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February 6, 2015

Board of Directors  
Rising Sun Medical Center, Inc.  
230 6<sup>th</sup> Street  
Rising Sun, IN 47040

We have reviewed the audit report prepared by Anneken, Huey & Moser PLLC, for the period July 1, 2011 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Rising Sun Medical Center, Inc., as of June 30, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**RISEING SUN MEDICAL CENTER, INC.**

**FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2012 and 2011**

**RIISING SUN MEDICAL CENTER, INC.**

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**Anneken, Huey & Moser** P.C.

Certified Public Accountants

*Engaged. Responsive. Future-focused.*

## INDEPENDENT AUDITOR'S REPORT

**THE BOARD OF DIRECTORS**  
**RISING SUN MEDICAL CENTER, INC.**  
Rising Sun, Indiana

We have audited the accompanying statements of financial position of Rising Sun Medical Center, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rising Sun Medical Center, Inc. as of June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Anneken, Huey & Moser P.C.*

September 25, 2012

**RIISING SUN MEDICAL CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 271,342	\$ 231,563
Accounts receivable - patients, net	33,419	87,326
Grants and contracts receivable	41,813	7,705
Prepaid expenses	15,199	18,464
<b>TOTAL CURRENT ASSETS</b>	<u>361,773</u>	<u>345,058</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture, fixtures, and equipment	164,534	164,534
Building improvements	149,831	149,831
	<u>314,365</u>	<u>314,365</u>
Accumulated depreciation	278,161	262,818
	<u>36,204</u>	<u>51,547</u>
<b>TOTAL ASSETS</b>	<u>\$ 397,977</u>	<u>\$ 396,605</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 6,785	\$ 6,715
Accrued payroll	33,577	51,597
Accrued 401k match	-	603
<b>TOTAL CURRENT LIABILITIES</b>	<u>40,362</u>	<u>58,915</u>
<b>NET ASSETS</b>		
Temporarily restricted	3,464	5,387
Unrestricted	354,151	332,303
<b>TOTAL NET ASSETS</b>	<u>357,615</u>	<u>337,690</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 397,977</u>	<u>\$ 396,605</u>

See accompanying notes to financial statements.

**RIISING SUN MEDICAL CENTER, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>UNRESTRICTED NET ASSETS</b>		
Revenues and support		
Government grants	\$ 455,123 ✓	\$ 242,500
Program service fees	403,123	592,405
Donated facility	108,000	108,000
Interest income	1,445	4,347
Other	20,548	650
	<u>988,239</u>	<u>947,902</u>
Net assets released from restriction	35,336	73,099
<b>TOTAL UNRESTRICTED REVENUES AND SUPPORT</b>	<u>1,023,575</u>	<u>1,021,001</u>
Functional expenses		
Program services	821,227	1,091,331
Management and general	180,500	155,509
<b>TOTAL EXPENSES</b>	<u>1,001,727</u>	<u>1,246,840</u>
<b>NET CHANGE IN UNRESTRICTED NET ASSETS</b>	21,848	(225,839)
<b>UNRESTRICTED NET ASSETS, beginning of year</b>	<u>332,303</u>	<u>558,142</u>
<b>UNRESTRICTED NET ASSETS, end of year</b>	<u>354,151</u>	<u>332,303</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Revenues		
Grants	33,413 ✓	36,731
Released from restriction	<u>(35,336)</u>	<u>(73,099)</u>
<b>NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	(1,923)	(36,368)
<b>TEMPORARILY RESTRICTED NET ASSETS, beginning of year</b>	<u>5,387</u>	<u>41,755</u>
<b>TEMPORARILY RESTRICTED NET ASSETS, end of year</b>	<u>3,464</u>	<u>5,387</u>
<b>TOTAL NET ASSETS</b>		
<b>INCREASE (DECREASE) IN TOTAL NET ASSETS</b>	19,925	(262,207)
<b>TOTAL NET ASSETS, beginning of year</b>	<u>337,690</u>	<u>599,897</u>
<b>TOTAL NET ASSETS, end of year</b>	<u>\$ 357,615</u>	<u>\$ 337,690</u>

See accompanying notes to financial statements.

**RISING SUN MEDICAL CENTER, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended June 30, 2012 and 2011

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>2012 Total</b>	<b>Program Services</b>	<b>Management &amp; General</b>	<b>2011 Total</b>
Advertising	\$ 1,538	\$ -	\$ 1,538	\$ 1,747	\$ -	\$ 1,747
Bad debts	23,423	-	23,423	19,123	-	19,123
Donated facility	108,000	-	108,000	108,000	-	108,000
Contractual services	5,570	-	5,570	16,864	-	16,864
Depreciation and amortization	15,343	-	15,343	24,757	-	24,757
Education and dues	6,159	-	6,159	8,095	-	8,095
Employee benefits	54,389	6,215	60,604	88,923	7,458	96,381
Insurance	12,016	-	12,016	25,216	-	25,216
Lab expense	2,149	-	2,149	2,199	-	2,199
Management fees	-	60,000	60,000	-	60,000	60,000
Medical supplies	35,841	-	35,841	39,222	-	39,222
Miscellaneous	17,990	-	17,990	25,085	-	25,085
Office expense	28,767	2,726	31,493	31,391	3,467	34,858
Repairs and maintenance	6,478	-	6,478	7,363	-	7,363
Payroll and payroll taxes	431,215	45,998	477,213	598,462	47,749	646,211
Professional fees	35,235	65,561	100,796	48,108	36,835	84,943
Travel	13,728	-	13,728	12,174	-	12,174
Utilities	23,386	-	23,386	34,602	-	34,602
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 821,227</b>	<b>\$ 180,500</b>	<b>\$ 1,001,727</b>	<b>\$ 1,091,331</b>	<b>\$ 155,509</b>	<b>\$ 1,246,840</b>

See accompanying notes to financial statements.

