



CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015 AND 2014

CPAs / ADVISORS



CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Cameron Memorial Community Hospital, Inc.
Angola, Indiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Cameron Memorial Community Hospital, Inc. (the Hospital), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of operations and 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 Consolidated 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General in the United States and Guidelines for Examination of Entities Receiving Financial Assistance From Governmental Sources, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Board of Directors
Cameron Memorial Community Hospital Inc.
Angola, Indiana

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 Hospital'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 Hospital'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 Hospital as of September 30, 2015 and 2014, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information listed in the accompanying table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the balance sheet, results of operations, changes in net assets and cash flows of the individual entities, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is also 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 information has been subjected to the auditing procedures applied in the audits 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.

Board of Directors
Cameron Memorial Community Hospital Inc.
Angola, Indiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
December 18, 2015

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATED BALANCE SHEETS SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,365,614	\$ 4,207,503
Patient accounts receivable, less allowances for uncollectible accounts of \$3,018,000 in 2015 and \$2,793,000 in 2014	8,504,724	7,311,230
Other receivables	590,238	534,673
Inventory	853,493	995,724
Prepaid expenses	789,430	516,261
Notes receivable, current portion	216,225	178,272
Total current assets	15,319,724	13,743,663
Assets whose use is limited		
Donor restricted	194,406	200,601
Held by trustee	889,236	10,970,686
Board designated for capital improvements	1,162,131	1,331,463
Total assets whose use is limited	2,245,773	12,502,750
Investments	15,685,934	16,203,934
Property and equipment, net	58,294,571	50,014,677
Other assets		
Deferred financing costs	806,922	712,671
Notes receivable, less current portion	428,481	392,326
Receivable from Cameron Hospital Foundation, Inc.	208,151	138,769
Total other assets	1,443,554	1,243,766
Total assets	\$ 92,989,556	\$ 93,708,790

See accompanying notes to consolidated financial statements.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATED BALANCE SHEETS SEPTEMBER 30, 2015 AND 2014

LIABILITIES AND NET ASSETS

	2015	2014
Current liabilities		
Accounts payable	\$ 2,004,043	\$ 4,450,646
Accrued wages and related liabilities	2,101,064	1,887,147
Accrued expenses and other liabilities	1,313,792	752,298
Estimated third-party settlements	162,743	856,787
Current portion of long-term debt	800,970	444,195
Total current liabilities	<u>6,382,612</u>	<u>8,391,073</u>
Long-term liabilities		
Long-term debt, less current portion	47,060,254	46,664,260
Total liabilities	<u>53,442,866</u>	<u>55,055,333</u>
Net assets		
Unrestricted	39,144,133	38,154,690
Temporarily restricted	402,557	498,767
Total net assets	<u>39,546,690</u>	<u>38,653,457</u>
Total liabilities and net assets	<u>\$ 92,989,556</u>	<u>\$ 93,708,790</u>

See accompanying notes to consolidated financial statements.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Unrestricted revenue, gains and other support		
Net patient service revenue	\$ 54,443,805	\$ 50,296,637
Less provision for bad debts	4,917,196	5,114,367
Net patient service revenue net of provision for bad debts	49,526,609	45,182,270
Other revenue	1,884,688	2,055,285
Net assets released from restrictions	5,745	5,746
Total unrestricted revenue, gains and other support	51,417,042	47,243,301
Expenses		
Salaries and wages	18,031,581	16,451,749
Employee benefits	5,404,259	5,132,403
Purchased services and professional fees	11,518,452	10,255,455
Supplies	4,084,159	3,567,037
Repair and maintenance	1,102,541	1,425,358
Utilities	738,303	672,075
Building and equipment rent	1,397,295	890,723
Insurance	394,711	377,853
Interest	1,127,627	212,605
Depreciation and amortization	3,294,173	2,619,901
Other	3,075,852	4,034,669
Total expenses	50,168,953	45,639,828
Operating income	1,248,089	1,603,473
Nonoperating income (loss)		
Investment income (loss)	(520,680)	1,511,608
Loss on disposal of property and equipment	(84,601)	(26,036)
Total nonoperating income (loss)	(605,281)	1,485,572
Excess of revenues over expenses	642,808	3,089,045
Other changes in net assets		
Net assets released from restrictions for property	346,635	223,161
Change in unrestricted net assets	989,443	3,312,206
Temporarily restricted net assets		
Contributions	262,296	147,403
Investment income (loss)	(6,126)	3,945
Net assets released from restrictions	(352,380)	(228,907)
Change in temporarily restricted net assets	(96,210)	(77,559)
Change in net assets	893,233	3,234,647
Net assets		
Beginning of year	38,653,457	35,418,810
End of year	\$ 39,546,690	\$ 38,653,457

See accompanying notes to consolidated financial statements.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Operating activities		
Change in net assets	\$ 893,233	\$ 3,234,647
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	3,294,173	2,619,901
Provision for bad debts	4,917,196	5,114,367
Loss on disposal of property and equipment	84,601	26,036
Realized and unrealized gain on investments	1,256,284	(798,210)
Contributions restricted for long-term purposes	(262,296)	(147,403)
Change in operating assets and liabilities		
Patient accounts receivable	(6,110,690)	(5,989,479)
Other receivables	(124,947)	142,237
Inventory and prepaid expenses	(130,938)	(220,045)
Notes receivable	(74,108)	(800)
Accounts payable, accrued wages and related liabilities	(2,312,073)	2,348,056
Accrued expenses and other liabilities	561,494	(149,250)
Estimated third-party settlements	(694,044)	(1,670,471)
Net cash flows from operating activities	1,297,885	4,509,586
Investing activities		
Proceeds from sale of investments	11,249,136	29,052,364
Purchase of investments	(1,730,443)	(8,437,143)
Purchase of property and equipment	(10,237,159)	(26,348,814)
Proceeds from disposal of property and equipment	37,846	-0-
Net cash flows from investing activities	(680,620)	(5,733,593)
Financing activities		
Contributions restricted for long-term purposes	262,296	147,403
Proceeds from issuance of long-term debt	10,000,000	-0-
Payments for deferred financing costs	(87,728)	-0-
Payments on long-term debt	(10,633,722)	(1,129,494)
Net cash from financing activities	(459,154)	(982,091)
Net change in cash and cash equivalents	158,111	(2,206,098)
Cash and cash equivalents		
Beginning of year	4,207,503	6,413,601
End of year	\$ 4,365,614	\$ 4,207,503
Supplemental disclosure of cash flows information		
Cash paid for interest net of amounts capitalized of \$181,000 in 2015 and \$956,000 in 2014	\$ 1,127,627	\$ 212,605
Property and equipment in accounts payable	\$ 79,387	\$ 814,844
Property and equipment acquired through capital leases	\$ 1,379,968	\$ -0-

