets - investment income      |                   |                   |
| Investment income                                | \$ 162,141        | \$ 132,090        |
| Unrealized gain on other than trading securities | 251,544           | 457,924           |
| Permanently restricted net assets                | <u>6,641</u>      | <u>(3,429)</u>    |
|  | <u>\$ 420,326</u> | <u>\$ 586,585</u> |

**Gibson General Hospital, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

***Beneficial Interest in Assets at Community Foundation Alliance***

The Hospital and the Foundation transferred assets to the Community Foundation Alliance (Foundation Alliance) and retained a beneficial interest in those assets. The Hospital and the Foundation are to receive interest annually, but none of the principal. Variance power was granted to the Foundation Alliance; however, the Foundation Alliance will consult with the Hospital and the Foundation at such times as reasonably requested concerning the investment of the fund and allow input concerning the investment of the fund.

**Note 5: Contributions Receivable**

Contributions receivable consisted of the following as of September 30:

|                     | <b>Temporarily Restricted</b> |             |
|---------------------|-------------------------------|-------------|
|                     | <b>2013</b>                   | <b>2012</b> |
| Due within one year | \$ 4,002                      | \$ 19,841   |

**Note 6: Property and Equipment**

The Hospital's property and equipment consist of the following:

|  | <b>2013</b>   | <b>2012</b>   |
|--|---------------|---------------|
| Land and land improvements                     | \$ 660,012    | \$ 649,961    |
| Building and improvements                      | 19,083,961    | 17,324,148    |
| Furniture, fixtures and medical equipment      | 12,688,012    | 11,986,011    |
| Construction in progress                       | 182,397       | 36,821        |
| Total cost                                     | 32,614,382    | 29,996,941    |
| Less accumulated depreciation and amortization | (19,812,067)  | (18,764,629)  |
|  | \$ 12,802,315 | \$ 11,232,312 |

**Gibson General Hospital, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

**Note 7: Long-Term Debt and Line of Credit**

|                         | <b>2013</b>  | <b>2012</b>  |
|-------------------------|--------------|--------------|
| 2005 Revenue bonds (A)  | \$ 5,443,176 | \$ 5,844,288 |
| 2007 Revenue bonds (B)  | 1,507,184    | 1,632,804    |
| 2008 Revenue bonds (C)  | 1,970,255    | 2,112,798    |
| Note payable (D)        | 85,629       | 131,304      |
| Note payable (E)        | 1,077,854    | -            |
| Note payable (F)        | 106,134      | -            |
| Note payable (G)        | 418,415      | -            |
|                         | 10,608,647   | 9,721,194    |
| Less current maturities | (901,132)    | (711,131)    |
|                         | \$ 9,707,515 | \$ 9,010,063 |

- (A) The 2005 Revenue bonds (2005 Bonds) consist of City of Princeton Revenue Bonds in the original amount of \$7,100,000 dated June 2005, which bear a variable interest rate based on LIBOR. The interest rate is adjusted every five years, and the interest rate at September 30, 2013 and 2012 was 2.32%. The 2005 Bonds are payable in monthly installments of \$24,556 through June 2025, and are secured by substantially all assets of the Hospital. The Hospital drew down \$3,200,000 to retire previously issued Series 2000 bonds and \$700,000 to finance certain capital improvements in fiscal year 2005. The Hospital also drew down approximately \$87,000 and \$733,000 during fiscal year 2010 and 2009, respectively, for renovations to the emergency department.
- (B) The 2007 Revenue bonds (2007 Bonds) consist of City of Princeton Revenue Bonds in the original amount of \$2,096,000 dated October 2007, which bear a variable interest rate based on LIBOR. The interest rate is adjusted every five years, and the rate at September 30, 2013 and 2012 was 1.42% and 4.36%, respectively. The 2007 Bonds are payable in monthly installments of \$13,819 beginning November 2013 through July 2023, and are secured by substantially all assets of the Hospital. The Hospital utilized these funds for an energy conservation project. The indenture agreement for the 2005 Bonds and the 2007 Bonds requires the Hospital to comply with certain restrictive covenants including maintaining a historical debt-service coverage ratio of at least 1.5 to 1.
- (C) The 2008 Revenue bonds (2008 Bonds) consist of City of Princeton Revenue Bonds in the original amount of \$2,500,000 dated December 2008, which bear a variable interest rate based on LIBOR. The interest rate is adjusted every five years, and the rate at September 30, 2013 and 2012 was 3.53%. The 2008 Bonds are payable in monthly installments of \$17,971 through November 2024, and are secured by substantially all assets of the Hospital. The Hospital utilized these funds for renovations to the emergency department. In addition to the restrictive covenants on the 2005 Bonds and the 2007 Bonds, the indenture agreement for the 2008 Bonds also requires the Hospital to maintain an average cash flow coverage ratio of at least 1.5 to 1.

