North Platte, Nebraska Hospital Corporation d/b/a

Great Plains Health and Affiliates

North Platte, Nebraska

Consolidated Financial Statements
and Supplementary Information
December 31, 2016 and 2015

Together with Independent Auditor's Report

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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, 2016 and 2015, 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, 2016 and 2015, 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.

Seim Johnson, LLP › 18081 Burt Street, Suite 200 › Omaha, NE 68022-4722 › Tel: 402.330.2660 › Fax: 402.330.5108 › SeimJohnson.com

Other Matter

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, changes in net assets, and cash flows 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 30, 2017.

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

Consolidated Balance Sheets
December 31, 2016 and 2015

		2016	2015
ASSETS			
Current assets:			
Cash and cash equivalents	$	30,798,818	25,454,330
Short-term investments		81,894,767	68,438,262
Investments limited as to use - required for current liabilities		--	594,264
Receivables -			
Patients, net of estimated uncollectibles of $8,420,182 in 2016 and $3,945,360 in 2015		23,983,220	22,635,394
Other		1,979,706	2,283,912
Inventories		5,519,899	4,965,084
Prepaid expenses		3,371,269	1,989,430
Total current assets		147,547,679	126,360,676
Investments limited as to use, net of current portion		37,791,599	33,163,501
Property and equipment, net		150,121,966	144,853,778
Other assets:			
Deferred compensation assets		3,720,327	3,106,169
Recruitment and relocation advances, net		686,751	868,593
Investment in affiliates		1,825,130	1,800,013
Interest in Foundation		6,842,948	4,322,421
Land held for future expansion and investment		647,594	647,594
Assets held for sale		--	11,471,570
Total other assets		13,722,750	22,216,360
Total assets	$	349,183,994	326,594,315

See notes to consolidated financial statements

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

Consolidated Balance Sheets (Continued)
December 31, 2016 and 2015

		2016	2015
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current maturities of long-term debt	$	2,459,201	2,025,000
Accounts payable -			
Trade		6,187,943	6,469,957
Construction		588,854	3,044,791
Other		170,000	220,000
Accrued salaries, vacation and vested benefits payable		9,621,227	8,630,101
Accrued interest payable		749,942	763,442
Estimated third-party payor settlements		2,091,451	1,735,415
Total current liabilities		21,868,618	22,888,706
Long-term debt, net		111,372,522	102,757,121
Deferred compensation liability		3,720,327	3,106,169
Total liabilities		136,961,467	128,751,996
Net assets:			
Unrestricted		207,724,345	197,110,190
Noncontrolling interest in consolidated subsidiary		889,960	--
Temporarily restricted		3,608,222	732,129
Total net assets		212,222,527	197,842,319
Total liabilities and net assets	$	349,183,994	326,594,315

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, 2016 and 2015

		2016	2015
UNRESTRICTED REVENUE:			
Net patient service revenue	$	198,672,265	186,172,917
Provision for bad debts		(10,376,939)	(7,544,531)
Net patient service revenue less provision for bad debts		188,295,326	178,628,386
Other operating revenue		3,934,097	2,071,866
Total unrestricted revenue		192,229,423	180,700,252
EXPENSES:			
Salaries and wages		77,850,077	71,006,557
Employee benefits		18,048,025	15,966,272
Professional fees - physicians		6,152,997	5,000,181
Professional fees - other		16,142,466	17,582,593
Supplies		33,965,551	32,384,069
Utilities		2,095,080	1,938,015
Repairs and maintenance		7,615,211	6,617,499
Leases and rentals		849,628	1,446,007
Insurance		775,500	686,252
Interest		4,498,581	1,399,915
Other		4,331,228	4,166,674
Depreciation		17,648,529	13,530,267
Total expenses		189,972,873	171,724,301
OPERATING INCOME		2,256,550	8,975,951
NONOPERATING GAINS (LOSSES):			
Investment income, including realized gains, net		2,334,358	1,582,861
Unrealized gains (losses) on investments, net		5,000,869	(2,748,185)
Other nonoperating gains, net		1,085,320	603,172
Total nonoperating gains (losses), net		8,420,547	(562,152)
EXCESS REVENUE OVER EXPENSES BEFORE GAIN ATTRIBUTABLE TO NONCONTROLLING INTEREST IN SUBSIDIARY		10,677,097	8,413,799
GAIN ATTRIBUTABLE TO NONCONTROLLING INTEREST IN SUBSIDIARY		(62,942)	--
EXCESS REVENUE OVER EXPENSES		10,614,155	8,413,799
GIFTS, GRANTS AND BEQUESTS		--	70,611
CHANGE IN INTEREST IN FOUNDATION		--	623,797
INCREASE IN UNRESTRICTED NET ASSETS	$	10,614,155	9,108,207

