

Experience the Eide Bailly Difference

River's Edge Hospital and Clinic



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Required Auditor's Communication

1. Auditor's responsibility under generally accepted auditing standards
 - Responsibility for financial statements – management
 - Audit consists of tests, not complete verification – we obtain reasonable, not absolute, assurance about whether the financial statements are free of material misstatements
 - Engaged to perform audit in accordance with auditing standards generally accepted in the United States of America
2. Compliance regarding independence
3. Significant accounting policies
 - Described in notes to financial statements
 - No changes in existing accounting policies
4. Management judgments and accounting estimates and qualitative aspects of accounting practices
 - Estimated third-party payor settlements
 - Allowance for doubtful accounts and contractual adjustments
 - Accrued pension liability



Required Auditor's Communication

5. Corrected misstatements

- To decrease beginning net position due to implementing GASB 68 (prior year entry not made) – \$6,882,000
- To record prior year entry not made to Medicare receivable – \$308,000
- To increase pension expense (\$654,000), increase deferred outflows of resources (\$3,095,000), increase deferred inflows of resources (\$201,000), increase pension liability (\$3,508,000), and increase other revenue (\$40,000)
- To increase the estimated Medicare receivable – \$830,000
- To increase allowance for doubtful accounts – \$600,000
- To reclassify expense between charity care and bad debts – \$236,000

Uncorrected misstatements

- To increase accounts receivable and revenue – \$174,000

6. Difficulties encountered in performing the audit

- No difficulties in dealing with management



Required Auditor's Communication

7. Disagreements with management
 - None

8. Management consultations with other independent accountants
 - None noted

9. Other matters discussed prior to retention
 - None



Internal Control Matters

Current Year Internal Control Matters

Material Weakness

1. Preparation of financial statements
2. Material audit adjustments
3. Limited size of office staff



Health Care Environmental Trends

Market trends affecting your industry both nationally and locally are key to understanding the impact to your future strategy:

Rising Costs; Reduced Reimbursement

- Although the medical care consumer price index continues to increase, reimbursement rates and physician services fees have not been able to keep pace.

Health Care Reform

- New requirements for reporting and maintaining quality standards, in addition to changes in reimbursement will challenge internal operational efficiencies. Healthcare organizations are meeting these challenges by working to improve access, reduce costs, boost market share, reduce unwarranted clinical variation, and control avoidable utilization.

Physician Recruitment and Retention

- A reduction in the supply of primary care physicians at a national level is creating an increasing challenge to attract and retain physicians.

Availability of Workforce

- Population declines are creating a challenge for health care to fill retiring positions with skilled staff with specialized training.





Balance Sheet Performance Ratios

Balance Sheets

	<u>2016</u>	<u>2015</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 6,104,036	\$ 4,322,711
Cash and cash equivalents - Foundation	12,952	112,921
Receivables		
Patient, net of estimated uncollectibles of approximately \$485,000 in 2016 and \$679,000 in 2015 and contractual adjustments of approximately \$1,999,000 in 2016 and \$1,838,000 in 2015	3,902,000	4,165,966
Estimated third-party payor settlements	850,000	300,000
Other	13,962	22,971
Supplies	622,922	617,417
Prepaid expenses	<u>145,584</u>	<u>144,062</u>
Total current assets	<u>11,651,456</u>	<u>9,686,048</u>
Noncurrent Cash and Investments		
Designated by Commission	<u>3,924,549</u>	<u>3,890,702</u>
Capital Assets		
Capital assets not being depreciated	149,774	75,826
Capital assets being depreciated, net	<u>8,248,392</u>	<u>8,241,566</u>
Total capital assets	<u>8,398,166</u>	<u>8,317,392</u>
Other Assets		
Long-term prepaid	63,826	73,166
Investment in joint venture	<u>433,989</u>	<u>478,359</u>
Total other assets	<u>497,815</u>	<u>551,525</u>
Total assets	<u>24,471,986</u>	<u>22,445,667</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>3,635,105</u>	<u>729,936</u>
Total assets and deferred outflows of resources	<u>\$ 28,107,091</u>	<u>\$ 23,175,603</u>

