**North Platte, Nebraska Hospital Corporation d/b/a**

# Great Plains Health and Affiliates

**North Platte, Nebraska**

**Consolidated Financial Statements**
**and Supplementary Information**
**December 31, 2015 and 2014**

**Together with Independent Auditor's Report**

## Table of Contents

SEIM JOHNSON

# Independent Auditor's Report

To the Board of Directors of
North Platte, Nebraska Hospital Corporation d/b/a
Great Plains Health and Affiliates
North Platte, Nebraska:

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of North Platte, Nebraska Hospital Corporation d/b/a Great Plains Health and Affiliates (the Organization) which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015 and 2014, and the results of its operations, 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.


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**Other Matters**

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2015 the Organization designated its investments as trading securities.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Exhibits 1 - 3 is presented for purposes of additional analysis rather than to present the financial position, the results of operations and changes in net assets of the individual organizations and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Seim Johnson, LLP

Omaha, Nebraska,
March 18, 2016.

## North Platte, Nebraska Hospital Corporation d/b/a
## Great Plains Health and Affiliates

### Consolidated Balance Sheets
### December 31, 2015 and 2014

| | | 2015 | 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ | 25,454,330 | 24,355,205 |
| Short-term investments | | 68,438,262 | 65,101,950 |
| Assets limited as to use - required for current liabilities | | 594,264 | 5,705,750 |
| Receivables - | | | |
| Patients, net of estimated uncollectibles of $3,945,360 in 2015 and $4,019,109 in 2014 | | 22,635,394 | 20,571,130 |
| Other | | 2,283,912 | 2,472,470 |
| Inventories | | 4,965,084 | 4,620,596 |
| Prepaid expenses | | 1,989,430 | 1,902,588 |
| Total current assets | | 126,360,676 | 124,729,689 |
| Investments | | -- | 5,060,000 |
| Assets limited as to use, net of current portion | | 33,163,501 | 59,473,250 |
| Property and equipment, net | | 144,853,778 | 121,509,120 |
| Other assets: | | | |
| Deferred bond issue costs, net | | 1,055,751 | 1,095,034 |
| Deferred compensation assets | | 3,106,169 | 2,801,627 |
| Recruitment and relocation advances, net | | 868,593 | 1,228,814 |
| Investment in affiliates | | 1,800,013 | 1,855,233 |
| Interest in Foundation | | 4,322,421 | 4,661,091 |
| Land held for future expansion and investment | | 647,594 | 744,276 |
| Assets held for sale | | 11,471,570 | -- |
| Total other assets | | 23,272,111 | 12,386,075 |
| Total assets | $ | 327,650,066 | 323,158,134 |
| **LIABILITIES AND NET ASSETS** | | | |
| Current liabilities: | | | |
| Current maturities of long-term debt | $ | 2,025,000 | 1,945,000 |
| Accounts payable - | | | |
| Trade | | 6,469,957 | 3,577,055 |
| Construction | | 3,044,791 | 8,570,720 |
| Other | | 220,000 | 895,000 |
| Accrued salaries, vacation and vested benefits payable | | 8,630,101 | 8,392,318 |
| Accrued interest payable | | 763,442 | 776,408 |
| Estimated third-party payor settlements | | 1,735,415 | 1,072,622 |
| Total current liabilities | | 22,888,706 | 25,229,123 |
| Long-term debt, net of current maturities | | 103,812,872 | 106,393,272 |
| Deferred compensation liability | | 3,106,169 | 2,801,627 |
| Total liabilities | | 129,807,747 | 134,424,022 |
| Net assets: | | | |
| Unrestricted | | 197,110,190 | 188,001,983 |
| Temporarily restricted | | 732,129 | 732,129 |
| Total net assets | | 197,842,319 | 188,734,112 |
| Total liabilities and net assets | $ | 327,650,066 | 323,158,134 |

*See notes to consolidated financial statements*

**North Platte, Nebraska Hospital Corporation d/b/a**
## Great Plains Health and Affiliates

**Consolidated Statements of Operations**
**For the Years Ended December 31, 2015 and 2014**

| | | 2015 | 2014 |
|---|---|---|---|
| UNRESTRICTED REVENUE: | | | |
| Net patient service revenue | $ | 186,172,917 | 169,373,107 |
| Provision for bad debts | | (7,544,531) | (6,137,588) |
| Net patient service revenue less provision for bad debts | | 178,628,386 | 163,235,519 |
| Other operating revenue | | 2,071,866 | 3,572,574 |
| Total revenue | | 180,700,252 | 166,808,093 |
| EXPENSES: | | | |
| Salaries and wages | | 71,006,557 | 65,404,766 |
| Employee benefits | | 15,966,272 | 16,298,836 |
| Professional fees - physicians | | 5,000,181 | 4,698,292 |
| Professional fees - other | | 17,582,593 | 13,476,908 |
| Supplies | | 32,384,069 | 28,620,342 |
| Utilities | | 1,938,015 | 1,908,653 |
| Repairs and maintenance | | 6,617,499 | 5,935,029 |
| Leases and rentals | | 1,446,007 | 1,323,371 |
| Insurance | | 686,252 | 565,007 |
| Interest | | 1,360,632 | -- |
| Other | | 4,166,674 | 4,001,146 |
| Depreciation and amortization | | 13,569,550 | 9,728,638 |
| Total expenses | | 171,724,301 | 151,960,988 |
| OPERATING INCOME | | 8,975,951 | 14,847,105 |
| NONOPERATING GAINS (LOSSES): | | | |
| Investment income, including realized gains, net | | 1,582,861 | 10,800,530 |
| Unrealized losses on investments, net | | (2,748,185) | -- |
| Other nonoperating gains, net | | 603,172 | 1,159,931 |
| Total nonoperating gains (losses), net | | (562,152) | 11,960,461 |
| EXCESS REVENUE OVER EXPENSES | | 8,413,799 | 26,807,566 |
| CHANGE IN UNREALIZED LOSSES ON OTHER THAN TRADING SECURITIES | | -- | (7,658,678) |
| GIFTS, GRANTS AND BEQUESTS | | 70,611 | 1,235,995 |
| CHANGE IN INTEREST IN FOUNDATION | | 623,797 | 776,419 |
| INCREASE IN UNRESTRICTED NET ASSETS | $ | 9,108,207 | 21,161,302 |

*See notes to consolidated financial statements*

**North Platte, Nebraska Hospital Corporation d/b/a**
## Great Plains Health and Affiliates

**Consolidated Statements of Changes in Net Assets**
**For the Years Ended December 31, 2015 and 2014**

| | | 2015 | 2014 |
|---|---|---|---|
| UNRESTRICTED NET ASSETS: | | | |
| Operating income | $ | 8,975,951 | 14,847,105 |
| Nonoperating gains (losses), net | | (562,152) | 11,960,461 |
| Change in unrealized losses on other than trading securities | | -- | (7,658,678) |
| Gifts, grants and bequests | | 70,611 | 1,235,995 |
| Change in interest in Foundation | | 623,797 | 776,419 |
| INCREASE IN NET ASSETS | | 9,108,207 | 21,161,302 |
| NET ASSETS, beginning of year | | 188,734,112 | 167,572,810 |
| NET ASSETS, end of year | $ | 197,842,319 | 188,734,112 |

