



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B44871

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

March 4, 2015

Larry Christman, Chief Operations Officer
Riverview Health (Hospital)
395 Westfield Road
Noblesville, IN 46060

We have reviewed the audit report prepared by Blue & Company, LLC, Independent Public Accountants, for the period January 1, 2013 to December 31, 2013. 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 the Riverview Hospital, as of December 31, 2013 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



CONSOLIDATED FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013 AND 2012

RIVERVIEW HOSPITAL

TABLE OF CONTENTS DECEMBER 31, 2013 AND 2012

	Page
Report of Independent Auditors	1
Required Supplementary Information	
Management’s Discussion and Analysis (MD&A) (Unaudited).....	i
Consolidated Financial Statements	
Consolidated Balance Sheets –December 31, 2013.....	4
Consolidated Balance Sheets –December 31, 2012.....	6
Consolidated Statements of Revenues, Expenses and Changes in Net Position – Year Ended December 31, 2013	8
Consolidated Statements of Revenues, Expenses and Changes in Net Position – Year Ended December 31, 2012	9
Consolidated Statements of Cash Flows – Year Ended December 31, 2013	10
Consolidated Statements of Cash Flows – Year Ended December 31, 2012	12
Notes to Consolidated Financial Statements.....	14



Blue & Co., LLC / One American Square, Suite 2200 / Box 82062 / Indianapolis, IN 46282
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Riverview Hospital
Noblesville, Indiana

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Riverview Hospital (Hospital), a component unit of Hamilton County, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of revenues, expenses and changes in net position, 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 and the Guidelines for Audits of County and City Hospitals by Independent Certified Public Accountants, 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 Trustees
Riverview Hospital
Noblesville, 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2013 and 2012, and the results of its operations, changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

REPORT ON REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audits of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Blue & Co., LLC

Indianapolis, Indiana
March 24, 2014

REQUIRED SUPPLEMENTARY INFORMATION

RIVERVIEW HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) DECEMBER 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012 AND 2011)

Management's discussion and analysis of Riverview Hospital's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the year ended December 31, 2013 with comparable information for 2012 and 2011. Please read it in conjunction with the Hospital's consolidated financial statements and accompanying notes to the consolidated financial statements included in this report.

Using This Annual Report

This annual report consists of two parts—*management's discussion and analysis*, and the *consolidated financial statements*.

- In the "*management's discussion and analysis*" section of this report, management discusses various components of the annual report and provide an analysis of the current financial statement information.
- The "*consolidated financial statements*" section of this report includes a series of financial statements, which provide information about the activities of the Hospital as a whole. The Balance Sheets reveal the assets, deferred outflows, liabilities and net position of the Hospital on December 31, 2013 and 2012 while the Statements of Revenues, Expenses and Changes in Net Position summarize the revenues and expenses, including nonoperating items for the years then ended. The Statements of Cash Flows summarize the change in cash and cash equivalents as a result of operating, investing and financing activities during the year. The Notes to the Financial Statements disclose additional information addressed within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- Assets whose use is limited increased approximately \$22,400,000 compared to prior year primarily due to additional investment purchases funded by net income during the year and increases in the market values of investments during the year. This compares to an increase in 2012 of approximately \$2,700,000 due to the increase in market values of investments during the year.
- The Hospital reported an increase in net position of approximately \$29,800,000 for the year ended 2013. This compares to a change in net position of approximately \$17,200,000 for the year ended 2012 and approximately \$5,000,000 for 2011.

RIVERVIEW HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) DECEMBER 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012 AND 2011)

Summarized Financial Statement Information

The Hospital's net position is the difference between its assets and deferred outflows and liabilities. The following information documents in summary the net position and the changes in net position related to activities of the Hospital as of December 31, 2013 and 2012 and for the years then ended.

Table 1 – Balance Sheets

	2013	2012	2013 - 2012 Change	2011
Assets				
Current assets	\$ 103,037,129	\$ 90,329,010	\$ 12,708,119	\$ 54,144,705
Capital assets, net	96,688,864	92,343,410	4,345,454	88,787,502
Noncurrent assets whose use is limited	65,976,734	43,530,390	22,446,344	40,842,951
Other assets	2,346,377	2,511,000	(164,623)	1,603,474
Total assets	268,049,104	228,713,810	39,335,294	185,378,632
Deferred outflows - deferred loss on bond refundings	2,297,560	1,754,070	543,490	1,893,407
Total assets and deferred outflows	<u>\$ 270,346,664</u>	<u>\$ 230,467,880</u>	<u>\$ 39,878,784</u>	<u>\$ 187,272,039</u>
Liabilities				
Current liabilities	\$ 63,915,585	\$ 51,615,475	\$ 12,300,110	\$ 21,847,300
Long-term debt and other liabilities	39,500,768	41,750,340	(2,249,572)	45,543,053
Total liabilities	103,416,353	93,365,815	10,050,538	67,390,353
Net position				
Invested in capital assets, net of related debt	56,167,053	48,231,519	7,935,534	41,702,124
Restricted	7,254,137	6,316,422	937,715	6,723,420
Unrestricted	103,509,121	82,554,124	20,954,997	71,456,142
Total net position	166,930,311	137,102,065	29,828,246	119,881,686
Total liabilities and net assets	<u>\$ 270,346,664</u>	<u>\$ 230,467,880</u>	<u>\$ 39,878,784</u>	<u>\$ 187,272,039</u>

The significant changes in the Hospital's assets included current assets, which increased by approximately \$12,700,000 from 2012 to 2013, and assets whose use is limited, which increased by approximately \$22,400,000 from 2012 to 2013. The significant changes in the Hospital's liabilities included current liabilities, which increased approximately \$12,300,000 from 2012 to 2013. These changes occurred due to the Hospital's continued expansion into long-term care. Long-term debt and other liabilities decreased by approximately \$2,200,000 after the refinancing of the 2010 revenue bonds and current year principal payments. The net position increased approximately \$29,800,000 due to gains from operations and other non-operating activity.

RIVERVIEW HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) DECEMBER 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012 AND 2011)

Table 2 – Statements of Revenues, Expenses and Changes in Net Position

	2013	2012	2013 - 2012 Change	2011
Operating revenue				
Net patient service revenue	\$ 422,842,985	\$ 346,595,983	\$ 76,247,002	\$ 182,487,273
Other operating revenue	11,441,534	5,890,364	5,551,170	5,533,930
Total operating revenue	<u>434,284,519</u>	<u>352,486,347</u>	<u>81,798,172</u>	<u>188,021,203</u>
Operating expenses				
Salaries and benefits	76,597,877	77,327,182	(729,305)	69,937,082
Medical supplies and drugs	52,674,251	39,995,026	12,679,225	25,002,447
Depreciation and amortization	11,105,028	10,088,843	1,016,185	9,526,604
Other operating expenses	269,113,918	210,909,295	58,204,623	77,431,513
Total operating expenses	<u>409,491,074</u>	<u>338,320,346</u>	<u>71,170,728</u>	<u>181,897,646</u>
Operating income	24,793,445	14,166,001	10,627,444	6,123,557
Nonoperating income, net	<u>5,034,801</u>	<u>3,054,378</u>	<u>1,980,423</u>	<u>(1,109,832)</u>
Change in net position	29,828,246	17,220,379	12,607,867	5,013,725
Net position, beginning of year	<u>137,102,065</u>	<u>119,881,686</u>	<u>17,220,379</u>	<u>114,867,961</u>
Net position, end of year	<u>\$ 166,930,311</u>	<u>\$ 137,102,065</u>	<u>\$ 29,828,246</u>	<u>\$ 119,881,686</u>

SOURCES OF REVENUE

During 2013, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 67% of the Hospital's gross revenues in 2013 and 2012.

RIVERVIEW HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) DECEMBER 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012 AND 2011)

Following is a table of major sources of gross patient revenues for 2013, 2012, and 2011:

<u>Payor</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Self Pay	13%	12%	10%
Medicare	44%	45%	46%
Medicaid	23%	22%	13%
Anthem/Blue Cross	9%	10%	16%
Other Commercial	<u>11%</u>	<u>11%</u>	<u>15%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>

The Hospital's outpatient services represented approximately 31% and 35% of the Hospital's gross patient revenue in 2013 and 2012, respectively. This change is due to the continued expansion into long term care.

OPERATING AND FINANCIAL PERFORMANCE

The Hospital's 2013 return on equity was 17.9%, compared to 12.6% for 2012 and 4.2% for 2011. The Hospital's debt service coverage ratio was approximately 7.8 for 2013 and 5.9 for 2012.

The following section highlights the major financial factors for 2013:

- Net patient service revenue increased approximately \$76,200,000 during 2013, a 21% increase over 2012. Operating expenses increased approximately \$71,200,000, or 21%. This is mainly due to the continued expansion into long-term care.
- Other operating expenses consisting of purchased services, rent, and other, was the expense classification with the largest increase over 2012. Other operating expenses increased approximately \$58,200,000 from 2012 to 2013. Medical supplies and drugs increased approximately \$12,700,000 from 2012 to 2013.

RIVERVIEW HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) DECEMBER 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012 AND 2011)

Table 3 – Statements of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as “Where did cash come from?” “What was cash used for?” and “What was the change in cash balance during the reporting period?”