See accompanying notes to consolidated financial statements.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

1. ORGANIZATION

Nature of Operations

Cameron Memorial Community Hospital, Inc. (the Hospital), a not-for-profit organization, is a general acute care facility in Angola, Indiana with 25 licensed beds and associated ancillary service departments including outpatient services, home health care and an urgent care center. The Hospital provides health care services primarily in the northeast portion of Indiana. Expenses relate to the provision of medical care and related general and administrative costs.

Cameron Medical Outreach, Inc. (CMO), a not-for-profit organization, is a community outreach organization providing health care needs of indigent individuals, medically underserved areas and the community as a whole. CMO earns revenue from rental and leasing arrangements and healthcare services. The Hospital is the sole member of CMO which began operations on October 1, 2007. CMO operates an assisted living facility as well as a General Surgery and Family Practice office in Angola, Indiana.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Hospital and CMO. Intercompany transactions and balances have been eliminated in the consolidation.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period and could differ from actual results.

Cash and Cash Equivalents

The Hospital considers highly liquid investments available for operating purposes with an original maturity of 90 days or less to be cash and cash equivalents for the purposes of the consolidated statements of cash flows. The Hospital maintains its cash in accounts, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash and cash equivalents.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

Patient Accounts Receivable and Net Patient Service Revenue

Patient service revenue and the related accounts receivable are recorded at the time services to patients are performed. The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. These estimated retroactive adjustments under reimbursement agreements are included with estimated third-party payor settlements. 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.

Allowance for Uncollectible Accounts

Patient accounts receivable are reduced by an allowance for uncollectible accounts based on the Hospital's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to its service area and the healthcare industry. Management regularly reviews data about the 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 Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary. For receivables associated with self-pay payments, 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 Hospital 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.

During 2015, the Hospital's allowance for uncollectible accounts for patient services increased approximately \$225,000 from \$2,793,000 to \$3,018,000. The uncollectible allowance for self-pay balances increased approximately \$351,000 as of September 30, 2015. The uncollectible allowance for third-party payor accounts decreased approximately \$126,000 as of September 30, 2015. The changes are mainly the result of shifts in payor mix due to health care reform and an increase in insurance coverage for patients who were previously uninsured.

In addition, the Hospital's write-offs related primarily to self-pay decreased by approximately \$326,000 to approximately \$4,692,000 in 2015 from approximately \$5,018,000 in 2014. The change was the result of trends experienced in the collection of amounts from self-pay and self-pay after third-party insurance patients during 2015. The Hospital did not change its charity care policy during 2015.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

As of September 30, 2015, the allowance for uncollectible accounts of approximately \$3,018,000 was comprised of \$2,726,000 reserved for self-pay balances and \$292,000 reserved for third-party payor balances. As of September 30, 2014, the allowance for uncollectible accounts of approximately \$2,793,000 was comprised of \$2,375,000 reserved for self-pay balances and \$418,000 reserved for third-party payor balances.

Estimated Third-Party Settlements

Estimated third-party settlements for the Medicare and Medicaid programs reflect the differences between interim reimbursement and reimbursement as determined by reports filed after the end of each year, and any differences owed to or by the Hospital after such reports have been audited. As of September 30, 2015, Medicare and Medicaid reports have been audited and final settled with the fiscal intermediary through September 30, 2013.

Changes to any previous year's estimated settlement are reflected in the period the intermediary finalizes its audit of cost reports, or when additional information becomes available. During 2015 and 2014, the Hospital recognized an increase in net patient service revenue of approximately \$32,000 and \$15,000, respectively, due to the differences between original estimates and subsequent revisions for the final settlement of cost reports.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

Inventory

Inventory consists mainly of pharmaceuticals and medical supplies and is stated at the lower of cost, determined using the first-in, first-out (FIFO) method, or market.

Prepaid Expenses

Prepaid expenses consist primarily of service contracts and insurance policies and are recognized as expenses over the terms of the agreements.

Assets Limited as to Use

Assets limited as to use include: (1) assets restricted by donors, (2) assets held by trustees under bond indenture agreements and (3) assets set aside by the Board of Directors for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital are included in current assets.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

Investments and Investment Income

Investments in equity securities, having a readily determinable fair value, and all debt securities are carried at fair value. The Hospital has classified all of its investments in debt and equity securities as trading securities. Investment return includes dividend, interest and other investment income, and realized and unrealized gains and losses on investments carried at fair value. Investment income that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment income is reflected in the consolidated statements of operations and changes in net assets as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment other than that received by donation, are reported at cost and 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. The estimated useful lives are as follows:

	<u>Estimated Useful Lives</u>
Buildings and building improvements	5-50 years
Fixed equipment	3-20 years

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.

The Hospital capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred at September 30 was:

	<u>2015</u>	<u>2014</u>
Total interest incurred	\$ 1,308,971	\$ 1,168,980
Less net interest cost capitalized	181,344	956,375
Total interest expense	<u>\$ 1,127,627</u>	<u>\$ 212,605</u>

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

Deferred Financing Costs and Original Issue Discounts

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are amortized over the term of the respective debt. The discounts incurred in issuing the debt are classified with long-term debt and are amortized using the effective-interest method over the respective term of the bond issues.

Notes Receivable

During 2015 and 2014, the Hospital extended credit in the form of notes receivable for patient service accounts where the patient established a long-term payment plan with the Hospital through a third-party collection agency. Notes receivable are for a period of up to five years, are interest free, unsecured and require monthly payments. The credit quality indicator is performance determined by delinquency status. Delinquency status is updated monthly. All notes receivable are considered performing.

