

**Beaver Island Rural Health Center
Beaver Island, Michigan**

FINANCIAL STATEMENTS

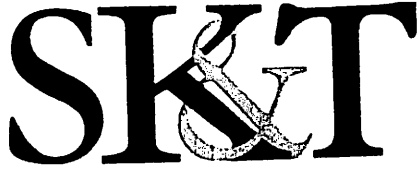
September 30, 2017

Beaver Island Rural Health Center

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STEVENS KIRINOVIC & TUCKER P.C.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Beaver Island Rural Health Center
Beaver Island, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Beaver Island Rural Health Center (a nonprofit corporation) (the Organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Beaver Island Rural Health Center as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

The comparative information presented herein as of and for the year ended September 30, 2016, was derived from financial statements that were audited by other auditors whose report dated March 10, 2017, expressed an unmodified opinion on those statements.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

March 12, 2018

Beaver Island Rural Health Center
STATEMENT OF FINANCIAL POSITION

September 30, 2017
(With Comparative Totals for September 30, 2016)

	2017	2016
ASSETS		
Current assets		
Cash	\$ 423,635	\$ 391,568
Investment - certificate of deposit	2,849	2,849
Accounts receivable, net	14,983	21,460
Other receivables	-	1,356
Prepays	5,046	803
Inventory	10,072	10,249
Total current assets	456,585	428,285
Noncurrent assets		
Fixed assets not being depreciated	133,380	133,380
Fixed assets, net of accumulated depreciation	909,143	949,843
Total noncurrent assets	1,042,523	1,083,223
TOTAL ASSETS	\$ 1,499,108	\$ 1,511,508
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 10,606	\$ 20,994
Accrued liabilities	7,306	6,034
Current portion of capital lease payable	-	5,497
Total current liabilities	17,912	32,525
Noncurrent liabilities		
Noncurrent portion of capital lease payable	-	2,118
Total liabilities	17,912	34,643
NET ASSETS		
Unrestricted	1,453,029	1,452,794
Temporarily restricted	28,167	24,071
Total net assets	1,481,196	1,476,865
TOTAL LIABILITIES AND NET ASSETS	\$ 1,499,108	\$ 1,511,508

Beaver Island Rural Health Center

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017
(With Comparative Totals for Year Ended September 30, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
SUPPORT AND REVENUE				
Local grants				
Township millages	\$ 192,168	\$ -	\$ 192,168	\$ 200,012
Charlevoix County Community Foundation	71,000	-	71,000	56,000
Other	-	13,286	13,286	6,500
State funding	100,000	-	100,000	100,000
Local contributions	15,150	9,787	24,937	26,238
Special events, net	-	-	-0-	12,882
Service revenues	172,740	-	172,740	145,139
Rental income	3,057	-	3,057	3,732
Reimbursements	6,359	-	6,359	12,468
Interest revenue	357	-	357	385
Net assets released from restrictions	18,977	(18,977)	-0-	-0-
TOTAL SUPPORT AND REVENUE	579,808	4,096	583,904	563,356
EXPENSES				
Wages	263,116	-	263,116	267,205
Payroll taxes	20,518	-	20,518	20,650
Fringe benefits	25,483	-	25,483	28,929
Supplies	36,729	-	36,729	36,038
Professional services and fees	24,314	-	24,314	20,169
Contracted services	55,022	-	55,022	50,010
Occupancy	21,029	-	21,029	25,377
Telephone	3,590	-	3,590	4,570
Internet	11,433	-	11,433	11,200
Insurance	14,991	-	14,991	16,629
Printing and publication	3,533	-	3,533	4,090
Postage and shipping	1,805	-	1,805	1,585
Repairs and maintenance	12,563	-	12,563	24,518
Travel	7,272	-	7,272	3,641
Contributions	12,500	-	12,500	-0-
Interest expense	388	-	388	2,233
Other	24,587	-	24,587	6,799
Depreciation expense	40,700	-	40,700	41,299
TOTAL EXPENSES	579,573	-0-	579,573	564,942
CHANGE IN NET ASSETS	235	4,096	4,331	(1,586)
Net assets, beginning of year	1,452,794	24,071	1,476,865	1,478,451
Net assets, end of year	<u>\$ 1,453,029</u>	<u>\$ 28,167</u>	<u>\$ 1,481,196</u>	<u>\$ 1,476,865</u>

See accompanying notes to financial statements.