	2013	2012	2013 - 2012 Change	2011
Cash flows from activities				
Operating	\$ 46,974,782	\$ 25,566,514	\$ 21,408,268	\$ 13,121,388
Non-capital financing	172,555	(469)	173,024	328,171
Capital and related financing	(20,650,490)	(18,133,345)	(2,517,145)	(15,098,053)
Investing	(14,958,303)	3,151,179	(18,109,482)	309,035
Total	<u>11,538,544</u>	<u>10,583,879</u>	<u>954,665</u>	<u>(1,339,459)</u>
Cash and cash equivalents				
Beginning of year	29,373,469	18,789,590		20,129,049
End of year	<u>\$ 40,912,013</u>	<u>\$ 29,373,469</u>		<u>\$ 18,789,590</u>

Changes in the Hospital's cash flows are primarily related to the increase in cash provided from operating activities due to increased expansion into long-term care. There was also an increase in the purchase of capital assets.

CAPITAL ASSETS

During 2013, the Hospital's net capital assets have increased by approximately \$4,300,000. This compares to an increase of approximately \$3,600,000 for 2012. The change in capital assets is outlined in the following table:

	2013	2012	Change	2011
Land and improvements	\$ 12,310,490	\$ 12,233,004	\$ 77,486	\$ 13,176,029
Buildings and improvements	96,031,217	92,788,115	3,243,102	87,772,414
Equipment	110,568,751	103,113,146	7,455,605	97,652,312
Construction in progress	<u>7,571,720</u>	<u>3,839,661</u>	<u>3,732,059</u>	<u>3,666,763</u>
Total capital assets	226,482,178	211,973,926	14,508,252	202,267,518
Less accumulated depreciation	<u>129,793,314</u>	<u>119,630,516</u>	<u>10,162,798</u>	<u>113,480,016</u>
Capital assets, net	<u>\$ 96,688,864</u>	<u>\$ 92,343,410</u>	<u>\$ 4,345,454</u>	<u>\$ 88,787,502</u>

RIVERVIEW HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) DECEMBER 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012 AND 2011)

Net capital assets have increased as capital additions have outpaced depreciation. The Hospital continually evaluates facilities and equipment to ensure that everything is upgraded as necessary.

DEBT

The Hospital has the following debt outstanding which approximates \$42,800,000 as of December 31, 2013:

- 2005 tax-exempt revenue bonds
- 2011 tax-exempt revenue bonds
- 2012 tax-exempt revenue bonds
- 2013 tax-exempt revenue bonds
- Tipton Family Practice note payable
- Capital lease obligations

More detailed information about the Hospital's long-term debt is presented in the Notes to the Consolidated Financial Statements.

ECONOMIC OUTLOOK

Management believes that the healthcare industry's and the Hospital's operating margins will continue to be under pressure as a result of the changes in payor mix and growth in operating expenses, that exceed any increases in contractually arranged and legally established payments received for services provided. Another factor that poses a challenge to management is the increasing competitive market for the delivery of health care services. This competitive market challenge will potentially be offset by the expected growth in our service area. The Hospital will still be faced with the challenge of providing quality services in an increasingly competitive environment, while at the same time managing costs. The Hospital will be affected by the increases in labor costs due to the competition for health care workers. The Hospital is also affected by the current economic downturn and federal healthcare reform.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital's Fiscal Services Department.

RIVERVIEW HOSPITAL

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2013

(WITH COMPARATIVE CONSOLIDATED TOTALS AT 2012)

	ASSETS AND DEFERRED OUTFLOWS				
	2013			2012	
	Hospital	Foundation	Eliminations	Total reporting entity	Total reporting entity
Current assets					
Cash and cash equivalents	\$ 35,336,135	\$ 256,230	\$ -0-	\$ 35,592,365	\$ 25,352,765
Current portion of assets whose use is limited	3,492,308	-0-	-0-	3,492,308	3,775,228
Patient accounts receivable, less allowances for uncollectible accounts of \$8,026,051 and \$7,171,837, respectively	43,833,626	-0-	-0-	43,833,626	38,287,896
Related party receivables	558,062	-0-	-0-	558,062	333,590
Inventories	3,328,480	-0-	-0-	3,328,480	2,994,543
Other current assets	16,083,384	148,904	-0-	16,232,288	19,584,988
Total current assets	<u>102,631,995</u>	<u>405,134</u>	<u>-0-</u>	<u>103,037,129</u>	<u>90,329,010</u>
Assets whose use is limited					
Board designated funds					
Long-term investments	63,238,894	52,951	-0-	63,291,845	41,600,906
Total board designated funds	<u>63,238,894</u>	<u>52,951</u>	<u>-0-</u>	<u>63,291,845</u>	<u>41,600,906</u>
Trustee held assets					
Professional liability insurance funds	981,192	-0-	-0-	981,192	642,751
Debt service	1,344,996	-0-	-0-	1,344,996	1,346,839
Total trustee held assets	<u>2,326,188</u>	<u>-0-</u>	<u>-0-</u>	<u>2,326,188</u>	<u>1,989,590</u>
Restricted by donor					
Expendable for various purposes upon donors' specific restriction	88,850	970,525	-0-	1,059,375	1,139,117
Nonexpendable permanent endowments	-0-	2,791,634	-0-	2,791,634	2,576,005
Total donor-restricted assets	<u>88,850</u>	<u>3,762,159</u>	<u>-0-</u>	<u>3,851,009</u>	<u>3,715,122</u>
Total assets whose use is limited	65,653,932	3,815,110	-0-	69,469,042	47,305,618
Less current portion	<u>3,492,308</u>	<u>-0-</u>	<u>-0-</u>	<u>3,492,308</u>	<u>3,775,228</u>
Noncurrent assets whose use is limited	<u>62,161,624</u>	<u>3,815,110</u>	<u>-0-</u>	<u>65,976,734</u>	<u>43,530,390</u>
Capital assets					
Land	9,814,610	-0-	-0-	9,814,610	9,814,610
Depreciable capital assets	209,080,468	15,380	-0-	209,095,848	198,319,655
Construction in progress	7,571,720	-0-	-0-	7,571,720	3,839,661
	226,466,798	15,380	-0-	226,482,178	211,973,926
Less accumulated depreciation	129,777,934	15,380	-0-	129,793,314	119,630,516
Capital assets, net	<u>96,688,864</u>	<u>-0-</u>	<u>-0-</u>	<u>96,688,864</u>	<u>92,343,410</u>
Other assets	<u>2,187,671</u>	<u>158,706</u>	<u>-0-</u>	<u>2,346,377</u>	<u>2,511,000</u>
Total assets	263,670,154	4,378,950	-0-	268,049,104	228,713,810
Deferred outflows - deferred loss on bond refundings	<u>2,297,560</u>	<u>-0-</u>	<u>-0-</u>	<u>2,297,560</u>	<u>1,754,070</u>
Total assets and deferred outflows	<u>\$ 265,967,714</u>	<u>\$ 4,378,950</u>	<u>\$ -0-</u>	<u>\$ 270,346,664</u>	<u>\$ 230,467,880</u>

See accompanying notes to consolidated financial statements.

RIVERVIEW HOSPITAL

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2013

(WITH COMPARATIVE CONSOLIDATED TOTALS AT 2012)

LIABILITIES AND NET POSITION

	2013			2012	
	Hospital	Foundation	Eliminations	Total reporting entity	Total reporting entity
Current liabilities					
Current portion of bonds payable	\$ 3,492,308	\$ -0-	\$ -0-	\$ 3,492,308	\$ 3,536,030
Current portion of capital lease obligations	255,808	-0-	-0-	255,808	605,416
Accounts payable and other accruals	16,091,745	9,121	-0-	16,100,866	12,891,479
Related party payables	-0-	-0-	-0-	-0-	15,706
Salaries, wages and related payables	6,888,972	-0-	-0-	6,888,972	8,216,800
Estimated third-party payor settlements	1,511,177	-0-	-0-	1,511,177	537,727
Other current liabilities	35,666,454	-0-	-0-	35,666,454	25,812,317
Total current liabilities	63,906,464	9,121	-0-	63,915,585	51,615,475
Noncurrent liabilities					
Long-term bonds and notes payable	38,763,639	-0-	-0-	38,763,639	41,530,447
Long-term capital lease obligations	307,616	-0-	-0-	307,616	194,068
Other long-term liabilities	414,068	15,445	-0-	429,513	25,825
Total noncurrent liabilities	39,485,323	15,445	-0-	39,500,768	41,750,340
Total liabilities	103,391,787	24,566	-0-	103,416,353	93,365,815
Net position					
Invested in capital assets, net of related debt	56,167,053	-0-	-0-	56,167,053	48,231,519
Restricted					
For debt service and professional liability insurance	2,326,188	-0-	-0-	2,326,188	1,989,590
Expendable for various purposes upon donors' specific restriction	88,850	970,525	-0-	1,059,375	1,139,117
Nonexpendable	1,076,940	2,791,634	-0-	3,868,574	3,187,715
Total restricted	3,491,978	3,762,159	-0-	7,254,137	6,316,422
Unrestricted	102,916,896	592,225	-0-	103,509,121	82,554,124
Total net position	162,575,927	4,354,384	-0-	166,930,311	137,102,065
Total liabilities and net position	\$ 265,967,714	\$ 4,378,950	\$ -0-	\$ 270,346,664	\$ 230,467,880

See accompanying notes to consolidated financial statements.

