

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

**Consolidated Financial Statements
and Supplementary Information
December 31, 2017 and 2016**

Together with Independent Auditor's Report

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

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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, 2017 and 2016, 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, 2017 and 2016, 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.

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.

Spim Johnson, LLP

Omaha, Nebraska,
March 13, 2018.

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

**Consolidated Balance Sheets
December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 44,250,902	30,798,818
Short-term investments	99,812,844	81,894,767
Receivables -		
Patients, net of estimated uncollectibles of \$9,606,575 in 2017 and \$8,420,182 in 2016	28,112,614	23,983,220
Other	2,716,220	1,979,706
Inventories	5,901,521	5,519,899
Prepaid expenses	2,264,202	3,371,269
	<u>183,058,303</u>	<u>147,547,679</u>
Investments limited as to use, net of current portion	<u>35,621,585</u>	<u>37,791,599</u>
Property and equipment, net	<u>135,938,718</u>	<u>150,121,966</u>
Other assets:		
Deferred compensation assets	4,227,696	3,720,327
Recruitment and relocation advances, net	583,974	686,751
Investment in affiliates	2,104,000	1,825,130
Interest in Foundation	12,642,607	6,842,948
Land held for future expansion and investment	647,594	647,594
	<u>20,205,871</u>	<u>13,722,750</u>
Total assets	<u>\$ 374,824,477</u>	<u>349,183,994</u>

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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 2,549,008	2,459,201
Accounts payable -		
Trade	7,821,993	6,187,943
Construction	655,784	588,854
Other	830,000	170,000
Accrued salaries, vacation and vested benefits payable	10,116,354	9,621,227
Accrued interest payable	735,908	749,942
Estimated third-party payor settlements	1,965,821	2,091,451
	<u>24,674,868</u>	<u>21,868,618</u>
Total current liabilities	24,674,868	21,868,618
Long-term debt, net	108,658,095	111,372,522
Deferred compensation liability	4,227,696	3,720,327
	<u>137,560,659</u>	<u>136,961,467</u>
Total liabilities	137,560,659	136,961,467
Net assets:		
Unrestricted	226,969,031	207,724,345
Noncontrolling interest in consolidated subsidiary	886,906	889,960
Temporarily restricted	9,407,881	3,608,222
	<u>237,263,818</u>	<u>212,222,527</u>
Total net assets	237,263,818	212,222,527
Total liabilities and net assets	\$ <u><u>374,824,477</u></u>	<u><u>349,183,994</u></u>

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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
UNRESTRICTED REVENUE:		
Net patient service revenue	\$ 212,260,844	198,672,265
Provision for bad debts	(9,900,224)	(10,376,939)
Net patient service revenue less provision for bad debts	202,360,620	188,295,326
Other operating revenue	3,096,976	3,934,097
Total unrestricted revenue	<u>205,457,596</u>	<u>192,229,423</u>
EXPENSES:		
Salaries and wages	78,248,655	77,850,077
Employee benefits	19,827,817	18,048,025
Professional fees - physicians	7,207,040	6,152,997
Professional fees - other	17,562,762	16,142,466
Supplies	38,069,347	33,965,551
Utilities	2,070,342	2,095,080
Repairs and maintenance	8,717,990	7,615,211
Leases and rentals	752,623	849,628
Insurance	648,687	775,500
Interest	4,646,056	4,498,581
Other	4,051,374	4,331,228
Depreciation	16,953,152	17,648,529
Total expenses	<u>198,755,845</u>	<u>189,972,873</u>
OPERATING INCOME	<u>6,701,751</u>	<u>2,256,550</u>
NONOPERATING GAINS:		
Investment income, including realized gains, net	4,422,969	2,334,358
Unrealized gains on investments, net	6,719,812	5,000,869
Other nonoperating gains, net	1,236,001	1,085,320
Total nonoperating gains, net	<u>12,378,782</u>	<u>8,420,547</u>
EXCESS REVENUE OVER EXPENSES BEFORE GAIN ATTRIBUTABLE TO NONCONTROLLING INTEREST IN SUBSIDIARY	19,080,533	10,677,097
GAIN ATTRIBUTABLE TO NONCONTROLLING INTEREST IN SUBSIDIARY	<u>(46,050)</u>	<u>(62,942)</u>
EXCESS REVENUE OVER EXPENSES	19,034,483	10,614,155
CHANGE IN INTEREST IN FOUNDATION	<u>210,203</u>	<u>--</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>\$ 19,244,686</u>	<u>10,614,155</u>