*See notes to consolidated financial statements*

**North Platte, Nebraska Hospital Corporation d/b/a**
## Great Plains Health and Affiliates

**Consolidated Statements of Cash Flows**
**For the Years Ended December 31, 2015 and 2014**

| | | 2015 | 2014 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Change in net assets | $ | 9,108,207 | 21,161,302 |
| Adjustments to reconcile change in net assets | | | |
| to net cash provided by operating activities: | | | |
| Change in interest in Foundation | | (623,797) | (776,419) |
| Depreciation and amortization | | 13,569,550 | 9,728,638 |
| Amortization of bond premium | | (179,218) | -- |
| Change in unrealized losses on | | | |
| other than trading securities | | -- | 7,658,678 |
| Amortization of recruitment and relocation advances | | 701,604 | 629,637 |
| (Gain) loss on disposal of property and equipment | | 234,301 | (321,804) |
| Gain on investment in affiliates | | (720,274) | (838,127) |
| Gifts, grants and bequests | | (70,611) | (1,235,995) |
| Decrease in trading securities, net | | 1,833,917 | -- |
| (Increase) decrease in current assets - | | | |
| Patient accounts receivable, net | | (2,064,264) | (2,229,810) |
| Other receivables | | 188,558 | (577,341) |
| Inventories | | (344,488) | (221,917) |
| Prepaid expenses | | (86,842) | (390,995) |
| Increase (decrease) in current liabilities - | | | |
| Accounts payable - trade | | 2,892,902 | (278,682) |
| Accounts payable - other | | (675,000) | 143,003 |
| Accrued salaries, vacation and vested benefits payable | | 237,783 | 1,497,332 |
| Accrued interest payable | | (12,966) | -- |
| Estimated third-party payor settlements | | 662,793 | 392,923 |
| Net cash provided by operating activities | | 24,652,155 | 34,340,423 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property and equipment, net | | (43,011,337) | (52,349,270) |
| Deposits to investments, net | | -- | (33,231,586) |
| Withdrawals from assets limited as to use, net | | 31,311,006 | 50,921,326 |
| Recruitment and relocation advances, net | | (341,383) | (1,071,438) |
| Distributions from investments in affiliates, net | | 775,494 | 626,023 |
| Receipts from Foundation | | 962,467 | -- |
| Decrease in land held for future expansion and investment | | 96,682 | -- |
| Purchase of assets held for sale | | (11,471,570) | -- |
| Net cash used in investing activities | | (21,678,641) | (35,104,945) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Principal payments on long-term debt | | (1,945,000) | (12,953) |
| Gifts, grants and bequests | | 70,611 | 1,235,995 |
| Net cash provided by (used in) financing activities | | (1,874,389) | 1,223,042 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 1,099,125 | 458,520 |
| CASH AND CASH EQUIVALENTS, beginning of year | | 24,355,205 | 23,896,685 |
| CASH AND CASH EQUIVALENTS, end of year | $ | 25,454,330 | 24,355,205 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | | |
| Cash paid for interest | $ | 4,645,483 | 4,658,450 |
| Interest cost capitalized | $ | 3,105,633 | 4,658,450 |
| Bond premium amortization capitalized | $ | (376,182) | (564,273) |

*See notes to consolidated financial statements*

## (1) Organization and Summary of Significant Accounting Policies

The following is a summary of the organization and summary of significant accounting policies of the North Platte, Nebraska Hospital Corporation and Affiliates (the Organization). These policies are in accordance with accounting principles generally accepted in the United States of America.

### *A. Description of Organization and Principals of Consolidation*

The consolidated financial statements include the accounts of the following entities:

- North Platte, Nebraska Hospital Corporation, d/b/a Great Plains Health (GP Health)
- Great Plains Medical Arts Building, Inc. (GPMAI)
- Great Plains Homecare Equipment, Inc. (GPHEI)
- Regency Retirement Residence of North Platte (Regency)
- North Platte Nebraska Physicians Group, LLC (NPNPG)
- Great Plains PHO, Inc. (PHO)

GP Health, a not-for-profit organization, is licensed for 116 beds and currently is staffed for and operates 80 acute care beds, 19 licensed psychiatric care beds, a home health agency, and provides various outpatient and emergency medical treatment services.

GPMAI is a not-for-profit organization whose Board of Directors is the same as GP Health. Its purpose is to acquire and hold title to property and to manage properties held.

GPHEI, a wholly-owned taxable corporation, formed during 1995, leases and sells home medical equipment to the public.

Regency is a not-for-profit organization whose Board of Directors consists of five members, all of which are appointed by GP Health. Regency is an independent living facility.

NPNPG, a limited liability company, formed during 2008, provides physician professional medical services and other programs to patients.

As of October 2015, PHO became a wholly-owned taxable subsidiary to develop a clinically integrated network composed of hospitals, physicians and other healthcare providers, and will continue to provide contract messenger services.

The consolidated financial statements include the accounts of these organizations (collectively referred to here as the “Organization”). All significant intercompany accounts and transactions have been eliminated in consolidation.

### *B. Industry Environment*

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursements for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Organization is in compliance with government laws and regulations as they apply to the areas of fraud and abuse. While no regulatory inquiries have been made which are expected to have a material effect on the Organization's consolidated financial statements, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

As a result of recently enacted federal healthcare reform legislation, substantial changes are anticipated in the United States healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers and the legal obligations of health insurers, providers and employers. Several provisions have been implemented, while other provisions are slated to take effect at specified times over approximately the next decade.

*C. Management*

GP Health is a not-for-profit provider of healthcare services. GP Health has an agreement for consulting services with Community Hospital Consulting (CHC). GP Health has had this agreement with CHC since April 2010.

Regency is a not-for-profit independent living facility. Regency has an agreement for management services with Paradigm Senior Living, inc. (Paradigm). Regency has had this agreement with Paradigm since October 2006.

*D. Use of Estimates*

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*E. Cash and Cash Equivalents*

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

*F. Patient Accounts Receivable, Net*

The Organization reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and estimates a percentage of those accounts that will transition to self-pay patients based on historical analysis. The estimated percentage of those transition accounts are added to 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 Organization records a significant provision for bad debts 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) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Organization has adopted a policy relative to self-pay discounts, whereby charges and subsequent billings were reduced to approximate reimbursement levels received from governmental third-party payors.

Payment for services is expected within thirty days of receipt of the billing. Accounts considered past due are sent to collection agencies when internal collection efforts have been unsuccessful. Any amounts deemed uncollectible are written off on a monthly basis. The Organization does not charge interest on outstanding balances owed.

The Organization also maintains a charity care policy as described in Note 1(Q).

*G. Inventories*

Inventories are stated at the lower of cost (first-in, first-out valuation method) or market.