Notes receivable are carried at their estimated collectible amounts and are periodically evaluated based on historical collections and current financial conditions. An estimated allowance for uncollectible amounts is established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of note recipients to repay the amounts due in accordance with the terms of the note agreements. The Hospital determines the estimated allowance for uncollectible amounts on notes receivable first by performing an evaluation of the individual notes and second by analyzing the overall performance of the aggregate notes receivable portfolio balance outstanding. After two missed payments, the notes receivable are charged against the allowance and remitted to a third-party collection agency. The evaluation of the collectability of notes receivable involves the use of significant estimates and assumptions. It is at least reasonably possible that management's estimate of uncollectible notes receivable will change in the near term.

As of September 30, 2015 and 2014, notes receivables approximated \$645,000 and \$571,000, respectively. As of September 30, 2015 and 2014, the current portion of notes receivables approximated \$216,000 and \$178,000, respectively, with the remaining portion reported as long-term. The notes receivable are net of provisions made by the Hospital for amounts estimated to be uncollectible of approximately \$279,000 and \$247,000 as of September 30, 2015 and 2014, respectively.

Temporarily Restricted Net Assets

Restricted net assets, the use of which is restricted by donors or grantors, are used to differentiate from unrestricted net assets on which donors or grantors place no restrictions or that arise as a result of the operations of the Hospital for its stated purposes. Restricted gifts and other restricted resources are recorded as additions to the appropriate restricted net assets at fair market value at the date of donation.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

Resources restricted by donors for property and equipment replacement or expansion are added to unrestricted net assets to the extent expended within the period. Temporarily restricted net assets include property and equipment with a net book value of approximately \$154,000 and \$159,000 as of September 30, 2015 and 2014, respectively.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue.

The Hospital's patient assistance policy reflects the current economic conditions and other factors unique to the Hospital's customer base. Patient assistance provided during 2015 and 2014, measured at established rates, was approximately \$1,059,000 and \$1,344,000, respectively. In addition, other programs and services for the benefit of the community are provided. The costs of these programs are included in operating expenses. The Hospital receives reimbursements from certain governmental payors to assist in the funding of patient assistance.

Of the Hospital's total expenses reported, an estimated \$505,000 and \$662,000 arose from providing services to charity patients during 2015 and 2014, respectively. The estimated costs of providing patient assistance services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses to gross patient service revenue.

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair values at the date each 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 as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Receipts of contributions which are conditional are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Income Taxes

The Hospital and CMO are not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. As such, the Hospital and CMO are generally exempt from income taxes. However, the Hospital and CMO are required to file Federal Form 990 – Return of Organizations Exempt from Income Tax, which is an informational return only.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and CMO and recognize a tax liability if the Hospital or CMO have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Hospital and CMO, and has concluded that as of September 30, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Hospital and CMO are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Hospital and CMO have filed their federal and state income tax returns for periods through September 30, 2014. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Electronic Health Records (EHR) Incentive Payments

The Hospital receives EHR incentive payments under the Medicare and Medicaid programs. To qualify for the EHR incentive payments, the Hospital must meet "meaningful use" criteria that become more stringent over time. The Hospital periodically submits and attests to its use of certified EHR technology, satisfaction of meaningful use objectives, and various patient data. These submissions generally include performance measures for each annual EHR reporting period (Federal fiscal year ending September 30). The related EHR incentive payments are paid out over a four year transition schedule and are based upon data that is captured in the Hospital's cost reports. For Critical Access Hospitals, the payment calculation is based upon the net book value of the qualifying assets multiplied by the Medicare utilization using Medicare to total inpatient days plus 20%, not to exceed 100%. The total days are multiplied by a factor of total charges excluding charity care to total charges. Critical Access Hospitals can be reimbursed over a four year period for additional qualifying assets not claimed in the first year. The transitional factor ranges from 100% in the first payment year and decreases by 25% each payment year until it is completely phased out in the fifth year.

The Hospital recognizes EHR incentive payments as grant income when there is reasonable assurance that the Hospital will comply with the conditions of the meaningful use objectives and any other specific grant requirements. In addition, the consolidated financial statement effects of the grants must be both recognizable and measurable. During 2015 and 2014, the Hospital recognized approximately \$-0- and \$166,000, respectively, in EHR incentive payments as grant income using the ratable recognition method. Under the ratable recognition method, the Hospital recognizes income ratably over the entire EHR reporting period when it is reasonably assured at the outset of the EHR reporting period that it will comply with the minimum requirements of the program.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

EHR incentive income is included in other revenue in the consolidated statements of operations and changes in net assets. EHR incentive income recognized is based on management's estimate and amounts are subject to change, with such changes impacting operations in the period the changes occur.

Receipt of these funds is subject to the fulfillment of certain obligations by the Hospital as prescribed by the program, subject to future audits and may be subject to repayment upon a determination of noncompliance.

Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include a performance indicator, excess of revenues over expenses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue, gains, support, and expenses. Transactions incidental to the provision of patient care services are reported as nonoperating income and expense. Changes in unrestricted net assets which are excluded from the performance indicator consistent with industry practice, include unrealized gains and losses on investments in other-than-trading securities and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets).

Reclassifications

Certain amounts in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation. These reclassifications had no impact on net assets and changes in net assets for 2014, as previously reported.

Subsequent Events

The Hospital has evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are issued which is December 18, 2015.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

3. 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

The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). In February 2003, the Hospital was granted Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Hospital's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients.

Medicaid and Hospital Assessment Fee Program

The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments. Reimbursement for Medicaid outpatient services is based on predetermined rates, and is not subject to retroactive cost based settlements.

During 2012, Hospital Assessment Fee (HAF) Program was approved by Centers for Medicare & Medicaid Services (CMS). The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share payments for Indiana hospitals as reflected in the HAF Program expense reported in the consolidated statements of operations and changes in net assets. Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. During 2015 and 2014, the Hospital recognized HAF Program expense of approximately \$316,000 and \$1,995,000, respectively, which resulted in increased Medicaid reimbursement. The HAF Program expense is included in other expenses and the associated increase in Medicaid reimbursement is included in net patient service revenue on the consolidated statements of operations and changes in net assets. The HAF Program was approved for extension by CMS through June 30, 2017.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

Other Payment Arrangements

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.

