North Platte, Nebraska Hospital Corporation d/b/a

Great Plains Health and Affiliates

North Platte, Nebraska

Consolidated Financial Statements
and Supplementary Information
December 31, 2019 and 2018

Together with Independent Auditor's Report

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

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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, 2019 and 2018, 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 (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, 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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Emphasis of Matter

As discussed in Note 1(W) to the financial statements, the Organization adopted new accounting guidance related to the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the 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 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 financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Seim Johnson, LLP

Omaha, Nebraska,
March 30, 2020.

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

Consolidated Balance Sheets
December 31, 2019 and 2018

		2019	2018
ASSETS			
Current assets:			
Cash and cash equivalents	$	79,836,601	58,201,895
Short-term investments		107,059,735	94,900,385
Receivables -			
Patients		23,483,476	28,437,171
Other		1,973,372	1,445,258
Patient customer contracts		9,929,283	6,272,544
Inventories		6,350,732	5,967,433
Prepaid expenses		3,470,917	2,809,250
Total current assets		232,104,116	198,033,936
Investments limited as to use		34,699,718	35,012,988
Property and equipment, net		139,959,944	132,495,630
Right-of-use assets - operating leases		5,266,583	--
Other assets:			
Deferred compensation assets		5,341,066	3,872,268
Recruitment and relocation advances, net		691,049	496,589
Investment in affiliate		1,535,790	1,581,508
Interest in Foundation		2,466,388	9,474,062
Land held for future expansion and investment		647,594	647,594
Total other assets		10,681,887	16,072,021
Total assets	$	422,712,248	381,614,575

See notes to consolidated financial statements

Consolidated Balance Sheets (Continued)
December 31, 2019 and 2018

		2019	2018
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current maturities of long-term debt	$	2,790,706	2,676,967
Current portion of lease liability - operating leases		407,402	--
Accounts payable -			
Trade		7,245,073	7,159,711
Construction		2,320,235	1,739,477
Other		510,000	35,000
Accrued salaries, vacation and vested benefits payable		11,653,266	10,004,311
Accrued interest payable		702,400	717,700
Estimated third-party payor settlements		1,710,725	1,767,788
Total current liabilities		27,339,807	24,100,954
Long-term debt, net		102,473,640	105,593,630
Lease liability, net of current portion - operating leases		4,859,181	--
Deferred compensation liability		5,341,066	3,872,268
Total liabilities		140,013,694	133,566,852
Commitments and contingencies			
Net assets:			
Without donor restrictions		279,531,871	238,671,214
Non-controlling interest in consolidated subsidiary		758,698	733,129
With donor restrictions		2,407,985	8,643,380
Total net assets		282,698,554	248,047,723
Total liabilities and net assets	$	422,712,248	381,614,575

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, 2019 and 2018

		2019	2018
REVENUE WITHOUT DONOR RESTRICTIONS:			
Patient service revenue	$	225,380,914	220,462,247
Other operating revenue		3,056,461	2,942,995
Total revenue without donor restrictions		228,437,375	223,405,242
EXPENSES:			
Salaries and wages		85,845,997	81,137,393
Employee benefits		20,218,607	20,684,675
Fees - physicians		8,888,200	6,770,191
Contract labor and services		23,879,425	22,863,275
Supplies and drugs		42,209,710	40,400,825
Utilities		1,940,709	2,010,798
Repairs and maintenance		7,632,809	8,223,436
Leases and rentals		746,389	764,498
Insurance		1,099,331	650,589
Interest		4,535,437	4,601,523
Other		4,883,800	4,103,786
Depreciation		14,483,876	15,343,057
Total expenses		216,364,290	207,554,046
OPERATING INCOME		12,073,085	15,851,196
NONOPERATING GAINS (LOSSES):			
Investment income, including realized gains, net		5,877,155	7,034,097
Unrealized gains (losses) on investments, net		15,163,446	(12,155,890)
Other nonoperating gains, net		507,886	424,219
Total nonoperating gains (losses), net		21,548,487	(4,697,574)
EXCESS REVENUE OVER EXPENSES BEFORE GAIN ATTRIBUTABLE TO NONCONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARY		33,621,572	11,153,622
GAIN ATTRIBUTABLE TO NONCONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARY		(89,569)	(91,180)
EXCESS REVENUE OVER EXPENSES		33,532,003	11,062,442
GIFTS, GRANTS AND BEQUESTS FOR THE PURCHASE OF PROPERTY AND EQUIPMENT		8,100,933	3,043,785
CHANGE IN INTEREST IN FOUNDATION		(772,279)	(2,404,044)
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$	40,860,657	11,702,183