*H. Investments*

Effective January 1, 2015, GP Health designated its investments as trading securities. Due to liquidation of many investments in late 2014, GP Health did not have a cumulative net unrealized gains or losses not previously recognized as nonoperating gains (losses).

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets.

For the year ended December 31, 2014, investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess of revenue over expenses. Unrealized gains and losses (that are considered temporary) on investments, is excluded from excess of revenue over expenses.

Effective January 1, 2015, GP Health recognizes all investment income in excess of revenue over expenses.

*I. Assets Limited as to Use*

Assets limited as to use include the following:

*By Trustee Under Indenture Agreement* – These assets are maintained according to the terms of the 2012 Hospital Authority No. 1 of Lincoln County, Nebraska Loan Agreements. Amounts required to meet current liabilities of GP Health have been reclassified on the consolidated balance sheets as of December 31, 2015 and 2014.

*By Board for Capital Improvements* – These assets are set aside by the Board of Directors for future capital improvements. The Board retains control of these assets and may at its discretion subsequently use them for other purposes.

*J. Property and Equipment, Net*

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method based upon useful lives set forth by the American Hospital Association. The Organization maintains a capitalization policy of $3,000.

GP Health capitalized interest costs incurred on funds used for construction costs for the Patient Tower Project (Project). The capitalized interest is recorded as part of the asset to which it relates and will be amortized over the asset's estimated useful life. Interest costs capitalized, net of bond premium amortization, were $2,729,451 and $4,094,177 in 2015 and 2014, respectively.

Gifts of cash that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations or donor restrictions are reported when the acquired long-lived assets are placed into service.

K. *Deferred Bond Issue Costs, Net*

Deferred bond issue costs are amortized on a straight-line basis over the period of their respective bond issue. Amortization expense of $39,283 and $39,284 in 2015 and 2014, respectively, is included in the accompanying consolidated statements of operations.

L. *Recruitment and Relocation Advances, Net*

GP Health has entered into several agreements to recruit and relocate needed physician specialists to the community of North Platte, Nebraska. All monies advanced under these agreements will be forgiven over a one to three year period in which the physician practices in the community. Advances must be repaid with interest if the physician fails to fulfill their contract responsibilities.

M. *Investment in Affiliates*

GP Health is accounting for its investments in North Platte Surgery Center, LLC, a 50% owned affiliate, and Enhance Health Network (formerly Regional Provider Network, LLC), an 11.11% owned affiliate by the equity method of accounting, under which, GP Health's share of the net income (loss) is recognized as income (loss) in the Organization’s consolidated statements of operations and added to (subtracted from) the investment account. Contributions to the affiliates are treated as additions to, and dividends received are treated as reductions of, the investment account.

N. *Temporarily and Permanently Restricted Net Assets*

Temporarily restricted net assets are those whose use by GP Health has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by GP Health in perpetuity. At December 31, 2015 and 2014, the Organization had no permanently restricted net assets.

O. *Net Patient Service Revenue*

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

P. *Rental Income*

GP Health is the lessor of certain office space leased under various monthly or annually noncancelable operating leases. Rental income is recorded monthly as earned in the consolidated statements of operations.

Regency is the lessor of residential facilities for the aged under one year noncancelable operating leases. Rental income is recorded monthly as earned in the consolidated statements of operations.

*Q. Charity Care*

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Management's disclosure of charity care costs are described in Note 3.

The Organization is dedicated to providing comprehensive healthcare services to all segments of society, including the aged and otherwise economically disadvantaged. In addition, the Organization provides a variety of community health services at or below cost.

*R. Donor-Restricted Gifts*

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

*S. Group Health Insurance Costs*

GP Health is self-insured under its employee group health program, up to certain limits. Included in the accompanying consolidated statements of operations is a provision for premiums for excess coverage and payments for claims, including estimates of the ultimate costs for both reported claims and claims incurred but not yet reported at year end.

*T. Income Taxes*

GP Health and Regency are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code. GPMAI is a not-for-profit corporation as described in Section 501(c)(2) of the Internal Revenue Code. NPNPG is a limited liability company wholly owned by GP Health. GP Health, Regency and GPMAI have received a determination letter that it is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Internal Revenue Service has established standards to be met to maintain tax-exempt status.

GPHME is a for-profit corporation that recognized federal and state income tax expense of approximately $62,163 and $68,580 in 2015 and 2014, respectively. The income tax expense is included as an other expense of the consolidated statements of operations.

PHO is a for-profit corporation subject to federal and state income taxes. PHO did not recognize any federal and state income tax expense in 2015 due to operating losses incurred during the year.

The Organization accounts for uncertainties in accounting for income tax assets and liabilities using guidance included in FASB ASC 740, *Income Taxes*. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. At December 31, 2015, the Organization had no uncertain tax positions accrued.

U. *Fair Value of Financial Instruments*

Financial instruments consist of cash and cash equivalents, receivables, investments, assets limited as to use, current liabilities and long-term debt obligations. Management's estimates of fair value of investments and assets limited as to use are described in Note 4. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, receivables and current liabilities approximate fair value due to the short-term nature of these financial instruments. The carrying value of long-term debt obligations approximates fair value since the interest rates closely reflect current market rates for notes with similar maturities and credit quality.

V. *Excess of Revenue over Expenses*

The consolidated statements of operations include excess of revenue over expenses as a performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator, consistent with industry practice, include contributions of long lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets), and change in interest in Foundation.

W. *Reclassification*

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 reporting format.

X. *Subsequent Events*

The Organization considered events occurring through March 18, 2016 for recognition or disclosure in the consolidated financial statements as subsequent events. That date is the date the consolidated financial statements were available to be issued.

## (2) Net Patient Service Revenue

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. See summary of payment arrangements below. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the year from these major payor sources, is as follows:

| | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Medicare | Medicaid | BCBS | Other Payers | Self Pay | Total |
| Gross patient charges | $ 202,733,502 | 31,575,388 | 71,355,963 | 81,063,102 | 23,367,162 | 410,095,117 |
| Less: contractual allowances and discounts | 155,330,934 | 24,120,812 | 10,478,899 | 15,932,966 | 18,058,589 | 223,922,200 |
| Net patient service revenue | $ 47,402,568 | 7,454,576 | 60,877,064 | 65,130,136 | 5,308,573 | 186,172,917 |

| | December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Medicare | Medicaid | BCBS | Other Payers | Self Pay | Total |
| Gross patient charges | $ 172,000,606 | 32,009,677 | 64,236,462 | 69,872,586 | 21,688,659 | 359,807,990 |
| Less: contractual allowances and discounts | 128,828,660 | 22,239,693 | 8,610,408 | 11,761,640 | 18,994,482 | 190,434,883 |
| Net patient service revenue | $ 43,171,946 | 9,769,984 | 55,626,054 | 58,110,946 | 2,694,177 | 169,373,107 |

A summary of the payment arrangements with major third-party payors are as follows:

**Medicare.** Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services are paid based on a prospectively determined rate per day. Outpatient services are paid based on ambulatory payment classifications or fee schedule amounts. Homecare services are paid at prospectively determined rates per episode of care. Physician clinic services provided to Medicare beneficiaries are paid on fee schedule amounts. GP Health is reimbursed for some items at a tentative rate with final settlement determined after submission of annual cost reports by GP Health and audits thereof by the Medicare Administrative Contractor. GP Health's Medicare cost reports have been audited by the Medicare Administrative Contractor through December 31, 2013.