**RIISING SUN MEDICAL CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 19,925	\$ (262,207)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,343	24,757
(Increase) decrease in:		
Accounts receivable		
Grants	(34,108)	7,712
Patients	53,907	(11,074)
Prepaid expenses	3,265	658
Increase (decrease) in:		
Accounts payable	70	1,511
Accrued payroll	(18,020)	(24,210)
Accrued 401k match	(603)	(7,684)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>39,779</u>	<u>(270,537)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>-</u>	<u>(32,037)</u>
NET CASH USED IN INVESTING ACTIVITIES	-	(32,037)
<b>NET INCREASE (DECREASE) IN CASH</b>	39,779	(302,574)
<b>CASH AT BEGINNING OF YEAR</b>	<u>231,563</u>	<u>534,137</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 271,342</u></u>	<u><u>\$ 231,563</u></u>

See accompanying notes to financial statements.



**RISING SUN MEDICAL CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Organization

Rising Sun Medical Center, Inc. is a nonprofit healthcare center located in Rising Sun, Indiana and provides a broad range of health services to a largely medically underserved population. The Center's revenues are primarily from patient fees subsidized by funds from the City of Rising Sun and foundation grants.

Basis of Financial Statements

The Center has adopted the accrual basis of accounting. Consequently, revenue is recognized when it is earned rather than when received, and expenditures are recognized when incurred rather than when paid.

Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For the purpose of presenting cash flows, cash and cash equivalents consists of cash on hand and time deposits with initial maturities of less than three months.

Accounts Receivable

All known accounts receivable were recorded at June 30, 2012 and 2011. Accounts receivable are recorded at the amount billed. An allowance for contractual adjustments has been recognized for the effect of private and government insurance write-downs of billed fees. These amounts are \$65,361 and \$72,183 for the years ended June 30, 2012 and 2011, respectively. An allowance for bad debts has also been recognized. The respective amounts are \$6,237, and \$152,477, for 2012 and 2011. Management makes a determination monthly of patient accounts that will be turned over for outside collection, based on the aging of the account balance. The allowance for bad debts is estimated at 75% of the total patient accounts receivable balance that management has turned over for collection but not yet written off. Management has secured the services of a professional collection company and this estimate is based on that company's on-going rate of collection of the Center's receivables.

Grants and Contracts Receivable

This account reflects the amount due within one year of \$41,813 and \$7,705 at June 30, 2012 and 2011 respectively. There are no additional grants or contracts receivable.

Property and Equipment

Property and equipment are stated at cost. Assets with an initial, individual cost of \$1,000 or more are capitalized. Major improvements are charged to the property accounts. Replacements and repairs, which do not improve or extend the life of the respective assets, are expensed currently.

**RIISING SUN MEDICAL CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

Depreciation

Depreciation is computed using the straight-line method. Computers and printers are depreciated over a period of five years. Software is amortized over a period of three years. Office furniture and equipment are depreciated with an estimated useful life of seven to ten years. Leasehold improvements are amortized over a period of seven to twelve years.

Fair Value

The Center has a number of financial instruments, none of which are held for trading purposes. The Center estimates that the fair value of all financial instruments at June 30, 2012 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Center using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Center could realize in a current market exchange.

Income Tax Status

Rising Sun Medical Center, Inc. is a nonprofit organization incorporated in the State of Indiana and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made.

Effective July 1, 2009, the Center adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Center has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdiction where it operates. The Center believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Center's financial condition, results of operations or cash flows. Accordingly, the Center has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2012. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Center believes it is no longer subject to income tax examinations for years prior to the year ended June 30, 2009. The Center's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

**RIISING SUN MEDICAL CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

Pervasiveness of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The principal estimates used in the financial statements are the allowance for contract adjustments and the allowance for bad debt.

**NOTE B - DONATED FACILITIES**

The Center resides in a building owned by the City of Rising Sun. The City allows the Center to reside in this building rent-free and maintains the exterior of the building at no cost to the Center. Based on comparable commercial real estate in the area, the estimated annual value of the lease for the 9,000 square foot facility is \$12 per square foot or \$108,000. The City also provides a subsidy to the Center to keep operations at their current location.

**NOTE C - CONCENTRATION RISK**

The Center maintains cash balances at several financial institutions located in Indiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There was no uninsured balance at June 30, 2012 or 2011.

**NOTE D - TEMPORARILY RESTRICTED NET ASSETS**

Restrictions on net assets at June 30, 2012 and 2011 are related to grants from The Rising Sun Regional Foundation and the Ohio County Community Foundation for various projects.

Temporarily restricted net assets were available for the following purposes at June 30:

	2012	2011
Patient dental services	\$ 3,464	\$ 2,012
Health Fair	-	3,000
Exam room remodeling	-	375
Total	<u>\$ 3,464</u>	<u>\$ 5,387</u>

**RIISING SUN MEDICAL CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE E – COMPENSATED ABSENCES**

The Center accrues compensated absences when earned, in accordance with financial accounting standards. Accrued paid time off as of June 30, 2012 and 2011 was \$17,364 and \$29,470, respectively.

**NOTE F – DEFINED CONTRIBUTION RETIREMENT PLAN**

The Center maintains a 401(k) defined contribution plan for its eligible employees. Active participants may elect to contribute, on a tax-deferred basis, a portion of their compensation. The Center may also make a contribution to the plan. For the years ended June 30, 2012 and 2011, the Center's contributions to the plan were \$15,309 and \$16,022, respectively.

**NOTE G – SUBSEQUENT EVENTS**

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through September 25, 2012, the date the financial statements were available to be issued.