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, 2016 and 2015

		2016	2015
UNRESTRICTED NET ASSETS:			
Excess of revenue over expenses	$	10,614,155	8,413,799
Gifts, grants and bequests		--	70,611
Change in interest in Foundation		--	623,797
Increase in unrestricted net assets		10,614,155	9,108,207
UNRESTRICTED NONCONTROLLING INTEREST:			
Paid-in-capital from noncontrolling shareholders, net		827,018	--
Gain attributable to noncontrolling interest in subsidiary		62,942	--
Increase in unrestricted noncontrolling interest		889,960	--
TEMPORARILY RESTRICTED NET ASSETS,			
Change in interest in Foundation		2,876,093	--
CHANGE IN NET ASSETS		14,380,208	9,108,207
NET ASSETS, beginning of year		197,842,319	188,734,112
NET ASSETS, end of year	$	212,222,527	197,842,319

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, 2016 and 2015

		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	$	14,380,208	9,108,207
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Change in interest in Foundation		(2,876,093)	(623,797)
Depreciation		17,648,529	13,530,267
Amortization of debt issuance costs		42,023	39,283
Amortization of bond premium		(502,779)	(179,218)
Amortization of recruitment and relocation advances		817,162	701,604
(Gain) loss on disposal of property and equipment		(227,283)	234,301
(Gain) loss on investment in affiliates		578,332	(720,274)
Gifts, grants and bequests		--	(70,611)
(Increase) decrease in trading securities, net		(18,084,603)	1,833,917
(Increase) decrease in current assets -			
Patient accounts receivable, net		(1,347,826)	(2,064,264)
Other receivables		304,206	188,558
Inventories		(554,815)	(344,488)
Prepaid expenses		(1,381,839)	(86,842)
Increase (decrease) in current liabilities -			
Accounts payable - trade		(282,014)	2,892,902
Accounts payable - other		(50,000)	(675,000)
Accrued salaries, vacation and vested benefits payable		991,126	237,783
Accrued interest payable		(13,500)	(12,966)
Estimated third-party payor settlements		356,036	662,793
Net cash provided by operating activities		9,796,870	24,652,155
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment, net		(25,145,371)	(43,011,337)
Withdrawals from investments limited as to use, net		594,264	31,311,006
Recruitment and relocation advances, net		(635,320)	(341,383)
Distributions from (contributions to) investments in affiliates, net		(603,449)	775,494
Receipts from Foundation		355,566	962,467
Decrease in land held for future expansion and investment		--	96,682
Sale (purchase) of assets held for sale, net		11,471,570	(11,471,570)
Net cash used in investing activities		(13,962,740)	(21,678,641)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt		11,874,270	--
Principal payments on long-term debt		(2,269,989)	(1,945,000)
Payments for debt issuance costs		(93,923)	--
Gifts, grants and bequests		--	70,611
Net cash provided by (used in) financing activities		9,510,358	(1,874,389)
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,344,488	1,099,125
CASH AND CASH EQUIVALENTS, beginning of year		25,454,330	24,355,205
CASH AND CASH EQUIVALENTS, end of year	$	30,798,818	25,454,330
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	$	5,001,360	4,645,483
Interest cost capitalized		--	3,105,633
Bond premium amortization capitalized		--	(376,182)

See notes to consolidated financial statements

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

The following is a description of the organization and summary of significant accounting policies of the North Platte, Nebraska Hospital Corporation (d/b/a Great Plains Health) 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)
- Mid-Nebraska Medical Ventures, LLC (MNMV)

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.