The “Budget Control Act of 2011” requires, among other things, mandatory across-the-board reductions in Federal spending, also known as sequestration. As required by law, President Obama issued a sequestration order on March 1, 2013. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013, incur a two percent reduction in Medicare payment.

**Medicaid.** Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services are reimbursed based on a percentage rate representing the average ratio of cost to charges.

GP Health has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to GP Health under these agreements includes discounts from established charges.

Net patient service revenue, as reflected in the accompanying consolidated statements of operations, consists of the following:

| | 2015 | 2014 |
|---|---|---|
| Gross patient charges: | | |
| Inpatient routine services | $ 28,993,190 | 26,528,668 |
| Inpatient ancillary services | 119,748,385 | 97,945,742 |
| Outpatient and physician clinic services | 259,173,270 | 232,947,860 |
| Home medical equipment and other | 2,180,272 | 2,385,720 |
| | 410,095,117 | 359,807,990 |
| Less deductions from gross patient charges: | | |
| Medicare | 155,330,934 | 128,828,660 |
| Medicaid | 24,120,812 | 22,239,693 |
| Blue Cross/Blue Shield | 10,478,899 | 8,610,408 |
| Other third-party adjustments | 15,932,966 | 11,761,640 |
| Self-pay discounts | 10,870,224 | 11,309,390 |
| Charity care | 7,188,365 | 7,685,092 |
| | 223,922,200 | 190,434,883 |
| Net patient service revenue | $ 186,172,917 | 169,373,107 |

The Organization reports net patient service revenue at estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Net patient service revenue increased $810,000 and $665,000 in 2015 and 2014, respectively, due to the removal of allowances previously estimated that are no longer necessary as a result of information obtained from final settlements and years that are no longer subject to audits, reviews, and investigations.

Revenue from the Medicare and Medicaid programs accounted for approximately 25% and 4%, respectively, of the Organization's net patient revenue for the year ended December 31, 2015, and 25% and 6%, respectively, for the Organization's net patient revenue for the year ended December 31, 2014. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**(3) Charity Care**

The Organization provides charity care to patients who are financially unable to pay for the healthcare services they receive. Patients who qualify for charity care are given a percentage discount from established charges based on a sliding scale using poverty guidelines. It is the policy of the Organization not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Organization does not report these amounts in net patient service revenue or in the allowance for uncollectible accounts. The Organization determines the costs associated with providing charity care by aggregating the direct and indirect costs, including salaries, benefits, supplies, and other operating expenses, based on the overall cost to charge ratio for GP Health and NPNPG. The costs of caring for charity care patients for the years ended December 31, 2015 and 2014 were approximately $2,607,000 and $2,843,000, respectively.

**(4) Fair Value**

*Fair Value Hierarchy*

The Organization applies FASB ASC 820 for fair value measurements of financial assets and financial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly through either corroboration or observable market data.

Level 3 inputs are unobservable for the asset or liability. Therefore, unobservable inputs shall reflect the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) developed based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

*Cash and cash equivalents and accrued interest* – The fair value of cash and cash equivalents, consisting primarily of money market funds, is classified as Level 1 as these funds are valued using quoted market prices.

*Fixed income securities* – Investments in fixed income securities are comprised of U.S. government treasury obligations, U.S. government agency obligations, , municipal bonds, and corporate bonds and notes. U.S. government treasury obligations are classified as Level 1 if they trade with sufficient frequency and volume to enable to the Organization to obtain pricing information on an ongoing basis. The remaining fixed income securities are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices form either markets that are not active or are for the same or similar assets in active markets.

*Corporate stocks* – The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

For the fiscal years ended December 31, 2015 and 2014, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following tables present the financial instruments that are measured at fair value on a recurring basis (including items that are required to be measured at fair value) at December 31, 2015 and 2014:

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Cash and cash equivalents | $ 44,877,130 | 44,877,130 | -- | -- |
| Corporate bonds and notes | 27,853,460 | -- | 27,853,460 | -- |
| Corporate stocks | | | | |
| Domestic | 19,414,747 | 19,414,747 | -- | -- |
| Small Cap | 4,317,765 | 4,317,765 | -- | -- |
| International | 4,082,833 | 4,082,833 | -- | -- |
| Accrued interest | 92 | 92 | -- | -- |
| | 100,546,027 | 72,692,567 | 27,853,460 | -- |
| Other Investments: | | | | |
| Certificates of deposits | 1,650,000 | | | |
| | $ 102,196,027 | | | |

| | December 31, 2014 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Cash and cash equivalents | $ 84,647,998 | 84,647,998 | -- | -- |
| U.S. treasury obligations | 5,108,067 | 5,108,067 | -- | -- |
| U.S. government agency obligations | 5,520,199 | -- | 5,520,199 | -- |
| Municipal bonds | 768,981 | -- | 768,981 | -- |
| Corporate bonds and notes | 8,651,174 | -- | 8,651,174 | -- |
| Corporate stocks | | | | |
| Domestic | 11,441,581 | 11,441,581 | -- | -- |
| Small Cap | 2,983,469 | 2,983,469 | -- | -- |
| International | 3,577,206 | 3,577,206 | -- | -- |
| Accrued interest | 42,275 | 42,275 | -- | -- |
| | 122,740,950 | 107,800,596 | 14,940,354 | -- |
| Other Investments: | | | | |
| Certificates of deposits | 12,600,000 | | | |
| | $ 135,340,950 | | | |

Investment return for the years ended December 31, 2015 and 2014 is summarized as follows:

| | 2015 | 2014 |
|---|---|---|
| Interest and dividends | $ 1,927,640 | 1,295,965 |
| Investment management fees | (333,746) | (237,891) |
| Realized gains (losses), net | (11,033) | 9,742,456 |
| Change in unrealized losses | (2,748,185) | (7,658,678) |
| Total investment return | $ (1,165,324) | 3,141,852 |
| Included in nonoperating gains (losses), net | $ (1,165,324) | 10,800,530 |
| Reported separately as a change in unrestricted net assets | -- | (7,658,678) |
| Total investment return | $ (1,165,324) | 3,141,852 |

## (5) Assets Limited as to Use

In connection with the issuance of the Hospital Revenue Bonds, Series 2012 and related trust indenture agreement, GP Health is required to maintain the following:

*Bond Fund* – This fund is established for the periodic deposit of funds for payment of principal and interest.

*Rebate Fund* – Established to provide for payment of any rebates owing to the United States under Section 148 of the Code. Amounts deposited in this fund are not subject to the Pledge of the Indenture in favor of the bonds.

*Project Fund* – This fund is established for the payment of costs of the Project.

