

**Yavapai Community Hospital Association and Affiliates
d/b/a Yavapai Regional Medical Center**

Independent Auditor's Report and Combined Financial Statements

December 31, 2017 and 2016

**Yavapai Community Hospital Association and Affiliates
d/b/a Yavapai Regional Medical Center**

December 31, 2017 and 2016

Contents

Independent Auditor's Report..... 1

Combined Financial Statements

Balance Sheets..... 3
Statements of Operations..... 4
Statements of Changes in Net Assets 5
Statements of Cash Flows 6
Notes to Financial Statements 7

Independent Auditor's Report

Board of Directors
Yavapai Community Hospital Association and Affiliates
d/b/a Yavapai Regional Medical Center
Prescott, Arizona

We have audited the accompanying combined financial statements of Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center (the Organization), which comprise the combined balance sheets as of December 31, 2017 and 2016, and the related combined statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Board of Directors
Yavapai Community Hospital Association and Affiliates
d/b/a Yavapai Regional Medical Center

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center as of December 31, 2017 and 2016, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Colorado Springs, Colorado
March 21, 2018

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Combined Balance Sheets December 31, 2017 and 2016

Assets

	2017	2016
Current Assets		
Cash and cash equivalents	\$ 45,821,769	\$ 74,805,796
Short-term investments	143,827,818	61,417,418
Patient accounts receivable, net of allowance; 2017 - \$15,846,329 and 2016 - \$17,189,550	41,640,922	34,982,470
Inventories	5,353,751	5,295,220
Contributions receivable, current	288,352	317,177
Amounts due from third-party payers	-	23,153
Prepaid expenses and other current assets	2,887,193	1,339,734
Total current assets	239,819,805	178,180,968
Investments	24,658,833	29,989,341
Assets Limited as to Use - Held by Bond Trustees	1,659,499	1,829,918
Contributions Receivable	83,326	114,248
Property, Plant and Equipment, Net	162,328,168	164,443,323
Other Assets, Net	2,121,318	3,029,543
Total assets	\$ 430,670,949	\$ 377,587,341

Liabilities and Net Assets

Current Liabilities		
Current portion of long-term debt	\$ 3,164,834	\$ 4,289,070
Accounts payable	9,124,716	7,194,854
Accrued expenses and other	21,061,411	15,872,842
Amounts due to third-party payers	1,636,285	-
Total current liabilities	34,987,246	27,356,766
Long-term Debt	90,556,765	94,103,568
Other Long-term Liabilities	2,629,598	1,922,247
Total liabilities	128,173,609	123,382,581
Net Assets		
Unrestricted	301,085,877	252,901,979
Temporarily restricted	1,406,702	1,298,020
Permanently restricted	4,761	4,761
Total net assets	302,497,340	254,204,760
Total liabilities and net assets	\$ 430,670,949	\$ 377,587,341

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Combined Statements of Operations Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues		
Patient service revenue (net of contractual discounts and allowances)	\$ 365,530,976	\$ 328,676,956
Provision for uncollectible accounts	(17,678,898)	(18,940,172)
Net patient service revenue less provision for uncollectible accounts	347,852,078	309,736,784
Interest, contributions and other income	11,509,728	6,726,764
Net assets released from restriction for operations	171,800	259,157
Total operating revenues	359,533,606	316,722,705
Operating Expenses		
Salaries and wages	120,362,346	111,702,925
Employee benefits	35,511,191	31,106,096
Professional fees	24,468,383	15,210,489
Supplies, services and other	113,769,063	105,518,921
Depreciation and amortization	15,665,044	15,934,362
Interest	3,766,812	4,514,156
Total operating expenses	313,542,839	283,986,949
Excess of Revenues Over Expenses Before Other Income	45,990,767	32,735,756
Other Income (Expense)		
Gain in equity investees	52,807	194,215
Loss on extinguishment of debt	-	(5,494,763)
Total other income (expense)	52,807	(5,300,548)
Excess of Revenues Over Expenses	46,043,574	27,435,208
Contributions for purchase of property and equipment	22,161	38,709
Change in unrealized gains on investments	2,097,101	2,526,014
Change in value of split-interest agreements	21,062	(18,115)
Increase in Unrestricted Net Assets	\$ 48,183,898	\$ 29,981,816