A summary of net patient service revenue, contractual adjustments, and patient service revenue forgone for patient assistance, at standard charges, for 2015 and 2014 follows:

	2015	2014
Gross patient service revenue		
Routine services	\$ 5,669,274	\$ 5,009,587
Inpatient services	12,100,566	10,890,554
Outpatient services	87,355,949	76,748,207
Total gross patient service revenue	105,125,789	92,648,348
Less deductions from revenue		
Charity care	1,058,828	1,344,083
Contractual allowances	49,623,156	41,007,628
Total deductions from revenue	50,681,984	42,351,711
Net patient service revenue	54,443,805	50,296,637
Less provision for bad debts	4,917,196	5,114,367
Net patient service revenue net of provision for bad debts	\$ 49,526,609	\$ 45,182,270

4. CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are area residents and are insured under third-party payer agreements. The mix of receivables and revenue from patients and third-party payers at September 30 was:

	Receivables		Revenues	
	2015	2014	2015	2014
Medicare	26%	32%	26%	27%
Medicaid	15%	6%	11%	11%
Blue Cross	7%	10%	16%	18%
Other third-party payors	19%	17%	39%	35%
Self pay	33%	35%	8%	9%
	100%	100%	100%	100%

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

5. INVESTMENTS AND INVESTMENT INCOME

Assets Whose Use is Limited

Assets limited as to use at September 30 include:

	<u>2015</u>	<u>2014</u>
Donor restricted		
Cash	\$ 14,834	\$ 21,877
Certificates of deposit	179,572	178,724
	<u>194,406</u>	<u>200,601</u>
Held by trustee		
Cash	889,236	10,970,686
Board designated for capital improvements		
Cash	380,691	378,578
Mutual funds	781,440	952,885
	<u>1,162,131</u>	<u>1,331,463</u>
Total assets whose use is limited	<u>\$ 2,245,773</u>	<u>\$ 12,502,750</u>

Long-term Investments

Long-term investments at September 30 include:

	<u>2015</u>	<u>2014</u>
Cash	\$ 123,769	\$ 106,934
Mutual funds	15,562,165	16,097,000
	<u>\$ 15,685,934</u>	<u>\$ 16,203,934</u>

Total investment income is comprised of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividend income (net of fees of \$5,796 in 2015 and \$23,535 in 2014)	\$ 729,478	\$ 717,343
Realized gain on investments	305,684	340,392
Unrealized gain (loss) on investments	(1,561,968)	457,818
Total investment income	<u>\$ (526,806)</u>	<u>\$ 1,515,553</u>

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

Total investment income (loss) is reflected in the consolidated statements of operations and changes in net assets as follows:

	2015	2014
Unrestricted net assets	\$ (520,680)	\$ 1,511,608
Temporarily restricted net assets	(6,126)	3,945
	<u>\$ (526,806)</u>	<u>\$ 1,515,553</u>

6. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of September 30, 2015 and 2014:

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.

The following tables set forth by level, within the hierarchy, the Hospital's assets measured at fair value on a recurring basis as of September 30, 2015 and 2014:

	September 30, 2015			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Mutual funds - fixed income	\$ 781,440	\$ 781,440	\$ -0-	\$ -0-
Cash	1,284,761			
Certificates of deposit	179,572 *			
	<u>\$ 2,245,773</u>			
Investments				
Mutual funds				
Diversified emerging mkts	\$ 555,310	\$ 555,310	\$ -0-	\$ -0-
Foreign large blend	535,389	535,389	-0-	-0-
Foreign large growth	597,354	597,354	-0-	-0-
Foreign large value	950,245	950,245	-0-	-0-
Foreign small/mid value	484,804	484,804	-0-	-0-
Intermediate-term bond	1,911,051	1,911,051	-0-	-0-
Large growth	1,024,982	1,024,982	-0-	-0-
Large value	1,998,616	1,998,616	-0-	-0-
Mid-cap value	868,465	868,465	-0-	-0-
Nontraditional Bond	4,321,169	4,321,169	-0-	-0-
Pacific/Asia ex-Japan stk	181,645	181,645	-0-	-0-
Small blend	614,781	614,781	-0-	-0-
Small growth	978,939	978,939	-0-	-0-
World stock	539,415	539,415	-0-	-0-
Total mutual funds	15,562,165	<u>\$ 15,562,165</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Cash	123,769			
	<u>\$ 15,685,934</u>			

*Certificates of deposit are valued at contract value.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

	September 30, 2014			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Mutual funds - fixed income	\$ 952,885	\$ 952,885	\$ -0-	\$ -0-
Cash	11,371,141			
Certificates of deposit	178,724 *			
	<u>\$ 12,502,750</u>			
Investments				
Mutual funds				
Diversified emerging markets	\$ 676,244	\$ 676,244	\$ -0-	\$ -0-
Foreign large blend	645,588	645,588	-0-	-0-
Foreign large growth	639,449	639,449	-0-	-0-
Foreign small/mid value	267,320	267,320	-0-	-0-
Intermediate-term bond	1,911,051	1,911,051	-0-	-0-
Large growth	2,205,081	2,205,081	-0-	-0-
Large value	2,203,559	2,203,559	-0-	-0-
Mid-cap value	945,497	945,497	-0-	-0-
Nontraditional bond	4,450,330	4,450,330	-0-	-0-
Small blend	615,773	615,773	-0-	-0-
Small growth	950,105	950,105	-0-	-0-
World stock	587,003	587,003	-0-	-0-
Total mutual funds	16,097,000	<u>\$ 16,097,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Cash	106,934			
	<u>\$ 16,203,934</u>			

*Certificates of deposit are valued at contract value.

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers during 2015 and 2014.

Realized gains and losses are reported in the consolidated statements of operations and changes in net assets as a component of investment income. Realized gains of approximately \$306,000 and \$340,000 were recorded during 2015 and 2014, respectively.

The cost of investments exceeded market value by approximately \$454,000 as of September 30, 2015. The market value of investments exceeded the cost by approximately \$1,108,000 as of September 30, 2014. The unrealized gains and losses are included in earnings for the period attributable to the change in unrealized gains and losses relating to assets held as of September 30, 2015 and 2014, and are reported in the consolidated statements of operations and changes in net assets as unrealized gain on trading securities. During 2015, the Hospital recognized unrealized loss of approximately \$1,562,000 and an unrealized gain of approximately \$458,000 in 2014.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

The Hospital holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents, accounts payable, accrued wages and related liabilities, accrued expenses and other liabilities, and estimated third-party settlements: The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts payable, accrued wages and related liabilities, accrued expense and other liabilities, and estimated third-party settlements approximate fair value based on short-term maturity.