RIVERVIEW HOSPITAL

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2012

ASSETS AND DEFERRED OUTFLOWS

	2012		Total reporting entity
	Hospital	Foundation	
Current assets			
Cash and cash equivalents	\$ 24,897,579	\$ 455,186	\$ 25,352,765
Current portion of assets whose use is limited	3,536,030	239,198	3,775,228
Patient accounts receivable, less allowance for uncollectible accounts of \$7,171,837	38,287,896	-0-	38,287,896
Related party receivables	333,590	-0-	333,590
Inventories	2,994,543	-0-	2,994,543
Other current assets	19,580,520	4,468	19,584,988
Total current assets	89,630,158	698,852	90,329,010
Assets whose use is limited			
Board designated funds			
Long-term investments	41,600,906	-0-	41,600,906
Total board designated funds	41,600,906	-0-	41,600,906
Trustee held assets			
Professional liability insurance funds	642,751	-0-	642,751
Debt service	1,346,839	-0-	1,346,839
Total trustee held assets	1,989,590	-0-	1,989,590
Restricted by donor			
Expendable for various purposes upon donors' specific restriction	88,850	1,050,267	1,139,117
Nonexpendable permanent endowments	-0-	2,576,005	2,576,005
Total donor-restricted assets	88,850	3,626,272	3,715,122
Total assets whose use is limited	43,679,346	3,626,272	47,305,618
Less current portion	3,536,030	239,198	3,775,228
Noncurrent assets whose use is limited	40,143,316	3,387,074	43,530,390
Capital assets			
Land	9,814,610	-0-	9,814,610
Depreciable capital assets	198,304,275	15,380	198,319,655
Construction in progress	3,839,661	-0-	3,839,661
	211,958,546	15,380	211,973,926
Less accumulated depreciation	119,615,136	15,380	119,630,516
Capital assets, net	92,343,410	-0-	92,343,410
Other assets	2,511,000	-0-	2,511,000
Total assets	224,627,884	4,085,926	228,713,810
Deferred outflows - deferred loss on bond refundings	1,754,070	-0-	1,754,070
Total assets and deferred outflows	\$ 226,381,954	\$ 4,085,926	\$ 230,467,880

See accompanying notes to consolidated financial statements.

RIVERVIEW HOSPITAL

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2012

LIABILITIES AND NET POSITION

	2012		
	Hospital	Foundation	Total reporting entity
Current liabilities			
Current portion of bonds payable	\$ 3,536,030	\$ -0-	\$ 3,536,030
Current portion of capital lease obligations	605,416	-0-	605,416
Accounts payable and other accruals	12,886,475	5,004	12,891,479
Related party payables	15,706	-0-	15,706
Salaries, wages and related payables	8,216,800	-0-	8,216,800
Estimated third-party payor settlements	537,727	-0-	537,727
Other current liabilities	25,812,317	-0-	25,812,317
Total current liabilities	51,610,471	5,004	51,615,475
Noncurrent liabilities			
Long-term bonds payable	41,530,447	-0-	41,530,447
Long-term capital lease obligations	194,068	-0-	194,068
Other long-term liabilities	7,100	18,725	25,825
Total noncurrent liabilities	41,731,615	18,725	41,750,340
Total liabilities	93,342,086	23,729	93,365,815
Net position			
Invested in capital assets, net of related debt	48,231,519	-0-	48,231,519
Restricted			
For debt service and professional liability insurance	1,989,590	-0-	1,989,590
Expendable for various purposes upon donors' specific restriction	88,850	1,050,267	1,139,117
Nonexpendable	611,710	2,576,005	3,187,715
Total restricted	2,690,150	3,626,272	6,316,422
Unrestricted	82,118,199	435,925	82,554,124
Total net position	133,039,868	4,062,197	137,102,065
Total liabilities and net position	\$ 226,381,954	\$ 4,085,926	\$ 230,467,880

See accompanying notes to consolidated financial statements.

RIVERVIEW HOSPITAL

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2013 (WITH COMPARATIVE CONSOLIDATED TOTALS AT 2012)

	2013			2012	
	Hospital	Foundation	Eliminations	Total reporting entity	Total reporting entity
Revenue					
Net patient service revenue	\$ 422,842,985	\$ -0-	\$ -0-	\$ 422,842,985	\$ 346,595,983
Other	11,441,534	-0-	-0-	11,441,534	5,890,364
Total operating revenue	434,284,519	-0-	-0-	434,284,519	352,486,347
Operating expenses					
Salaries and wages	64,505,753	-0-	-0-	64,505,753	64,556,530
Employee benefits	12,092,124	-0-	-0-	12,092,124	12,770,652
Medical supplies	35,755,179	-0-	-0-	35,755,179	27,025,514
Drugs	16,919,072	-0-	-0-	16,919,072	12,969,512
Food	951,747	-0-	-0-	951,747	1,014,596
Utilities	7,622,569	-0-	-0-	7,622,569	6,321,482
Purchased services	209,876,557	-0-	-0-	209,876,557	157,715,892
Repairs and maintenance	4,882,235	-0-	-0-	4,882,235	4,823,629
Rental expense	26,872,386	-0-	-0-	26,872,386	21,286,901
Hospital assessment fee	6,570,600	-0-	-0-	6,570,600	8,782,246
Other supplies and expenses	12,337,824	-0-	-0-	12,337,824	10,964,549
Depreciation and amortization	11,105,028	-0-	-0-	11,105,028	10,088,843
Total operating expenses	409,491,074	-0-	-0-	409,491,074	338,320,346
Operating income	24,793,445	-0-	-0-	24,793,445	14,166,001
Nonoperating income (expenses)					
Investment income	5,658,560	576,028	-0-	6,234,588	4,339,788
Contributions and other nonoperating	456,396	248,122	(531,963)	172,555	(469)
Grants	-0-	(531,963)	531,963	-0-	-0-
Interest expense	(1,372,342)	-0-	-0-	(1,372,342)	(1,284,941)
Total nonoperating, net	4,742,614	292,187	-0-	5,034,801	3,054,378
Change in net position	29,536,059	292,187	-0-	29,828,246	17,220,379
Net position					
Beginning of year	133,039,868	4,062,197	-0-	137,102,065	119,881,686
End of year	\$ 162,575,927	\$ 4,354,384	\$ -0-	\$ 166,930,311	\$ 137,102,065

See accompanying notes to consolidated financial statements.

RIVERVIEW HOSPITAL

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2012

	2012			
	Hospital	Foundation	Eliminations	Total reporting entity
Revenue				
Net patient service revenue	\$ 346,595,983	\$ -0-	\$ -0-	\$ 346,595,983
Other	5,890,364	-0-	-0-	5,890,364
Total operating revenue	352,486,347	-0-	-0-	352,486,347
Operating expenses				
Salaries and wages	64,556,530	-0-	-0-	64,556,530
Employee benefits	12,770,652	-0-	-0-	12,770,652
Medical supplies	27,025,514	-0-	-0-	27,025,514
Drugs	12,969,512	-0-	-0-	12,969,512
Food	1,014,596	-0-	-0-	1,014,596
Utilities	6,321,482	-0-	-0-	6,321,482
Purchased services	157,715,892	-0-	-0-	157,715,892
Repairs and maintenance	4,823,629	-0-	-0-	4,823,629
Rental expense	21,286,901	-0-	-0-	21,286,901
Hospital assessment fee	8,782,246			8,782,246
Other supplies and expenses	10,964,549	-0-	-0-	10,964,549
Depreciation and amortization	10,088,843	-0-	-0-	10,088,843
Total operating expenses	338,320,346	-0-	-0-	338,320,346
Operating income	14,166,001	-0-	-0-	14,166,001
Nonoperating income (expenses)				
Investment income	3,977,855	361,933	-0-	4,339,788
Contributions and other nonoperating	263,060	426,149	(689,678)	(469)
Grants	-0-	(689,678)	689,678	-0-
Interest expense	(1,284,941)	-0-	-0-	(1,284,941)
Total nonoperating, net	2,955,974	98,404	-0-	3,054,378
Change in net position	17,121,975	98,404	-0-	17,220,379
Net position				
Beginning of year	115,917,893	3,963,793	-0-	119,881,686
End of year	\$ 133,039,868	\$ 4,062,197	\$ -0-	\$ 137,102,065

See accompanying notes to consolidated financial statements.

RIVERVIEW HOSPITAL

CONSOLIDATED STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2013 (WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2012)