**Gibson General Hospital, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

- (D) Due in July 2015, payable \$4,647 monthly, including interest at 4.95%; secured by commercial real estate second mortgage.
- (E) Promissory note in an initial amount of \$1,125,000 to finance the purchase of the surgery center building. Note requires payments through December 2027 of \$8,210 monthly, including interest at 3.75%, which will be adjusted after five years. The lease is secured by the building purchased.
- (F) Promissory note in the initial amount of \$126,000 to finance the purchase of the surgery center equipment. Note requires payments through December 2017, of \$2,244 monthly, including interest at 2.60%. The lease is secured by the equipment purchased.
- (G) Promissory note in the initial amount of \$425,000 to finance the purchase radiology equipment. Note requires payments through August 2018 of \$7,603 monthly, including interest at 2.78%. This note also requires the Hospital to maintain an average cash flow coverage ratio of at least 1.5 to 1, along with a compensating balance of not less than \$1 million in a noninterest-bearing account.

Aggregate annual maturities of long-term debt at September 30, 2013 are:

|            | <b>Long-Term<br/>Debt</b> |
|------------|---------------------------|
| 2014       | \$ 901,132                |
| 2015       | 939,148                   |
| 2016       | 911,314                   |
| 2017       | 935,544                   |
| 2018       | 928,242                   |
| Thereafter | 5,993,267                 |
|            | \$ 10,608,647             |

**Note 8: Professional Liability Claims**

The Hospital is a qualified health care provider under the Indiana Medical Malpractice Act and is also fully insured under a claims-made policy on a fixed premium basis. The Indiana Medical Malpractice Act limits a qualified provider's liability for an occurrence to the amount of required insurance. The Indiana patient compensation fund is liable for the excess up to an overall damage cap.

Accounting principles generally accepted in the United States of America require a healthcare provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents occurring during the year by estimating the probable ultimate costs of the incidents.

**Gibson General Hospital, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

Estimated accrued reserves for professional liability claims were \$75,000 and \$20,000 at September 30, 2013 and 2012, and are included in accrued expenses in the accompanying combined balance sheets. Professional liability reserve estimates represent the estimated ultimate cost of all reported and unreported losses incurred through the respective combined balance sheet dates. The reserve for unpaid losses and loss expenses are estimated using individual case-basis valuations. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known. The time period required to resolve these claims can vary depending upon whether the claim is settled or litigated. The estimation of the timing of payments beyond a year can vary significantly. Although considerable variability is inherent in professional liability reserve estimates, we believe the reserves for losses and loss expenses are adequate based on information currently known. It is reasonably possible that this estimate could change materially in the near term.

The Hospital's professional liability risks, in excess of certain per claim and aggregate deductible amounts, are insured through the policies described above. The amounts receivable under these insurance contracts included \$75,000 and \$20,000 included in prepaid expenses and other at September 30, 2013 and 2012.

**Note 9: Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purpose or periods:

|  | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|
| Purchase of equipment and emergency department expansion | \$ 4,002    | \$ 19,841   |
| Other programs   | 54,075      | 70,327      |
| Total  | \$ 58,077   | \$ 90,168   |

Permanently restricted net assets are restricted to:

|   | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|
| Investments to be held in perpetuity, the income of which is unrestricted | \$ 59,959   | \$ 53,318   |

**Gibson General Hospital, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

**Note 10: Functional Expenses**

The Hospital provides health care services primarily to residents within its geographic area. Expenses related to providing these services are as follows:

|                            | <b>2013</b>   | <b>2012</b>   |
|----------------------------|---------------|---------------|
| Health care services       | \$ 26,557,020 | \$ 26,728,311 |
| General and administrative | 5,168,456     | 4,631,097     |
|                            | \$ 31,725,476 | \$ 31,359,408 |