Long-term debt: Fair value of the Hospital's long-term debt, based on current quoted market value of similar debt instruments, has an approximate fair value of \$46,371,000 as of September 30, 2015.

7. PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost, and at September 30 consist of:

	2015	2014
Land	\$ 1,317,868	\$ 750,190
Buildings and building improvements	55,134,011	19,470,484
Fixed equipment	15,388,744	18,272,832
	<u>71,840,623</u>	<u>38,493,506</u>
Less accumulated depreciation	15,515,197	29,211,719
	<u>56,325,426</u>	<u>9,281,787</u>
Construction in progress	1,969,145	40,732,890
	<u>\$ 58,294,571</u>	<u>\$ 50,014,677</u>

Construction in progress as of September 30, 2015 relates to the construction of the new Hospital. The estimated cost to complete this project as of September 30, 2015 is approximately \$2,500,000, of which all has been contractually committed.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

8. LINE OF CREDIT

The Hospital has a \$2,000,000 revolving bank line of credit expiring in April 2016. As of September 30, 2015 and 2014, there were no borrowings against this line. The line is unsecured. Variable interest is payable monthly and is 3.75% as of September 30, 2015 based on Wall Street Journal Prime rate plus .5%.

9. LONG-TERM DEBT

The Hospital's long-term debt at September 30 consists of the following:

	2015	2014
Indiana Finance Authority Health Facility Revenue Bonds, Series 2013A, dated February 6, 2013, fixed interest of 2.20%, interest only payable in semi-annual installments until 2016, due in 2016.	\$ 37,000,000	\$ 37,000,000
Indiana Finance Authority Health Facility Revenue Bonds, Series 2013B, dated February 6, 2013 variable interest rate, 3.25% as of September 30, 2013, interest only payable in semi-annual installments until 2017, principal and interest payable in semi-annual installments beginning 2017, refinanced in 2015.	-0-	1,000,000
Indiana Finance Authority Health Facility Revenue Bonds, Series 2013C, dated February 6, 2013 variable interest rate, 3.25% as of September 30, 2013, interest only payable in semi-annual installments until 2017, principal and interest payable in semi-annual installments beginning 2017, refinanced in 2015.	-0-	9,000,000
Fixed bank loan guaranteed by the USDA, dated December 12, 2014 due December 1, 2039, with monthly payments of \$52,664 including principal and fixed interest of 4.95%.	8,851,269	-0-
Variable bank loan not guaranteed by the USDA, dated December 12, 2014 due December 1, 2039, with monthly payments of \$5,166 including principal and variable interest of 3.5% as of September 30, 2015.	979,008	-0-
Various capital lease obligations, imputed interest rates ranging from 3.28% to 4.83%, expiring through 2020, collateralized by equipment.	1,278,808	362,839
	48,109,085	47,362,839
Less unamortized bond discount	247,861	254,384
Less current portion	800,970	444,195
	\$ 47,060,254	\$ 46,664,260

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

In February 2013, the Hospital, through the Indiana Finance Authority (Authority), issued the Series 2013A Bond Anticipation Notes (BANs) for \$37,000,000. The Series 2013A BANs require interest only payments at 2.20% during construction and matures February 1, 2016. It is anticipated the Series 2013A BANs will be redeemed at or prior to the maturity date through the issuance of a United States Department of Agriculture (USDA) Direct Loan to be issued upon the completion of the Project. The USDA Direct Loan will have a term of 40 years at a fixed rate of 3.375%.

In conjunction with the issuance of the Series 2013A BANs, the Hospital, through the Authority, issued the Series 2013B Bonds and the Series 2013C Bonds, which were purchased by The Farmers & Merchants State Bank (Farmers & Merchants). On December 10, 2014, the Hospital refinanced the Series 2013B and 2013C Bonds with a variable and fixed rate bank loans with Farmers & Merchants. The fixed rate bank loan refinanced the 2013C bonds and carries a fixed interest rate of 4.95% that matures in December 2039. The variable rate bank loan refinanced the 2013B bonds and carries a variable interest rate of 3.5% at September 30, 2015 that matures in December 2039. There was no gain or loss on defeasance in 2015 related to the Series 2013B and 2013C bonds.

The Hospital granted a security interest in its revenues and a mortgage on substantially all of its real property in order to secure obligations issued under the Master Trust Indenture among the Hospital and the Master Trustee. The Series 2013A BANs Bonds are all secured on parity pursuant to notes issued under the Master Trust Indenture. In addition to various financial covenants, the Hospital has covenanted in the Master Trust Indenture that it will not permit any lien or security interest on the Hospital's property and equipment other than certain permitted encumbrances. The Hospital believes it was in compliance with the financial covenants as of September 30, 2015.

For the following maturities disclosure, the scheduled maturities of the Series 2013A BANs have been replaced with the scheduled maturities of the USDA Direct Loan beginning in 2016. The aggregate annual maturities of long-term debt as of September 30, 2015 are as follows:

Year Ending September 30,	
2016	\$ 800,970
2017	1,010,514
2018	995,813
2019	1,033,353
2020	817,450
Thereafter	43,203,124
	<u>\$ 47,861,224</u>

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

Property and equipment include the following property under capital leases:

	2015	2014
Equipment	\$ 1,656,480	\$ 6,812,451
Less accumulated depreciation	331,555	6,359,033
	<u>\$ 1,324,925</u>	<u>453,418</u>

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30 are available for the following purpose:

	2015	2014
Health care services		
Magnetic Resonance Imaging housing addition	\$ -0-	\$ 159,397
Home health care	194,406	200,601
	<u>194,406</u>	<u>359,998</u>
Funds for expansion, receivable due from Cameron Hospital Foundation, Inc.	208,151	138,769
	<u>\$ 402,557</u>	<u>\$ 498,767</u>

During 2015 and 2014, net assets were released from donor restrictions by incurring expenses or satisfying the restricted purposes of approximately of \$352,000 and \$229,000, respectively.