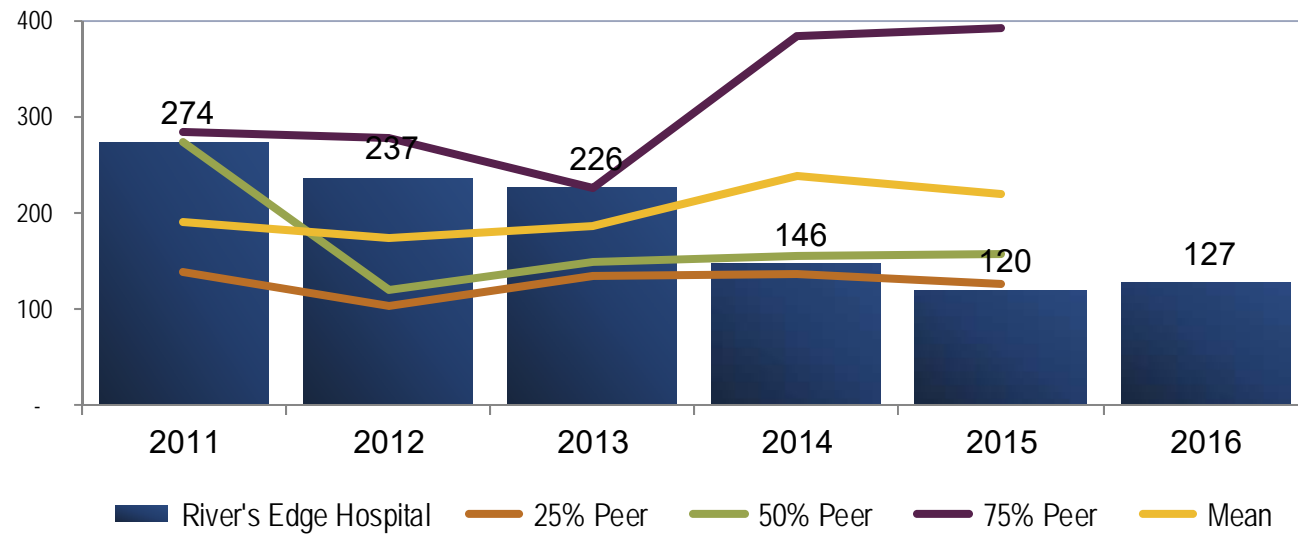


Balance Sheets

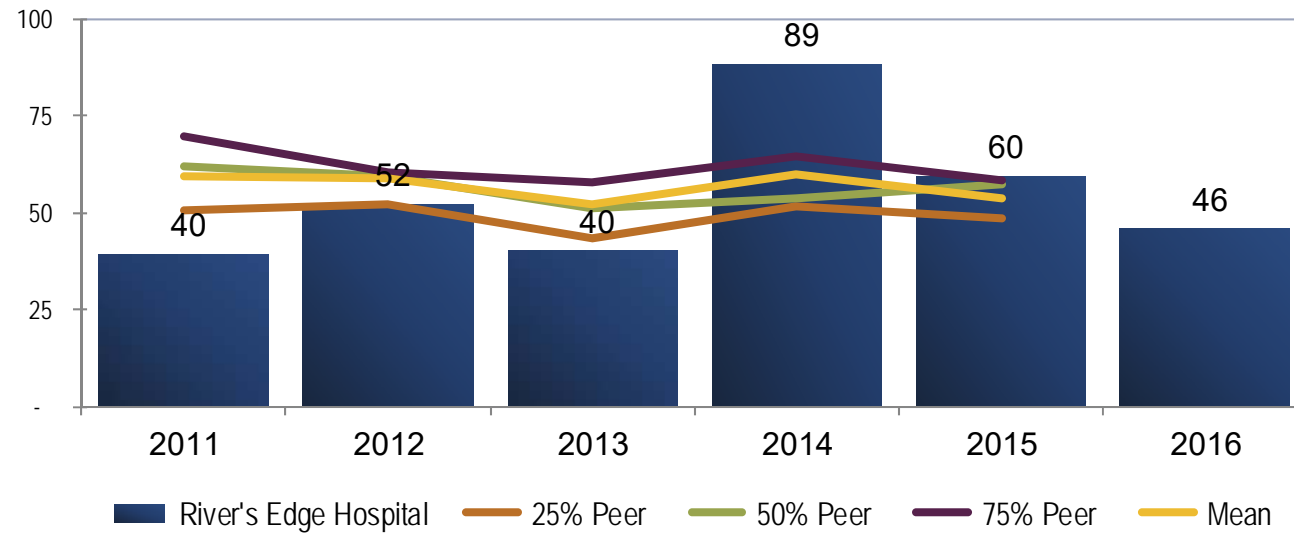
	<u>2016</u>	<u>2015</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 777,989	\$ 657,989
Accounts payable	1,237,045	1,055,733
Accrued expenses		
Salaries, wages, and benefits	1,047,674	1,110,175
Interest	142,643	147,077
Total current liabilities	<u>3,205,351</u>	<u>2,970,974</u>
Net Pension Liability	10,157,500	6,649,172
Long-Term Debt, Less Current Maturities	<u>11,490,364</u>	<u>11,718,968</u>
Total liabilities	<u>24,853,215</u>	<u>21,339,114</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>973,890</u>	<u>962,931</u>
Net Position		
Net investment in capital assets	(3,870,187)	(4,059,565)
Unrestricted	<u>6,150,173</u>	<u>4,933,123</u>
Total net position	<u>2,279,986</u>	<u>873,558</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 28,107,091</u>	<u>\$ 23,175,603</u>