**Yavapai Community Hospital Association and Affiliates
d/b/a Yavapai Regional Medical Center**

Combined Statements of Changes in Net Assets

Years Ended December 31, 2017 and 2016

	2017	2016
Unrestricted Net Assets		
Excess of revenues over expenses	\$ 46,043,574	\$ 27,435,208
Contributions for purchase of property and equipment	22,161	38,709
Change in unrealized gains on investments	2,097,101	2,526,014
Change in value of split-interest agreements	21,062	(18,115)
Increase in unrestricted net assets	48,183,898	29,981,816
Temporarily Restricted Net Assets		
Contributions received	280,482	530,104
Net assets released from restriction for operations	(171,800)	(259,157)
Increase in temporarily restricted net assets	108,682	270,947
Change in Net Assets	48,292,580	30,252,763
Net Assets, Beginning of Year	254,204,760	223,951,997
Net Assets, End of Year	\$ 302,497,340	\$ 254,204,760

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Combined Statements of Cash Flows Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 48,292,580	\$ 30,252,763
Items not requiring (providing) cash		
Loss on extinguishment of debt	-	5,494,763
Depreciation and amortization	15,665,044	15,934,362
Amortization of bond costs and premiums	(329,647)	(172,064)
Gain in equity investees	(52,807)	(194,215)
Realized and unrealized gains on investments	(6,788,989)	(823,836)
Provision for uncollectible accounts	17,678,898	18,940,172
Contributions of or for acquisition of property and equipment	(22,161)	(38,709)
Change in allowance for uncollectible contributions	(8,917)	8,419
Change in value of split-interest agreements	(30,950)	18,115
Changes in		
Patient accounts receivable	(24,337,350)	(22,925,469)
Estimated amounts due to third-party payers	1,659,438	(254,873)
Accounts payable and accrued expenses	7,221,967	692,024
Other long-term liabilities	707,351	80,085
Inventory, prepaids and other assets	(721,208)	609,981
Net cash provided by operating activities	58,933,249	47,621,518
Investing Activities		
Purchase of property and equipment	(13,486,261)	(17,484,112)
Distributions from equity investee	8,700	27,400
Purchase of investments and assets limited as to use	(121,632,321)	(50,054,160)
Proceeds from disposition of investments and assets limited as to use	51,511,837	53,181,958
Purchase of equity investee	-	(524,889)
Net cash used in investing activities	(83,598,045)	(14,853,803)
Financing Activities		
Principal payments on long-term debt	(4,341,392)	(51,560,431)
Premium paid on extinguishment of debt	-	(4,356,319)
Proceeds from issuance of long-term debt	-	47,650,252
Payment of debt issuance costs	-	(792,275)
Contributions restricted for the purchase of property and equipment	22,161	38,709
Net cash used in financing activities	(4,319,231)	(9,020,064)
Increase (Decrease) in Cash and Cash Equivalents	(28,984,027)	23,747,651
Cash and Cash Equivalents, Beginning of Year	74,805,796	51,058,145
Cash and Cash Equivalents, End of Year	\$ 45,821,769	\$ 74,805,796
Supplemental Cash Flows Information		
Interest paid	\$ 3,434,073	\$ 4,897,666
Acquisition of property and equipment accrued for, but unpaid	\$ 584,794	\$ 657,380

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

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

Nature of Operations

The accompanying combined financial statements include the accounts of Yavapai Community Hospital Association (the Hospital) doing business as Yavapai Regional Medical Center, an Arizona nonprofit corporation; Central Yavapai Hospital District (the District); Yavapai Regional Medical Center Foundation (the Foundation), an Arizona nonprofit corporation; Yavapai Regional Medical Center Physician Care, LLC (the MSO) and North Central Arizona Accountable Care, LLC (the ACO); and Prescott Medical Imaging (PMI) (collectively, the Organization). The Hospital provides health care and related services in Yavapai County, Arizona and is licensed to operate 206 beds. At December 31, 2017, all 206 of these beds were in service. The District was organized primarily to assist in providing medical facilities to serve the population of Central Yavapai County. The MSO was organized in 2008 for the purpose of providing physician services to Central Yavapai County. The ACO was organized in 2014 to promote greater accountability for the quality, effectiveness and efficiency of health care delivered to patients through providers who work together based on the principles of clinical integration to improve the coordination of health care items and services, to encourage investment in infrastructure and redesigned care processes for high quality and efficient service delivery, and to incent higher value care.

Principles of Combination

The combined financial statements include the accounts of the Hospital, the District, the Foundation, the MSO, the ACO and PMI. Intercompany transactions and balances have been eliminated in combination. The District holds certain medical facilities of the Hospital, the Foundation's purpose is to benefit and support the Hospital, and the MSO, ACO and PMI are 100% owned by the Hospital; therefore, the financial statements are combined.

Use of Estimates

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

Cash Equivalents

The Organization considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At December 31, 2017 and 2016, cash equivalents consisted primarily of money market accounts with brokers and overnight sweep accounts.

At December 31, 2017, the Organization's cash accounts (including cash classified as an investment) exceeded federally insured limits by approximately \$49,900,000.