Formed during 2015, PHO became a wholly-owned taxable subsidiary to develop a clinically integrated network composed of hospitals, physicians and other healthcare providers. PHO provides contract messenger services.

During 2016, MNMV was formed as a joint venture to acquire a physician office building (POB), obtain related financing, and operate the POB. The POB was constructed by GP Health and upon completion, sold to MNMV. GP Health has a 60% interest in MNMV requiring consolidation and recognition of a non-controlling interest.

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.

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(P).

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. 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. GP Health recognizes all investment income in excess of revenue over expenses.

I. Investments Limited as to Use

Investments limited as to use include the following:

By Trustee Under Bond Indenture Agreement – These investments 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, 2016 and 2015.

By Board for Capital Improvements – These investments are set aside by the Board of Directors for future capital improvements. The Board retains control of these investments 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 $-0- and $2,729,451 in 2016 and 2015, 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. 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.

L. 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 in affiliate. Contributions to the affiliates are treated as additions to, and dividends received are treated as reductions of, the investment in affiliate.

M. 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, 2016 and 2015, the Organization had no permanently restricted net assets.

N. 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.

O. 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 and is included in other operating revenue in the consolidated statements.

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

MNMV is the lessor of clinic space in the POB leased under various monthly or annually noncancelable operating leases. Rental income is recorded monthly as earned and is included in other operating revenue in the consolidated statements.

P. 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.

Q. 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.

R. 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.

S. 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 $-0- and $62,163 in 2016 and 2015, respectively. The income tax expense is included as an other expense of the consolidated statements of operations in 2015. GPHME did not recognize any federal and state income tax expense in 2016 due to operating losses incurred during the year.

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 2016 and 2015 due to operating losses incurred during the year.

MNMV is a limited liability company of which GP Health owns a 60% interest.

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, 2016 and 2015, the Organization had no uncertain tax positions accrued.

T. 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.

U. Reclassification

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 reporting format.

V. Accounting Pronouncements Adopted

In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, *Interest—Imputation of Interest* (Subtopic 835-30): *Simplifying the Presentation of Debt Issuance Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015. The adoption of this standard resulted in presentation of $1,107,650 and $1,055,751 in unamortized debt issuance costs as a direct reduction from the carrying amount of long-term debt in the consolidated balance sheets for December 31, 2016 and 2015, respectively. In addition, amortization cost of $42,023 and $39,283 is now reported as interest expense in the consolidated statements of operations for the years ended December 31, 2016 and 2015, respectively. Amortization cost was previously reported with depreciation and amortization expense.

W. Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources – and the changes in those resources – to donors, grantors, creditors, and other financial statement users. This ASU will be effective for the Organization for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the effect that the standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated financial statements.

X. Subsequent Events

The Organization considered events occurring through March 30, 2017 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, 2016			
		Medicare	Medicaid	Commercial and Self Pay	Total
Gross patient charges	$	219,195,150	38,187,817	185,889,586	443,272,553
Less: deductions from gross patient charges		168,555,966	27,637,781	48,406,541	244,600,288
Net patient service revenue	$	50,639,184	10,550,036	137,483,045	198,672,265

		December 31, 2015			
		Medicare	Medicaid	Commercial and Self Pay	Total
Gross patient charges	$	202,733,502	31,575,388	175,786,227	410,095,117
Less: deductions from gross patient charges		155,330,934	24,120,812	44,470,454	223,922,200
Net patient service revenue	$	47,402,568	7,454,576	131,315,773	186,172,917

A summary of the payment arrangements with major third-party payors is 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, 2014.