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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS,		
Excess of revenue over expenses	\$ 19,034,483	10,614,155
Change in interest in Foundation	210,203	--
	<u>19,244,686</u>	<u>10,614,155</u>
Increase in unrestricted net assets		
UNRESTRICTED NONCONTROLLING INTEREST:		
Paid-in-capital from (to) noncontrolling shareholders, net	(49,104)	827,018
Gain attributable to noncontrolling interest in subsidiary	46,050	62,942
	<u>(3,054)</u>	<u>889,960</u>
Increase (decrease) in unrestricted noncontrolling interest		
TEMPORARILY RESTRICTED NET ASSETS,		
Change in interest in Foundation	5,799,659	2,876,093
	<u>5,799,659</u>	<u>2,876,093</u>
CHANGE IN NET ASSETS	25,041,291	14,380,208
NET ASSETS, beginning of year	<u>212,222,527</u>	<u>197,842,319</u>
NET ASSETS, end of year	<u>\$ 237,263,818</u>	<u>212,222,527</u>

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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 25,041,291	14,380,208
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in interest in Foundation	(6,009,862)	(2,876,093)
Depreciation	16,953,152	17,648,529
Amortization of debt issuance costs	43,980	42,023
Amortization of bond premium	(453,870)	(502,779)
Amortization of recruitment and relocation advances	476,709	817,162
(Gain) loss on disposal of property and equipment	26,571	(227,283)
Loss on investment in affiliates	462,880	578,332
Increase in trading securities, net	(15,748,063)	(18,084,603)
(Increase) decrease in current assets -		
Patient accounts receivable, net	(4,129,394)	(1,347,826)
Other receivables	(736,514)	304,206
Inventories	(381,622)	(554,815)
Prepaid expenses	1,107,067	(1,381,839)
Increase (decrease) in current liabilities -		
Accounts payable - trade	1,634,050	(282,014)
Accounts payable - other	660,000	(50,000)
Accrued salaries, vacation and vested benefits payable	495,127	991,126
Accrued interest payable	(14,034)	(13,500)
Estimated third-party payor settlements	(125,630)	356,036
Net cash provided by operating activities	<u>19,301,838</u>	<u>9,796,870</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(2,729,545)	(25,145,371)
Withdrawals from investments limited as to use, net	--	594,264
Recruitment and relocation advances, net	(373,932)	(635,320)
Contributions to investments in affiliates, net	(741,750)	(603,449)
Receipts from Foundation	210,203	355,566
Sale of assets held for sale, net	--	11,471,570
Net cash used in investing activities	<u>(3,635,024)</u>	<u>(13,962,740)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	275,730	11,874,270
Principal payments on long-term debt	(2,490,460)	(2,269,989)
Payments for debt issuance costs	--	(93,923)
Net cash provided by (used in) financing activities	<u>(2,214,730)</u>	<u>9,510,358</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,452,084	5,344,488
CASH AND CASH EQUIVALENTS, beginning of year	<u>30,798,818</u>	<u>25,454,330</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 44,250,902</u>	<u>30,798,818</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 5,099,926	5,001,360

See notes to consolidated financial statements

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

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

(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. 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.

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.

GPHIN is a wholly-owned taxable subsidiary 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 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,

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**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

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, excluding assets limited as to use.

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.

**North Platte, Nebraska Hospital Corporation d/b/a
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**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

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 financial assistance/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 net realizable value.