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

Investments and Investment Return

Investments in debt and equity securities are carried at fair value. The investments in affiliates are reported on the equity method of accounting. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. Investment return is reflected in the statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Investment return that is initially restricted by donor stipulation is recognized as temporarily restricted income and reclassified and reported as an increase in unrestricted net assets when the restriction expires. Other investment return is reflected in the statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted, based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited as to Use

Assets whose use is limited include assets held by trustees under bond indenture agreements, which can be used only for the purpose designated by such agreements.

Patient Accounts Receivable

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

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

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the 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 or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

The Organization's allowance for doubtful accounts for self-pay patients was approximately 90% and 92% at December 31, 2017 and 2016, respectively. In addition, the Organization's provision for uncollectible accounts decreased approximately \$1,200,000 for the year ended December 31, 2017, to approximately \$17,700,000.

Inventories

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

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Leasehold improvements	10-20 years
Buildings and service equipment	20-40 years
Equipment	3-20 years

The carrying value of property and equipment is reviewed annually to determine potential impairment. If events or circumstances suggest that the carrying value may be permanently impaired and will not be recoverable, the assets will be reduced to their estimated recoverable value.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. These costs are being amortized using the straight-line method over the life of the debt. The Organization records these costs as direct deductions from the related debt and are included in long-term debt in the accompanying combined balance sheets.

Physician Guarantees and Loans

The Organization has entered into a contract with a third-party physician group in which the Organization makes payments to the physicians in excess of the amounts they earn in their practices up to the amount of the income guarantee. At December 31, 2017 and 2016, the Organization determined there is not a material fair value of a liability related to outstanding income guarantee agreements.

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

To enhance its physician recruitment effort, the Organization provides advances to certain physicians who agree to relocate their service area to fill a community need and remain in practice there for a specified period of time. Such payments are recoverable from the physicians on a prorated basis if they do not fulfill their commitment period to the community, which is typically five years subsequent to the guarantee period. In addition, the Organization advances money to certain physicians under loan agreements. As of December 31, 2017 and 2016, the Organization had advanced money to physicians of approximately \$365,000 and \$262,000, respectively, which is included in the other current assets and other assets category on the combined balance sheets.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization 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 the Organization in perpetuity.

Net Patient Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, and includes estimated retroactive revenue adjustments. Retroactive adjustments are accrued on an estimated basis in the period related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

In support of its mission, the Organization voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges. The costs of charity care provided under the Organization's charity care policy for the years ended December 31, 2017 and 2016 were approximately \$2,278,000 and \$2,463,000, respectively. In addition to uncompensated costs, the Organization also commits significant time and resources to endeavors and critical services which meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable.

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets.

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

Professional Liability Claims

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

Excess of Revenues Over Expenses

The combined statements of operations include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, the change in value of split-interest agreements, permanent transfers to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restrictions were to be used for the purpose of acquiring such assets).

Electronic Health Records Incentive Program

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

The Hospital recognizes revenue at the end of the reporting period when management is reasonably assured it will meet all of the meaningful use objectives and all other contingencies have been met.

The Hospital completed requirements under both the Medicare and Medicaid programs and has recorded revenue of approximately \$23,000 and \$659,000 for the years ended December 31, 2017 and 2016, respectively, which is included in other income within operating revenues in the combined statements of operations.

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

Income Taxes

The Hospital and the Foundation have been recognized as exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code (the IRC) and a similar provision of state law. The District has been recognized as a nonprofit governmental entity and is also exempt from federal income taxes under Section 115 of the IRC and a similar provision of state law. The MSO, ACO and PMI are considered disregarded entities under provisions of the IRC and a similar section of the Arizona income tax law. Therefore, income or loss for the MSO, ACO and PMI are reported to the Hospital for inclusion in its respective tax returns. The Organization is subject to federal income tax on any unrelated business taxable income.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through March 21, 2018, which is the date the combined financial statements were issued.

Note 2: Net Patient Service Revenue

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

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient 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. Outpatient services are predominantly paid based on prospectively determined rates per procedure. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

Medicaid. The Arizona Health Care Cost Containment System (AHCCCS) reimburses inpatient services rendered to Medicaid program beneficiaries at prospectively determined rates, based on level of care. Outpatient services are reimbursed on prospectively determined rates per procedure.