The "Budget Control Act of 2011" requires, among other things, mandatory across-the-board reductions in Federal spending, also known as sequestration. 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:

	2016	2015
Gross patient charges:		
Inpatient routine services	$ 24,287,187	28,993,190
Inpatient ancillary services	129,480,028	119,748,385
Outpatient and physician clinic services	287,262,404	259,173,270
Home medical equipment and other	2,242,934	2,180,272
	443,272,553	410,095,117
Less deductions from gross patient charges:		
Medicare	168,555,966	155,330,934
Medicaid	27,637,781	24,120,812
Blue Cross/Blue Shield	9,894,024	10,478,899
Other third-party adjustments	14,268,596	15,932,966
Self-pay discounts	14,561,482	10,870,224
Charity care	9,682,439	7,188,365
	244,600,288	223,922,200
Net patient service revenue	$ 198,672,265	186,172,917

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 $200,000 and $810,000 in 2016 and 2015, 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 5%, respectively, of the Organization's net patient revenue for the year ended December 31, 2016, and 25% and 4%, respectively, for the Organization's net patient revenue for the year ended December 31, 2015. 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, 2016 and 2015 were approximately $3,480,000 and $2,607,000, 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 – 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, 2016 and 2015, 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, 2016 and 2015:

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 45,343,553	45,343,553	--	--
Fixed income securities	33,403,632	4,017,376	29,386,256	--
Corporate stocks				
Domestic	28,710,192	28,710,192	--	--
Small Cap	6,325,444	6,325,444	--	--
International	5,603,545	5,603,545	--	--
	119,386,366	90,000,110	29,386,256	--
Other Investments:				
Certificates of deposits	300,000			
	$ 119,686,366			

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 44,877,222	44,877,222	--	--
Fixed income securities	27,853,460	3,157,621	24,695,839	--
Corporate stocks				
Domestic	19,414,747	19,414,747	--	--
Small Cap	4,317,765	4,317,765	--	--
International	4,082,833	4,082,833	--	--
	100,546,027	75,850,188	24,695,839	--
Other Investments:				
Certificates of deposits	1,650,000			
	$ 102,196,027			

Investment return for the years ended December 31, 2016 and 2015 is summarized as follows:

	2016	2015
Interest and dividends	$ 1,957,463	1,927,640
Investment management fees	(366,972)	(333,746)
Realized gains (losses), net	743,867	(11,033)
Change in unrealized gains (losses)	5,000,869	(2,748,185)
Total investment return, net	$ 7,335,227	(1,165,324)

(5) Investments Limited as to Use

In connection with the issuance of the Hospital Revenue Bonds, Series 2012 and related trust indenture agreement, GP Health was required to maintain bond proceeds in a project fund until expended for their intended purpose.

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.

Investments limited as to use are presented in the consolidated financial statements at fair value. The composition of investments limited as to use at December 31, 2016 and 2015 is as follows:

	2016	2015
Investments limited as to use –		
Board designated for capital improvements	$ 37,791,599	33,163,501
Held by Trustee under bond indenture agreement	--	594,264
	37,791,599	33,757,765
Less amount required for current obligations	--	594,264
Investments limited as to use, net of current portion	$ 37,791,599	33,163,501

(6) Other Receivables

The composition of other receivables at December 31, 2016 and 2015 is summarized as follows:

	2016	2015
Employee loans and advances	$ 1,311,487	1,171,005
Nebraska Medicaid Disproportionate Share Hospital	181,620	--
Professional liability policy receivable	170,000	220,000
Tenants	161,000	291,000
Employee group health plan reinsurance receivable	72,110	169,477
Credit card and other rebate receivables	18,000	178,000
Other	65,489	254,430
	$ 1,979,706	2,283,912

(7) Property and Equipment

Property and equipment as of December 31, 2016 and 2015 is summarized as follows:

	2016	2015
Land and improvements	$ 7,923,969	6,964,947
Buildings and fixed equipment	173,132,078	159,769,751
Equipment and furnishings	112,306,864	106,403,243
Construction in progress	233,742	726,126
	293,596,653	273,864,067
Less - Accumulated depreciation	143,474,687	129,010,289
	$ 150,121,966	144,853,778

Depreciation expense of $17,648,529 and $13,530,267 in 2016 and 2015, 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 and was 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 Project was completed in 2015 for approximately $89.5 million.