In addition, GP Health's Board of Directors has set aside assets for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

Assets limited as to use are presented in the consolidated financial statements at fair value. The composition of assets limited as to use at December 31, 2015 and 2014 is as follows:

| | 2015 | 2014 |
|---|---|---|
| Assets limited as to use – | | |
| Board designated for capital improvements | $ 33,163,501 | 33,273,762 |
| Held by Trustee under bond indenture agreements | 594,264 | 31,905,238 |
| | 33,757,765 | 65,179,000 |
| Less amount required for current obligations | 594,264 | 5,705,750 |
| Assets limited as to use, net of current portion | $ 33,163,501 | 59,473,250 |

## (6) Other Receivables

The composition of other receivables at December 31, 2015 and 2014 is summarized as follows:

| | 2015 | 2014 |
|---|---|---|
| Employee loans and advances | $ 1,171,005 | 1,001,542 |
| Professional liability policy receivable | 220,000 | 895,000 |
| EHR incentive – Medicaid | -- | 333,295 |
| Gifts, grants and bequests | -- | 64,705 |
| Credit card and other rebate receivables | 178,000 | 39,171 |
| Employee group health plan reinsurance receivable | 169,477 | 8,551 |
| Tenants | 291,000 | -- |
| Other | 254,430 | 130,206 |
| | $ 2,283,912 | 2,472,470 |

## (7) Property and Equipment

Property and equipment as of December 31, 2015 and 2014 is summarized as follows:

| | 2015 | 2014 |
|---|---|---|
| Land and improvements | $ 6,964,947 | 4,762,364 |
| Buildings and fixed equipment | 159,769,751 | 65,168,425 |
| Equipment and furnishings | 106,403,243 | 91,015,160 |
| Construction in progress | 726,126 | 80,323,234 |
| | 273,864,067 | 241,269,183 |
| Less - Accumulated depreciation | 129,010,289 | 119,760,063 |
| | $ 144,853,778 | 121,509,120 |

Depreciation expense of $13,530,267 and $9,689,354 in 2015 and 2014, respectively, is included in the accompanying consolidated statements of operations.

Groundbreaking on a major building project of a patient tower (Project) began in 2013. The Project consisted of the development, planning, design and construction of a new 5-story, approximately 220,000 square foot replacement patient tower at GP Health to be constructed with the proceeds of the Series 2012 Bonds (Note 11). The Project included 116 private patient rooms, related equipment, an addition to house information technology facilities, a new central utility plant, parking, a new lobby, new kitchen and cafeteria, conference center, material management dock, and an updated cardiac and pulmonary rehabilitation area. The Project also included demolition and renovation of some non-clinical areas of existing space. The total cost of the Project capitalized in 2015 was approximately $89.5 million. The Project was completed in 2015 with the 1st floor being placed into service in August 2015 and 2nd through 5th floors being placed into service in September 2015.

## (8) Assets Held for Sale

In 2015, GP Health began constructing a 40,000 square foot addition and partial remodel to its existing medical office building (POB project). The total cost of the POB project, including the existing medical office building is approximately $12.6 million. GP Health is in the process of creating a joint venture with several physicians to purchase the completed POB project from GP Health. The sale price of the POB project is based upon fair market value of the existing building and the cost of the new construction less the tenant costs, and is anticipated to exceed the historical and new construction cost of the POB project. Financing for the purchase is anticipated to be derived from a bank mortgage note and capital investment from the joint venture partners. No guarantee of the bank mortgage note is expected for the joint venture partners as the POB project is designed to be self-sustaining based on rents received.

## (9) Recruitment and Relocation

GP Health has entered into several agreements to recruit, relocate and provide income guarantees to needed physician specialists for the community of North Platte, Nebraska. All monies advanced under these agreements will be forgiven over a one to three year period in which the physician practices in the community. Advances must be repaid with interest if the physician fails to fulfill their contract responsibilities.

The following illustrates amounts advanced under these agreements and applicable amortization expense (included in other expenses in the accompanying consolidated statements of operations) for 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Recruitment and relocation advances - | | |
| Beginning of year | $ 1,228,814 | 787,013 |
| Advances | 341,383 | 1,071,438 |
| Amortization | (701,604) | (629,637) |
| End of year | $ 868,593 | 1,228,814 |

## (10) Investments in Affiliates

GP Health owned a 50% investment in the stock of Great Plains PHO, Inc. (PHO) in 2014. In 2015 the remaining shares were purchased and the PHO became wholly-owned by GP Health. GP Health owns a 50% interest in the North Platte Surgery Center, LLC (NPSC), which operates a freestanding ambulatory surgery center that began providing services in 2003. GP Health also owns an 11.11% interest in Enhance Health Network which develops and supports a clinically integrated healthcare provider network, to improve quality, reduce costs, and respond to demands of payors, employers and consumers. All investments are recorded using the equity method of accounting.

GP Health's investment in affiliates at December 31, 2015 and 2014 is as follows:

| | 2015 | 2014 |
|---|---|---|
| Great Plains PHO, Inc. | $ -- | 50,813 |
| North Platte Surgery Center, LLC | 1,631,313 | 1,744,270 |
| Enhance Health Network | 168,700 | 60,150 |
| | $ 1,800,013 | 1,855,233 |

## (11) Long-Term Debt

A summary of the long-term debt at December 31, 2015 and 2014 follows:

| | 2015 | 2014 |
|---|---|---|
| 3.50% - 5.00% Hospital Revenue Bonds, Series 2012, serial bonds due November 2025 and term bonds due through November 2042, payable in varying annual installments on November 15, interest payable semi-annually (including unamortized premium of $4,942,872). | $ 105,837,872 | 108,338,272 |
| Less current maturities | 2,025,000 | 1,945,000 |
| Total long-term debt | $ 103,812,872 | 106,393,272 |

On November 1, 2012, $102,840,000 of Hospital Revenue Bonds, Series 2012, (Series 2012 Bonds) were issued by Hospital Authority No. 1 of Lincoln County (Issuer), Nebraska pursuant to the Indenture, the Loan Agreement, the 2012 Note and Mortgage between the Issuer and First National Bank of Omaha, Omaha, Nebraska (Trustee). The Series 2012 Bonds were issued at a premium of $6,720,864. This premium is being amortized using the effective interest method over the life of the bonds. At December 31, 2015 and 2014, $555,400 and $564,273, respectively, of the premium was amortized and included as a reduction in interest expense and capitalized interest costs for the years then ended.

A portion of the proceeds of the Series 2012 Bonds, along with funds from the Organization were used to redeem or refund the remaining outstanding principal amount of the Series 2002 Bonds. The majority of the proceeds of the Series 2012 Bonds were used to fund the Organization's patient tower project (Note 7).

The 2012 bonds are collateralized equally and ratably by a first mortgage lien on the facilities and a security interest in GP Health's accounts, inventory and equipment.

Under the terms of the 2012 revenue bond indentures, the GP Health is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use. The revenue bond indentures also place limits on the incurrence of additional borrowings and requires that GP Health satisfy certain measures of financial performance as long as the bonds are outstanding.