H. *Investments*

GP Health has 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 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.

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.

The Organization's long-lived assets 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.

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.

**North Platte, Nebraska Hospital Corporation d/b/a
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**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

L. Investment in Affiliates

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 (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 affiliate 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, 2017 and 2016, 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 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 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.

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**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

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. NPMPG 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.

GPHEI is a for-profit corporation that recognized no federal and state income tax expense in 2017 and 2016, respectively. GPHEI did not recognize any federal and state income tax expense in 2017 and 2016 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 2017 and 2016 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, 2017 and 2016, 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 change in interest in Foundation.

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**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

U. 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 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, 2017. 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.

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.

V. Subsequent Events

The Organization considered events occurring through March 13, 2018 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:

		Medicare	Medicaid	Commercial and Self Pay	Total
December 31, 2017	\$	55,874,764	11,152,094	145,233,986	212,260,844
December 31, 2016		50,639,184	10,550,036	137,483,045	198,672,265

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

**Notes to Consolidated Financial Statements
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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:

	<u>2017</u>	<u>2016</u>
Gross patient charges:		
Inpatient routine services	\$ 25,952,194	24,287,187
Inpatient ancillary services	159,742,688	129,480,028
Outpatient and physician clinic services	310,503,915	287,262,404
Home medical equipment and other	1,973,793	2,242,934
	<u>498,172,590</u>	<u>443,272,553</u>
Less deductions from gross patient charges:		
Medicare	195,827,961	168,555,966
Medicaid	33,845,032	27,637,781
Blue Cross/Blue Shield	12,937,362	9,894,024
Other third-party adjustments	18,863,969	14,268,596
Self-pay discounts	13,140,462	14,561,482
Charity care	11,296,960	9,682,439
	<u>285,911,746</u>	<u>244,600,288</u>
Net patient service revenue	<u>\$ 212,260,844</u>	<u>198,672,265</u>

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 \$505,000 and \$200,000 in 2017 and 2016, 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.

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Revenue from the Medicare and Medicaid programs accounted for approximately 26% and 5%, respectively, of the Organization's net patient revenue for the year ended December 31, 2017, and 25% and 5%, respectively, for the Organization's net patient revenue for the year ended December 31, 2016. 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) Financial Assistance/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 NPNG. The costs of caring for charity care patients for the years ended December 31, 2017 and 2016 were approximately \$3,800,000 and \$3,480,000, 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 from either markets that are not active or are for the same or similar assets in active markets.

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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, 2017 and 2016, 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, 2017 and 2016:

		December 31, 2017			
		Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$	40,991,093	40,991,093	--	--
Fixed income securities		44,696,037	6,784,495	37,911,542	--
Corporate stocks -					
Domestic		35,231,777	35,231,777	--	--
Small Cap		7,364,653	7,364,653	--	--
International		7,150,869	7,150,869	--	--
	\$	<u>135,434,429</u>	<u>97,522,887</u>	<u>37,911,542</u>	<u>--</u>

		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	<u>90,000,110</u>	<u>29,386,256</u>	<u>--</u>
Other Investments:					
Certificates of deposits		<u>300,000</u>			
	\$	<u>119,686,366</u>			

Investment return for the years ended December 31, 2017 and 2016 is summarized as follows:

	2017	2016
Interest and dividends	\$ 2,939,479	1,957,463
Investment management fees	(387,168)	(366,972)
Realized gains (losses), net	1,879,220	743,867
Change in unrealized gains (losses)	<u>6,719,812</u>	<u>5,000,869</u>
Total investment return, net	<u>\$ 11,142,781</u>	<u>7,335,227</u>

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(5) Other Receivables

The composition of other receivables at December 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Employee loans and advances	\$ 1,078,264	1,311,487
Professional liability policy receivable	830,000	170,000
Employee group health plan reinsurance receivable	322,587	72,110
Nebraska Medicaid Disproportionate Share Hospital	164,711	181,620
Great Plains Health Care Foundation	109,744	--
Credit card and other rebate receivables	9,731	18,000
Tenants	--	161,000
Other	201,183	65,489
	<u>\$ 2,716,220</u>	<u>1,979,706</u>