(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 construction of the POB project was completed in 2016. The total cost of the POB project, including the existing medical office building was approximately $12.6 million. MNMV purchased the completed POB project from GP Health. The sale price of the POB project was based upon fair market value of the existing building and the cost of the new construction less the tenant costs. Financing for the purchase was derived from a bank term loan note and capital investment from the joint venture partners. The gain on the sale of the POB project was approximately $2.1 million and has been eliminated in the consolidation process.

(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 2016 and 2015:

		2016	2015
Recruitment and relocation advances -			
Beginning of year	$	868,593	1,228,814
Advances		730,320	341,383
Amortization		(912,162)	(701,604)
End of year	$	686,751	868,593

(10) Investments in Affiliates

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. These investments are recorded using the equity method of accounting.

GP Health's investment in affiliates at December 31, 2016 and 2015 is as follows:

	2016	2015
North Platte Surgery Center, LLC	$ 1,811,176	1,631,313
Enhance Health Network	13,954	168,700
	$ 1,825,130	1,800,013

(11) Long-Term Debt

A summary of the long-term debt at December 31, 2016 and 2015 follows:

	2016	2015
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 $4,440,093).	$ 103,310,094	105,837,872
Term Loan Note, interest at 4.92%, monthly installments of $79,649 with a balloon payment of $7,255,633, due May 1, 2026.	11,629,279	--
	114,939,373	105,837,872
Less unamortized debt issuance costs	1,107,650	1,055,751
Total long-term debt, net	$ 113,831,723	104,782,121

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, 2016 and 2015, $502,779 and $555,400, 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 investments 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.

On May 1, 2016, MNMV entered into a bank loan with First National Bank of Omaha totaling $12,150,000. The proceeds of the loan were used to purchase the POB project developed and constructed by GP Health, an equity member of MNMV (see Note 8). The loan agreement called for disbursement of the funds in two installments. The first advance was received May 1, 2016 and totaled $11,874,270. The second advance is to be $275,730 and will be distributed to MNMV upon receipt of final lien waivers and certificates of completion of the POB. The second advance had not been received by MNMV as of December 31, 2016. The loan is secured by the real and personal property of MNMV.

Deferred debt issuance issue costs are amortized on a straight-line basis over the period of their respective debt issue, which approximates the interest rate method. Amortization expense of $42,023 and $39,283 in 2016 and 2015, respectively, is included with interest expense in the accompanying consolidated statements of operations.

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

	Long-Term Debt
2017	$ 2,459,201
2018	2,587,407
2019	2,717,946
2020	2,833,060
2021	2,952,146
Thereafter	96,949,520
	110,499,280
Add unamortized premium	4,440,093
Less unamortized debt issuance costs	(1,107,650)
	$ 113,831,723

(12) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016, are restricted primarily for a future building and service expansion projects, 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, pledges and investments.

(13) Commitments

GP Health and GPHEI lease facility space and equipment for operations under various noncancelable operating lease agreements which expire between November 2017 and April 2023, and require varying minimum annual lease payments.

The total future minimum lease commitments at December 31, 2016 are as follows:

2017	$ 605,605
2018	453,520
2019	354,291
2020	344,887
2021	340,185
Thereafter	425,231

Total operating lease expense included in the consolidated statements of operations for the years ended December 31, 2016 and 2015, was approximately $849,000 and $1,446,000, respectively.

(14) Other Operating Revenue

Other operating revenue for the years ended December 31, 2016 and 2015 consisted of the following:

	2016	2015
EHR incentive – Medicare	$ 1,385,812	1,180
Rental income	1,183,704	766,477
Cafeteria	536,579	371,769
Grant revenue	153,306	54,000
Other operating revenue	674,696	878,440
	$ 3,934,097	2,071,866

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.