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, 2019 and 2018

		2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Excess of revenue over expenses	$	33,532,003	11,062,442
Gifts, grants and bequests for the purchase of property and equipment		8,100,933	3,043,785
Change in interest in Foundation		(772,279)	(2,404,044)
Increase in net assets without donor restrictions		40,860,657	11,702,183
UNRESTRICTED NONCONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARY:			
Distributions to noncontrolling shareholders		(64,000)	(244,957)
Gain attributable to noncontrolling interest in consolidated subsidiary		89,569	91,180
Increase (decrease) in unrestricted noncontrolling interest in consolidated subsidiary		25,569	(153,777)
NET ASSETS WITH DONOR RESTRICTIONS,			
Change in interest in Foundation		(6,235,395)	(764,501)
CHANGE IN NET ASSETS		34,650,831	10,783,905
NET ASSETS, beginning of year		248,047,723	237,263,818
NET ASSETS, end of year	$	282,698,554	248,047,723

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, 2019 and 2018

		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	$	34,650,831	10,783,905
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Change in interest in Foundation		7,007,674	3,168,545
Depreciation		14,483,876	15,343,057
Amortization of debt issuance costs		43,980	43,980
Amortization of bond premium		(348,186)	(405,380)
Amortization of recruitment and relocation advances		116,353	247,294
(Gain) loss on disposal of property and equipment		(56,118)	67,403
Gain on investment in affiliate		(454,268)	(494,622)
Gifts, grants and bequests for the purchase of property and equipment		(8,100,933)	(3,043,785)
Increase (decrease) in trading securities, net		(11,846,080)	5,521,056
(Increase) decrease in current assets -			
Patient receivable		4,953,695	(4,619,371)
Other receivables		(528,114)	1,270,962
Patient customer contracts		(3,656,739)	(1,977,730)
Inventories		(383,299)	(65,912)
Prepaid expenses		(661,667)	(545,048)
Increase (decrease) in current liabilities -			
Accounts payable - trade		85,362	(662,282)
Accounts payable - other		475,000	(795,000)
Accrued salaries, vacation and vested benefits payable		1,648,955	(112,043)
Accrued interest payable		(15,300)	(18,208)
Estimated third-party payor settlements		(57,063)	(198,033)
Net cash provided by operating activities		37,357,959	23,508,788
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment, net		(21,311,314)	(10,883,679)
Recruitment and relocation advances, net		(310,813)	(159,909)
Distributions from investment in affiliate		499,986	1,017,114
Net cash used in investing activities		(21,122,141)	(10,026,474)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on long-term debt		(2,702,045)	(2,575,106)
Proceeds from gifts, grants, and bequests for the purchase of property and equipment		8,100,933	3,043,785
Net cash provided by financing activities		5,398,888	468,679
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,634,706	13,950,993
CASH AND CASH EQUIVALENTS, beginning of year		58,201,895	44,250,902
CASH AND CASH EQUIVALENTS, end of year	$	79,836,601	58,201,895
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	$	4,898,923	5,025,111

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 financial statements include the accounts of the following entities:

- North Platte, Nebraska Hospital Corporation, d/b/a Great Plains Health (GP Health)
- Great Plains Homecare Equipment, Inc. (GPHEI)
- Regency Retirement Residence of North Platte (Regency)
- Great Plains PHO, Inc. d/b/a Great Plains Health Innovation Network (GPHIN)
- 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.

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.

GPHIN is a wholly-owned taxable corporation organized to develop a clinically integrated network composed of hospitals, physicians and other healthcare providers. GPHIN promotes systems to organize and integrate care.

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 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 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 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 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 all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, and are not included in investment accounts.

F. Patient Receivables

The Organization reports patient receivables for services rendered at amounts reflecting consideration to which the Organization expects to be entitled to from third-party payors, patients and others.

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. The Organization does not charge interest on outstanding balances owed.

The Organization also maintains a financial assistance/charity care policy as described in Note 1(R).

G. Patient Customer Contracts

Patient customer contracts represent the Organization’s right to consideration for goods or services transferred to a patient, before payment is due for those goods or services, in accordance with the terms of the contract between the Organization, the patient and any third-party payors.

H. Inventories

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

I. Investments

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.

J. Investments Limited as to Use

Investments limited as to use include the following:

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.

K. Property and Equipment, Net

Property and equipment acquisitions are recorded at cost. All acquisitions over $3,000 are capitalized. Depreciation is provided over the estimated life of each class of depreciable asset and is computed using the straight-line method based upon useful lives set forth using the general guidelines from the American Hospital Association Guide for Estimated Useful Lives of Depreciable Hospital Assets.

Gifts of property and equipment assets such as land, buildings or equipment are reported as support without donor restrictions, and are excluded from the excess revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

The Organization's property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected cash flows is less than the carrying amount of the asset, a loss is recognized.

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 Affiliate

GP Health is accounting for its investment in North Platte Surgery Center, LLC, a 50% owned affiliate, by the equity method of accounting, under which, GP Health's share of the net income is recognized as income in the Organization's consolidated statements of operations and added to the investment in affiliate. Contributions to the affiliate are treated as additions to, and distributions received are treated as reductions of, the investment in affiliate.