**Note 11: Operating Leases**

Noncancellable operating leases for primary care outpatient offices expire in various years through 2040. These leases generally require the Hospital to pay all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments at September 30, 2013 were:

|                               |            |
|-------------------------------|------------|
| 2014                          | \$ 183,712 |
| 2015                          | 140,695    |
| 2016                          | 124,892    |
| 2017                          | 89,813     |
| 2018                          | 71,602     |
| Thereafter                    | 165,000    |
| Future minimum lease payments | \$ 775,714 |

Rental expense for all operating leases was \$432,316 and \$392,204 for 2013 and 2012, respectively.

**Note 12: Pension Plan**

The Hospital has a defined-contribution pension plan covering substantially all employees. The Hospital matches employee contributions at 50% of employee contributions up to 4% of employee eligible compensation. Pension expense was \$166,801 and \$153,214 for 2013 and 2012, respectively.

**Gibson General Hospital, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

**Note 13: Disclosures About Fair Value of Assets**

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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 supported by little or no market activity and are significant to the fair value of the assets or liabilities

***Recurring Measurements***

The following tables present the fair value measurements of assets recognized in the accompanying combined 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 December 31, 2013 and 2012:

|                          | <b>2013</b>   |  |  |             |
|--------------------------|---|--|--|-------------|
|                          | <b>Fair Value Measurements Using</b>  |  |  |             |
| <b>Fair Value</b>        | <b>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical<br/>Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |             |
| Assets limited as to use |   |  |  |             |
| Cash equivalents         | \$ 54,598   | \$ 54,598  | \$ -   | \$ -        |
| Equities                 | 1,688,348   | 1,688,348  | -  | -           |
| Equity mutual funds      | 1,466,348   | 1,466,348  | -  | -           |
| Municipal bonds          | 747,307   | -  | 747,307  | -           |
| Bond mutual funds        | 772,236   | 772,236  | -  | -           |
|                          | <u>\$ 4,728,837</u>   | <u>\$ 3,981,530</u>  | <u>\$ 747,307</u>  | <u>\$ -</u> |

**Gibson General Hospital, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

|                          | 2012  |   |  |             |
|--------------------------|---|---|--|-------------|
|                          | Fair Value Measurements Using   |   |  |             |
| Fair Value               | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |             |
| Cash equivalents         | \$ 10,318   | \$ 10,318   | \$ -   | \$ -        |
| Assets limited as to use |   |   |  |             |
| Cash equivalents         | 24,392  | 24,392  | -  | -           |
| Equities                 | 1,387,062   | 1,387,062   | -  | -           |
| Equity mutual funds      | 1,547,108   | 1,547,108   | -  | -           |
| Municipal bonds          | 838,355   | -   | 838,355  | -           |
| Bond mutual funds        | 602,346   | 602,346   | -  | -           |
|                          | <u>\$ 4,409,581</u>   | <u>\$ 3,571,226</u>                                       | <u>\$ 838,355</u>                                  | <u>\$ -</u> |

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying combined balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2013.

**Cash Equivalents**

The Hospital's cash equivalents consist of money market funds that have quoted market prices available in an active market and are classified within Level 1 of the hierarchy.

**Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Hospital currently does not have any Level 3 securities.

# **Gibson General Hospital, Inc. and Affiliate**

## **Notes to Combined Financial Statements**

### **September 30, 2013 and 2012**

#### **Note 14: 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 2.

##### ***Professional Liability Claims***

The Hospital recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in Notes 1 and 8.

##### ***Litigation***

In the normal course of business, the Hospital is, 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 Hospital's insurance program (discussed elsewhere in these notes); for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. 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 condition continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The combined financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of the Hospital's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of 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 combined 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's ability to meet debt covenants or maintain sufficient liquidity.

**Gibson General Hospital, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

**Note 15: Patient Protection and Affordable Care Act**

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs will be substantially decreased. Each state's participation in an expanded Medicaid program is optional and the state of Indiana has currently indicated it will not participate in the Medicaid expansion program.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Hospital's net patient service revenue. Additionally, it is possible the Hospital will experience payment delays and other operational challenges during PPACA's implementation.