Scheduled principal payments on long-term debt for the next five years are as follows:

| | Long-Term Debt |
|---|---|
| 2016 | $ 2,025,000 |
| 2017 | 2,105,000 |
| 2018 | 2,185,000 |
| 2019 | 2,295,000 |
| 2020 | 2,390,000 |
| Thereafter | 89,895,000 |
| | 100,895,000 |
| Add unamortized premium | 4,942,872 |
| | $ 105,837,872 |

## (12) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015, are restricted primarily for a future building and service expansion project, hospital improvements, and support for various programs. These funds are currently held by the Great Plains Health Care Foundation and are available upon request of GP Health. These funds are comprised of cash and cash equivalents and investments held by other foundations.

## (13) Commitments

GP Health and GPHEI lease facility space and equipment for operations under various noncancelable operating lease agreements which expire between April 2015 and April 2023, and require varying minimum annual lease payments.

The total future minimum lease commitments at December 31, 2015 are as follows:

| | | |
|---|---|---|
| 2016 | $ | 624,445 |
| 2017 | | 387,729 |
| 2018 | | 632,037 |
| 2019 | | 355,101 |
| 2020 | | 343,566 |
| Thereafter | | 765,417 |

Total operating lease expense included in the consolidated statements of operations for the years ended December 31, 2015 and 2014, was approximately $1,446,000 and $1,340,000, respectively.

## (14) Other Operating Revenue

Other operating revenue for the years ended December 31, 2015 and 2014 consisted of the following:

| | | 2015 | 2014 |
|---|---|---|---|
| EHR incentive – Medicare | $ | 1,180 | 1,240,264 |
| EHR incentive – Medicaid | | -- | 333,295 |
| Rental income | | 766,477 | 717,971 |
| Cafeteria | | 371,769 | 255,992 |
| Grant revenue | | 54,000 | 70,476 |
| Other operating revenue | | 878,440 | 954,576 |
| | $ | 2,071,866 | 3,572,574 |

*Meaningful Use of Certified Electronic Health Record Technology Incentive Payments*

The Health Information Technology for Economic and Clinical Health Act contains specific financial incentive payments beginning in 2011 to certain hospitals and professionals that implement and achieve meaningful use of certified electronic health record (EHR) technology in ways that demonstrate improved quality and effectiveness of care. Specific criteria is set by the Center for Medicare and Medicaid Services (CMS). Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. An initial Medicaid incentive payment is available to providers that adopt, implement, or upgrade certified EHR technology. However, in order to receive additional Medicaid incentive payments in subsequent years, providers must demonstrate continued meaningful use of EHR technology.

GP Health accounts for meaningful use incentive payments under the grant accounting model, cliff recognition. Medicare EHR incentive payments are recognized as revenue when eligible providers demonstrate meaningful use of certified EHR technology and data is available to estimate the incentive payments for each period (a 365 day period after the initial 90 day attestation period). Medicaid EHR incentive payments are recognized as revenue when an eligible provider demonstrates meaningful use of certified EHR technology for each period. GP Health recognized $1,180 and $1,240,264 of Medicare meaningful use grant revenue and $-0- and $333,295 of Medicaid meaningful use grant revenue in other operating revenue in its consolidated statement of operations for the years ended December 31, 2015 and 2014, respectively.

## (15) Nonoperating Gains (Losses), Net

Nonoperating gains (losses), net are comprised of the following:

| | 2015 | 2014 |
|---|---|---|
| Investment income | $ 1,916,607 | 11,038,421 |
| Investment fees | (333,746) | (237,891) |
| Unrealized losses on investments, net | (2,748,185) | -- |
| Gain (loss) on disposal of assets | (234,301) | 321,804 |
| Gain on investment in affiliates | 837,473 | 838,127 |
| | $ (562,152) | 11,960,461 |

## (16) Professional Liability Insurance

GP Health carries a professional liability policy (including malpractice) which provides $1,000,000 of coverage for injuries per occurrence and $3,000,000 aggregate coverage. GP Health qualifies under the Nebraska Hospital Medical Liability Act (the Liability Act). The Excess Liability Fund under the Liability Act, on a claims-made basis, pays claims in excess of $500,000 for losses up to $2,250,000 per occurrence. The statutes limit covered claims above $2,250,000 and, in connection therewith, GP Health carries an umbrella policy which also provides an additional $5,000,000 of professional liability coverage per occurrence and aggregate coverage. These policies provide coverage on a claims-made basis covering only the claims which have occurred and are reported to the insurance company while the coverage is in force. GP Health could have exposure on possible incidents that have occurred for which claims will be made in the future, should professional liability insurance not be obtained, should coverage be limited and/or not available, or should the Act change.

Accounting principles generally accepted in the United States of America require a healthcare provider to recognize the ultimate costs of malpractice claims or similar contingent liabilities, which include costs associated with litigating or settling claims, when the incidents that give rise to the claims occur. GP Health does evaluate all incidents and claims along with prior claims experienced to determine if a liability is to be recognized. For the years ending December 31, 2015 and 2014, management determined a liability of $220,000 and $895,000 should be recognized for asserted or unasserted claims. In accordance with FASB ASU No. 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries,* management has included this liability in other accounts payable on the consolidated balance sheets with a corresponding receivable for insurance recoveries which is included with other receivables (Note 6).

## (17) 457(b) Deferred Compensation Plan

GP Health has established a deferred compensation plan for a select group of management or highly compensated employees in accordance with Internal Revenue Code 457(b). The plan permits eligible employees to defer a portion of their salaries until future years. The deferred compensation is not available to the employees until retirement, separation from employment, death, unforeseeable emergency or attaining age 70½. The employer is the beneficial owner of all assets the employee places in the plan. The employee is fully vested in all amounts credited to his or her account.

## (18) 401(k) Retirement Plan

GP Health sponsors a 401(k) Retirement Plan for its employees. The plan covers all employees who have six months of service, are age 21 or older, and have elected to participate in the plan. The plan is funded through contributions by both employees and GP Health. The employee contribution may be up to 100% of their pre-tax qualified compensation and is fully vested. Employees may direct the contributions among 24 different funds as determined by the Plan. Matching contributions up to 4% are made by GP Health. In 2013, a participant was fully vested in GP Health's contribution after six years of credited service. Effective January 1, 2014, the Organization amended the plan to provide a three-year cliff vesting period. Pension expense was $2,021,174 and $1,795,896 for the years ended December 31, 2015 and 2014, respectively.

## (19) Concentrations of Credit Risk

The Organization is located in North Platte, Nebraska. The Organization grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers was as follows:

| | 2015 | 2014 |
|---|---|---|
| Medicare | 24% | 25% |
| Medicaid | 7 | 11 |
| Blue Cross/Blue Shield | 14 | 20 |
| Other third-party payers | 40 | 35 |
| Private pay | 15 | 9 |
| | 100% | 100% |

Financial instruments that potentially subject the Organization to concentrations of credit risk include cash and cash equivalents and investments. Investments and cash and cash equivalents are managed within guidelines established by the Board of Directors which, as a matter of policy, limit the amounts that may be invested with one issuer and the type of investment. Management believes the risks related to its investments and cash and cash equivalents is minimal.