N. Net Assets

The financial statements report the changes in and totals of each net asset class based on the existence or absence of donor restrictions, as described below:

Net assets without donor restrictions are those net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without donor restrictions include undesignated net assets and net assets subject to designation by the Board of Directors.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

O. 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 support with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without restrictions 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 contributions without donor restrictions in the accompanying financial statements.

P. Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed and or the patient is discharged. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services. The organization measures the performance obligation from admission to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Organization does not believe it is required to provide additional goods or services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and or implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on historical collection experience with various classes of patients.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. For the years ended December 31, 2019 and 2018, no significant adjustments to revenue were recognized due to changes in estimates of implicit price concessions for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has provided implicit price concessions to uninsured patients and patients with uninsured balances (copays and deductibles). The implicit price concessions included in estimating transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on collection history with those patients.

The Organization has elected the practical expedient and does not adjust the estimated amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time service is provided to the patient and the time that the patient or third-party payor pays for that service will be one year or less.

The Organization has applied the practical expedient and all incremental contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization would otherwise have recognized is one year or less in duration.

Q. *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 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 and is included in other operating revenue in the consolidated statements of operations.

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 of operations.

R. *Financial Assistance/Charity Care*

The Organization provides care to patients who meet certain criteria under its financial assistance/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 patient care service 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.

S. *Functional Allocation of Expenses*

The costs of providing healthcare services and supporting services activities have been summarized on the basis of natural classification in the statements of operations. Note 15 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

T. *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.

U. *Excess of Revenue over Expenses*

The consolidated statements of operations include excess of revenue over expenses as a performance indicator. Changes in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include gifts and bequests for the purchase of property and equipment and change in interest in Foundation.

V. *Income Taxes*

GP Health and Regency are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code. GP Health and Regency 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.

GPHEI is a for-profit corporation that recognized federal and state income tax expense of approximately $55,000 and -0- in 2019 and 2018, respectively. The income tax expense is included as an other expense of the consolidated statements of operations in 2019. GPHEI did not recognize any federal and state income tax expense in 2018 due to operating losses incurred during the year.

GPHIN is a for-profit corporation subject to federal and state income taxes. GPHIN did not recognize any federal and state income tax expense in 2019 and 2018 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, 2019 and 2018, the Organization had no uncertain tax positions accrued.

W. Change in Accounting Principle

Effective January 1, 2019, the Organization adopted the provisions of FASB Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842).* The new accounting standard requires the recognition of right-of-use assets and lease liabilities for all long-term leases, including operating leases, on the balance sheet. The Organization elected the optional transition method and adopted the new guidance on a modified retrospective basis with no restatement of prior period amounts. As allowed under the new accounting standard, the Organization elected to apply practical expedients to carry forward the original lease determinations, lease classifications and accounting of initial direct costs for all asset classes at the time of adoption.

Upon adoption of ASU 2016-02, the Organization recognized right-of-use assets-operating leases of $5,454,018 and lease liabilities-operating leases of $5,454,018. There was no cumulative-effect adjustment required to the opening balance of net assets. The adoption of ASU 2016-02 did not have a significant effect on the Organization’s statements of operations or cash flows. See Note 10 for further information.

X. *Reclassification*

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 reporting format.

Y. Subsequent Events

The Organization considered events occurring through March 30, 2020 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(2) Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors 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, 2016.

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.

Commercial Insurance. Commercial insurance carriers, health maintenance organizations and preferred provider organizations provide payment using either prospectively determined rates per discharge, discount from established charges or prospectively determined daily rates or fee schedule amounts.

Patient service revenue by major payor class for the years ended December 31, 2019 and 2018, is presented in the following tables:

		2019	2018
Medicare	$	77,884,046	74,452,672
Medicaid		11,616,558	8,888,592
Commercial insurance and other		135,880,310	137,120,983
Total patient service revenue	$	225,380,914	220,462,247

Patient service revenue, by service line of revenue recognition is as follows, as of December 31, 2019 and 2018:

		2019	2018
Hospital services	$	193,384,369	191,790,632
Physician services		30,387,311	27,355,342
Homecare equipment services		1,609,234	1,316,273
Total patient service revenue	$	225,380,914	220,462,247

Revenue from patient’s deductibles and coinsurance are included in the payor class and service lines presented above based on the primary payor.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies, length of the patient’s service or episode of care, method of reimbursement, and the Organization’s line of business that provided the service (for example, hospital inpatient, hospital outpatient, and clinic).

Revenue from the Medicare and Medicaid programs accounted for approximately 35% and 5%, respectively, in 2019, and 34% and 4%, respectively, in 2018, of the Organization’s patient service revenue.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization’s compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price increased patient care service revenue by $568,000 and $801,000 in 2019 and 2018, respectively due to final settlements and years that are no longer subject to audits, reviews and investigations.