(6) Property and Equipment

Property and equipment as of December 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 7,908,969	7,923,969
Buildings and fixed equipment	173,373,612	173,132,078
Equipment and furnishings	113,323,879	112,306,864
Construction in progress	1,307,233	233,742
	295,913,693	293,596,653
Less - Accumulated depreciation	159,974,975	143,474,687
	<u>\$ 135,938,718</u>	<u>150,121,966</u>

Depreciation expense of \$16,953,152 and \$17,648,529 in 2017 and 2016, respectively, is included in the accompanying consolidated statements of operations.

Costs included in construction in progress as of December 31, 2017, are primarily related to the remodel and expansion of the emergency department. Estimated costs for the project are \$15 million, which will be financed through operations, donations and fundraising. Completion is expected to be in fiscal year 2019.

(7) 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.

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The following illustrates amounts advanced under these agreements and applicable amortization expense (included in other expenses in the accompanying consolidated statements of operations) for 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Recruitment and relocation advances -		
Beginning of year	\$ 686,751	868,593
Advances	373,932	635,320
Amortization	<u>(476,709)</u>	<u>(817,162)</u>
End of year	<u>\$ 583,974</u>	<u>686,751</u>

(8) 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. In 2016, GP Health also owned an 11.11% interest in Enhance Health Network which was liquidated in 2017. These investments are recorded using the equity method of accounting.

GP Health's investment in affiliates at December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
North Platte Surgery Center, LLC	\$ 2,104,000	1,811,176
Enhance Health Network	<u>--</u>	<u>13,954</u>
	<u>\$ 2,104,000</u>	<u>1,825,130</u>

(9) Long-Term Debt

A summary of the long-term debt at December 31, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>
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 \$3,986,223).	\$ 100,751,223	103,310,094
Term Loan Note, interest at 4.92%, monthly installments of \$79,649 with a balloon payment of \$7,255,633, due May 1, 2026.	<u>11,519,550</u>	<u>11,629,279</u>
	112,270,773	114,939,373
Less unamortized debt issuance costs	<u>1,063,670</u>	<u>1,107,650</u>
Total long-term debt, net	<u>\$ 111,207,103</u>	<u>113,831,723</u>

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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, 2017 and 2016, \$453,870 and \$502,779, respectively, of the premium was amortized and included as a reduction in interest expense 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 completed in 2015.

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 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 was received July 31, 2017 and totaled \$275,730. 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 \$43,980 and \$42,023 in 2017 and 2016, 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:

	<u>Long-Term Debt</u>
2018	\$ 2,549,008
2019	2,711,238
2020	2,827,185
2021	2,944,187
2022	3,067,295
Thereafter	<u>94,185,637</u>
	108,284,550
Add unamortized premium	3,986,223
Less unamortized debt issuance costs	<u>(1,063,670)</u>
	<u>\$ 111,207,103</u>

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(10) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017, 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.

(11) Commitments and Contingencies

Operating Leases and Service Agreements

GP Health and GPHEI lease facility space and equipment for operations under various noncancelable operating lease agreements which expire between March 2018 and April 2023, and require varying minimum annual lease payments.

The total future minimum lease commitments at December 31, 2017 are as follows:

2018	\$	560,625
2019		478,733
2020		470,650
2021		469,719
2022		394,820
Thereafter		85,046

Total operating lease expense included in the consolidated statements of operations for the years ended December 31, 2017 and 2016, was approximately \$753,000 and \$849,000, respectively.

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 TMNC. 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 \$1,870,277 for the year ended December 31, 2017. Future minimum commitments under the agreement are as follows:

<u>December 31,</u>		
2018	\$	5,610,828
2019		2,597,058
2020		3,162,112
2021		2,715,723
2022		2,730,280
Thereafter		13,255,733

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.