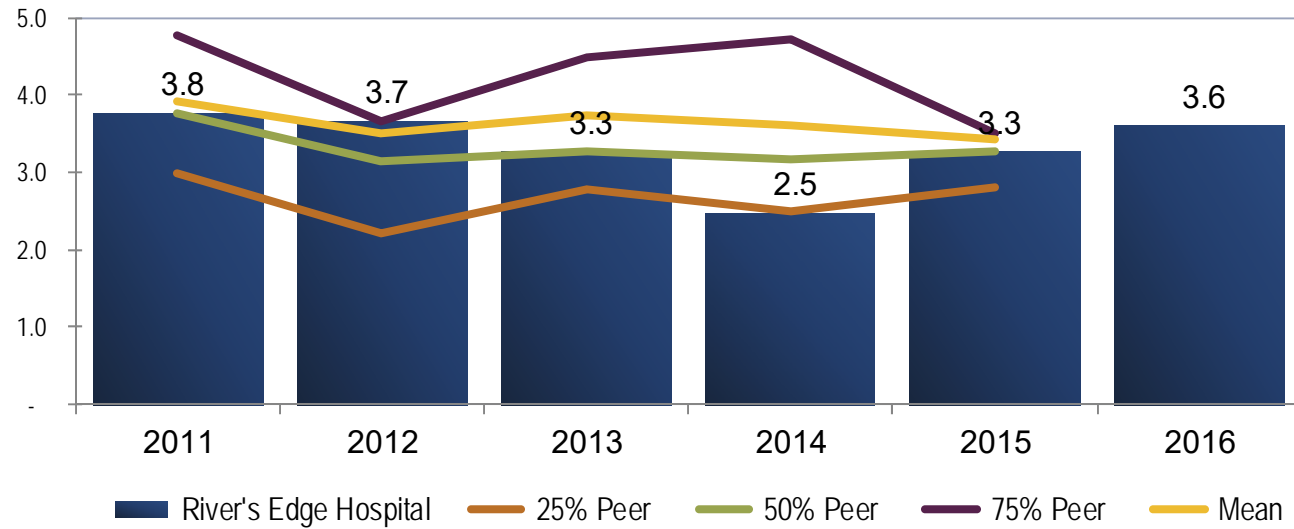
Days Cash On Hand



Days Revenue In Patient Receivables



Current Ratio



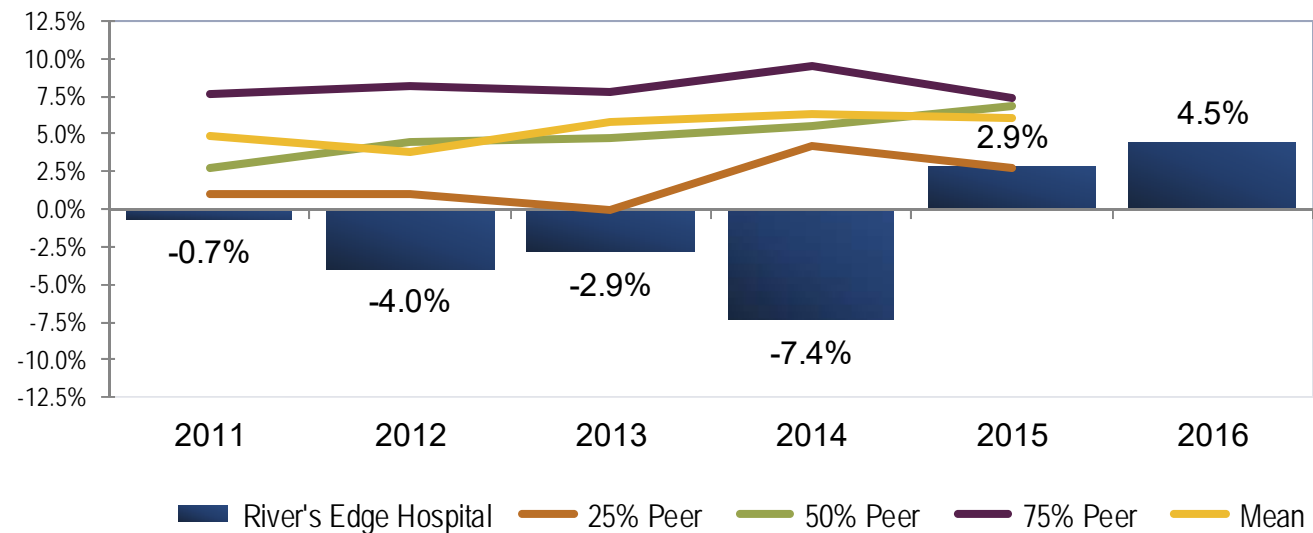


Financial Performance Ratios

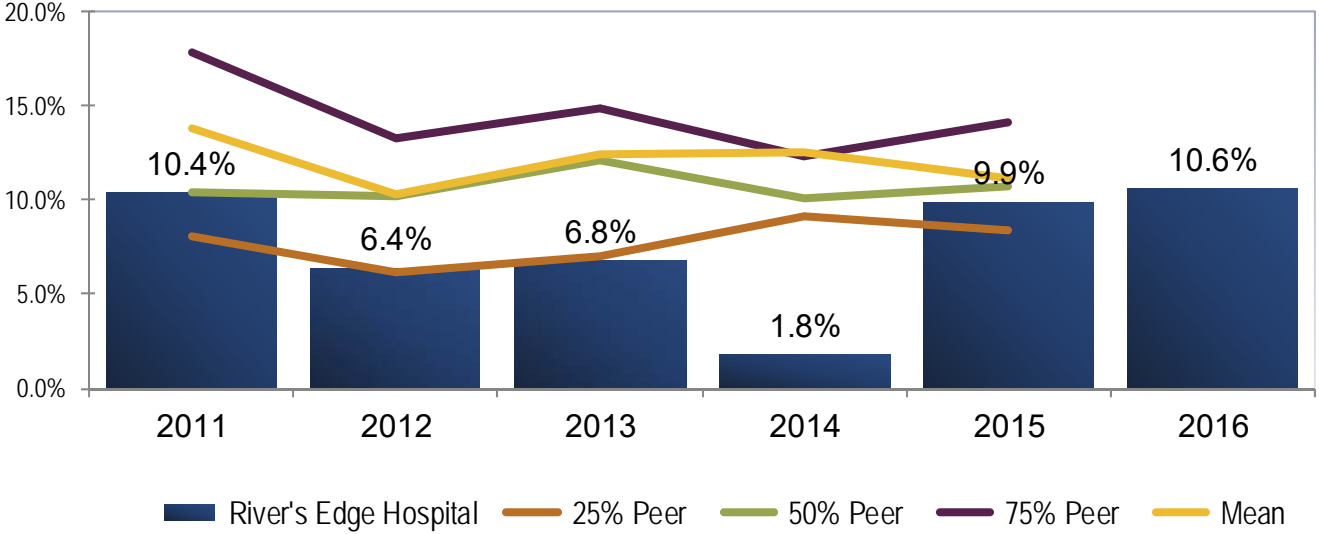
Statements of Revenues, Expenses, and Changes in Net Position

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Net patient service revenue (net of provision for bad debts of \$638,501 in 2016 and \$757,250 in 2015)	\$ 31,165,655	\$ 25,517,482
Other revenue	420,646	1,469,507
Total operating revenues	<u>31,586,301</u>	<u>26,986,989</u>
Operating Expenses		
Nursing services	2,851,278	2,499,372
Other professional services	16,817,426	14,501,608
General and administrative services	7,864,808	6,711,363
Property and household services	737,107	717,058
Depreciation	1,507,854	1,448,079
Total operating expenses	<u>29,778,473</u>	<u>25,877,480</u>
Operating Income	<u>1,807,828</u>	<u>1,109,509</u>
Nonoperating Revenues (Expenses)		
Interest expense	(441,746)	(454,488)
Investment income	44,147	38,027
Noncapital contributions and grants	27,856	80,830
Other	(31,657)	2,251
Net nonoperating expenses	<u>(401,400)</u>	<u>(333,380)</u>
Change in Net Position	1,406,428	776,129
Net Position, Beginning of Year	<u>873,558</u>	<u>97,429</u>
Net Position, End of Year	<u>\$ 2,279,986</u>	<u>\$ 873,558</u>