(3) Financial Assistance/Charity Care

In accordance with its mission objectives, the Organization provides free care to patients who lack financial resources to pay for the services they receive. It is the policy of the Organization not to pursue collection of amounts determined to be patient financial assistance. Accordingly, the Organization does not report these amounts in patient service revenue. The estimated cost incurred by the Organization to provide these services to patients who are unable to pay was approximately $7,900,000 and $5,000,000 for the year ended December 31, 2019 and 2018, respectively. The estimated cost of these services was determined using a ratio of costs to standard charges and applying that ratio to the standard charges associated with providing charity care for the period. Standard charges associated with providing care to charity patients includes only the related charges for those patients who are financially unable to pay and qualify under the Organization's patient financial assistance/charity care policy and that do not otherwise qualify for reimbursement from a governmental program.

(4) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet dates, comprise the following:

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 79,836,601	58,201,895
Short-term investments	107,059,735	94,900,385
Receivables -		
Patients	23,483,476	28,437,171
Other	1,973,372	1,445,258
Patient customer contracts	9,929,283	6,272,544
Investments limited as to use	34,699,718	35,012,988
Total financial assets	256,982,185	224,270,241
Less financial assets limited as to use, By board for capital improvements	34,699,718	35,012,988
Financial assets available for general expenditure	$ 222,282,467	189,257,253

The Board of Directors of the Organization has set aside financial assets of $34,699,718 and $35,012,988 for the years ended December 31, 2019 and 2018, respectively, for future capital improvements. At the discretion of the Board Directors of the Organization, these financial assets could be made available for general expenditures.

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, and money market funds.

(5) 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 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.

Mutual / exchange traded funds – The fair value of mutual / exchange traded funds is classified as level 1 as the market value is based on quoted market prices, when available, or market prices provided by recognized broker dealers.

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, 2019 and 2018, 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, 2019 and 2018:

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 12,427,942	12,427,942	--	--
Fixed income securities	42,426,300	5,963,073	36,463,227	--
Mutual / exchange traded funds	13,910,866	13,910,866	--	--
Corporate stocks -				
Domestic	59,258,834	59,258,834	--	--
International	5,638,841	5,638,841	--	--
	$ 133,662,783	97,199,556	36,463,227	--
Investments valued at net asset value,				
Alternative investments	13,437,736			
	$ 147,100,519			

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 17,442,829	17,442,829	--	--
Fixed income securities	42,346,000	7,236,302	35,109,698	--
Mutual / exchange traded funds	10,879,858	10,879,858	--	--
Corporate stocks -				
Domestic	46,934,244	46,934,244	--	--
International	3,469,067	3,469,067	--	--
	$ 121,071,998	85,962,300	35,109,698	--
Investments valued at net asset value,				
Alternative investments	12,713,643			
	$ 133,785,641			

Investment return for the years ended December 31, 2019 and 2018 is summarized as follows:

	2019	2018
Interest and dividends	$ 4,082,442	3,208,447
Investment management fees	(394,571)	(389,367)
Realized gains (losses), net	2,189,284	4,215,017
Change in unrealized gains (losses)	15,163,446	(12,155,890)
Total investment return, net	$ 21,040,601	(5,121,793)

(6) Investments Valued at Net Asset Value

The following table sets forth additional disclosures of the Organization's investments whose fair value is estimated using net asset value per share (or its equivalent) as of December 31, 2019 and 2018

	December 31, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Opportunities funds (a)	$ 3,048,839	4,090,000	(a)	(a)
Global credit fund (b)	10,388,897	--	Monthly	30 days
	$ 13,437,736	4,090,000		

	December 31, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Opportunities funds (a)	$ 2,713,643	4,715,000	(a)	(a)
Global credit fund (b)	10,000,000	--	Monthly	30 days
	$ 12,713,643	4,715,000		

(a) These funds seek to take advantage of opportunities arising from financially distressed companies. The funds in this category are subject to a 10 year lock up period. Redemptions are received through the liquidation of the underlying assets of the funds. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(b) This fund seeks to earn total returns and current income while limiting volatility through diversification. To achieve this objective the funds seeks to invest in a diversified portfolio of global investments in high yield bonds, senior loans, convertibles, real estate debt securities, structured credit and emerging markets debt. The fund seeks to enhance returns and control risk by actively allocating its assets across strategies, market sectors, and issuers. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Although the underlying investment managers use their best judgment in estimating the fair value of investments in these funds, there are inherent limitations in any estimation technique. Accordingly, the estimated net asset value may differ significantly from values that would have been used had a ready market existed for these investments, and differences could be material.

(7) Property and Equipment

Property and equipment as of December 31, 2019 and 2018 is summarized as follows:

	2019	2018
Land and improvements	$ 8,974,895	8,359,523
Buildings and fixed equipment	187,119,068	178,016,569
Equipment and furnishings	119,006,959	113,539,399
Construction in progress	9,180,408	5,904,215
	324,281,330	305,819,706
Less - Accumulated depreciation	184,321,386	173,324,076
	$ 139,959,944	132,495,630

Depreciation expense of $14,483,876 and $15,343,057 in 2019 and 2018, respectively, is included in the accompanying consolidated statements of operations.

Costs included in construction in progress as of December 31, 2019, are primarily related to the final phases of the remodel and expansion of the emergency department. Estimated costs for the final phases of the project are $12 million.