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(12) Other Operating Revenue

Other operating revenue for the years ended December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Rental income	\$ 1,365,463	1,183,704
Cafeteria	563,297	536,579
EHR incentive – Medicare	535,933	1,385,812
Grant revenue	77,300	153,306
Other operating revenue	<u>554,983</u>	<u>674,696</u>
	<u>\$ 3,096,976</u>	<u>3,934,097</u>

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 \$535,933 and \$1,385,812 of Medicare meaningful use grant revenue in other operating revenue in its consolidated statement of operations for the years ended December 31, 2017 and 2016, respectively.

(13) 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, 2017 and 2016, management determined a liability of \$830,000 and \$170,000 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 5).

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(14) 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.

(15) 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. In 2013, a participant was fully vested in GP Health's contribution after six years of credited service. Effective January 1, 2014, the Organization amended the plan to provide a three-year cliff vesting period. Pension expense was \$2,043,949 and \$1,964,858 for the years ended December 31, 2017 and 2016, respectively.

(16) 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:

	<u>2017</u>	<u>2016</u>
Medicare	25%	26%
Medicaid	10	8
Blue Cross/Blue Shield	15	12
Other third-party payers	31	36
Private pay	19	18
	<u>100%</u>	<u>100%</u>

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.

(17) 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, 2017 and 2016 were approximately \$18,300,000 and \$11,600,000, respectively.

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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.

(18) 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:

	<u>2017</u>	<u>2016</u>
Program services	\$ 198,575,650	189,740,022
Fundraising	<u>180,195</u>	<u>232,851</u>
	<u>\$ 198,755,845</u>	<u>189,972,873</u>

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Exhibit 1

Consolidating Balance Sheet
December 31, 2017

	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 Health Innovation Network	Mid-Nebraska Medical Ventures, LLC	Eliminations	Consolidated
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 41,017,594	1,300,794	986,675	2,597	487,345	7,401	448,496	--	44,250,902
Short-term investments	99,812,844	--	--	--	--	--	--	--	99,812,844
Receivables -									
Patients, net of estimated uncollectibles	26,164,223	--	42,633	--	1,905,758	--	--	--	28,112,614
Affiliates	7,320,229	--	--	--	--	--	--	(7,320,229)	--
Other	2,636,024	--	61,692	--	9,402	3,000	6,102	--	2,716,220
Inventories	5,709,598	--	191,923	--	--	--	--	--	5,901,521
Prepaid expenses	2,258,383	--	2	5,817	--	--	--	--	2,264,202
Total current assets	184,918,895	1,300,794	1,282,925	8,414	2,402,505	10,401	454,598	(7,320,229)	183,058,303
Investments limited as to use, net of current portion	35,621,585	--	--	--	--	--	--	--	35,621,585
Property and equipment, net	119,328,215	403,629	219,139	1,286,785	3,221,699	44,377	13,430,177	(1,995,303)	135,938,718
Other assets -									
Deferred compensation assets	4,227,696	--	--	--	--	--	--	--	4,227,696
Recruitment and relocation advances, net	583,974	--	--	--	--	--	--	--	583,974
Investment in affiliates	6,132,266	--	--	--	--	--	--	(4,028,266)	2,104,000
Interest in Foundation	12,642,607	--	--	--	--	--	--	--	12,642,607
Land held for future expansion and investment	--	647,594	--	--	--	--	--	--	647,594
Total other assets	23,586,543	647,594	--	--	--	--	--	(4,028,266)	20,205,871
Total assets	\$ 363,455,238	2,352,017	1,502,064	1,295,199	5,624,204	54,778	13,884,775	(13,343,798)	374,824,477