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

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The following summary details gross patient service charges and deductions from these charges at December 31:

	2017	2016
Gross charges at established rates		
Inpatient	\$ 483,780,636	\$ 432,258,825
Outpatient	708,986,549	623,854,225
	1,192,767,185	1,056,113,050
Contractual adjustments	(827,236,209)	(727,436,094)
Patient service revenue (net of contractals)	365,530,976	328,676,956
Provision for uncollectible accounts	(17,678,898)	(18,940,172)
Net patient service revenue	<u>\$ 347,852,078</u>	<u>\$ 309,736,784</u>

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the years ended December 31, 2017 and 2016, was:

	2017	2016
Medicare	\$ 155,041,676	\$ 126,927,305
Medicaid	27,782,331	24,201,928
Other third-party payers	161,324,955	148,339,819
Patients	21,382,014	29,207,904
Total	<u>\$ 365,530,976</u>	<u>\$ 328,676,956</u>

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 3: Concentration of Credit Risk

The Hospital and the MSO grant credit without collateral to their patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31 were:

	2017	2016
Medicare	31%	29%
Medicaid	6%	6%
Other third-party payers	59%	61%
Patients	4%	4%
	100%	100%

Note 4: Investments, Assets Limited as to Use and Investment Return

Investments and Assets Limited as to Use

	2017	2016
Investments		
Cash	\$ 1,227,310	\$ 1,076,200
Money markets	1,659,498	1,829,917
U.S. Large-cap Equity Mutual Funds	21,840,144	14,249,541
U.S. Mid-cap Equity Mutual Funds	-	3,124,926
International Equity Mutual Funds	19,325,552	12,547,234
U.S. Fixed Income Mutual Funds	27,468,653	25,515,606
International Fixed Income Mutual Funds	1,718,345	4,113,726
Corporate bonds	6,703,654	7,534,651
Government bonds	81,355,912	11,208,327
International bonds	625,427	771,791
Mortgage and asset-backed bonds	8,116,255	11,152,223
Accrued income	105,400	112,535
	\$ 170,146,150	\$ 93,236,677

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

Investments and assets limited as to use are included in the following combined balance sheets captions:

	2017	2016
Short-term investments	\$ 143,827,818	\$ 61,417,418
Investments	24,658,833	29,989,341
Assets limited as to use - held by bond trustees	1,659,499	1,829,918
	\$ 170,146,150	\$ 93,236,677

Pursuant to the terms of the bond indenture (see Note 11), the Organization is required to maintain amounts on deposit with the bond trustees. The funds held by the bond trustees are invested according to the bond indentures, stated at fair market value and may only be used as permitted by the trust agreements.

Total investment return is composed of the following:

	2017	2016
Interest and dividend income	\$ 2,854,642	\$ 2,232,002
Realized gains (losses)	4,691,888	(1,702,178)
Change in unrealized gains on other than trading securities	2,097,101	2,526,014
Total	\$ 9,643,631	\$ 3,055,838

Total investment return is reflected in the combined statements of operations:

	2017	2016
Unrestricted net assets		
Interest, contributions and other income	\$ 7,546,530	\$ 529,824
Change in unrealized gains on other than trading securities	2,097,101	2,526,014
	\$ 9,643,631	\$ 3,055,838

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 5: Property and Equipment

Property and equipment at December 31 consists of the following:

	2017	2016
Land	\$ 15,814,349	\$ 15,814,349
Leasehold and land improvements	12,812,968	12,812,968
Buildings and service equipment	170,591,471	169,874,059
Equipment	166,088,065	152,611,340
Construction-in-progress	1,479,177	1,848,133
Total	366,786,030	352,960,849
Accumulated depreciation	(204,457,862)	(188,517,526)
Total property and equipment	\$ 162,328,168	\$ 164,443,323

In December 2010, the Hospital entered into a commitment contract for \$29,445,000 related to the implementation of an electronic medical records system. In October 2013, the Hospital amended the contract above to include outsourced technology personnel as well as additional costs related to the electronic medical records system. The amended contract results in a total commitment of approximately \$150,000,000 over a 10-year period. Approximately \$69,900,000 and \$55,100,000 of costs associated with the contract have been incurred as of December 31, 2017 and 2016, respectively.

Note 6: Contributions Receivable

Contributions receivable consisted of the following at December 31:

	2017	2016
Due within one year	\$ 304,328	\$ 335,900
Due in one to five years	95,077	132,169
	399,405	468,069
Less		
Allowance for uncollectible contributions and unamortized discount	27,727	36,644
	\$ 371,678	\$ 431,425

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

The Organization has established gift annuities where donors may contribute assets to the Organization in exchange for the right to receive a fixed dollar annual return during their lifetimes. The Organization has a liability for these split-interest agreements of \$42,143 and \$73,093 as of December 31, 2017 and 2016, respectively, which is included in accrued expenses. The liability is determined at the time of the contribution using actuarial life expectancy tables and discount rates equal to the applicable federal rates and is updated annually as of December 31.