(8) 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 2019 and 2018:

	2019	2018
Recruitment and relocation advances -		
Beginning of year	$ 496,589	583,974
Advances	310,813	159,909
Amortization	(116,353)	(247,294)
End of year	$ 691,049	496,589

(9) Long-Term Debt

A summary of the long-term debt at December 31, 2019 and 2018 follows:

	2019	2018
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 $3,232,657).	$ 95,517,657	98,160,842
Term Loan Note, interest at 4.92%, monthly installments of $79,649 with a balloon payment of $7,255,633, due May 1, 2026.	10,722,399	11,129,445
	106,240,056	109,290,287
Less unamortized debt issuance costs	975,710	1,019,690
Total long-term debt, net	$ 105,264,346	108,270,597

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, 2019 and 2018, $348,186 and $405,380, respectively, of the premium was amortized and included as a reduction in interest expense for the years then ended.

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. The revenue bond indentures places 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. The loan is secured by the real and personal property of MNMV.

The loan agreement places limits on the incurrence of additional borrowings and requires that MNMV satisfy certain measures of performance and compliance with certain covenants as described under the terms of the agreement. At December 31, 2018, MNMV was not in compliance with the financial covenant of the loan agreement which requires MNMV to maintain a debt service coverage ratio of 1.05x or more or the compliance with the financial covenant. On March 6, 2019 First National Bank of Omaha issued correspondence to MNMV waiving the non-compliance default for the year ended December 31, 2018. MNMV was in compliance with these covenants as of December 31, 2019.

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 $43,980 in 2019 and 2018, 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
2020	$	2,790,706
2021		2,943,202
2022		3,066,260
2023		3,190,480
2024		3,350,918
Thereafter		87,665,833
		103,007,399
Add unamortized premium		3,232,657
Less unamortized debt issuance costs		(975,710)
	$	105,264,346

(10) Leases

The Organization has operating lease agreements for certain facility space and equipment for operations under various noncancelable operating lease agreements which expire between 2021 and 2039, including renewal options. FASB ASC 842 requires the recognition of leasing arrangements on the balance sheet as right-of-use assets and liabilities pertaining to the rights and obligations created by the leased assets. The Organization determines whether an arrangement is a lease at inception and classifies it as finance or operating. All existing material leases are classified as operating leases.

Right-of-use lease assets and corresponding lease liabilities are recognized at commencement date based on the present value of lease payments over the expected lease term. Since the interest rate implicit in the Organization's lease arrangements is not readily determinable, the Organization determines an incremental borrowing rate for each lease based on the approximate interest rate on a collateralized basis with similar remaining terms and payments as of the lease commencement date to determine the present value of future lease payments. Lease terms may include renewal options when it is reasonably certain that the option will be exercised and excludes termination options. The Organization has elected not to recognize right-of-use assets and lease liabilities that arise from short-term (12 months or less) leases for any class of underlying assets. The Organization's lease agreements do not include non-lease components or variable lease payments which should be considered in the calculation of right-of-use assets and lease liabilities. The Organization's leases do not contain any residual value guarantees.

Operating lease costs are recognized on a straight-line basis over the lease term and included in leases and rentals expense in the consolidated statements of operations. Total operating lease costs were $538,485 and $538,485 for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, the Organization's operating leases had a weighted average remaining lease term of 17.2 years and a weighted average discount rate of 2.58%. Maturities of lease liabilities related to operating leases are as follows:

2020	$	538,485
2021		468,485
2022		340,185
2023		340,185
2024		340,185
Thereafter		4,507,453
Total lease payments		6,534,978
Less amounts representing interest		1,268,395
Present value of lease liabilities	$	5,266,583

Supplemental cash flow information related to operating leases is summarized as follows:

		2019
Cash paid for amounts included in the measurement of operating lease liabilities	$	538,485
Right-of-use assets - operating leases recognized upon adoption of FASB ASC 842 in exchange for operating lease liabilities	$	5,454,018

(11) Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019, 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.

(12) 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, 2019 and 2018, management determined a liability of $510,000 and $35,000 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 on the consolidated balance sheets.

(13) 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.

(14) 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. Matching contributions up to 4% are made by GP Health. Effective January 1, 2014, the Organization amended the plan to provide a three-year cliff vesting period. Pension expense was $2,501,330 and $2,288,498 for the years ended December 31, 2019 and 2018, respectively.