## (20) Related Party Transactions

Great Plains Health Care Foundation (Foundation) was established exclusively for the purpose of supporting programs and services of GP Health and other organizations that provide or support health related programs. Because GP Health does not have the authority to appoint a majority of the Board Members of the Foundation, the consolidated financial statements do not include the accounts of this organization. All funds raised, except funds required for the operations of the Foundation, are to be distributed, or held for the purpose of supporting the programs and services of GP Health, or as required to comply with the purposes specified by donors. Total net assets of the Foundation as of December 31, 2015 and 2014 were approximately $8,993,555 and $9,762,376, respectively.

GP Health has recognized its transfers to the Foundation and net assets of the Foundation restricted for GP Health’s use as an interest in Foundation, included as an other asset, in the accompanying consolidated balance sheets. Increases and decreases in the GP Health’s interest in Foundation relating to investment income and contributions are recorded as a change in interest in Foundation in the accompanying consolidated financial statements.

## (21) Functional Expenses

The Organization provides general healthcare services to residents within its geographic location. Expenses related to the provision of these services are as follows:

| | 2015 | 2014 |
|---|---|---|
| Program services | $ 171,579,963 | 151,823,702 |
| Fundraising | 144,338 | 137,286 |
| | $ 171,724,301 | 151,960,988 |

## North Platte, Nebraska Hospital Corporation d/b/a
## Great Plains Health and Affiliates

**Exhibit 1**

### Consolidating Balance Sheet
### December 31, 2015

| | | Great Plains Health | Great Plains Medical Arts Building | Great Plains Homecare Equipment | Regency Retirement Residence | North Platte Nebraska Physician Group | Great Plains PHO, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | |
| Current assets: | | | | | | | | | |
| Cash and cash equivalents | $ | 22,791,450 | 1,168,879 | 868,017 | 52,159 | 572,051 | 1,774 | -- | 25,454,330 |
| Short-term investments | | 68,438,262 | -- | -- | -- | -- | -- | -- | 68,438,262 |
| Assets limited as to use - required for current liabilities | | 594,264 | -- | -- | -- | -- | -- | -- | 594,264 |
| Receivables - | | | | | | | | | |
| Patients, net of estimated uncollectibles | | 20,584,135 | -- | 122,521 | -- | 1,928,738 | -- | -- | 22,635,394 |
| Affiliates | | 4,872,965 | -- | -- | -- | -- | -- | (4,872,965) | -- |
| Other | | 1,576,483 | 3,216 | 45,002 | -- | 659,211 | -- | -- | 2,283,912 |
| Inventories | | 4,747,504 | -- | 217,580 | -- | -- | -- | -- | 4,965,084 |
| Prepaid expenses | | 1,863,729 | -- | 2 | 5,867 | 119,832 | -- | -- | 1,989,430 |
| Total current assets | | 125,468,792 | 1,172,095 | 1,253,122 | 58,026 | 3,279,832 | 1,774 | (4,872,965) | 126,360,676 |
| Assets limited as to use, net of current portion | | 33,163,501 | -- | -- | -- | -- | -- | -- | 33,163,501 |
| Property and equipment, net | | 138,791,149 | 408,964 | 407,364 | 1,394,659 | 3,851,642 | -- | -- | 144,853,778 |
| Other assets - | | | | | | | | | |
| Deferred bond issue costs, net | | 1,055,751 | -- | -- | -- | -- | -- | -- | 1,055,751 |
| Deferred compensation assets | | 1,790,092 | -- | -- | -- | 1,316,077 | -- | -- | 3,106,169 |
| Recruitment and relocation advances, net | | 868,593 | -- | -- | -- | -- | -- | -- | 868,593 |
| Investment in affiliates | | 6,605,856 | -- | -- | -- | -- | -- | (4,805,843) | 1,800,013 |
| Interest in Foundation | | 4,322,421 | -- | -- | -- | -- | -- | -- | 4,322,421 |
| Land held for future expansion and investment | | -- | 647,594 | -- | -- | -- | -- | -- | 647,594 |
| Assets held for sale | | 11,471,570 | -- | -- | -- | -- | -- | -- | 11,471,570 |
| Total other assets | | 26,114,283 | 647,594 | -- | -- | 1,316,077 | -- | (4,805,843) | 23,272,111 |
| Total assets | $ | 323,537,725 | 2,228,653 | 1,660,486 | 1,452,685 | 8,447,551 | 1,774 | (9,678,808) | 327,650,066 |

## North Platte, Nebraska Hospital Corporation d/b/a
## Great Plains Health and Affiliates

**Exhibit 1**

## Consolidating Balance Sheet (Continued)
## December 31, 2015

| | | Great Plains Health | Great Plains Medical Arts Building | Great Plains Homecare Equipment | Regency Retirement Residence | North Platte Nebraska Physician Group | Great Plains PHO, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| **LIABILITIES AND NET ASSETS** | | | | | | | | | |
| Current liabilities: | | | | | | | | | |
| Current maturities of long-term debt | $ | 2,025,000 | -- | -- | -- | -- | -- | -- | 2,025,000 |
| Accounts payable - | | | | | | | | | -- |
| Trade | | 4,786,914 | 17,370 | 238,101 | 45,889 | 1,269,000 | 112,683 | -- | 6,469,957 |
| Construction | | 3,044,791 | -- | -- | -- | -- | -- | -- | 3,044,791 |
| Affiliates | | -- | 1,407,985 | 52,922 | 2,068,626 | 1,304,675 | 38,757 | (4,872,965) | -- |
| Other | | 220,000 | -- | -- | -- | -- | -- | -- | 220,000 |
| Accrued salaries, vacation and vested benefits payable | | 7,559,313 | -- | -- | 2,785 | 1,068,003 | -- | -- | 8,630,101 |
| Accrued interest payable | | 763,442 | -- | -- | -- | -- | -- | -- | 763,442 |
| Estimated third-party payor settlements | | 1,735,415 | -- | -- | -- | -- | -- | -- | 1,735,415 |
| Total current liabilities | | 20,134,875 | 1,425,355 | 291,023 | 2,117,300 | 3,641,678 | 151,440 | (4,872,965) | 22,888,706 |
| Long-term debt, net of current maturities | | 103,812,872 | -- | -- | -- | -- | -- | -- | 103,812,872 |
| Deferred compensation liability | | 1,790,092 | -- | -- | -- | 1,316,077 | -- | -- | 3,106,169 |
| Total liabilities | | 125,737,839 | 1,425,355 | 291,023 | 2,117,300 | 4,957,755 | 151,440 | (4,872,965) | 129,807,747 |
| Commitments | | | | | | | | | |
| Net assets (deficit): | | | | | | | | | |
| Common stock and paid-in-capital | | -- | -- | 475,000 | -- | 53,317,641 | 80,216 | (53,872,857) | -- |
| Unrestricted | | 197,067,757 | 803,298 | 894,463 | (664,615) | (49,827,845) | (229,882) | 49,067,014 | 197,110,190 |
| Temporarily restricted | | 732,129 | -- | -- | -- | -- | -- | -- | 732,129 |
| Total net assets (deficit) | | 197,799,886 | 803,298 | 1,369,463 | (664,615) | 3,489,796 | (149,666) | (4,805,843) | 197,842,319 |
| Total liabilities and net assets | $ | 323,537,725 | 2,228,653 | 1,660,486 | 1,452,685 | 8,447,551 | 1,774 | (9,678,808) | 327,650,066 |