	2013			2012	
	Hospital	Foundation	Eliminations	Total reporting entity	Total reporting entity
Operating activities					
Cash received from patient services	\$ 430,310,453	\$ -0-	\$ -0-	\$ 430,310,453	\$ 334,969,165
Cash paid for salaries, wages and benefits	(78,138,524)	-0-	-0-	(78,138,524)	(76,078,717)
Cash paid to vendors and suppliers	(317,449,136)	-0-	-0-	(317,449,136)	(242,056,090)
Other receipts and payments, net	12,554,294	(302,305)	-0-	12,251,989	8,732,156
Net cash flows from operating activities	47,277,087	(302,305)	-0-	46,974,782	25,566,514
Non-capital financing activities					
Contributions and other nonoperating Grants	456,396	248,122	(531,963)	172,555	(469)
	-0-	(531,963)	531,963	-0-	-0-
Net cash flows from non-capital financing activities	456,396	(283,841)	-0-	172,555	(469)
Capital and related financing activities					
Payments on long-term debt	(19,810,531)	-0-	-0-	(19,810,531)	(19,925,084)
Proceeds from issuance of long-term debt	17,000,000	-0-	-0-	17,000,000	17,428,225
Payments on capital leases	(664,902)	-0-	-0-	(664,902)	(644,922)
Payments for bond issuance costs	(170,849)	-0-	-0-	(170,849)	(126,805)
Deferred loss on bond refunding	(2,182,314)	-0-	-0-	(2,182,314)	(241)
Existing deferred losses on bond refundings utilized in current year bond refunding calculation	1,730,537	-0-	-0-	1,730,537	-0-
Cash paid for interest	(1,550,707)	-0-	-0-	(1,550,707)	(1,254,751)
Loss on disposal of capital assets	66,491	-0-	-0-	66,491	11,690
Proceeds on sale of assets	1,731	-0-	-0-	1,731	139,973
Purchase of capital assets	(15,069,946)	-0-	-0-	(15,069,946)	(13,761,430)
Net cash flows from capital and related financing activities	(20,650,490)	-0-	-0-	(20,650,490)	(18,133,345)
Investing activities					
Investment income	5,441,778	576,028	-0-	6,017,806	4,495,898
Purchases of investments	(60,729,158)	(3,991,521)	-0-	(64,720,679)	(21,891,035)
Proceeds from sale of investments	39,952,681	3,791,889	-0-	43,744,570	20,546,316
Net cash flows from investing activities	(15,334,699)	376,396	-0-	(14,958,303)	3,151,179
Net change in cash and cash equivalents	11,748,294	(209,750)	-0-	11,538,544	10,583,879
Cash and cash equivalents					
Beginning of year	28,907,489	465,980	-0-	29,373,469	18,789,590
End of year	\$ 40,655,783	\$ 256,230	\$ -0-	\$ 40,912,013	\$ 29,373,469
Reconciliation of cash and cash equivalents to the balance sheets					
Cash and cash equivalents					
In current assets	\$ 35,336,135	\$ 256,230	\$ -0-	\$ 35,592,365	\$ 25,352,765
In assets whose use is limited	5,319,648	-0-	-0-	5,319,648	4,020,704
Total cash and cash equivalents	\$ 40,655,783	\$ 256,230	\$ -0-	\$ 40,912,013	\$ 29,373,469

See accompanying notes to consolidated financial statements.

RIVERVIEW HOSPITAL

CONSOLIDATED STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2013 (WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2012)

	2013			2012	
	Total Hospital	Foundation	Eliminations	Total reporting entity	Total reporting entity
Reconciliation of operating income					
to net cash flows from operating activities					
Operating income	\$ 24,793,445	\$ -0-	\$ -0-	\$ 24,793,445	\$ 14,166,001
Adjustments to reconcile operating income to net cash flows from operating activities					
Depreciation and amortization	11,105,028	-0-	-0-	11,105,028	10,088,843
Amortization of annuities	-0-	(3,280)	-0-	(3,280)	(3,984)
Provision for bad debts	15,799,501	-0-	-0-	15,799,501	13,765,047
Changes in operating assets and liabilities					
Patient accounts receivable	(21,345,231)	-0-	-0-	(21,345,231)	(26,181,390)
Inventories	(333,937)	-0-	-0-	(333,937)	(749,934)
Other current assets	3,497,136	(144,436)	-0-	3,352,700	(13,669,639)
Other assets	323,329	(158,706)	-0-	164,623	(667,019)
Accounts payable	3,205,270	4,117	-0-	3,209,387	6,781,982
Related party receivables/payables	(467,165)	-0-	-0-	(467,165)	(745,449)
Salaries, wages and fees payable	(1,327,828)	-0-	-0-	(1,327,828)	1,476,990
Estimated third-party payor settlements	973,450	-0-	-0-	973,450	337,727
Other current liabilities	10,647,121	-0-	-0-	10,647,121	20,964,223
Other long-term liabilities	406,968	-0-	-0-	406,968	3,116
Net cash flows from operating activities	<u>\$ 47,277,087</u>	<u>\$ (302,305)</u>	<u>\$ -0-</u>	<u>\$ 46,974,782</u>	<u>\$ 25,566,514</u>
Supplemental cash flows information					
Property acquired through capital lease obligation	\$ 428,843	\$ -0-	\$ -0-	\$ 428,843	\$ 28,957

See accompanying notes to consolidated financial statements.

RIVERVIEW HOSPITAL

CONSOLIDATED STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2012

	2012			
	Hospital	Foundation	Eliminations	Total reporting entity
Operating activities				
Cash received from patient services	\$ 334,969,165	\$ -0-	\$ -0-	\$ 334,969,165
Cash paid for salaries, wages and benefits	(76,078,717)	-0-	-0-	(76,078,717)
Cash paid to vendors and suppliers	(242,056,090)	-0-	-0-	(242,056,090)
Other receipts and payments, net	8,679,241	52,915	-0-	8,732,156
Net cash flows from operating activities	25,513,599	52,915	-0-	25,566,514
Non-capital financing activities				
Contributions and other nonoperating	263,060	426,149	(689,678)	(469)
Grants	-0-	(689,678)	689,678	-0-
Net cash flows from non-capital financing activities	263,060	(263,529)	-0-	(469)
Capital and related financing activities				
Payments on long-term debt	(19,925,084)	-0-	-0-	(19,925,084)
Proceeds from issuance of long-term debt	17,428,225	-0-	-0-	17,428,225
Payments on capital leases	(644,922)	-0-	-0-	(644,922)
Payments for bond issuance costs	(126,805)	-0-	-0-	(126,805)
Deferred loss on refunding of 2002 bonds	(241)	-0-	-0-	(241)
Cash paid for interest	(1,254,751)	-0-	-0-	(1,254,751)
Gain on disposal of capital assets	11,690	-0-	-0-	11,690
Proceeds on sale of assets	139,973	-0-	-0-	139,973
Purchase of capital assets	(13,761,430)	-0-	-0-	(13,761,430)
Net cash flows from capital and related financing activities	(18,133,345)	-0-	-0-	(18,133,345)
Investing activities				
Investment income	4,133,965	361,933	-0-	4,495,898
Purchase of investments	(18,310,134)	(3,580,901)	-0-	(21,891,035)
Proceeds from sale of investments	17,057,818	3,488,498	-0-	20,546,316
Net cash flows from investing activities	2,881,649	269,530	-0-	3,151,179
Net change in cash and cash equivalents	10,524,963	58,916	-0-	10,583,879
Cash and cash equivalents				
Beginning of year	18,382,526	407,064	-0-	18,789,590
End of year	\$ 28,907,489	\$ 465,980	\$ -0-	\$ 29,373,469
Reconciliation of cash and cash equivalents to the balance sheets				
Cash and cash equivalents				
In current assets	\$ 24,897,579	\$ 455,186	\$ -0-	\$ 25,352,765
In assets whose use is limited	4,009,910	10,794	-0-	4,020,704
Total cash and cash equivalents	\$ 28,907,489	\$ 465,980	\$ -0-	\$ 29,373,469

See accompanying notes to consolidated financial statements.

RIVERVIEW HOSPITAL

CONSOLIDATED STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2012

	2012			Total reporting entity
	Hospital	Foundation	Eliminations	
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 14,166,001	\$ -0-	\$ -0-	\$ 14,166,001
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation and amortization	10,088,843	-0-	-0-	10,088,843
Amortization of annuities	-0-	(3,984)	-0-	(3,984)
Provision for bad debts	13,765,047	-0-	-0-	13,765,047
Changes in operating assets and liabilities				
Patient accounts receivable	(26,181,390)	-0-	-0-	(26,181,390)
Inventories	(749,934)	-0-	-0-	(749,934)
Other current assets	(13,666,818)	(2,821)	-0-	(13,669,639)
Other assets	(728,239)	61,220	-0-	(667,019)
Accounts payable	6,783,482	(1,500)	-0-	6,781,982
Related party receivables/payables	(745,449)	-0-	-0-	(745,449)
Salaries, wages and fees payable	1,476,990	-0-	-0-	1,476,990
Deferred income	-0-	-0-	-0-	-0-
Other current liabilities	20,964,223	-0-	-0-	20,964,223
Other long-term liabilities	3,116	-0-	-0-	3,116
Net cash flows from operating activities	\$ 25,513,599	\$ 52,915	\$ -0-	\$ 25,566,514
Supplemental cash flows information				
Property acquired through capital lease obligation	\$ 28,957	\$ -0-	\$ -0-	\$ 28,957

See accompanying notes to consolidated financial statements.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Riverview Hospital (Hospital) is a hospital located in Noblesville, Indiana. The Hospital was created by the Board of County Commissioners of Hamilton County, Indiana to operate, control and manage all matters concerning Hamilton County's health care functions. The Hospital is a county owned facility operating under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital provides acute care including inpatient, outpatient and emergency care as well as long-term care. The Board of County Commissioners of Hamilton County appoints the Governing Board of the Hospital. For this reason, the Hospital is considered a discrete component unit of Hamilton County (County).

Pursuant to the provision of long-term care, the Hospital owns the operations of twenty seven long term care facilities by way of an arrangement with the managers of the facilities. These facilities provide inpatient and therapy services. Generally, gross revenues from the operation of the facilities are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the managers shall be on behalf of the Hospital and the Hospital retains the authority and legal responsibility for the operation of the facilities.

The Hospital has entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors, to lease the facilities managed by the Managers. Concurrently, the Hospital entered into agreements with the Managers to manage the above leased facilities. As part of the agreements, the Hospital will pay the Managers a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees, and quarterly incentive payments. The agreements expire at various times through December 31, 2016. The terms of these agreements may be renewed at the end of each term for an additional period of two years. All parties involved can terminate the agreement without cause with 90 days written notice.