Note 7: Related-party Transactions

Prescott Outpatient Surgical Center

The Organization has a 20% ownership in a limited partnership that operates a surgery center. The investment in the limited partnership is accounted for on the equity method of accounting. The Organization shares only in the income of the partnership per the partnership agreement. The amount of the investment was \$629,092 and \$584,985 at December 31, 2017 and 2016, respectively, and is recorded in other assets in the combined balance sheets. The Hospital owns the building in which the limited partnership operates, and leases the building to the limited partnership. The Hospital recognized \$305,695 and \$300,025 of rent revenue from Prescott Outpatient Surgical Center for the years ended December 31, 2017 and 2016, respectively.

Note 8: Medical Malpractice Claims

The Organization purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Under such policy, only claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claims occurred, are covered. The Organization has a deductible for the first \$250,000 per occurrence of medical malpractice risks.

The Organization has recorded approximately \$400,000 and \$600,000 of current professional liability reserves, which are included in its combined balance sheets as of December 31, 2017 and 2016, respectively.

Although considerable variability is inherent in professional liability reserve estimates, management believes the reserves for losses and loss expenses are adequate based on information currently known. It is reasonably possible that this estimate could change materially in the near term.

The professional liability risks, in excess of certain per claim and aggregate deductible amounts, are insured through unrelated commercial insurance carriers. The amounts receivable under these insurance contracts totaled \$100,000, included in other current assets at December 31, 2017 and 2016.

The Organization holds standby letters of credit with financial institutions totaling \$2,395,000 as a condition of their insurance policies.

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 9: Self-insured Health Care Plan

The Organization sponsors a health care plan for its employees. This plan is self-insured to the extent of the deductible amounts under the excess risk insurance policy the Organization has obtained. Accruals for unpaid claims amounted to \$2,757,000 and \$2,580,000 at December 31, 2017 and 2016, respectively, and are included in the accompanying combined balance sheets in accrued expenses.

Note 10: Lines-of-Credit

The Organization has three lines of credit that total \$2,395,000 that expire December 1, 2018. Interest is due monthly at an interest rate equal to the basis prime rate plus 1.00% (5.50% at December 31, 2017) and was secured by substantially all of the Organization's assets. There was no amount outstanding at December 31, 2017 or 2016.

Note 11: Long-term Debt

	2017	2016
Series 2016 (A)	\$ 43,490,000	\$ 44,585,000
Series 2013A (B)	26,085,000	28,235,000
Series 2013B (C)	20,400,000	20,400,000
Notes payable to third parties (D)	2,453,177	2,849,569
Promissory note (E)	-	700,000
Total long-term debt	92,428,177	96,769,569
Less unamortized premium (discount)	2,785,948	3,217,107
Less unamortized debt issuance costs	(1,492,526)	(1,594,037)
Less current portion of long-term debt	(3,164,834)	(4,289,071)
Long-term debt, net	<u>\$ 90,556,765</u>	<u>\$ 94,103,568</u>

- (A) Series 2016; principal balances are bifurcated into multiple tranches consisting of serial bonds that are due annually beginning in 2017 through 2037 with each tranche having a separate fixed interest rate ranging from 3.0% to 5.0%; collateralized by the Organization's assets; interest payments are due monthly into an interest fund held by trustee, which is paid out semiannually to bond holders on August 1 and February 1. Unamortized debt issuance costs were \$738,826 and \$776,550 at December 31, 2017 and December 31, 2016, respectively.

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

Upon issuance and delivery of the 2016 Bonds the Hospital defeased its outstanding 2008B, 2002, 1997B bonds, (collectively Bonds) in the total principal amount of \$47,111,750. Proceeds from the 2016 Bonds were used to purchase securities that were deposited in trust under an escrow agreement sufficient in amount to pay future principal, interest and redemption premiums on the defeased Bonds. This advance refunding transaction resulted in an extinguishment of debt since the Hospital was legally released from its obligation on the Bonds at the time of the defeasance.

- (B) Series 2013A; principal balances are bifurcated into multiple tranches consisting of serial bonds that are due annually beginning in 2014 through 2021 with each tranche having a separate fixed interest rate ranging from 3.0% to 5.0%, and term bonds due in 2028 and 2033 with separate fixed interest rates of 5.0% and 5.25%, respectively; collateralized by a security interest in the Organization's gross receipts; interest payments are due monthly into an interest fund held by trustee, which is paid out semiannually to bond holders on August 1 and February 1. Unamortized debt issuance costs were \$585,500 and \$623,073 at December 31, 2017 and 2016, respectively.
- (C) Series 2013B; accrue interest using various modes over the life of the bonds; collateralized by a security interest in the gross receipts of the Organization. The bonds shall initially be in the Flex Private Placement Mode and bear interest at a Variable Rate Flex Private Placement Rate for a Flex Private Placement Rate Period commencing on the closing date to September 1, 2023. The interest rate at December 31, 2015 was 1.17%. Interest payments are due monthly. Principal payments are due annually beginning in 2021 through 2027. Unamortized debt issuance costs were \$168,200 and \$194,411 at December 31, 2017 and 2016, respectively.
- (D) Notes payable to third parties, fixed interest rates at December 31, 2017 ranging from 5.5% to 6.0%, collateralized by land and building in Prescott Valley owned by the Organization, interest and principal payments due through 2028. Amount includes capital lease obligations of \$233,060 and \$503,590 outstanding at December 31, 2017 and 2016, respectively.
- (E) Promissory note; outstanding amount was paid in full during 2017. Fixed interest rate of 0%.