11. OPERATING LEASES - LESSEE

Noncancelable operating leases for certain diagnostic equipment and computer software and hardware expire in various years through 2020. Rental payments include minimum rentals, plus contingent rentals based on the number of procedures performed using the equipment. Future minimum lease payments under non-cancelable operating leases as of September 30, 2015 that have initial or remaining lease terms in excess of one year are as follows:

Year Ending September 30,	
2016	\$ 309,297
2017	276,268
2018	219,081
2019	192,792
2020	15,882
	<u>\$ 1,013,320</u>

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

Rental expense for all operating leases for 2015 and 2014 was approximately \$391,000 and \$250,000, respectively.

12. OPERATING LEASES - LESSOR

The Hospital and CMO own an oncology facility on the Hospital campus and an assisted living facility. A portion of the oncology facility is leased to physicians and tenants under various operating leases, with terms varying from one to two years with renewal options. The oncology facility is included in property with a cost of approximately \$1,297,000 and \$1,326,000 and accumulated depreciation of approximately \$477,000 and \$460,000 as of September 30, 2015 and 2014, respectively. The entities also operate an assisted living facility which leases apartments under cancellable month-to-month lease terms. The assisted living facility is also included in property and equipment, with a cost of approximately \$4,807,000 and accumulated depreciation of \$1,930,000 and \$1,801,000 as of September 30, 2015 and 2014, respectively. In 2014, the entities leased space in the medical office building. The lease agreement ended when the medical office building was demolished in 2015. Rental income under the term of these leases is included in other revenue and was approximately \$1,454,000 and \$1,539,000 in 2015 and 2014, respectively.

Future minimum lease receipts at September 30, 2015 total \$3,413 and are due within one year.

13. PENSION PLAN

The Hospital has a defined contribution pension plan covering substantially all employees. The Hospital contributes 4% of eligible employees' compensation as a profit sharing contribution. The Hospital can also make a discretionary matching contribution as determined by the Board of Directors. There was no discretionary matching contribution in 2015 and 2014. Pension expense was approximately \$538,000 and \$514,000 for 2015 and 2014, respectively.

14. MEDICAL MALPRACTICE

The Hospital and CMO participate in the Indiana Medical Malpractice Act which limits the maximum recovery for qualified medical malpractice claims to \$1,250,000 per occurrence, the first \$250,000 of which would be the responsibility of the entities, with the balance paid by the state of Indiana Patient Compensation Fund. The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

15. SELF-INSURED EMPLOYEE HEALTH CLAIMS

The Hospital's employee health care insurance is provided through a combination of self-insurance and purchased re-insurance coverage from a commercial carrier. The Hospital maintains an estimated liability for the amount of claims incurred but not reported. Substantially all employees are covered for major medical benefits. The specific annual attachment point for an individual is \$100,000 with an unlimited lifetime policy. The aggregate stop loss as of September 30, 2015 was approximately \$3,480,000. Total expense was approximately \$3,331,000 and \$3,179,000 during 2015 and 2014, respectively.

The liability for employee health claims represents management's estimate of all incurred and reported claims plus estimated incurred but not reported claims based on the Hospital's reporting system. The carrying amount of the liability was approximately \$350,000 as of September 30, 2015 and 2014, respectively. The liability is included in accrued expenses and other liabilities in the accompanying consolidated balance sheets. It is reasonably possible that the Hospital's estimate of losses will change by a material amount in the near term.

16. FUNCTIONAL EXPENSES

The Hospital and CMO provide general health care services to residents within their geographic location including pediatric care, cardiac intensive care and outpatient surgery. Expenses related to providing these services are as follows:

	2015	2014
Health care services	\$ 42,643,610	\$ 38,793,854
General and administrative	7,525,343	6,845,974
	<u>\$ 50,168,953</u>	<u>\$ 45,639,828</u>

Certain costs have been allocated among health care services and general and administrative categories based on the actual direct expenditures and cost allocations based upon time spent by the Hospital's personnel. Although the methods used were appropriate, alternative methods may provide different results.

17. RELATED PARTY TRANSACTIONS

The Hospital and Cameron Hospital Foundation, Inc. (Foundation) are related parties that are not financially interrelated organizations. The Foundation was established to solicit contributions from the general public and to help support community and health care related educational events. In the absence of donor restrictions, funds are distributed as determined by the Foundation's Board of Directors, which are separately appointed from that of the Hospital.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

The Hospital provides accounting and financial management services to the Foundation and billed the Foundation \$20,000 during 2015 and 2014, respectively. Excluding capital campaign contributions, the Foundation contributed approximately \$57,000 and \$8,000 to the Hospital in fiscal years 2015 and 2014, respectively.

The Foundation is conducting a capital campaign for the construction of the new Hospital facility where all funds collected are raised specifically for the Hospital's capital campaign. As a result, the Hospital recorded a receivable from the Foundation for approximately \$208,000 and \$139,000 as of September 30, 2015 and 2014, respectively. The Foundation made capital contributions to the Hospital of approximately \$204,000 and \$150,000 during 2015 and 2014, respectively. There were no significant intercompany payables as of September 30, 2015 and 2014.

18. COMMITMENTS AND CONTINGENCIES

Regulatory Investigations

The U.S. Department of Justice, the Internal Revenue Service, and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The Hospital is subject to these regulatory efforts. Management believes that any liability resulting from these matters will not have a material impact on the financial position, results of operations or cash flows of the Hospital.

Legal Matters

The Hospital is involved in various legal actions in the normal course of its operations. Management believes that any liability resulting from these matters will not have a material impact on the financial position, results of operations or cash flows of the Hospital.