Other current assets and liabilities include certain reimbursement receivables, accrued fees and expenses, and working capital balances related to the long-term care facilities.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Accounting principles generally accepted in the United States of America require that these consolidated financial statements present the Hospital (primary government) and its significant component units. The component units discussed below are included in the Hospital's reporting entity because of the significance of their operational or financial relationships.

Blended component units, although legally separate entities, are in substance part of the government's operations and exist solely to provide services for the government; data from these units is consolidated with data of the primary government.

The consolidated financial statements of the Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of Hamilton County, attributable to the transactions of the Hospital, its Subsidiary, and its Foundation. They do not purport to, and do not, present fairly the financial position of Hamilton County as of December 31, 2013 and 2012, the changes in its financial position or its cash flows for the years then ended.

For financial reporting purposes, the Hospital's reporting entity consists of the primary government and the component unit organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and it is financially accountable to the primary government (discrete component unit).

Basis of Consolidation, Blended Component Unit and Non-controlling interest

Riverview Medical Imaging, LLC. (RMI) is a consolidated subsidiary as the Hospital owned approximately 59% and 74% as of December 31, 2013 and 2012, respectively, which in effect renders RMI a blended component unit of the Hospital. RMI primarily owns and leases medical imaging equipment. The non-controlling interest represents the portion of the equity (net position) that is attributable to investors that are external to and not included in the Hospital's consolidated financial statements. Condensed financial information related to RMI is as follows:

	2013	2012
Assets	\$ 3,093,906	\$ 2,572,240
Liabilities	441,344	228,525
Net position	<u>\$ 2,652,562</u>	<u>\$ 2,343,715</u>
Revenue	\$ 540,872	\$ 310,266
Expenses	232,025	3,500
Change in net position	<u>\$ 308,847</u>	<u>\$ 306,766</u>

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

A progression of the net position attributable to the controlling and non-controlling interests follows:

	<u>Controlling Interest</u>	<u>Non-controlling Interest</u>	<u>Total</u>
Net position balances December 31, 2011	\$ 119,386,689	\$ 494,997	\$ 119,881,686
Change in net position	<u>17,103,666</u>	<u>116,713</u>	<u>17,220,379</u>
December 31, 2012	136,490,355	611,710	137,102,065
Change in net position	<u>29,363,016</u>	<u>465,230</u>	<u>29,828,246</u>
December 31, 2013	<u>\$ 165,853,371</u>	<u>\$ 1,076,940</u>	<u>\$ 166,930,311</u>

All significant intercompany transactions have been eliminated in the consolidated financial statements.

Discrete Component Unit

Discretely presented component units are reported in a separate column in the consolidated financial statements to emphasize they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The discretely presented component unit is:

Riverview Hospital Foundation, Inc. (Foundation): A separate not-for-profit entity organized to support the operations of the Hospital. All significant transactions between the Hospital and the Foundation have been eliminated.

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. Actual results could differ from those estimates.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Federal or State Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 12, of the Indiana statutes. The Hospital is exempt from federal income tax under the Internal Revenue Code of 1986 as a not-for-profit organization under Section 501(c)(3). Riverview Hospital Foundation, Inc. is a 501(c)(3) not-for-profit organization.

The blended component unit of RMI is organized as a limited liability company, whereby net taxable income is taxed directly to the members and not this entity. Thus, the financial statements do not include any provision for Federal or State income taxes. RMI has filed its federal and state income returns for periods through December 31, 2013.

These 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).

The discrete component unit of Riverview Hospital Foundation, Inc. is a tax-exempt organization under Internal Revenue Code 501(c) (3). As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization from Income Tax which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and RMI, and recognize a tax liability if they 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 and has concluded that as of December 2013 and 2012, 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 Foundation and RMI are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Cash and Cash Equivalents

Cash and cash equivalents include all cash held in checking, savings and money market accounts available for operating purposes with original maturity dates of 90 days or less from the date of purchase. 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. The Hospital believes that it is not exposed to any significant credit risk on cash and cash equivalents.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Investments in Debt and Equity Securities

Investments in debt and equity securities are reported at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. 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). The Hospital is reimbursed for Medicare and Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping (DRG). The Hospital is reimbursed for Medicare and Medicaid outpatient services based on a fixed price per clinical unit of service. 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. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program. The Medicare program cost reports have been audited through December 31, 2009 with immaterial differences reflected as deductions from revenue in 2013. Amounts from unresolved cost reports for 2010 through 2013 are reflected in estimated third-party payor settlements on the consolidated balance sheets.

Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges net of an allowance for contractual adjustments. The allowance for contractual adjustments is based on expected payment rates from payors based on current reimbursement methodologies. In addition, management estimates an allowance for uncollectible patient accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's patient base.

Advertising

The Hospital expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2013 and 2012 were \$771,725 and \$1,165,744, respectively.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Inventories

Inventories consist primarily of drugs and supplies and are valued at the lower of cost or market with cost being determined on the first-in, first-out (FIFO) method.

Assets Whose Use is Limited

Assets whose use is limited are stated at fair value in the consolidated financial statements. These assets include investments designated by the Hospital Board for internal purposes, investments held by trustees for capital improvements, professional liability insurance and debt service, and donor restricted funds. These investments consist primarily of cash and cash equivalents, certificates of deposit, and mutual funds. Investment income, to the extent not capitalized, is reported as nonoperating income in the consolidated statements of revenues, expenses and changes in net position.

Capital Assets and Depreciation

The Hospital and Foundation's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

<u>Description</u>	<u>Range of Useful Lives</u>
Land improvements	5-20 years
Buildings and improvements	5-40 years
Equipment	3-20 years

Investment in Affiliates

The Hospital has equity interests in several joint ventures. These investments are recorded on the cost and equity methods of accounting in the Hospital's consolidated financial statements.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Accounting Standards

The Hospital has implemented Statement of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, requiring that non-controlling equity interests, which represent the portion of the net position that is attributable to investors that are external to and not included in the Hospital's consolidated financial statements, to now be presented as restricted net position – non-expendable. This statement has been applied retroactively including certain associated disclosures. Further impacts of this standard are immaterial to the financial statements taken as a whole for further disclosure.

As part of the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*, which primarily resulted in the reclassification of the deferred loss on bond refundings (the difference between the reacquisition price and net carrying amount of the old debt) from a contra-liability account component of long-term debt to a deferred outflow and the subsequent write-off of prior debt issuance costs, the 2012 financial statements have been retroactively restated to address the full implementation, including a decrease in net position of approximately \$1,003,000 as of January 1, 2012 and \$824,000 as of December 31, 2012, the effects of which are immaterial to the financial statements taken as whole for further disclosure.

Net Position

Net position of the Hospital is classified in four components. (1) Net invested in capital assets consist of capital assets net of accumulated depreciation plus deferred outflows related to losses on bond refundings which are reduced by the balance of any outstanding borrowings used to finance the purchase or construction of those assets. (2) Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue note indentures. (3) Restricted nonexpendable net position includes the principal portion of permanent endowments and non-controlling interests owned by external investors. (4) Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

The amounts classified as restricted nonexpendable net position for December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Non-controlling interests	\$ 1,076,940	\$ 611,710
Endowments	2,791,634	2,576,005
Total	<u>\$ 3,868,574</u>	<u>\$ 3,187,715</u>

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Hospital Assessment Fee Program

During 2012, Hospital Assessment Fee (HAF) Program for the period July 1, 2011 through June 30, 2013 was approved by Centers for Medicare & Medicaid Services (CMS) retroactive to July 1, 2011. Subsequently, the program has been extended and approved for a multi-year period. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the Hospital assessment fee expense reported in the statement of revenues, expenses and changes in net position.

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. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. During 2013 and 2012, the Hospital recognized Hospital assessment fee expense of approximately \$6,570,000 and \$8,780,000, respectively, which resulted in increased Medicaid reimbursement.

Recent GASB Pronouncements

Management has not currently determined what effects, if any, the implementation of the following recently enacted statements may have on its future financial statements:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, issued June 2012, will be effective for periods beginning after June 15, 2014. This Statement establishes the accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to certain pensions. It will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for government combinations and disposals of government operations occurring in financial reporting periods for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations (mergers, acquisitions, and transfers of operations) and disposals of government operations. The disclosures required by this Statement will enable financial statement users to evaluate the nature and financial effects of those transactions.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013, will be effective for financial reporting periods beginning after June 15, 2013. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. Additional disclosures will be required by both governments that extend and receive financial guarantees.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68*, issued November 2013, will be required to be applied simultaneously with provisions of GASB Statement No. 68 making it effective for periods beginning after June 15, 2014. This Statement amends previous guidance to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

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 30th). 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.

The payment calculation is based upon an initial amount as adjusted for discharges, Medicare and Medicaid utilization using inpatient days multiplied by a factor of total charges excluding charity care to total charges, and a transitional factor that ranges from 100% in first payment year and thereby decreasing 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 agreement requirements. In addition, the financial statement effects of the income must be both recognizable and measurable. During 2013 and 2012, the Hospital recognized \$2,370,537 and \$-0-, respectively, in EHR incentive payments as income. 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.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

EHR incentive income is included in other revenue in the statements of revenues, expenses and changes in net position. 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.

Cost of Borrowing

Except for capital assets acquired through gifts or contributions, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Grants and Contributions

From time to time, the reporting entity receives contributions from individuals and private organizations. Revenues from contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for a specific operating purpose are reported as non-operating revenues.

Amounts restricted for capital acquisitions are reported after non-operating revenues and expenses.

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Operating Revenues and Expenses

The reporting entity's consolidated statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the principal activity. Nonexchange revenues, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

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.