(15) Functional Expenses

The table presented below illustrates the Organization's expenses by both their nature and their function for the years ended December 31, 2019 and 2018:

	2019					
	Program Services			Supporting Services		
	Healthcare Services	Real Estate Services	Programs Subtotal	Management and General	Fundraising	Total
Salaries and wages	$ 78,700,201	130,942	78,831,143	6,855,752	159,102	85,845,997
Employee benefits	18,868,112	11,049	18,879,161	1,301,249	38,197	20,218,607
Fees - physicians	8,888,200	--	8,888,200	--	--	8,888,200
Contract labor and services	18,962,717	52,298	19,015,015	4,816,671	47,739	23,879,425
Supplies and drugs	41,810,565	81,348	41,891,913	278,964	38,833	42,209,710
Utilities	1,622,864	220,051	1,842,915	96,904	890	1,940,709
Repairs and maintenance	7,252,303	26,781	7,279,084	340,388	13,337	7,632,809
Leases and rentals	664,779	71,860	736,639	9,732	18	746,389
Insurance	1,033,204	17,420	1,050,624	48,510	197	1,099,331
Interest	3,726,520	565,001	4,291,521	242,939	977	4,535,437
Other	3,905,370	159,983	4,065,353	807,065	11,382	4,883,800
Depreciation	13,247,867	605,750	13,853,617	625,625	4,634	14,483,876
	$ 198,682,702	1,942,483	200,625,185	15,423,799	315,306	216,364,290

	2018					
	Program Services			Supporting Services		
	Healthcare Services	Real Estate Services	Programs Subtotal	Management and General	Fundraising	Total
Salaries and wages	$ 74,932,500	140,289	75,072,789	5,938,118	126,486	81,137,393
Employee benefits	19,216,409	9,680	19,226,089	1,420,746	37,840	20,684,675
Fees - physicians	6,769,897	--	6,769,897	287	7	6,770,191
Contract labor and services	18,202,573	65,276	18,267,849	4,545,128	50,298	22,863,275
Supplies and drugs	40,031,648	63,792	40,095,440	262,563	42,822	40,400,825
Utilities	1,708,727	199,970	1,908,697	101,458	643	2,010,798
Repairs and maintenance	7,645,023	25,006	7,670,029	540,716	12,691	8,223,436
Leases and rentals	680,982	71,860	752,842	10,991	665	764,498
Insurance	603,578	13,226	616,804	33,679	106	650,589
Interest	3,746,921	581,941	4,328,862	271,639	1,022	4,601,523
Other	3,042,809	176,914	3,219,723	881,471	2,592	4,103,786
Depreciation	14,011,611	604,184	14,615,795	721,922	5,340	15,343,057
	$ 190,592,678	1,952,138	192,544,816	14,728,718	280,512	207,554,046

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated on the basis of square footage include grounds, security, insurance, utilities and depreciation. Expenses allocated on the basis of estimates of time and effort include employee benefits and costs of the information technology department.

(16) Commitments and Contingencies

During 2017, GP Health entered into a ten-year Founding Member Master Affiliation Agreement (MAA) with The Nebraska Medical Center (TNMC). The MAA was entered into to improve patient outcomes via entering into a Master Electronic Medical Records License Agreement (MRLA). Through the MRLA, TNMC will assist GP Health in implementing and maintaining electronic medical record software licensed by Epic Systems Corp (Epic) to TNMC. The MRLA represents a hosted solution maintained by TNMC. No sublicense or license of Epic software is made available to GP Health, therefore the MRLA is treated as a service agreement by GP Health. Expenses under this agreement totaled $2,597,058 and $6,168,613 for the years ended December 31, 2019 and 2018, respectively. Future minimum commitments under the agreement are as follows:

December 31,	
2020	$ 3,162,112
2021	2,715,723
2022	2,730,280
2023	3,027,044
2024	4,122,285
Thereafter	6,106,404

Contingencies

The Organization is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates these matters will be resolved without material adverse effect on the Organization's future financial position or results from operations.

(17) 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:

	2019	2018
Medicare	22%	22%
Medicaid	6	6
Commercial insurers and other	72	72
	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.

(18) 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 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, 2019 and 2018 were approximately $8,436,000 and $14,944,000, 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 financial statements.

(19) Subsequent Events

In March 2020, $97,735,000 of Hospital Authority (the Authority) No. 1 of Lincoln County, Nebraska, Hospital Revenue Refunding Bonds (Federally Taxable) (Great Plains Health Project) Series 2020 were issued and secured under an indenture of trust between the Authority and First National Bank of Omaha (Trustee), as trustee thereunder. The principal and interest on the Series 2020 bonds will be paid pursuant to a loan agreement between the Authority and GP Health. The purpose of the Series 2020 bonds are for refunding the Series 2012 bonds and paying certain costs of issuance. The Series 2020 bonds maximum annual debt service is approximately $6,604,000. Principal payments are due annual on November 1 and interest payments are due semi-annually through November 2040. Interest rates range from 1.888% to 3.384%. GP Health has granted to the Trustee a security interest in its total revenue, property and equipment to secure obligations under the indenture of trust.

Aggregate future maturities of the Series 2020 bonds are as follows:

2020	$ 3,490,000
2021	3,915,000
2022	3,990,000
2023	4,065,000
2024	4,150,000
Thereafter	78,125,000

Debt issuance costs incurred were approximately $800,000.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. This and other economic events have had a significant adverse impact on investment portfolios. As a result, the Organization’s investments have likely incurred a decline in fair value since December 31, 2019.