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). GP Health recognized $1,385,812 and $1,180 of Medicare meaningful use grant revenue in other operating revenue in its consolidated statement of operations for the years ended December 31, 2016 and 2015, respectively.

(15) 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 ended December 31, 2016 and 2015, management determined a liability of $170,000 and $220,000 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).

(16) 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.

(17) 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 $1,964,858 and $2,021,174 for the years ended December 31, 2016 and 2015, respectively.

(18) 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:

	2016	2015
Medicare	26%	24%
Medicaid	8	7
Blue Cross/Blue Shield	12	14
Other third-party payers	36	40
Private pay	18	15
	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.

The Organization, at times, maintains cash deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes the risk relating to these deposits is minimal.

(19) 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, 2016 and 2015 were approximately $11,656,135 and $8,993,555, 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.

(20) 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:

	2016	2015
Program services	$ 189,740,022	171,579,963
Fundraising	232,851	144,338
	$ 189,972,873	171,724,301

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

Exhibit 1

Consolidating Balance Sheet
December 31, 2016

		Great Plains Health	Great Plains Medical Arts Building, Inc.	Great Plains Homecare Equipment, Inc.	Regency Retirement Residence of North Platte	North Platte Nebraska Physician Group, LLC	Great Plains PHO, Inc.	Mid-Nebraska Medical Ventures, LLC	Eliminations	Consolidated
ASSETS										
Current assets:										
Cash and cash equivalents	$	27,089,550	1,218,604	944,147	46,825	1,123,878	33,923	341,891	--	30,798,818
Short-term investments		81,894,767	--	--	--	--	--	--	--	81,894,767
Receivables -										
Patients, net of estimated uncollectibles		21,775,153	--	104,488	--	2,103,579	--	--	--	23,983,220
Affiliates		5,668,100	--	--	--	--	--	51,598	(5,719,698)	--
Other		1,422,246	2,772	55,874	--	438,209	25,084	35,521	--	1,979,706
Inventories		5,326,910	--	192,989	--	--	--	--	--	5,519,899
Prepaid expenses		3,167,091	--	1,697	5,817	124,417	72,247	--	--	3,371,269
Total current assets		146,343,817	1,221,376	1,299,195	52,642	3,790,083	131,254	429,010	(5,719,698)	147,547,679
Investments limited as to use, net of current portion		37,791,599	--	--	--	--	--	--	--	37,791,599
Property and equipment, net		131,283,861	406,297	316,151	1,355,947	4,637,948	82,670	14,086,221	(2,047,129)	150,121,966
Other assets -										
Deferred compensation assets		2,017,922	--	--	--	1,702,405	--	--	--	3,720,327
Recruitment and relocation advances, net		686,751	--	--	--	--	--	--	--	686,751
Investment in affiliates		8,978,337	--	--	--	--	--	--	(7,153,207)	1,825,130
Interest in Foundation		6,842,948	--	--	--	--	--	--	--	6,842,948
Land held for future expansion and investment		--	647,594	--	--	--	--	--	--	647,594
Total other assets		18,525,958	647,594	--	--	1,702,405	--	--	(7,153,207)	13,722,750
Total assets	$	333,945,235	2,275,267	1,615,346	1,408,589	10,130,436	213,924	14,515,231	(14,920,034)	349,183,994