Net Margin Percentage

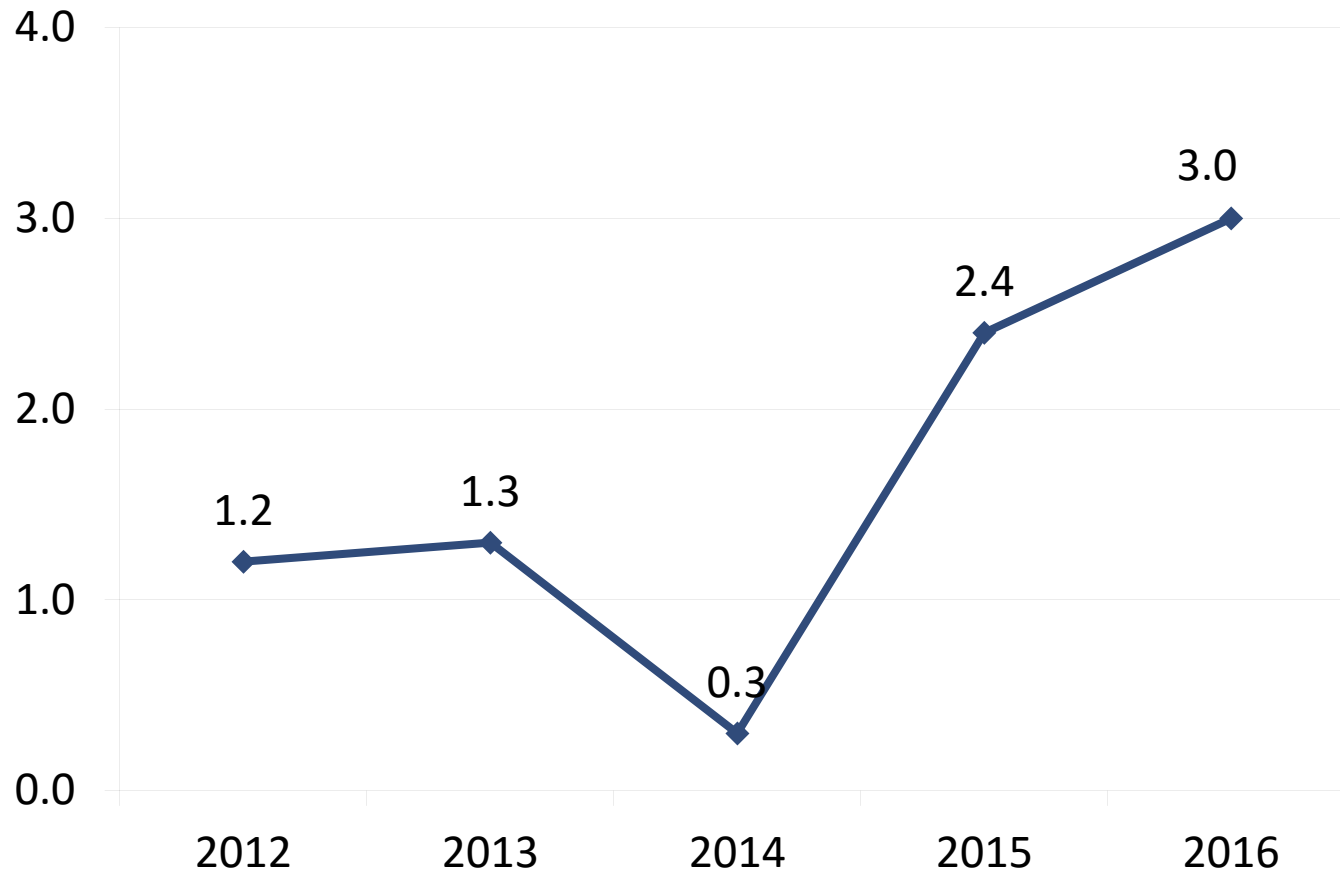


EBIDA Percentage



River's Edge Hospital and Clinic

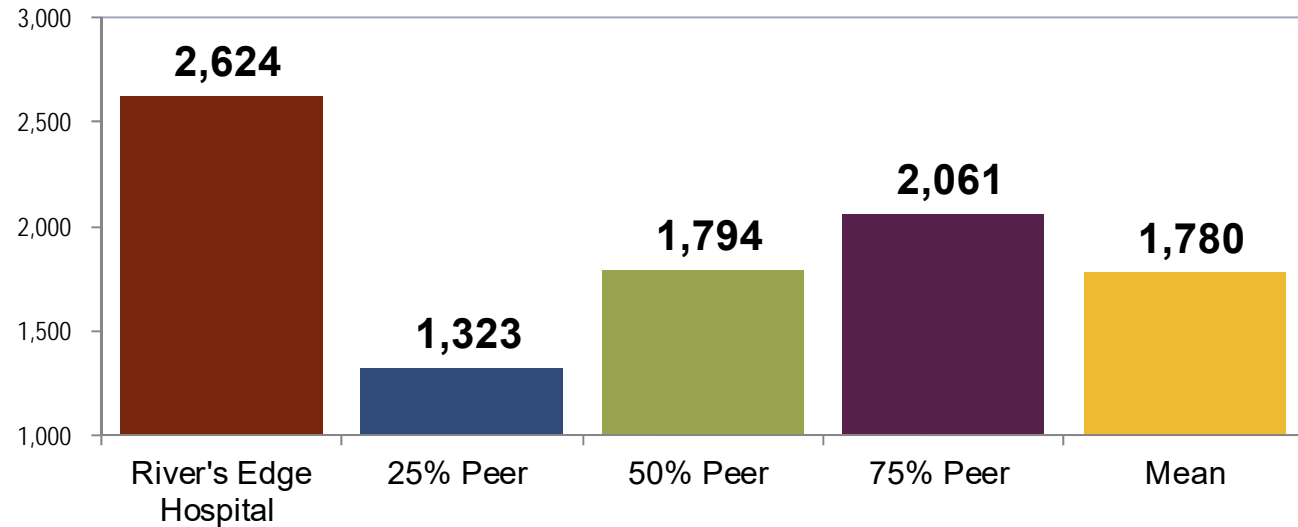