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

Exhibit 1

Consolidating Balance Sheet
December 31, 2019

	Great Plains Health	Great Plains Homecare Equipment, Inc.	Regency Retirement Residence of North Platte	Great Plains Health Innovation Network	Mid-Nebraska Medical Ventures, LLC	Eliminations	Consolidated
ASSETS							
Current assets:							
Cash and cash equivalents	$ 79,298,143	190,013	31,965	51,117	265,363	--	79,836,601
Short-term investments	107,059,735	--	--	--	--	--	107,059,735
Receivables -							
Patients	23,380,765	102,711	--	--	--	--	23,483,476
Affiliates	2,293,195	--	--	--	--	(2,293,195)	--
Other	1,913,372	--	--	60,000	--	--	1,973,372
Patient customer contracts	9,929,283	--	--	--	--	--	9,929,283
Inventories	6,096,164	254,568	--	--	--	--	6,350,732
Prepaid expenses	3,464,767	2	6,148	--	--	--	3,470,917
Total current assets	233,435,424	547,294	38,113	111,117	265,363	(2,293,195)	232,104,116
Investments limited as to use	34,699,718	--	--	--	--	--	34,699,718
Property and equipment, net	128,057,999	159,348	1,151,095	--	12,483,153	(1,891,651)	139,959,944
Right-of-use assets - operating leases	5,266,583	--	--	--	--	--	5,266,583
Other assets -							
Deferred compensation assets	5,341,066	--	--	--	--	--	5,341,066
Recruitment and relocation advances, net	691,049	--	--	--	--	--	691,049
Investment in affiliate	3,089,260	--	--	--	--	(1,553,470)	1,535,790
Interest in Foundation	2,466,388	--	--	--	--	--	2,466,388
Land held for future expansion and investment	647,594	--	--	--	--	--	647,594
Total other assets	12,235,357	--	--	--	--	(1,553,470)	10,681,887
Total assets	$ 413,695,081	706,642	1,189,208	111,117	12,748,516	(5,738,316)	422,712,248

North Platte, Nebraska Hospital Corporation d/b/a

Great Plains Health and Affiliates

Exhibit 1

Consolidating Balance Sheet (Continued)
December 31, 2019

		Great Plains Health	Great Plains Homecare Equipment, Inc.	Regency Retirement Residence of North Platte	Great Plains Health Innovation Network	Mid-Nebraska Medical Ventures, LLC	Eliminations	Consolidated
LIABILITIES AND NET ASSETS								
Current liabilities:								
Current maturities of long-term debt	$	2,390,000	--	--	--	400,706	--	2,790,706
Current portion of lease liability - operating leases		407,402	--	--	--	--	--	407,402
Accounts payable -								
Trade		6,721,234	218,369	25,701	73,302	206,467	--	7,245,073
Construction		2,320,235	--	--	--	--	--	2,320,235
Affiliates		--	53,473	2,189,959	49,763	--	(2,293,195)	--
Other		510,000	--	--	--	--	--	510,000
Accrued salaries, vacation and vested benefits payable		11,652,791	--	475	--	--	--	11,653,266
Accrued interest payable		702,400	--	--	--	--	--	702,400
Estimated third-party payor settlements		1,710,725	--	--	--	--	--	1,710,725
Total current liabilities		26,414,787	271,842	2,216,135	123,065	607,173	(2,293,195)	27,339,807
Long-term debt, net		92,229,042	--	--	--	10,244,598	--	102,473,640
Lease liability, net of current portion - operating leases		4,859,181	--	--	--	--	--	4,859,181
Deferred compensation liability		5,341,066	--	--	--	--	--	5,341,066
Total liabilities		128,844,076	271,842	2,216,135	123,065	10,851,771	(2,293,195)	140,013,694
Commitments								
Net assets:								
Common stock and paid-in-capital		--	475,000	--	5,427,606	703,435	(6,606,041)	--
Without donor restrictions		282,443,020	(40,200)	(1,026,927)	(5,439,554)	434,612	3,160,920	279,531,871
Non-controlling interest in consolidated subsidiary		--	--	--	--	758,698	--	758,698
With donor restrictions		2,407,985	--	--	--	--	--	2,407,985
Total net assets		284,851,005	434,800	(1,026,927)	(11,948)	1,896,745	(3,445,121)	282,698,554
Total liabilities and net assets	$	413,695,081	706,642	1,189,208	111,117	12,748,516	(5,738,316)	422,712,248