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

Exhibit 1

Consolidating Balance Sheet (Continued)
December 31, 2016

		Great Plains Health	Great Plains Medical Arts Building, Inc.	Great Plains Homecare Equipment, Inc.	Regency Retirement Residence of North Platte	North Platte Nebraska Physician Group, LLC	Great Plains PHO, Inc.	Mid-Nebraska Medical Ventures, LLC	Eliminations	Consolidated
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current maturities of long-term debt	$	2,105,000	--	--	--	--	--	354,201	--	2,459,201
Accounts payable -										--
Trade		4,358,896	17,394	197,045	43,988	902,310	77,027	591,283	--	6,187,943
Construction		588,854	--	--	--	--	--	--	--	588,854
Affiliates		51,598	1,408,303	49,506	2,084,301	1,391,397	573,641	160,952	(5,719,698)	--
Other		170,000	--	--	--	--	--	--	--	170,000
Accrued salaries, vacation and vested benefits payable		8,245,205	--	--	893	1,375,129	--	--	--	9,621,227
Accrued interest payable		749,942	--	--	--	--	--	--	--	749,942
Estimated third-party payor settlements		2,091,451	--	--	--	--	--	--	--	2,091,451
Total current liabilities		18,360,946	1,425,697	246,551	2,129,182	3,668,836	650,668	1,106,436	(5,719,698)	21,868,618
Long-term debt, net		100,188,627	--	--	--	--	--	11,183,895	--	111,372,522
Deferred compensation liability		2,017,922	--	--	--	1,702,405	--	--	--	3,720,327
Total liabilities		120,567,495	1,425,697	246,551	2,129,182	5,371,241	650,668	12,290,331	(5,719,698)	136,961,467
Commitments										
Net assets:										
Common stock and paid-in-capital		--	--	475,000	--	70,442,641	1,229,699	1,240,528	(73,387,868)	--
Unrestricted		209,769,518	849,570	893,795	(720,593)	(65,683,446)	(1,666,443)	94,412	64,187,532	207,724,345
Non-controlling interest in consolidated subsidiary		--	--	--	--	--	--	889,960	--	889,960
Temporarily restricted		3,608,222	--	--	--	--	--	--	--	3,608,222
Total net assets (deficit)		213,377,740	849,570	1,368,795	(720,593)	4,759,195	(436,744)	2,224,900	(9,200,336)	212,222,527
Total liabilities and net assets	$	333,945,235	2,275,267	1,615,346	1,408,589	10,130,436	213,924	14,515,231	(14,920,034)	349,183,994

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, 2016

	Great Plains Health	Great Plains Medical Arts Building, Inc.	Great Plains Homecare Equipment, Inc.	Regency Retirement Residence of North Platte	North Platte Nebraska Physician Group, LLC	Great Plains PHO, Inc.	Mid-Nebraska Medical Ventures, LLC	Eliminations	Consolidated
UNRESTRICTED REVENUE:									
Net patient service revenue	$ 178,258,372	--	1,444,950	--	18,968,943	--	--	--	198,672,265
Provision for bad debts	(9,431,798)	--	(30,470)	--	(914,671)	--	--	--	(10,376,939)
Net patient service revenue less provision for bad debts	168,826,574	--	1,414,480	--	18,054,272	--	--	--	188,295,326
Other operating revenue	3,413,626	58,246	64,084	419,025	395,786	137,406	1,132,366	(1,686,442)	3,934,097
Total unrestricted revenue	172,240,200	58,246	1,478,564	419,025	18,450,058	137,406	1,132,366	(1,686,442)	192,229,423
EXPENSES:									
Salaries and wages	55,982,096	--	438,578	119,489	20,845,762	465,892	--	(1,740)	77,850,077
Employee benefits	13,925,975	--	138,930	6,676	3,859,444	117,000	--	--	18,048,025
Professional fees - physicians	2,213,414	--	--	--	3,939,583	--	--	--	6,152,997
Professional fees - other	14,645,501	1,800	52,385	82,970	705,012	944,387	37,299	(326,888)	16,142,466
Supplies	32,537,700	--	39,276	58,110	1,341,747	7,383	543	(19,208)	33,965,551
Utilities	1,843,966	--	13,142	41,601	103,065	507	92,799	--	2,095,080
Repairs and maintenance	7,074,837	--	40,902	7,685	486,295	--	6,683	(1,191)	7,615,211
Leases and rentals	733,862	--	66,122	38,596	1,307,436	18,270	22,176	(1,336,834)	849,628
Insurance	636,318	1,326	3,812	4,786	116,048	4,898	8,312	--	775,500
Interest	4,103,641	--	--	11,562	--	--	394,940	(11,562)	4,498,581
Other	3,272,995	12,592	625,812	35,354	231,390	11,977	141,686	(578)	4,331,228
Depreciation	15,921,568	2,667	20,120	68,239	1,387,624	3,650	270,574	(25,913)	17,648,529
Total expenses	152,891,873	18,385	1,439,079	475,068	34,323,406	1,573,964	975,012	(1,723,914)	189,972,873
OPERATING INCOME (LOSS)	19,348,327	39,861	39,485	(56,043)	(15,873,348)	(1,436,558)	157,354	37,472	2,256,550
NONOPERATING GAINS (LOSSES):									
Investment income, including realized gains, net	2,315,364	6,411	4,693	65	19,387	--	--	(11,562)	2,334,358
Unrealized gains on investments	5,000,869	--	--	--	--	--	--	--	5,000,869
Other nonoperating gains (losses), net	(13,962,799)	--	(44,846)	--	(1,640)	--	--	15,094,605	1,085,320
Total nonoperating gains (losses), net	(6,646,566)	6,411	(40,153)	65	17,747	--	--	15,083,043	8,420,547
EXCESS REVENUE OVER (UNDER) EXPENSES BEFORE GAIN ATTRIBUTABLE TO NONCONTROLLING INTEREST OF SUBSIDIARY	12,701,761	46,272	(668)	(55,978)	(15,855,601)	(1,436,558)	157,354	15,120,515	10,677,097
GAIN ATTRIBUTABLE TO NONCONTROLLING INTEREST OF SUBSIDIARY	--	--	--	--	--	--	(62,942)	--	(62,942)
EXCESS REVENUE OVER (UNDER) EXPENSES	12,701,761	46,272	(668)	(55,978)	(15,855,601)	(1,436,558)	94,412	15,120,515	10,614,155
EQUITY TRANSFERS FROM AFFILIATE, NET	--	--	--	--	17,125,000	--	1,240,528	(18,365,528)	--
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 12,701,761	46,272	(668)	(55,978)	1,269,399	(1,436,558)	1,334,940	(3,245,013)	10,614,155