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Exhibit 1

Consolidating Balance Sheet (Continued)
December 31, 2017

	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 Health Innovation Network	Mid-Nebraska Medical Ventures, LLC	Eliminations	Consolidated
LIABILITIES AND NET ASSETS									
Current liabilities:									
Current maturities of long-term debt	\$ 2,185,000	--	--	--	--	--	364,008	--	2,549,008
Accounts payable -									
Trade	6,888,465	17,175	167,991	59,005	436,683	18,227	234,447	--	7,821,993
Construction	655,784	--	--	--	--	--	--	--	655,784
Affiliates	--	1,409,521	49,479	2,130,997	2,037,702	1,692,530	--	(7,320,229)	--
Other	830,000	--	--	--	--	--	--	--	830,000
Accrued salaries, vacation and vested benefits payable	10,048,701	--	--	2,954	64,699	--	--	--	10,116,354
Accrued interest payable	735,908	--	--	--	--	--	--	--	735,908
Estimated third-party payor settlements	1,965,821	--	--	--	--	--	--	--	1,965,821
Total current liabilities	23,309,679	1,426,696	217,470	2,192,956	2,539,084	1,710,757	598,455	(7,320,229)	24,674,868
Long-term debt, net	97,589,040	--	--	--	--	--	11,069,055	--	108,658,095
Deferred compensation liability	4,227,696	--	--	--	--	--	--	--	4,227,696
Total liabilities	125,126,415	1,426,696	217,470	2,192,956	2,539,084	1,710,757	11,667,510	(7,320,229)	137,560,659
Commitments									
Net assets:									
Common stock and paid-in-capital	--	--	475,000	--	86,217,641	1,627,816	1,166,871	(89,487,328)	--
Unrestricted	228,920,942	925,321	809,594	(897,757)	(83,132,521)	(3,283,795)	163,488	83,463,759	226,969,031
Non-controlling interest in consolidated subsidiary	--	--	--	--	--	--	886,906	--	886,906
Temporarily restricted	9,407,881	--	--	--	--	--	--	--	9,407,881
Total net assets	238,328,823	925,321	1,284,594	(897,757)	3,085,120	(1,655,979)	2,217,265	(6,023,569)	237,263,818
Total liabilities and net assets	\$ 363,455,238	2,352,017	1,502,064	1,295,199	5,624,204	54,778	13,884,775	(13,343,798)	374,824,477