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, 2019

	Great Plains Health	Great Plains Homecare Equipment, Inc.	Regency Retirement Residence of North Platte	Great Plains Health Innovation Network	Mid-Nebraska Medical Ventures, LLC	Eliminations	Consolidated
REVENUE WITHOUT DONOR RESTRICTIONS:							
Patient service revenue	$ 223,771,680	1,609,234	--	--	--	--	225,380,914
Other operating revenue	2,011,761	374	454,876	154,225	1,722,318	(1,287,093)	3,056,461
Total revenue without donor restrictions	225,783,441	1,609,608	454,876	154,225	1,722,318	(1,287,093)	228,437,375
EXPENSES:							
Salaries and wages	84,476,646	446,083	130,942	806,876	--	(14,550)	85,845,997
Employee benefits	19,900,414	112,455	11,049	194,689	--	--	20,218,607
Fees - physicians	8,891,710	--	--	--	--	(3,510)	8,888,200
Contract labor and services	23,675,617	31,170	78,830	108,699	45,049	(59,940)	23,879,425
Supplies and drugs	42,080,516	39,455	81,346	14,772	2	(6,381)	42,209,710
Utilities	1,707,517	11,246	44,103	1,895	175,948	--	1,940,709
Repairs and maintenance	7,557,563	48,599	9,395	581	17,386	(715)	7,632,809
Leases and rentals	1,797,142	61,967	38,596	17,417	33,264	(1,201,997)	746,389
Insurance	1,073,362	5,640	3,986	2,909	13,434	--	1,099,331
Interest	3,981,998	--	11,562	--	553,439	(11,562)	4,535,437
Other	3,981,137	698,576	35,133	44,219	124,735	--	4,883,800
Depreciation	13,913,679	2,618	69,567	13,657	536,183	(51,828)	14,483,876
Total expenses	213,037,301	1,457,809	514,509	1,205,714	1,499,440	(1,350,483)	216,364,290
OPERATING INCOME (LOSS)	12,746,140	151,799	(59,633)	(1,051,489)	222,878	63,390	12,073,085
NONOPERATING GAINS (LOSSES):							
Investment income, including realized gains, net	5,886,288	1,383	1	--	1,045	(11,562)	5,877,155
Unrealized losses on investments	15,163,446	--	--	--	--	--	15,163,446
Other nonoperating gains (losses), net	(252,502)	--	--	(3,406)	--	763,794	507,886
Total nonoperating gains (losses), net	20,797,232	1,383	1	(3,406)	1,045	752,232	21,548,487
EXCESS REVENUE OVER (UNDER) EXPENSES BEFORE GAIN ATTRIBUTABLE TO NONCONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARY	33,543,372	153,182	(59,632)	(1,054,895)	223,923	815,622	33,621,572
GAIN ATTRIBUTABLE TO NONCONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARY	--	--	--	--	(89,569)	--	(89,569)
EXCESS REVENUE OVER (UNDER) EXPENSES	33,543,372	153,182	(59,632)	(1,054,895)	134,354	815,622	33,532,003
DIVIDENDS PAID TO AFFILIATE	--	(200,000)	--	--	--	200,000	--
GIFTS, GRANTS AND BEQUESTS FOR THE PURCHASE OF PROPERTY AND EQUIPMENT	8,100,933	--	--	--	--	--	8,100,933
CHANGE IN INTEREST IN FOUNDATION	(772,279)	--	--	--	--	--	(772,279)
EQUITY TRANSFERS FROM (TO) AFFILIATE, NET	--	--	--	1,112,790	(96,000)	(1,016,790)	--
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 40,872,026	(46,818)	(59,632)	57,895	38,354	(1,168)	40,860,657

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, 2019

	Great Plains Health	Great Plains Homecare Equipment, Inc.	Regency Retirement Residence of North Platte	Great Plains Health Innovation Network	Mid-Nebraska Medical Ventures, LLC	Eliminations	Consolidated
NET ASSETS WITHOUT DONOR RESTRICTIONS:							
Excess revenue over (under) expense	$ 33,543,372	153,182	(59,632)	(1,054,895)	134,354	815,622	33,532,003
Dividends paid to affiliate	--	(200,000)	--	--	--	200,000	--
Gifts, grants and bequests for the purchase of property and equipment	8,100,933	--	--	--	--	--	8,100,933
Change in interest in Foundation	(772,279)	--	--	--	--	--	(772,279)
Equity transfers from (to) affiliate, net	--	--	--	1,112,790	(96,000)	(1,016,790)	--
Change in net assets without donor restrictions	40,872,026	(46,818)	(59,632)	57,895	38,354	(1,168)	40,860,657
UNRESTRICTED NONCONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARY:							
Paid-in-capital to noncontrolling shareholders	--	--	--	--	(64,000)	--	(64,000)
Gain attributable to noncontrolling interest in consolidated subsidiary	--	--	--	--	89,569	--	89,569
Increase in unrestricted noncontrolling interest in consolidated subsidiary	--	--	--	--	25,569	--	25,569
NET ASSETS WITH DONOR RESTRICTIONS, Change in interest in Foundation	(6,235,395)	--	--	--	--	--	(6,235,395)
CHANGE IN NET ASSETS	34,636,631	(46,818)	(59,632)	57,895	63,923	(1,168)	34,650,831
NET ASSETS, beginning of year	250,214,374	481,618	(967,295)	(69,843)	1,832,822	(3,443,953)	248,047,723
NET ASSETS, end of year	$ 284,851,005	434,800	(1,026,927)	(11,948)	1,896,745	(3,445,121)	282,698,554