## **Supplementary Information**

**Gibson General Hospital, Inc. and Affiliate**  
**Combining Schedule - Balance Sheet Information**  
**September 30, 2013**

**Assets**

|   | <b>Gibson<br/>General<br/>Hospital,<br/>Inc.</b> | <b>Gibson<br/>General<br/>Health<br/>Foundation,<br/>Inc.</b> | <b>Total</b>         |
|---|--|---|----------------------|
| <b>Current Assets</b>   |  |   |                      |
| Cash and cash equivalents   | \$ 2,368,929                                     | \$ 328,116  | \$ 2,697,045         |
| Patient accounts receivable, net of allowance<br>of \$2,936,607                   | 3,263,137  | -   | 3,263,137            |
| Contributions receivable  | -  | 4,002   | 4,002                |
| Other receivables   | 529,179  | 4,350   | 533,529              |
| Supplies  | 709,189  | -   | 709,189              |
| Prepaid expenses and other  | 247,314  | -   | 247,314              |
| Total current assets  | <u>7,117,748</u>                                 | <u>336,468</u>  | <u>7,454,216</u>     |
| <b>Property and Equipment, net</b>  | <u>12,802,315</u>                                | <u>-</u>  | <u>12,802,315</u>    |
| <b>Other Assets</b>   |  |   |                      |
| Assets limited as to use - internally designated<br>Community Foundation Alliance | 4,728,837  | -   | 4,728,837            |
| Deferred financing costs  | 48,400   | 11,559  | 59,959               |
|   | 44,686   | -   | 44,686               |
|   | <u>4,821,923</u>                                 | <u>11,559</u>   | <u>4,833,482</u>     |
| Total assets  | <u>\$ 24,741,986</u>                             | <u>\$ 348,027</u>   | <u>\$ 25,090,013</u> |

**Liabilities and Net Assets**

|   |                      |                   |                      |
|---|----------------------|-------------------|----------------------|
| <b>Current Liabilities</b>                  |                      |                   |                      |
| Current maturities of long-term debt        | \$ 901,132           | \$ -              | \$ 901,132           |
| Accounts payable                            | 764,858              | 4,282             | 769,140              |
| Accrued expenses                            | 1,253,506            | -                 | 1,253,506            |
| Estimated amounts due to third-party payers | 310,173              | -                 | 310,173              |
| Accrued self-insurance liabilities          | 342,855              | -                 | 342,855              |
| Total current liabilities                   | <u>3,572,524</u>     | <u>4,282</u>      | <u>3,576,806</u>     |
| <b>Long-Term Debt</b>                       | <u>9,707,515</u>     | <u>-</u>          | <u>9,707,515</u>     |
| Total liabilities                           | <u>13,280,039</u>    | <u>4,282</u>      | <u>13,284,321</u>    |
| <b>Net Assets</b>                           |                      |                   |                      |
| Unrestricted                                | 11,413,547           | 274,109           | 11,687,656           |
| Temporarily restricted                      | -                    | 58,077            | 58,077               |
| Permanently restricted                      | 48,400               | 11,559            | 59,959               |
| Total net assets                            | <u>11,461,947</u>    | <u>343,745</u>    | <u>11,805,692</u>    |
| Total liabilities and net assets            | <u>\$ 24,741,986</u> | <u>\$ 348,027</u> | <u>\$ 25,090,013</u> |