SUPPLEMENTARY INFORMATION

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET SEPTEMBER 30, 2015

	Cameron Memorial Community Hospital, Inc.	Cameron Medical Outreach, Inc.	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,827,133	\$ 2,538,481	\$ -0-	\$ 4,365,614
Patient accounts receivable, net	8,504,724	-0-	-0-	8,504,724
Other receivables	748,342	40,000	(198,104)	590,238
Inventory	853,493	-0-	-0-	853,493
Prepaid expenses	789,430	-0-	-0-	789,430
Notes receivable, current portion	216,225	-0-	-0-	216,225
Total current assets	12,939,347	2,578,481	(198,104)	15,319,724
Assets whose use is limited				
Donor restricted	194,406	-0-	-0-	194,406
Held by trustee	889,236	-0-	-0-	889,236
Board designated for capital improvements	1,162,131	-0-	-0-	1,162,131
Total assets whose use is limited	2,245,773	-0-	-0-	2,245,773
Investments	19,014,955	-0-	(3,329,021)	15,685,934
Property and equipment, net	55,417,286	2,877,285	-0-	58,294,571
Other assets				
Deferred financing costs	806,922	-0-	-0-	806,922
Notes receivable, less current portion	428,481	-0-	-0-	428,481
Receivable from Cameron Hospital Foundation, Inc.	208,151	-0-	-0-	208,151
Total other assets	1,443,554	-0-	-0-	1,443,554
Total assets	\$ 91,060,915	\$ 5,455,766	\$ (3,527,125)	\$ 92,989,556
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 2,038,771	\$ 163,376	\$ (198,104)	\$ 2,004,043
Accrued wages and related liabilities	2,101,064	-0-	-0-	2,101,064
Accrued expenses and other liabilities	1,313,792	-0-	-0-	1,313,792
Estimated third-party settlements	162,743	-0-	-0-	162,743
Current portion of long-term debt	800,970	-0-	-0-	800,970
Total current liabilities	6,417,340	163,376	(198,104)	6,382,612
Long-term liabilities				
Long-term debt, less current portion	47,060,254	-0-	-0-	47,060,254
Total liabilities	53,477,594	163,376	(198,104)	53,442,866
Net assets				
Unrestricted	37,180,764	5,292,390	(3,329,021)	39,144,133
Temporarily restricted	402,557	-0-	-0-	402,557
Total net assets	37,583,321	5,292,390	(3,329,021)	39,546,690
Total liabilities and net assets	\$ 91,060,915	\$ 5,455,766	\$ (3,527,125)	\$ 92,989,556

See Report of Independent Auditors on pages 1-3.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET SEPTEMBER 30, 2014

	Cameron Memorial Community Hospital, Inc.	Cameron Medical Outreach, Inc.	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,511,810	\$ 1,695,693	\$ -0-	\$ 4,207,503
Patient accounts receivable, net	7,311,230	-0-	-0-	7,311,230
Other receivables	626,260	69,469	(161,056)	534,673
Inventory	995,724	-0-	-0-	995,724
Prepaid expenses	516,261	-0-	-0-	516,261
Notes receivable, current portion	178,272	-0-	-0-	178,272
Total current assets	12,139,557	1,765,162	(161,056)	13,743,663
Assets whose use is limited				
Donor restricted	200,601	-0-	-0-	200,601
Held by trustee	10,970,686	-0-	-0-	10,970,686
Board designated for capital improvements	1,331,463	-0-	-0-	1,331,463
Total assets whose use is limited	12,502,750	-0-	-0-	12,502,750
Investments	19,532,955	-0-	(3,329,021)	16,203,934
Property and equipment, net	46,998,027	3,016,650	-0-	50,014,677
Other assets				
Deferred financing costs	712,671	-0-	-0-	712,671
Notes receivable, less current portion	392,326	-0-	-0-	392,326
Receivable from Cameron Hospital Foundation, Inc.	138,769	-0-	-0-	138,769
Total other assets	1,243,766	-0-	-0-	1,243,766
Total assets	\$ 92,417,055	\$ 4,781,812	\$ (3,490,077)	\$ 93,708,790
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 4,520,102	\$ 91,600	\$ (161,056)	\$ 4,450,646
Accrued wages and related liabilities	1,887,147	-0-	-0-	1,887,147
Accrued expenses and other liabilities	752,298	-0-	-0-	752,298
Estimated third-party settlements	856,787	-0-	-0-	856,787
Current portion of long-term debt	444,195	-0-	-0-	444,195
Total current liabilities	8,460,529	91,600	(161,056)	8,391,073
Long-term liabilities				
Long-term debt, less current portion	46,664,260	-0-	-0-	46,664,260
Total liabilities	55,124,789	91,600	(161,056)	55,055,333
Net assets				
Unrestricted	36,793,499	4,690,212	(3,329,021)	38,154,690
Temporarily restricted	498,767	-0-	-0-	498,767
Total net assets	37,292,266	4,690,212	(3,329,021)	38,653,457
Total liabilities and net assets	\$ 92,417,055	\$ 4,781,812	\$ (3,490,077)	\$ 93,708,790

See Report of Independent Auditors on pages 1-3.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS YEAR ENDED SEPTEMBER 30, 2015

	Cameron Memorial Community Hospital, Inc.	Cameron Medical Outreach, Inc.	Eliminations	Total
Unrestricted revenue, gains and other support				
Net patient service revenue	\$ 53,503,684	\$ 940,121	\$ -0-	\$ 54,443,805
Less provision for bad debts	4,917,196	-0-	-0-	4,917,196
Net patient service revenue net of provision for bad debts	48,586,488	940,121	-0-	49,526,609
Other revenue	782,475	1,474,935	(372,722)	1,884,688
Net assets released from restrictions	5,745	-0-	-0-	5,745
Total revenue, gains and other support	49,374,708	2,415,056	(372,722)	51,417,042
Expenses				
Salaries and wages	17,387,024	644,557	-0-	18,031,581
Employee benefits	5,404,259	-0-	-0-	5,404,259
Purchased services and professional fees	11,224,859	293,593	-0-	11,518,452
Supplies	4,084,159	-0-	-0-	4,084,159
Repair and maintenance	1,076,828	25,713	-0-	1,102,541
Utilities	628,925	109,378	-0-	738,303
Building and equipment rent	1,510,955	25,252	(138,912)	1,397,295
Insurance	394,711	-0-	-0-	394,711
Interest	1,127,627	-0-	-0-	1,127,627
Depreciation and amortization	3,164,807	129,366	-0-	3,294,173
Other	2,724,643	585,019	(233,810)	3,075,852
Total expenses	48,728,797	1,812,878	(372,722)	50,168,953
Operating income	645,911	602,178	-0-	1,248,089
Nonoperating income (loss)				
Investment loss	(520,680)	-0-	-0-	(520,680)
Loss on disposal of property and equipment	(84,601)	-0-	-0-	(84,601)
Total nonoperating income (loss)	(605,281)	-0-	-0-	(605,281)
Excess of revenues over expenses	40,630	602,178	-0-	642,808
Other changes in net assets				
Net assets released from restrictions for property	346,635	-0-	-0-	346,635
Change in unrestricted net assets	387,265	602,178	-0-	989,443
Temporarily restricted net assets				
Contributions	262,296	-0-	-0-	262,296
Investment loss	(6,126)	-0-	-0-	(6,126)
Net assets released from restrictions	(352,380)	-0-	-0-	(352,380)
Change in temporarily restricted net assets	(96,210)	-0-	-0-	(96,210)
Change in net assets	291,055	602,178	-0-	893,233
Net assets				
Beginning of year	37,292,266	4,690,212	(3,329,021)	38,653,457
End of year	\$ 37,583,321	\$ 5,292,390	\$ (3,329,021)	\$ 39,546,690