Debt Service Coverage Ratio



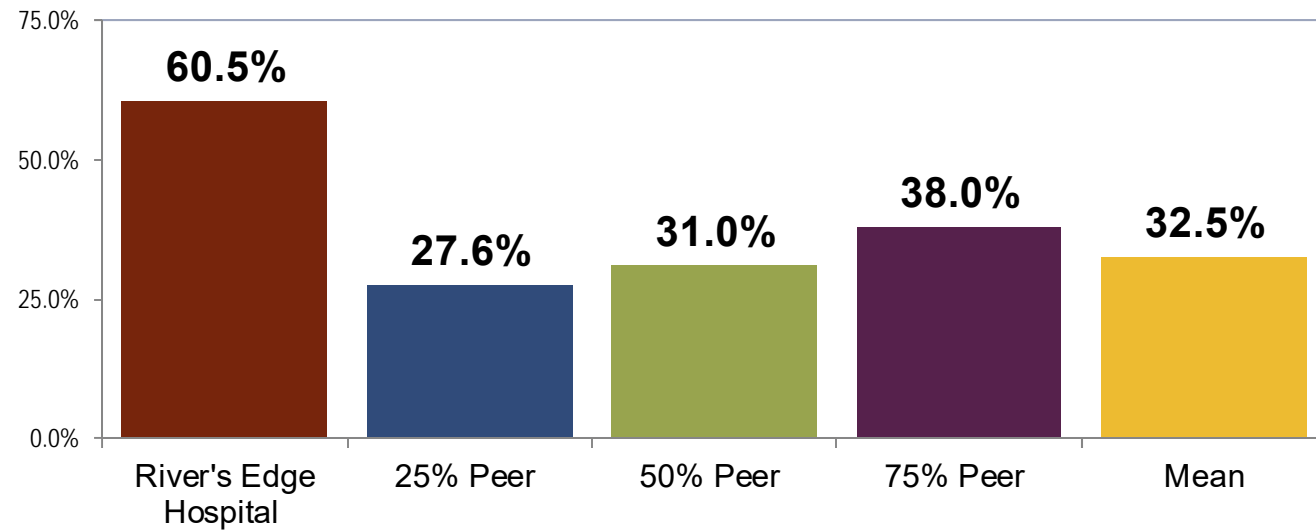


Operating Activities

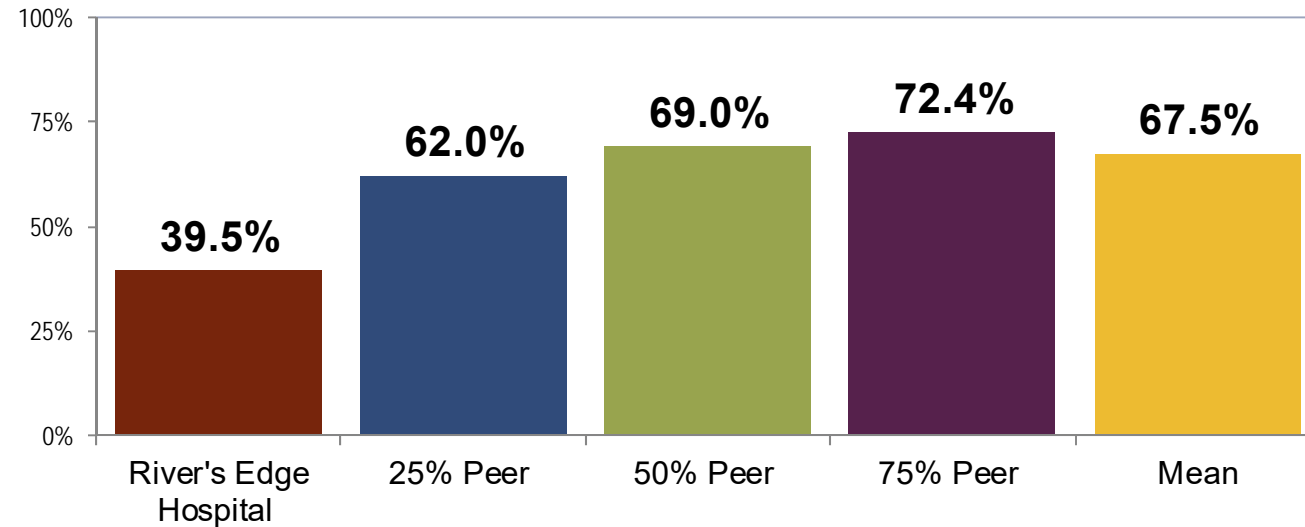