## North Platte, Nebraska Hospital Corporation d/b/a
## Great Plains Health and Affiliates

**Exhibit 2**

### Consolidating Statement of Operations
### For the Year Ended December 31, 2015

| | | Great Plains Health | Great Plains Medical Arts Building | Great Plains Homecare Equipment | Regency Retirement Residence | North Platte Nebraska Physician Group | Great Plains PHO, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| UNRESTRICTED REVENUE: | | | | | | | | | |
| Net patient service revenue | $ | 169,433,329 | -- | 1,692,681 | -- | 15,046,907 | -- | -- | 186,172,917 |
| Provision for bad debts | | (6,793,469) | -- | (30,985) | (1,465) | (718,612) | -- | -- | (7,544,531) |
| Net patient service revenue less provision for bad debts | | 162,639,860 | -- | 1,661,696 | (1,465) | 14,328,295 | -- | -- | 178,628,386 |
| Other operating revenue | | 1,769,817 | 81,937 | 47,864 | 456,988 | 459,804 | -- | (744,544) | 2,071,866 |
| Total revenue | | 164,409,677 | 81,937 | 1,709,560 | 455,523 | 14,788,099 | -- | (744,544) | 180,700,252 |
| EXPENSES: | | | | | | | | | |
| Salaries and wages | | 53,980,321 | -- | 443,483 | 117,905 | 16,433,843 | 31,005 | -- | 71,006,557 |
| Employee benefits | | 12,898,797 | -- | 149,162 | 7,662 | 2,902,900 | 7,751 | -- | 15,966,272 |
| Professional fees - physicians | | 2,136,571 | -- | -- | -- | 2,863,610 | -- | -- | 5,000,181 |
| Professional fees - other | | 15,391,639 | 1,900 | 66,002 | 105,139 | 2,113,937 | 187,001 | (283,025) | 17,582,593 |
| Supplies | | 31,256,500 | -- | 52,887 | 57,745 | 1,045,286 | 369 | (28,718) | 32,384,069 |
| Utilities | | 1,802,915 | -- | 13,209 | 40,991 | 80,900 | -- | -- | 1,938,015 |
| Repairs and maintenance | | 6,346,476 | 1,934 | 55,319 | 27,408 | 186,467 | -- | (105) | 6,617,499 |
| Leases and rentals | | 883,119 | -- | 69,576 | 36,452 | 889,557 | -- | (432,697) | 1,446,007 |
| Insurance | | 562,757 | 1,671 | 3,874 | 4,915 | 113,035 | -- | -- | 686,252 |
| Interest | | 1,360,632 | -- | -- | 11,562 | -- | -- | (11,562) | 1,360,632 |
| Other | | 3,225,742 | 12,567 | 658,840 | 39,591 | 226,178 | 3,756 | -- | 4,166,674 |
| Depreciation and amortization | | 12,902,802 | 3,495 | 19,903 | 66,652 | 576,698 | -- | -- | 13,569,550 |
| Total expenses | | 142,748,271 | 21,567 | 1,532,255 | 516,022 | 27,432,411 | 229,882 | (756,107) | 171,724,301 |
| OPERATING INCOME (LOSS) | | 21,661,406 | 60,370 | 177,305 | (60,499) | (12,644,312) | (229,882) | 11,563 | 8,975,951 |
| NONOPERATING GAINS (LOSSES): | | | | | | | | | |
| Investment income, including realized gains, net | | 1,567,470 | 6,214 | 4,119 | 57 | 16,563 | -- | (11,562) | 1,582,861 |
| Unrealized losses on investments, net | | (2,748,185) | -- | -- | -- | -- | -- | -- | (2,748,185) |
| Other nonoperating gains (losses), net | | (11,960,346) | -- | (59,138) | -- | (2,540) | -- | 12,625,196 | 603,172 |
| Total nonoperating gains (losses), net | | (13,141,061) | 6,214 | (55,019) | 57 | 14,023 | -- | 12,613,634 | (562,152) |
| EXCESS REVENUE OVER (UNDER) EXPENSES | | 8,520,345 | 66,584 | 122,286 | (60,442) | (12,630,289) | (229,882) | 12,625,197 | 8,413,799 |
| GIFTS, GRANTS AND BEQUESTS | | 70,611 | -- | -- | -- | -- | -- | -- | 70,611 |
| CHANGE IN INTEREST IN FOUNDATION | | 623,797 | -- | -- | -- | -- | -- | -- | 623,797 |
| EQUITY TRANSFER FROM AFFILIATE | | -- | -- | -- | -- | 14,665,000 | -- | (14,665,000) | -- |
| INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS | $ | 9,214,753 | 66,584 | 122,286 | (60,442) | 2,034,711 | (229,882) | (2,039,803) | 9,108,207 |

## North Platte, Nebraska Hospital Corporation d/b/a
## Great Plains Health and Affiliates

**Exhibit 3**

### Consolidating Statement of Changes in Net Assets
### For the Year Ended December 31, 2015

| | Great Plains Health | Great Plains Medical Arts Building | Great Plains Homecare Equipment | Regency Retirement Residence | North Platte Nebraska Physician Group | Great Plains PHO, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| UNRESTRICTED NET ASSETS: | | | | | | | | |
| Operating income (loss) | $ 21,661,406 | 60,370 | 177,305 | (60,499) | (12,644,312) | (229,882) | 11,563 | 8,975,951 |
| Nonoperating gains (losses), net | (13,141,061) | 6,214 | (55,019) | 57 | 14,023 | -- | 12,613,634 | (562,152) |
| Gifts, grants and bequests | 70,611 | -- | -- | -- | -- | -- | -- | 70,611 |
| Change in interest in Foundation | 623,797 | -- | -- | -- | -- | -- | -- | 623,797 |
| Equity transfer from affiliate | -- | -- | -- | -- | 14,665,000 | 80,216 | (14,745,216) | -- |
| Increase (decrease) in unrestricted net assets | 9,214,753 | 66,584 | 122,286 | (60,442) | 2,034,711 | (149,666) | (2,120,019) | 9,108,207 |
| NET ASSETS (DEFICIT), beginning of year | 188,585,133 | 736,714 | 1,247,177 | (604,173) | 1,455,085 | -- | (2,685,824) | 188,734,112 |
| NET ASSETS (DEFICIT), end of year | $ 197,799,886 | 803,298 | 1,369,463 | (664,615) | 3,489,796 | (149,666) | (4,805,843) | 197,842,319 |