The Organization is required to maintain a ratio of income available for debt service to maximum annual debt service of at least 1.25 to 1. The Organization is also required to maintain a cash balance equal to at least 60 days of cash operating expenses. The Organization is also required to maintain a ratio of debt to unrestricted net assets of at least 65%.

Aggregate annual maturities of long-term debt at December 31, 2017 were:

2018	\$	3,164,834
2019		3,228,576
2020		3,366,345
2021		3,998,374
2022		5,893,151
Thereafter		<u>72,776,897</u>
		<u>\$ 92,428,177</u>

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 12: Temporarily Restricted Net Assets

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

	2017	2016
Time restricted	\$ 371,678	\$ 431,425
Programs	1,035,024	866,595
	\$ 1,406,702	\$ 1,298,020

During 2017 and 2016, net assets released from donor restrictions for the purpose of operations were \$171,800 and \$259,157 respectively.

Note 13: Functional Expenses

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

	2017	2016
Health care services	\$ 260,343,850	\$ 232,276,185
General and administrative	53,198,989	51,710,764
	\$ 313,542,839	\$ 283,986,949

Note 14: Operating Leases

The Organization leases certain buildings and equipment under long-term operating leases through 2019. Rental expense totaled approximately \$1,721,000 and \$1,546,000 in 2017 and 2016, respectively.

Future minimum lease payments at December 31, 2017 were:

2018	\$ 987,097
2019	101,212
Future minimum lease payments	\$ 1,088,309

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 15: Employee Benefit Plan

The Organization sponsors a defined contribution Group Tax Sheltered Annuity Plan (the TSA). Under the TSA, the Organization contributes an amount equal to each participant's contribution, up to a maximum of 5% of each participant's annual compensation. The TSA covers all regular employees who choose to participate; however, the Organization makes contributions only for employees who have worked at least 1,000 hours during the year and completed at least one year of service. Employee contributions are fully vested, whereas Organization contributions vest over a five-year period. The Organization's contributions to the TSA were \$2,993,530 and \$2,955,155 in 2017 and 2016, respectively. The custodian of the TSA is Voya Services Company.

The Organization established the Yavapai Regional Medical Center CEO Supplementary Executive Retirement Plan for the current President and Chief Executive Officer effective October 1, 2013. The plan is a funded deferred compensation plan under Section 457(f) of the Internal Revenue Code.

Note 16: Deferred Revenue

In July 2001, the Organization entered into an agreement with Yavapai County (the County) in connection with the construction of a medical office building. The Organization agreed to pay for the construction of the building and for all repairs and maintenance of the building. The County agreed to pay the Organization \$2,100,000 for the construction of the building and half of any construction costs in excess of \$2,100,000 up to \$600,000. The agreement provides for the County to share the space of the building with the Organization for a period of 40 years. Either party can terminate the contract with notice. In the event of termination of the contract by the County in the first 25 years, the Organization is required to return a prorated amount of the payment received from the County. Should the Organization terminate the contract early, it must return a prorated amount over the 40-year term to the County. The Organization has recorded the amount received from the County as other long-term liabilities and is amortizing the balance to other revenue over the 40-year term of the lease. The balance outstanding was \$1,377,355 and \$1,433,005, which is included in other long-term liabilities, at December 31, 2017 and 2016, respectively.

Note 17: Disclosures About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying combined balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Recurring Measurements

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying combined balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2017.

Investments

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

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying combined balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