Total Patient Days (Adult and Swing)



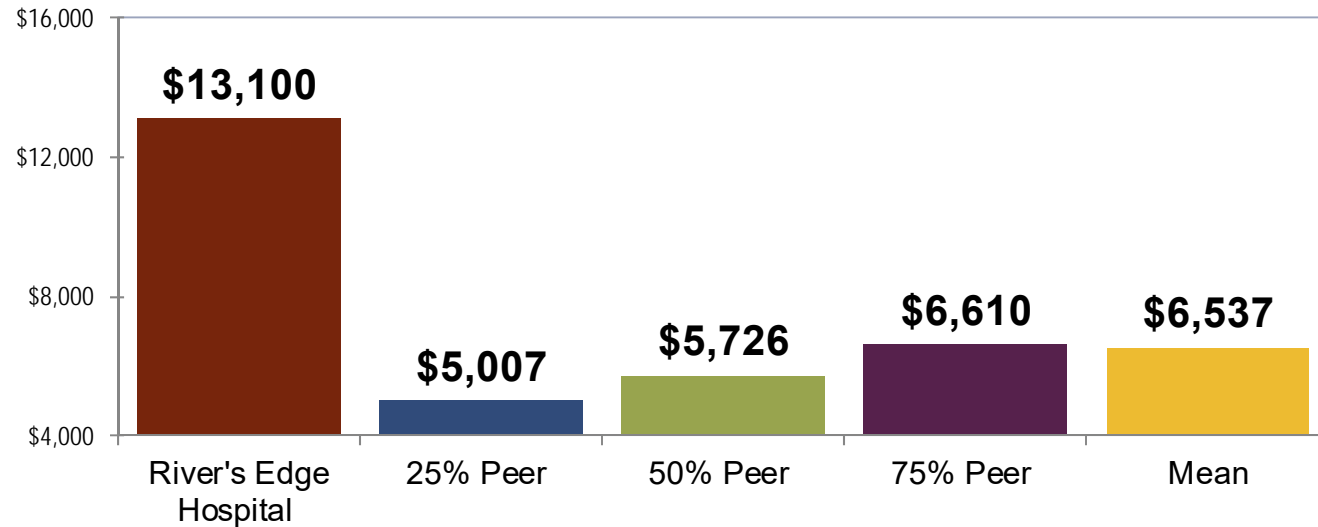
Inpatient Revenue to Total Revenue Percentage