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, 2017

	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 Health Innovation Network	Mid-Nebraska Medical Ventures, LLC	Eliminations	Consolidated
UNRESTRICTED REVENUE:									
Net patient service revenue	\$ 191,786,988	--	1,249,484	--	19,224,372	--	--	--	212,260,844
Provision for bad debts	(8,349,073)	--	(27,151)	--	(1,524,000)	--	--	--	(9,900,224)
Net patient service revenue less provision for bad debts	183,437,915	--	1,222,333	--	17,700,372	--	--	--	202,360,620
Other operating revenue	2,353,129	85,966	62,743	360,614	372,541	128,445	1,743,105	(2,009,567)	3,096,976
Total unrestricted revenue	185,791,044	85,966	1,285,076	360,614	18,072,913	128,445	1,743,105	(2,009,567)	205,457,596
EXPENSES:									
Salaries and wages	57,196,927	--	444,141	139,883	19,864,684	609,950	--	(6,930)	78,248,655
Employee benefits	15,852,780	--	134,352	9,442	3,676,506	154,737	--	--	19,827,817
Professional fees - physicians	1,013,232	--	--	--	6,195,728	--	--	(1,920)	7,207,040
Professional fees - other	16,724,240	1,800	42,804	98,507	669,400	426,604	71,579	(472,172)	17,562,762
Supplies	36,625,423	--	43,322	77,497	1,330,696	11,250	7	(18,848)	38,069,347
Utilities	1,752,383	--	13,836	45,352	92,132	2,299	164,340	--	2,070,342
Repairs and maintenance	8,013,015	--	54,498	5,132	553,119	69,117	23,409	(300)	8,717,990
Leases and rentals	673,883	--	60,291	38,730	1,394,089	61,252	33,264	(1,508,886)	752,623
Insurance	601,032	101	3,964	4,662	25,999	4,898	8,031	--	648,687
Interest	4,071,031	--	--	11,562	--	--	575,025	(11,562)	4,646,056
Other	2,707,276	12,371	523,976	37,389	179,173	367,396	224,303	(510)	4,051,374
Depreciation	14,794,602	2,668	20,287	69,642	1,551,464	38,294	528,021	(51,826)	16,953,152
Total expenses	160,025,824	16,940	1,341,471	537,798	35,532,990	1,745,797	1,627,979	(2,072,954)	198,755,845
OPERATING INCOME (LOSS)	25,765,220	69,026	(56,395)	(177,184)	(17,460,077)	(1,617,352)	115,126	63,387	6,701,751
NONOPERATING GAINS (LOSSES):									
Investment income, including realized gains, net	4,412,002	6,725	4,782	20	11,002	--	--	(11,562)	4,422,969
Unrealized gains on investments	6,719,812	--	--	--	--	--	--	--	6,719,812
Other nonoperating gains (losses), net	(17,955,813)	--	(32,588)	--	--	--	--	19,224,402	1,236,001
Total nonoperating gains (losses), net	(6,823,999)	6,725	(27,806)	20	11,002	--	--	19,212,840	12,378,782
EXCESS REVENUE OVER (UNDER) EXPENSES BEFORE GAIN ATTRIBUTABLE TO NONCONTROLLING INTEREST OF SUBSIDIARY									
	18,941,221	75,751	(84,201)	(177,164)	(17,449,075)	(1,617,352)	115,126	19,276,227	19,080,533
GAIN ATTRIBUTABLE TO NONCONTROLLING INTEREST OF SUBSIDIARY									
	--	--	--	--	--	--	(46,050)	--	(46,050)
EXCESS REVENUE OVER (UNDER) EXPENSES	18,941,221	75,751	(84,201)	(177,164)	(17,449,075)	(1,617,352)	69,076	19,276,227	19,034,483
CHANGE IN INTEREST IN FOUNDATION	210,203	--	--	--	--	--	--	--	210,203
EQUITY TRANSFERS FROM (TO) AFFILIATE, NET	--	--	--	--	15,775,000	--	(73,657)	(15,701,343)	--
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 19,151,424	75,751	(84,201)	(177,164)	(1,674,075)	(1,617,352)	(4,581)	3,574,884	19,244,686

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, 2017

	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 Health Innovation Network	Mid-Nebraska Medical Ventures, LLC	Eliminations	Consolidated
UNRESTRICTED NET ASSETS:									
Excess revenue over (under) expense	\$ 18,941,221	75,751	(84,201)	(177,164)	(17,449,075)	(1,617,352)	69,076	19,276,227	19,034,483
Change in interest in Foundation	210,203	--	--	--	--	--	--	--	210,203
Equity transfers from (to) affiliate, net	--	--	--	--	15,775,000	398,117	(73,657)	(16,099,460)	--
Change in unrestricted net assets	19,151,424	75,751	(84,201)	(177,164)	(1,674,075)	(1,219,235)	(4,581)	3,176,767	19,244,686
UNRESTRICTED NONCONTROLLING INTEREST:									
Paid-in-capital to noncontrolling shareholders	--	--	--	--	--	--	(49,104)	--	(49,104)
Gain attributable to noncontrolling interest of subsidiary	--	--	--	--	--	--	46,050	--	46,050
Decrease in unrestricted noncontrolling interest	--	--	--	--	--	--	(3,054)	--	(3,054)
TEMPORARILY RESTRICTED NET ASSETS,									
Change in interest in Foundation	5,799,659	--	--	--	--	--	--	--	5,799,659
CHANGE IN NET ASSETS	24,951,083	75,751	(84,201)	(177,164)	(1,674,075)	(1,219,235)	(7,635)	3,176,767	25,041,291
NET ASSETS, beginning 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
NET ASSETS, end of year	\$ 238,328,823	925,321	1,284,594	(897,757)	3,085,120	(1,655,979)	2,217,265	(6,023,569)	237,263,818