2017				
Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Markets Held by Brokers				
Included in investments	\$ 1,659,498	\$ 1,659,498	\$ -	\$ -
U.S. Large-cap Equity Mutual Funds	21,840,144	21,840,144	-	-
International Equity Mutual Funds	19,325,552	19,325,552	-	-
U.S. Fixed Income Mutual Funds	27,468,653	27,468,653	-	-
International Fixed Income Mutual Funds	1,718,345	1,718,345	-	-
Corporate bonds	6,703,654	6,703,654	-	-
Government bonds	81,355,912	81,355,912	-	-
International bonds	625,427	-	625,427	-
Mortgage and asset-backed bonds	8,116,255	-	8,116,255	-
2016				
Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Markets Held by Brokers				
Included in investments	\$ 1,829,917	\$ 1,829,917	\$ -	\$ -
U.S. Large-cap Equity Mutual Funds	14,249,541	14,249,541	-	-
U.S. Mid-cap Equity Mutual Funds	3,124,926	3,124,926	-	-
International Equity Mutual Funds	12,547,234	12,547,234	-	-
U.S. Fixed Income Mutual Funds	25,515,606	25,515,606	-	-
International Fixed Income Mutual Funds	4,113,726	4,113,726	-	-
Corporate bonds	7,534,651	7,534,651	-	-
Government bonds	11,208,327	11,208,327	-	-
International bonds	771,791	-	771,791	-
Mortgage and asset-backed bonds	11,152,223	-	11,152,223	-

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 18: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 2.

Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 8.

Admitting Physicians

The Organization is served by a group of admitting physicians whose patients comprise approximately 56% and 52% of the Organization's net patient service revenue for the years ended December 31, 2017 and 2016, respectively.

Litigation

The Organization is at times involved in litigation and routine regulatory investigations arising in the normal course of business. Management has consulted with legal counsel and estimates that these matters will be resolved without a material impact on the operations or financial position of the Organization. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 19: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for

Yavapai Community Hospital Association and Affiliates d/b/a Yavapai Regional Medical Center

Notes to Combined Financial Statements

December 31, 2017 and 2016

nonpublic entities (December 15, 2017, for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities (December 15, 2018, for not-for-profits that are conduit debt obligors). The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019 (2018 for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2019 (2018 for not-for-profits that are conduit debt obligors). The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment applies to not-for-profit entities. The amendment reduces the classes of net assets to *net assets with donor restrictions* and *net assets without donor restrictions*; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations and requires disclosure of expenses by both their natural and functional classification on the face of the statements of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017 with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented. The Organization is in the process of evaluating the impact the amendment will have on the consolidated financial statements.



Yavapai Regional Medical Center
Supplemental Financial Information - Internal Financial Report
Statement of Revenue & Expenses & Balance Sheet Fiscal Year 2017

	YRMC - Consolidated Audited Financials	YRMC - West Campus	YRMC - East Campus	YRMC - Physician Care/ACO
INCOME STATEMENT				
REVENUE				
Statement of Income - Unrestricted Fund				
Gross Inpatient Charges:	\$ 483,780,636	\$ 348,456,282	\$ 135,324,354	\$ -
Gross Outpatient Charges:	\$ 708,986,549	\$ 384,504,006	\$ 278,367,210	\$ 46,115,333
Gross Patient Revenue	\$ 1,192,767,185	\$ 732,960,288	\$ 413,691,564	\$ 46,115,333
Capitation:	\$ -	\$ -	\$ -	\$ -
Private Self-Pay Discounts:	\$ -	\$ -	\$ -	\$ -
Other Contractual Allowances:	\$ 817,055,015	\$ 502,064,859	\$ 289,041,786	\$ 25,948,370
Total Discounts and Contractual Adjustments	\$ 817,055,015	\$ 502,064,859	\$ 289,041,786	\$ 25,948,370
Charity Care:	\$ 10,181,194	\$ 5,601,792	\$ 4,463,636	\$ 115,766
Provision for Bad Debts:	\$ 17,678,898	\$ 8,068,398	\$ 9,610,500	\$ -
Net Patient Revenue	\$ 347,852,078	\$ 217,225,239	\$ 110,575,642	\$ 20,051,197
Net Assets Released from Restrictions and Used for Operations:	\$ 171,800	\$ 171,800	\$ -	\$ -
Other Revenue:	\$ 11,509,728	\$ 9,927,776	\$ 839,807	\$ 742,145
County Subsidies :	\$ -	\$ -	\$ -	\$ -
State and Local Subsidies:	\$ -	\$ -	\$ -	\$ -
Total Revenues, Gains, and Other Support	\$ 359,533,606	\$ 227,324,815	\$ 111,415,449	\$ 20,793,342
EXPENSES				
Salaries and Wages:	\$ 120,362,346	\$ 65,576,051	\$ 26,659,201	\$ 28,127,094
Employee Benefits:	\$ 35,511,191	\$ 27,390,470	\$ 809,467	\$ 7,311,254
Medical Supplies and Drugs:	\$ 65,036,713	\$ 39,978,783	\$ 22,963,466	\$ 2,094,464
Professional Fees:	\$ 24,468,383	\$ 19,639,167	\$ 2,899,209	\$ 1,930,007
Insurance:	\$ -	\$ -	\$ -	\$ -
Depreciation and Amortization:	\$ 15,665,044	\$ 11,947,312	\$ 3,552,799	\$ 164,933
Interest:	\$ 3,766,812	\$ 3,766,812	\$ -	\$ -
Other Expenses:	\$ 48,732,350	\$ 39,312,846	\$ 6,373,229	\$ 3,046,275
Total Expenses	\$ 313,542,839	\$ 207,611,441	\$ 63,257,371	\$ 42,674,027
Net Income from Operations	\$ 45,990,767	\$ 19,713,374	\$ 48,158,078	\$ (21,880,685)
OTHER INCOME AND EXPENSES				
Investment Income:	\$ -	\$ -	\$ -	\$ -
Extraordinary Item:	\$ -	\$ -	\$ -	\$ -
Provision for Income Taxes:	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Gains (Losses), Net:	\$ 52,807	\$ 52,807	\$ -	\$ -
Total Other Income (Expenses):	\$ -	\$ -	\$ -	\$ -
Excess of Revenues over Expenses	\$ 46,043,574	\$ 19,766,181	\$ 48,158,078	\$ (21,880,685)
Change in Net Unrealized Gains and Losses	\$ 2,097,101	\$ 2,097,101	\$ -	\$ -
Contributions for Property Acquisitions:	\$ 22,161	\$ 22,161	\$ -	\$ -
Other: Any Other Change in Unrestricted Income:	\$ 21,062	\$ 21,062	\$ -	\$ -
Increase in Unrestricted Net Assets	\$ 48,183,898	\$ 21,906,505	\$ 48,158,078	\$ (21,880,685)