See Report of Independent Auditors on pages 1-3.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS YEAR ENDED SEPTEMBER 30, 2014

	Cameron Memorial Community Hospital, Inc.	Cameron Medical Outreach, Inc.	Eliminations	Total
Unrestricted revenue, gains and other support				
Net patient service revenue	\$ 49,970,153	\$ 326,484	\$ -0-	\$ 50,296,637
Less provision for bad debts	5,114,367	-0-	-0-	5,114,367
Net patient service revenue				
net of provision for bad debts	44,855,786	326,484	-0-	45,182,270
Other revenue	872,216	1,599,222	(416,153)	2,055,285
Net assets released from restrictions	5,746	-0-	-0-	5,746
Total revenue, gains and other support	45,733,748	1,925,706	(416,153)	47,243,301
Expenses				
Salaries and wages	15,861,316	590,433	-0-	16,451,749
Employee benefits	5,132,403	-0-	-0-	5,132,403
Purchased services and professional fees	10,142,418	113,037	-0-	10,255,455
Supplies	3,567,037	-0-	-0-	3,567,037
Repair and maintenance	1,397,744	27,614	-0-	1,425,358
Utilities	557,122	114,953	-0-	672,075
Building and equipment rent	1,066,515	11,864	(187,656)	890,723
Insurance	377,853	-0-	-0-	377,853
Interest	212,605	-0-	-0-	212,605
Depreciation and amortization	2,488,251	131,650	-0-	2,619,901
Other	3,666,519	596,647	(228,497)	4,034,669
Total expenses	44,469,783	1,586,198	(416,153)	45,639,828
Operating income	1,263,965	339,508	-0-	1,603,473
Nonoperating income (loss)				
Investment income	1,511,608	-0-	-0-	1,511,608
Loss on disposal of property and equipment	(26,036)	-0-	-0-	(26,036)
Total nonoperating income (loss)	1,485,572	-0-	-0-	1,485,572
Excess of revenues over expenses	2,749,537	339,508	-0-	3,089,045
Other changes in net assets				
Net assets released from restrictions for property	223,161	-0-	-0-	223,161
Change in unrestricted net assets	2,972,698	339,508	-0-	3,312,206
Temporarily restricted net assets				
Contributions	147,403	-0-	-0-	147,403
Investment income	3,945	-0-	-0-	3,945
Net assets released from restrictions	(228,907)	-0-	-0-	(228,907)
Change in temporarily restricted net assets	(77,559)	-0-	-0-	(77,559)
Change in net assets	2,895,139	339,508	-0-	3,234,647
Net assets				
Beginning of year	34,397,127	4,350,704	(3,329,021)	35,418,810
End of year	\$ 37,292,266	\$ 4,690,212	\$ (3,329,021)	\$ 38,653,457

See Report of Independent Auditors on pages 1-3.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015

Grantor/ Pass-through Grantor(s)/ Program Title	Grant ID #	CFDA Number	Federal Expenditures
Major program			
United States Department of Agriculture Community Facilities Loans and Grants	N/A	10.766	\$ 9,271,451
Non-major programs			
Department of Health and Human Services Pass through the Indiana State Department of Health Pass through District 3 Hospital Corporation National Bioterrorism Hospital Preparedness Program	A70-5-05322515	93.074	7,201
Department of Health and Human Services Pass through the Indiana State Department of Health Small Rural Hospital Improvement Program Grant	A70-4-079946	93.301	9,360
Total non-major programs			16,561
Total federal expenditures			\$ 9,288,012

Basis of Presentation

The accompanying schedule of expenditures of federal awards for the year ended September 30, 2015 includes the federal grant activity of the Hospital and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements. The basic consolidated financial statements may include other financial activity for reporting purposes.



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REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Cameron Memorial Community Hospital, Inc.
Angola, Indiana

Report on the Consolidated Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Cameron Memorial Community Hospital, Inc. (the Hospital) which comprise the consolidated balance sheet as of September 30, 2015, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
Cameron Memorial Community Hospital Inc.
Angola, Indiana

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Blue & Co., LLC

Indianapolis, Indiana
December 18, 2015



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REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Cameron Memorial Community Hospital, Inc.
Angola, Indiana

Report on Compliance for Each Major Federal Program

We have audited Cameron Memorial Community Hospital, Inc. (the Hospital) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended September 30, 2015. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Hospital's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Hospital's compliance.

Board of Directors
Cameron Memorial Community Hospital Inc.
Angola, Indiana

Opinion on Each Major Federal Program

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
December 18, 2015

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015

Summary of Auditor's Results

Consolidated Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes x none reported

Significant deficiency(ies) identified that are
not considered to be material weakness(es)? ___ yes x none reported

Noncompliance material to financial statements noted? ___ yes x none reported

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? ___ yes x none reported

Significant deficiency(ies) identified that are
not considered to be material weakness(es)? ___ yes x none noted

Type of auditor's report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of Circular
A-133? ___ yes x no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.766	United States Department of Agriculture Community facilities loans and grants

Dollar threshold used to distinguish between
type A and B programs: \$300,000

Auditee qualified as low-risk auditee? x yes ___ no

**Section II – Findings related to financial statements reported in accordance with
Government Auditing Standards:**

No matters reported

Section III – Findings and questioned costs relating to Federal awards:

No matters reported

Section IV – Summary schedule of prior audit findings:

No matters reported