Of the Hospital's total expenses reported, excluding the long-term care expenses, (approximately \$158,000,000 and \$153,500,000 during the years ended December 31, 2013 and 2012, respectively), an estimated \$3,449,000 and \$3,430,000 arose from providing services to charity patients during the years ended December 31, 2013 and December 31, 2012, respectively.

The estimated costs of providing charity 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 divided by gross patient service revenue.

Compensated Absences

The Hospital's employees earn time off at varying rates depending on years of service under separate policies for sick, vacation and personal leaves. Accrued vacation hours are paid at the time of termination. However, accrued sick hours are not paid at the time of termination. The estimated amount of unused time off is reported as a liability in the consolidated financial statements.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Reclassifications

Certain 2012 balances were reclassified to conform to the 2013 presentation. There is no effect on the consolidated change in net position as a result of these reclassifications.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Subsequent Events

The Hospital evaluates events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements are issued which is March 24, 2014.

2. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The following is a summary of net patient service revenue for 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Patient service revenue		
Inpatient	\$ 137,699,213	\$ 135,243,101
Outpatient	224,186,703	210,590,698
Long term care	349,862,518	255,280,286
Gross service patient revenue	<u>711,748,434</u>	<u>601,114,085</u>
Deductions from revenue		
Contractual allowances	265,204,171	233,024,416
Charity care	7,901,777	7,728,639
Provision for bad debts	15,799,501	13,765,047
Total deductions from revenue	<u>288,905,449</u>	<u>254,518,102</u>
Net patient service revenue	<u>\$ 422,842,985</u>	<u>\$ 346,595,983</u>

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

3. ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at year-end consisted of these amounts as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
<u>Patient accounts receivable</u>		
Receivable from patients and their insurance carriers	\$ 28,507,539	\$ 33,490,969
Receivable from Medicare	31,457,100	19,852,907
Receivable from Medicaid	<u>16,496,202</u>	<u>11,426,829</u>
Total patient accounts receivable	76,460,841	64,770,705
Less allowances for contractual agreements	(24,601,164)	(19,310,986)
Less allowances for uncollectible amounts	<u>(8,026,051)</u>	<u>(7,171,837)</u>
Total allowances	<u>(32,627,215)</u>	<u>(26,482,823)</u>
Patient accounts receivable, net	<u>\$ 43,833,626</u>	<u>\$ 38,287,896</u>
<u>Accounts payable and accrued expenses</u>		
Payable to suppliers	\$ 16,100,866	\$ 12,891,479
Payable to employees (including payroll taxes and benefits)	<u>6,888,972</u>	<u>8,216,800</u>
Total accounts payable and accrued expenses	<u>\$ 22,989,838</u>	<u>\$ 21,108,279</u>

4. ASSETS WHOSE USE IS LIMITED

Board Designated Funds

The Hospital funds depreciation expense to meet the capital equipment needs of the facility. Depreciation is funded totally, with expenditures for capital equipment and debt principal payments reducing the long-term investments balance. The Hospital designates other investments to fund specific projects. Interest earned by the long-term investments and other board designated investments accounts are left to accumulate as an addition to the funds. Board designated funds as of December 31, 2013 and 2012 were \$63,291,845 and \$41,600,906, respectively.

Trustee Held Assets

The Hospital deposited funds for certain debt requirements which are held by the trustee in accordance with the trust indenture. Bond funds held as trustee held assets for debt service as of December 31, 2013 and 2012 were \$1,344,996 and 1,346,839, respectively.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

The Hospital also deposits certain funds related to professional liability insurance funds. Professional liability insurance funds as of December 31, 2013 and 2012 were \$981,192 and \$642,751, respectively.

Donor-Restricted - Expendable for Various Purposes

The Hospital has funds which have been donated for specific purposes. The funds must be used for the donor specified purpose. Donor-restricted assets that are expendable for various purposes were \$1,059,375 and \$1,139,117 as of December 31, 2013 and 2012.

Donor-Restricted Nonexpendable Endowments

The Hospital maintains several permanent funds with donor-restricted endowments that totaled \$2,791,634 and \$2,576,005 at December 31, 2013 and 2012, respectively. It is the Hospital's policy that only interest and dividends on investments are authorized for spending. Any appreciation on investments is added to the original endowment and is not authorized for spending.

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets.

5. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Investments are carried at fair market value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Long-term investments consist of mutual funds.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

As of December 31, 2013 and 2012, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital.

December 31, 2013					
Hospital	Carrying amount	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Mutual funds - equities	\$ 35,147,157	\$ 35,147,157	\$ -0-	\$ -0-	\$ -0-
Mutual funds - fixed income	25,187,128	25,187,128	-0-	-0-	-0-
	\$ 60,334,285	\$ 60,334,285	\$ -0-	\$ -0-	\$ -0-
Foundation					
Mutual funds - equities	\$ 2,600,795	\$ 2,600,795	\$ -0-	\$ -0-	\$ -0-
Mutual funds - fixed income	1,139,315	1,139,315	-0-	-0-	-0-
Certificates of deposit	75,000	-0-	75,000	-0-	-0-
	\$ 3,815,110	\$ 3,740,110	\$ 75,000	\$ -0-	\$ -0-
December 31, 2012					
Hospital	Carrying amount	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Mutual funds - equities	\$ 16,239,419	\$ 16,239,419	\$ -0-	\$ -0-	\$ -0-
Mutual funds - fixed income	23,430,017	23,430,017	-0-	-0-	-0-
	\$ 39,669,436	\$ 39,669,436	\$ -0-	\$ -0-	\$ -0-
Foundation					
Mutual funds - equities	\$ 1,873,873	\$ 1,873,873	\$ -0-	\$ -0-	\$ -0-
Mutual funds - fixed income	1,101,111	1,101,111	-0-	-0-	-0-
Certificates of deposit	75,000	75,000	-0-	-0-	-0-
	\$ 3,049,984	\$ 3,049,984	\$ -0-	\$ -0-	\$ -0-

Interest rate risk - The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk - Statutes authorize the Hospital to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Concentration of credit risk - The Hospital places no limit on the amount it may invest in any one issuer. The Hospital maintains its investments, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on investments.

Deposits, investments, and other consist of the following as of December 31, 2013 and 2012:

	2013	2012
Hospital		
Carrying amount		
Deposits	\$ 40,655,783	\$ 28,907,489
Investments	60,334,284	39,669,436
	\$ 100,990,067	\$ 68,576,925
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 35,336,135	\$ 24,897,579
Board designated funds	63,238,894	41,600,906
Trustee held assets	2,326,188	1,989,590
Restricted by donor	88,850	88,850
	\$ 100,990,067	\$ 68,576,925
Foundation		
Carrying amount		
Deposits	\$ 256,230	\$ 465,980
Investments	3,815,110	3,049,984
Pledges receivable	-0-	478,452
	\$ 4,071,340	\$ 4,081,458
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 256,230	\$ 455,186
Board designated funds	52,951	-0-
Restricted by donor	3,762,159	3,626,272
	\$ 4,071,340	\$ 4,081,458

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

6. FAIR VALUE 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.

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 December 31, 2013 and 2012.

- *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 (NAV) and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.
- *Interest rate swap agreements*: Valued using pricing models that are derived principally from observable market data based on discounted cash flows and interest rate yield curves at quoted intervals for the full term of the swap.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 are as follows:

Hospital	2013			
	Total	Level 1	Level 2	Level 3
Assets:				
Assets whose use is limited				
Mutual funds				
Small value	\$ 2,488,547	\$ 2,488,547	\$ -0-	\$ -0-
Mid-cap growth	2,643,516	2,643,516	-0-	-0-
Mid-cap blend	5,312,928	5,312,928	-0-	-0-
Large value	3,345,777	3,345,777	-0-	-0-
Large growth	3,249,263	3,249,263	-0-	-0-
Large blend	13,449,653	13,449,653	-0-	-0-
Foreign	4,657,470	4,657,470	-0-	-0-
Bond	25,185,670	25,185,670	-0-	-0-
Other	1,460	1,460	-0-	-0-
	60,334,284	\$ 60,334,284	\$ -0-	\$ -0-
Cash and cash equivalents	5,319,648			
Total Investments limited as to use	\$ 65,653,932			
Interest rate swap agreement	\$ 411,217	\$ -0-	\$ 411,217	\$ -0-
Liabilities:				
Interest rate swap agreement	\$ 372,486	\$ -0-	\$ 372,486	\$ -0-
Foundation				
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds				
Small growth	\$ 268,629	\$ 268,629	\$ -0-	\$ -0-
Small value	160,837	160,837	-0-	-0-
Mid value	157,632	157,632	-0-	-0-
Large value	607,302	607,302	-0-	-0-
Large growth	373,830	373,830	-0-	-0-
Mid blend	83,832	83,832	-0-	-0-
Large blend	948,191	948,191	-0-	-0-
Fixed income	1,139,857	1,139,857	-0-	-0-
	3,740,110	\$ 3,740,110	\$ -0-	\$ -0-
Certificates of deposit *	75,000			
	\$ 3,815,110			

* Certificates of deposit are reported at contract value

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 are as follows:

Hospital	2012			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Mutual funds				
Small value	\$ 1,085,763	\$ 1,085,763	\$ -0-	\$ -0-
Mid-cap growth	527,949	527,949	-0-	-0-
Mid-cap value	2,184,244	2,184,244	-0-	-0-
Mid-cap blend	886,395	886,395	-0-	-0-
Large value	2,122,010	2,122,010	-0-	-0-
Large growth	2,663,567	2,663,567	-0-	-0-
Large blend	686,274	686,274	-0-	-0-
Foreign	4,264,206	4,264,206	-0-	-0-
Bond	23,428,843	23,428,843	-0-	-0-
Other	1,820,185	1,820,185	-0-	-0-
	39,669,436	\$ 39,669,436	\$ -0-	\$ -0-
Cash and cash equivalents	4,009,910			
	\$ 43,679,346			
Foundation				
Assets:				
Assets whose use is limited				
Mutual funds				
Small growth	\$ 87,762	\$ 87,762	\$ -0-	\$ -0-
Small value	301,308	301,308	-0-	-0-
Foreign small/mid Value	69,898	69,898	-0-	-0-
Large value	544,682	544,682	-0-	-0-
Large growth	492,196	492,196	-0-	-0-
Large blend	171,000	171,000	-0-	-0-
Foreign large blend	102,715	102,715	-0-	-0-
Diversified emerging mkts	104,312	104,312	-0-	-0-
Fixed income	1,101,111	1,101,111	-0-	-0-
	2,974,984	\$ 2,974,984	\$ -0-	\$ -0-
Certificates of deposit *	75,000			
	\$ 3,049,984			

* Certificates of deposit are reported 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 2013 and 2012.