	YRMC - Consolidated Audited Financials	YRMC - West Campus	YRMC - East Campus	YRMC - Physician Care/ACO
BALANCE SHEET				
ASSETS				
Cash and Cash Equivalents:	\$ 45,821,769	\$ 44,573,313	\$ 1,150	\$ 1,247,306
Short Term Investments:	\$ 143,827,818	\$ 143,827,818	\$ -	\$ -
Assets Limited as to Use:	\$ -	\$ -	\$ -	\$ -
Accounts Receivable:	\$ 41,929,274	\$ 24,421,727	\$ 15,146,671	\$ 2,360,876
Inventories:	\$ 5,353,751	\$ 3,451,565	\$ 1,902,186	\$ -
Prepaid Expenses and Other Assets:	\$ 2,887,193	\$ 2,570,548	\$ 35,469	\$ 281,176
Total Current Assets	\$ 239,819,805	\$ 218,844,971	\$ 17,085,476	\$ 3,889,358
ASSETS LIMITED AS TO USE				
Internally Designated for Capital Acquisition:	\$ -	\$ -	\$ -	\$ -
Other Board Designated Funds:	\$ -	\$ -	\$ -	\$ -
Held by Trustee:	\$ 1,659,499	\$ 1,659,499	\$ -	\$ -
Total Assets Limited as to Use	\$ 1,659,499	\$ 1,659,499	\$ -	\$ -
Long Term Investments:	\$ 24,658,833	\$ 24,658,833	\$ -	\$ -
Property and Equipment, Net:	\$ 162,328,168	\$ 94,826,121	\$ 66,560,659	\$ 941,388
Other Assets:	\$ 2,204,644	\$ (2,260,165)	\$ 14,226,600	\$ (9,761,791)
Total Assets	\$ 430,670,949	\$ 337,729,259	\$ 97,872,735	\$ (4,931,045)
LIABILITIES				
Current Portion of Long Term Debt:	\$ 3,164,834	\$ 3,164,834	\$ -	\$ -
Accounts Payable and Accrued Expenses:	\$ 31,822,412	\$ 29,164,366	\$ 1,333,443	\$ 1,324,603
Other: Any Other Change in Unrestricted Income:	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	\$ 34,987,246	\$ 32,329,200	\$ 1,333,443	\$ 1,324,603
Long Term Debt Less Current Portion:	\$ 90,556,765	\$ 90,556,765	\$ -	\$ -
Other Liabilities:	\$ 2,629,598	\$ 2,629,598	\$ -	\$ -
Total Liabilities	\$ 128,173,609	\$ 125,515,563	\$ 1,333,443	\$ 1,324,603
NET ASSETS				
Unrestricted:	\$ 301,085,877	\$ 274,380,320	\$ 31,030,139	\$ (4,324,582)
Temporarily Restricted:	\$ 1,406,702	\$ 1,406,702	\$ -	\$ -
Permanently Restricted:	\$ 4,761	\$ 4,761	\$ -	\$ -
Total Net Assets	\$ 302,497,340	\$ 275,791,783	\$ 31,030,139	\$ (4,324,582)
Total Liabilities and Net Assets	\$ 430,670,949	\$ 401,307,346	\$ 32,363,582	\$ (2,999,979)