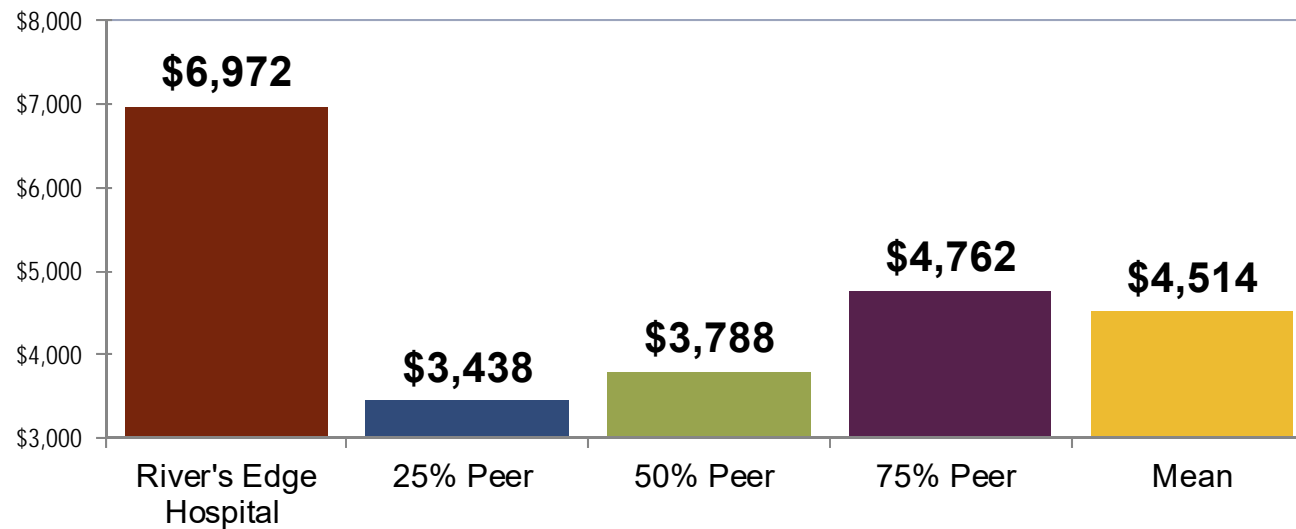
Outpatient Revenue to Total Revenue Percentage



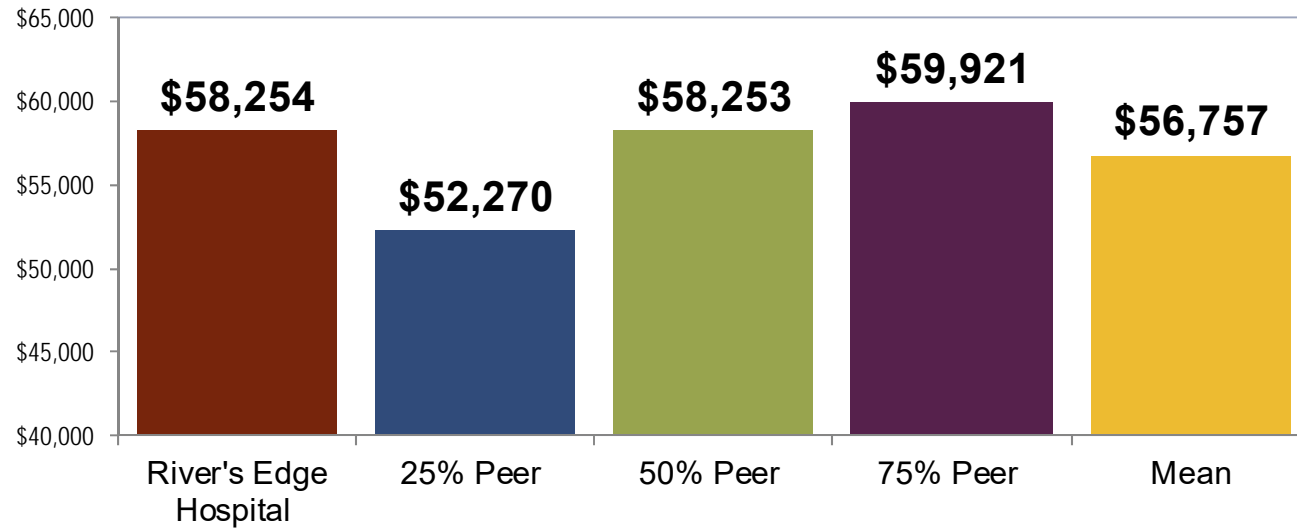
Charges per APD



Total Expenses per Adjusted Patient Day



Salaries per FTE





Market Share

Primary Zip Code Market Share