Realized gains and losses and interest income are reported in the consolidated statements of revenues, expenses, and changes in net position as a component of investment income. Net realized gains and losses and interest income approximated \$1,530,000 and \$1,830,000 during 2013 and 2012 respectively.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

The market value of investments exceeded the cost by approximately \$6,900,000 and \$2,200,000 as of December 31, 2013 and 2012, respectively. The unrealized gains are included in earnings for the period attributable to the change in unrealized gains relating to assets held as of December 31, 2013 and 2012. During 2013 and 2012, the Hospital recognized an unrealized gain of approximately \$4,700,000 and \$1,900,000, respectively, which is included in the consolidated statement of revenues, expenses, and changes in net position as a component of investment income.

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:

Long-term debt: Fair value of the Hospital's long-term debt, estimated using discounted cash flow analysis, for the Series 2005, 2011, 2012, and 2013 bonds approximated \$39,000,000 and \$42,300,000 as of December 31, 2013 and 2012, respectively.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

7. CAPITAL ASSETS

Capital asset progressions for 2013 and 2012 follow:

	December 31, 2012	Additions	Retirements	Transfers	December 31, 2013
Hospital					
Land	\$ 9,814,610	\$ -0-	\$ -0-	\$ -0-	\$ 9,814,610
Land improvements	2,418,394	36,305	-0-	41,181	2,495,880
Buildings and improvements	92,788,115	1,692,045	(52,804)	1,603,861	96,031,217
Equipment	103,097,766	4,834,736	(937,733)	3,558,602	110,553,371
Construction in progress	3,839,661	8,935,703	-0-	(5,203,644)	7,571,720
Total capital assets	211,958,546	15,498,789	(990,537)	-0-	226,466,798
Less accumulated depreciation					
Land improvements	1,680,496	123,826	-0-	-0-	1,804,322
Buildings and improvements	42,616,479	3,881,739	-0-	-0-	46,498,218
Equipment	75,318,161	7,079,548	(922,315)	-0-	81,475,394
Total accumulated depreciation	119,615,136	11,085,113	(922,315)	-0-	129,777,934
Capital assets, net	\$ 92,343,410	\$ 4,413,676	\$ (68,222)	\$ -0-	\$ 96,688,864
Foundation					
Equipment	\$ 15,380	\$ -0-	\$ -0-	\$ -0-	\$ 15,380
Less accumulated depreciation	15,380	-0-	-0-	-0-	15,380
Capital assets, net	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
	December 31, 2011	Additions	Retirements	Transfers	December 31, 2012
Hospital					
Land	\$ 10,915,010	\$ -0-	\$ -0-	\$ (1,100,400)	\$ 9,814,610
Land improvements	2,261,019	139,807	-0-	17,568	2,418,394
Buildings and improvements	87,772,414	175,123	(125,476)	4,966,054	92,788,115
Equipment	97,638,524	6,234,405	(3,960,095)	3,184,932	103,097,766
Construction in progress	3,666,763	7,241,052	-	(7,068,154)	3,839,661
Total capital assets	202,253,730	13,790,387	(4,085,571)	-0-	211,958,546
Less accumulated depreciation					
Land improvements	1,566,288	114,208	-0-	-0-	1,680,496
Buildings and improvements	38,946,738	3,677,609	(7,868)	-0-	42,616,479
Equipment	72,953,202	6,290,999	(3,926,040)	-0-	75,318,161
Total accumulated depreciation	113,466,228	10,082,816	(3,933,908)	-0-	119,615,136
Hospital capital assets, net	\$ 88,787,502	\$ 3,707,571	\$ (151,663)	\$ -0-	\$ 92,343,410
Foundation					
Equipment	\$ 15,380	\$ -0-	\$ -0-	\$ -0-	\$ 15,380
Less accumulated depreciation	15,380	-0-	-0-	-0-	15,380
Foundation capital assets, net	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

8. LONG-TERM DEBT

In October 2013, the Hospital issued \$17 million in Revenue bonds with a variable interest rate of the one-month LIBOR rate plus .925% to refund approximately \$16.4 million of outstanding 2010 series bonds with a fixed interest rate. The net proceeds of \$16.8 million (after bond issuance costs of approximately \$170,000) were used to purchase U.S. government securities. Those securities were deposited in an independent irrevocable trust with an escrow agent to provide for extinguishment of all outstanding debt service on the 2010 Series bonds. As a result, the 2010 Series bonds were in-substance defeased in 2013 by the Hospital. The 2010 bonds were fully refunded with the independent irrevocable trust on January 2, 2014.

These transactions in essence created a deferred loss on the refunding of the 2010 bonds of \$2,182,314 calculated as follows:

Reacquisition price (funds required to be deposited in escrow fund to refund old bonds)	\$ 16,829,151 *
Net carrying amount of old bonds	<u>(14,646,837) **</u>
Deferred loss on refunding	<u>\$ 2,182,314</u>

* Funds available to accomplish the refunding were:

Funds provided from issuance of new bonds	\$ 17,000,000
Funds used for new 2013 bond issuance costs	<u>(170,849)</u>
	<u>\$ 16,829,151</u>

**Net carrying amount consist of:

Principal outstanding prior to refunding	\$ 16,377,374
Deferred loss on 2010 bond refunding	<u>(1,730,537)</u>
	<u>\$ 14,646,837</u>

On December 1, 2012, the Hospital issued \$16.9 million in Revenue bonds with a variable interest rate of the one-month LIBOR rate plus 1.295% to refund \$16.9 million of outstanding 2004 series bonds with a variable interest rate. The net proceeds of \$16.9 million (after bond issuance costs of approximately \$127,000 and approximately \$127,000 of associated trustee assets) were used to pay all outstanding principal and interest on the called 2004 series bonds.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

These transactions in essence created a deferred loss on the refunding of the 2004 bonds of \$421 calculated as follows:

Reacquisition price (funds required to be deposited in escrow fund to refund old bonds)	\$ 16,900,421 *
Net carrying amount of old bonds	<u>(16,900,000) **</u>
Deferred loss on refunding	<u><u>\$ 421</u></u>

* Funds available to accomplish the refunding were:

Funds provided from issuance of new bonds	\$ 16,900,000
2004 bond expense fund into 2012 escrow	127,226
Funds used for new 2012 bond issuance costs	<u>(126,805)</u>
	<u><u>\$ 16,900,421</u></u>

**Net carrying amount consist of:

Principal outstanding prior to refunding	<u><u>\$ 16,900,000</u></u>
--	-----------------------------

The terms and due dates of the Hospital's long-term debt, including capital lease obligations as of December 31, 2013 and 2012 follow:

- 2005 tax-exempt revenue bonds, principal maturing in varying amounts due August 1, 2017, collateralized by bond funds held by trustee and net revenues of the Hospital. Interest rates for serial bonds range from 2.50% to 4.50%.
- 2010 tax-exempt revenue bonds, principal maturing in varying amounts due December 29, 2025, collateralized by net revenues of the Hospital. Interest rate is fixed at 3.9%. These bonds were paid in full during 2013.
- 2011 tax-exempt revenue bonds, principal maturing in varying amounts due September 1, 2021, collateralized by net revenues of the Hospital. Interest rate is fixed at 4.2%.
- 2012 tax-exempt revenue bonds, principal maturing in varying amounts due December 1, 2027, collateralized by net revenues of the Hospital. Interest rate is variable at 1.42% as of December 31, 2013. An associated interest rate swap has fixed rate of 2.67% with an asset fair value of approximately \$400,000 as of December 31, 2013 which is included in the consolidated balance sheets.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

- 2013 tax-exempt revenue bonds, principal maturing in varying amounts due October 1, 2028, collateralized by net revenues of the Hospital. Interest rate is variable at 1.04% as of December 31, 2013. An associated interest rate swap has fixed rate of 3.10% with a liability fair value of approximately \$373,000 as of December 31, 2013 which is included in the consolidated balance sheets.
- Tipton Family Practice note payable, principal maturing in varying amounts due December 5, 2014. Interest rate is fixed at 5%.
- Capital lease obligations, at varying interest rates of imputed interest of 6.00% to 6.75%, collateralized by leased equipment with cost of \$4,758,234 and \$4,329,391 as of December 31, 2013 and 2012, respectively. Accumulated depreciation on capital leases was \$3,657,282 and \$2,743,702 as of December 31, 2013 and 2012, respectively.