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, 2016

		Great Plains Health	Great Plains Medical Arts Building, Inc.	Great Plains Homecare Equipment, Inc.	Regency Retirement Residence of North Platte	North Platte Nebraska Physician Group, LLC	Great Plains PHO, Inc.	Mid-Nebraska Medical Ventures, LLC	Eliminations	Consolidated
UNRESTRICTED NET ASSETS:										
Excess revenue over (under) expense	$	12,701,761	46,272	(668)	(55,978)	(15,855,601)	(1,436,558)	94,412	15,120,515	10,614,155
Equity transfers from affiliate, net		--	--	--	--	17,125,000	1,149,480	1,240,528	(19,515,008)	--
Change in unrestricted net assets		12,701,761	46,272	(668)	(55,978)	1,269,399	(287,078)	1,334,940	(4,394,493)	10,614,155
UNRESTRICTED NONCONTROLLING INTEREST:										
Paid-in-capital from noncontrolling shareholders, net		--	--	--	--	--	--	827,018	--	827,018
Gain attributable to noncontrolling interest of subsidiary		--	--	--	--	--	--	62,942	--	62,942
Increase in unrestricted noncontrolling interest		--	--	--	--	--	--	889,960	--	889,960
TEMPORARILY RESTRICTED NET ASSETS,										
Contributions restricted by donor		2,876,093	--	--	--	--	--	--	--	2,876,093
CHANGE IN NET ASSETS		15,577,854	46,272	(668)	(55,978)	1,269,399	(287,078)	2,224,900	(4,394,493)	14,380,208
NET ASSETS, beginning of year		197,799,886	803,298	1,369,463	(664,615)	3,489,796	(149,666)	--	(4,805,843)	197,842,319
NET ASSETS, end of year	$	213,377,740	849,570	1,368,795	(720,593)	4,759,195	(436,744)	2,224,900	(9,200,336)	212,222,527