# Gibson General Hospital, Inc. and Affiliate

## Combining Schedule - Statement of Operations and Changes in Net Assets Information

### Year Ended September 30, 2013

|  | Gibson<br>General<br>Hospital,<br>Inc. | Gibson<br>General<br>Health<br>Foundation,<br>Inc. | Total         | Eliminations | Total         |
|--|--|--|---------------|--------------|---------------|
| <b>Unrestricted Revenues, Gains and Other Support</b>  |  |  |               |              |               |
| Patient service revenue (net of contractual discounts and allowances)  | \$ 34,479,178                          | \$ -   | \$ 34,479,178 | \$ -         | \$ 34,479,178 |
| Provision for uncollectible accounts   | (3,786,145)                            | -  | (3,786,145)   | -            | (3,786,145)   |
| Net patient service revenue less provision for uncollectible accounts  | 30,693,033                             | -  | 30,693,033    | -            | 30,693,033    |
| Other  | 651,188                                | -  | 651,188       | -            | 651,188       |
| Total unrestricted revenues, gains and other support   | 31,344,221                             | -  | 31,344,221    | -            | 31,344,221    |
| <b>Expenses and Losses</b>   |  |  |               |              |               |
| Salaries and wages   | 14,558,538                             | 37,448   | 14,595,986    | -            | 14,595,986    |
| Employee benefits  | 3,576,631                              | 12,423   | 3,589,054     | -            | 3,589,054     |
| Contracted services  | 2,656,570                              | 12,068   | 2,668,638     | -            | 2,668,638     |
| Supplies   | 2,737,062                              | 6,852  | 2,743,914     | -            | 2,743,914     |
| Physician fees   | 2,090,665                              | -  | 2,090,665     | -            | 2,090,665     |
| Insurance  | 427,537                                | 597  | 428,134       | -            | 428,134       |
| Lease expense  | 430,112                                | 2,204  | 432,316       | -            | 432,316       |
| Utilities  | 645,971                                | 516  | 646,487       | -            | 646,487       |
| Other  | 740,210                                | 13,043   | 753,253       | -            | 753,253       |
| Depreciation and amortization  | 1,047,439                              | -  | 1,047,439     | -            | 1,047,439     |
| Professional fees  | 145,909                                | -  | 145,909       | -            | 145,909       |
| Interest   | 321,926                                | -  | 321,926       | -            | 321,926       |
| Maintenance and repair   | 863,482                                | -  | 863,482       | -            | 863,482       |
| Advertising  | 273,394                                | 75   | 273,469       | -            | 273,469       |
| Recruiting   | 89,344                                 | -  | 89,344        | -            | 89,344        |
| Collection   | 139,017                                | -  | 139,017       | -            | 139,017       |
| Minor equipment  | 131,266                                | -  | 131,266       | -            | 131,266       |
| Provider hospital assessment fee   | 765,177                                | -  | 765,177       | -            | 765,177       |
| Total expenses and losses  | 31,640,250                             | 85,226   | 31,725,476    | -            | 31,725,476    |
| <b>Operating Income (Loss)</b>   | (296,029)                              | (85,226)   | (381,255)     | -            | (381,255)     |
| <b>Other Income (Expense)</b>  |  |  |               |              |               |
| Contributions received   | 51,015                                 | 117,902  | 168,917       | (69,196)     | 99,721        |
| Investment income  | 161,754                                | 387  | 162,141       | -            | 162,141       |
| Assets released from restriction   | -                                      | 32,091   | 32,091        | -            | 32,091        |
| Contributions to affiliate   | (49,871)                               | (19,325)   | (69,196)      | 69,196       | -             |
| Total other income   | 162,898                                | 131,055  | 293,953       | -            | 293,953       |
| <b>Excess (Deficiency) of Revenues Over Expenses</b>   | (133,131)                              | 45,829   | (87,302)      | -            | (87,302)      |
| Investment income - change in unrealized gains and losses<br>on other than trading securities                          | 251,544                                | -  | 251,544       | -            | 251,544       |
| <b>Increase in Unrestricted Net Assets</b>   | 118,413                                | 45,829   | 164,242       | -            | 164,242       |
| <b>Temporarily Restricted Net Assets</b> - assets released from restriction  | -                                      | (32,091)   | (32,091)      | -            | (32,091)      |
| <b>Permanently Restricted Net Assets</b> - change in<br>beneficial interest in assets at Community Foundation Alliance | 6,153                                  | 488  | 6,641         | -            | 6,641         |
| <b>Change in Net Assets</b>  | 124,566                                | 14,226   | 138,792       | -            | 138,792       |
| <b>Net Assets, Beginning of Year</b>   | 11,337,381                             | 329,519  | 11,666,900    | -            | 11,666,900    |
| <b>Net Assets, End of Year</b>   | \$ 11,461,947                          | \$ 343,745   | \$ 11,805,692 | \$ -         | \$ 11,805,692 |