Under the terms of the revenue bond indenture, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with restricted cash and investments in the consolidated balance sheet. The revenue bond indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performances as long as the notes are outstanding. The Hospital is also required to meet certain financial covenants. The Hospital believes it is in compliance with all covenants as of December 31, 2013 and 2012. A summary of long-term debt as of December 31, 2013 and 2012 includes the following:

	December 31, 2012	Additional Borrowings	Payments	December 31, 2013	Current Portion
Revenue bonds payable					
2005 Bonds	\$ 4,310,000	\$ -0-	\$ 790,000	\$ 3,520,000	\$ 820,000
2010 Bonds	17,240,135	-0-	17,240,135	-0-	-0-
2011 Bonds	6,277,595	-0-	606,493	5,671,102	632,463
2012 Bonds	16,900,000	-0-	935,000	15,965,000	960,000
2013 Bonds	-0-	17,000,000	75,000	16,925,000	905,000
Total revenue bonds	<u>44,727,730</u>	<u>17,000,000</u>	<u>19,646,628</u>	<u>42,081,102</u>	<u>3,317,463</u>
Tipton Family Practice note payable	338,748	-0-	163,903	174,845	174,845
Capital lease obligations	799,483	428,843	664,902	563,424	255,808
	<u>\$ 45,865,961</u>	<u>\$ 17,428,843</u>	<u>\$ 20,475,433</u>	<u>\$ 42,819,371</u>	<u>\$ 3,748,116</u>

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

	December 31, 2011	Additional Borrowings	Payments	December 31, 2012	Current Portion
Revenue bonds payable					
2004 Bonds	\$ 17,400,000	\$ -0-	\$ 17,400,000	\$ -0-	\$ -0-
2005 Bonds	5,065,000	-0-	755,000	4,310,000	790,000
2010 Bonds	18,239,151	-0-	999,016	17,240,135	1,038,699
2011 Bonds	6,859,186	-0-	581,591	6,277,595	606,494
2012 Bonds	-0-	16,900,000	-0-	16,900,000	935,000
Total revenue bonds	<u>47,563,337</u>	<u>16,900,000</u>	<u>19,735,607</u>	<u>44,727,730</u>	<u>3,370,193</u>
Tipton Family Practice note payable	-0-	528,225	189,477	338,748	165,837
Capital lease obligations	1,415,448	28,957	644,922	799,483	605,416
	<u>\$ 48,978,785</u>	<u>\$ 17,457,182</u>	<u>\$ 20,570,006</u>	<u>\$ 45,865,961</u>	<u>\$ 4,141,446</u>

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

Year Ending December 31,	Long-term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2014	\$ 3,492,308	\$ 1,316,854	\$ 255,808	\$ 50,966
2015	3,444,543	1,193,809	105,870	25,077
2016	3,562,784	1,070,595	93,128	12,700
2017	3,697,233	942,906	92,705	7,799
2018	2,842,944	821,150	15,913	3,168
2019-2023	13,661,135	2,739,535	-0-	214
2024-2028	11,555,000	846,622	-0-	-0-
	<u>42,255,947</u>	<u>\$ 8,931,471</u>	<u>\$ 563,424</u>	<u>\$ 99,924</u>

The future maturities related to the 2012 and 2013 bonds are based upon two interest rate swap agreements, the effects of which are immaterial to the financial statements.

9. PENSION PLAN

Plan Description

The Hospital has two defined contribution pension plans: the Riverview Hospital Employees Pension Plan and the Riverview Hospital 403(b) Retirement Plan. Both cover all employees who meet eligibility requirements as to age and length of service. The plans provide retirement, disability and death benefits to plan members and beneficiaries. The plans were established by written agreement between the Hospital Board of Trustees and the plan administrators.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

The Riverview Hospital Employees Pension Plan covers all eligible employees who have been employed by the Hospital prior to July 1, 2008 and the Hospital is required to contribute 3% of an employee's compensation up to \$200,000. Employees who started employment subsequent to June 30, 2008 are not eligible for the plan.

Up until December 31, 2010, the Hospital was required to match 25% of an employee's contribution up to a maximum of 6% of the employee's compensation to the Riverview Hospital 403(b) Retirement Plan. The maximum employee contribution is subject to regulatory caps. As of January 1, 2011, the Plan was amended so that the match rate on employee contributions became discretionary. During 2013, the Hospital did not match contributions on the 403(b) plan.

Employer contributions including both plans were \$453,687 and \$1,233,427 for 2013 and 2012, respectively.

10. COMMITMENTS AND CONTINGENCIES

Operating leases - lessee: The Hospital is committed under various noncancelable operating leases for equipment and facilities. These expire in various years through 2017 with options to renew.

The following is a schedule of future minimum lease payments under noncancelable operating leases as of December 31, 2013, that have initial or remaining lease terms in excess of one year.

Year ending December 31,	
2014	\$ 1,126,547
2015	1,068,948
2016	1,010,009
2017	<u>801,755</u>
	<u>\$ 4,007,259</u>

Operating leases – lessor: The Hospital leases space to tenants under operating leases with terms of one to ten years. Leased space consists of buildings with a total cost of approximately \$9,900,000 and \$9,800,000 as of December 31, 2013 and 2012, respectively, and accumulated depreciation of approximately \$5,600,000 and \$5,400,000 as of December 31, 2013 and 2012, respectively. Total rental income for all operating leases was approximately \$1,100,000 and \$1,200,000 for 2013 and 2012, respectively.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Future minimum rentals under the leases are as follows:

Year ending December 31,	
2014	\$ 614,231
2015	448,054
2016	247,221
2017	209,193
2018	198,477
2019-2021	<u>469,255</u>
	<u>\$ 2,186,431</u>

Litigation: The Hospital is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position, results of operations or cash flows.

11. CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables and gross patient service revenues from patients and third-party payors for 2013 and 2012 was as follows:

	<u>Receivables</u>		<u>Revenues</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Self pay	14%	20%	13%	12%
Medicare	41%	31%	44%	45%
Medicaid	22%	18%	23%	22%
Anthem/Blue Cross	8%	7%	9%	10%
Other Commercial	15%	24%	11%	11%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

12. JOINT VENTURES

VHA Tri-State Health Plans, Inc.: The Hospital has ownership in a joint venture with numerous other hospitals located throughout the State of Indiana. The purpose of the venture is to provide a preferred provider network available to employers in the service area of the investor hospital, which the hospitals would not be able to economically provide on an independent basis.

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

The Hospital contributed capital of \$1,000 for approximately 5% ownership. The investment is recorded using the cost method and is included in other assets on the consolidated balance sheets. VHA Tri-State Health Plans, Inc. has a 3.11% ownership in HealthCare Group, Inc., which has the same purpose as VHA Tri-State Health Plans, Inc.

Riverview Surgical Management Association: The Hospital has a 37.4% ownership in Riverview Surgical Management Association (RSMA). RSMA has been contracted by the Hospital to operate the surgery center and provide management services thereto. RSMA provides complete management and administrative services for and on behalf of the Hospital. This agreement automatically renews for successive one-year terms unless either party provides written notice at least ninety days prior to the end of the term. The Hospital recorded an asset of \$834,580 as of December 31, 2013 and 2012. The investment is recorded using the equity method and is included in other assets on the consolidated balance sheets. Amounts paid to RSMA in 2013 and 2012 were approximately \$3,800,000 and \$3,600,000, respectively, comprising of management fees, lease payments and other expenses.

Amounts receivable and payable from related parties as of December 31, 2013 and 2012 are included related party receivables and related party payables in the accompanying consolidated balance sheets.

13. SELF INSURANCE

The Hospital's employee health care insurance is provided through a combination of self-insurance and purchased 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. Total self-health insurance expense for 2013 and 2012 was approximately \$4,800,000 and \$4,900,000, respectively. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Changes in balance of health claim liabilities during 2013 and 2012 are as follows:

	2013	2012
Unpaid claims, beginning of year	\$ 661,448	\$ 918,060
Incurred claims and changes in estimates	4,818,797	4,882,998
Claim payments	<u>(4,621,345)</u>	<u>(5,139,610)</u>
Unpaid claims, end of year	<u>\$ 858,900</u>	<u>\$ 661,448</u>

RIVERVIEW HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

The estimated health claims liability is included in salaries, wages, and related payables on the consolidated balance sheets. The plan has annual reinsurance coverage at a specific level of \$180,000 per claim with a maximum reimbursement per covered employee of \$2,000,000.

14. ESTIMATED MALPRACTICE COSTS

The Hospital has a self-insurance plan for professional liability insurance. A third-party claims administrator has been retained to process all benefit claims. Claims are processed and presented for payment upon occurrence. The Hospital makes periodic deposits into a trust fund for the proper administration and protection of the fund.

The Indiana Medical Malpractice Act, IC 34-18 (Act) provides a maximum recovery of \$1,250,000 for an occurrence of malpractice. The Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least \$250,000 per occurrence and \$7,500,000 in the annual aggregate. The act also requires the Hospital to pay a surcharge to the State Patient's Compensation Fund (Fund). The Fund is used to pay medical malpractice claims in excess of per occurrence and the annual aggregate amounts as noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not reasonably estimable. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

15. SUBSEQUENT EVENT

During January 2014, the Hospital terminated its agreement with one of the long-term care facility management companies. This long-term care facility had assets of approximately \$2,100,000 as of December 31, 2013.