Beaver Island Rural Health Center

STATEMENT OF CASH FLOWS

Year Ended September 30, 2017
 (With Comparative Totals for Year Ended September 30, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,331	\$ (1,586)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	40,700	41,299
(Increase) decrease in:		
Accounts receivable, net	6,477	(5,961)
Other receivables	1,356	2,413
Prepays	(4,243)	(803)
Inventory	177	(4,020)
Increase (decrease) in:		
Accounts payable	(10,388)	(13,936)
Accrued liabilities	1,272	(12,608)
	<u>39,682</u>	<u>4,798</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment/forgiveness of capital lease	(7,615)	(4,414)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>-</u>	<u>(2,205)</u>
NET INCREASE (DECREASE) IN CASH	32,067	(1,821)
Cash, beginning of year	<u>391,568</u>	<u>393,389</u>
Cash, end of year	<u><u>\$ 423,635</u></u>	<u><u>\$ 391,568</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid during the year	<u><u>\$ 388</u></u>	<u><u>\$ 2,233</u></u>

Beaver Island Rural Health Center
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Beaver Island Rural Health Center (the Organization) was organized in 1973. The Organization's office is located in St. James Township, Beaver Island, Michigan. The Organization is a nonprofit corporation offering medical services. The Organization was created to operate and maintain a rural medical care facility for the benefit of the general public.

The Board of Directors of the Organization is comprised of eight (8) members. The majority of Beaver Island Rural Health Center's revenue is from professional charges for services, grants, and other public support.

The accounting policies of the Organization conform to U.S. generally accepted accounting principles (GAAP) as applicable to nonprofit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles.

The following is a summary of the significant accounting policies of the Organization:

Basis of Presentation - In accordance with GAAP, the Organization is required to report information regarding its financial position and activities according to three (3) classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. Currently the Organization has no net assets classified as permanently restricted.

GAAP also require contributions received to be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The financial statements of the Organization are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

Cash - Cash consists of petty cash, a checking account, and a money market account.

Investment - The investment consists of a certificate of deposit with an original maturity period of greater than ninety (90) days. The investment has a readily determinable fair value and is stated at fair value at September 30, 2017.

Inventory - Inventory consists of medical supplies on hand and is charged as an expense at the time of sale. These items are valued at cost on a first in/first out basis.

Service Revenues - Service revenues represent the estimated net realizable amounts from patients, third party payers and others for services rendered.

Contributions - All contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support, revenue, and expenses as net assets released from restrictions.

Local Grants and State Funding - Local grants and State funding are funds from the local Townships that levy a tax millage to support the Organization and the State of Michigan that are for particular operating purposes. These funds are not considered to be contributions and are recognized as revenue when expenses are incurred under the appropriate activity type (i.e., unrestricted).

Beaver Island Rural Health Center

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - Beaver Island Rural Health Center is a nonprofit corporation and has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. Beaver Island Rural Health Center is not classified as a private foundation.

Accounts Receivable - Accounts receivable from patients, insurance companies, and governmental agencies are based on net charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging as is agreed to by the Board of Directors. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible or when they are turned over to collections. An allowance for contractual adjustments is also established on an aggregate basis and is computed based on agreements with third-party payers that provide payments to the Organization at amounts different than established charges. Contractual adjustments are written off against the allowance for contractual adjustments in the period payment is received.

Fixed Assets - Fixed assets include land, land improvements, buildings and improvements, equipment and furniture, and vehicles and are capitalized at total acquisition cost. The Organization's policy is to capitalize items costing over \$1,000 that have a useful life greater than one year. Fixed assets acquired by the Organization are stated at cost, if purchased, or at fair value, if donated. The cost of normal maintenance that does not add to the value of assets or materially extend the asset lives is not capitalized. Depreciation is provided using either the straight line or the double declining balance methods over the useful lives of the respective assets as follows:

Buildings and improvements	10-39 years
Equipment and furniture	5-10 years
Land improvements	10 years
Vehicles	5 years

Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allocated Costs - Certain costs of the Beaver Island Rural Health Center have been allocated to program service activities. Salaries and related expenses have been allocated to program service activities based upon time percentages for each employee. Most other costs are either charged directly or are allocated to program service activities based on average time percentages of all employees in total.

Donated Materials and Service - The Organization will record various types of in-kind contributions in accordance with GAAP. GAAP require recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. During the year ended September 30, 2017, Beaver Island Rural Health Center received no material donated items. The value of donated services is unknown and therefore has not been recorded in the financial statements as required by GAAP.

Comparative Data - Comparative total data for the prior year have been presented in the selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Organization's financial position and operations. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Subsequent Events - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 12, 2018, the date the financial statements were available to be issued.

Beaver Island Rural Health Center
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B: CONCENTRATION OF CREDIT RISK

Beaver Island Rural Health Center had cash at financial institutions that exceeded federal depository insurance coverage by \$33,334 as of September 30, 2017.

NOTE C: ACCOUNTS RECEIVABLE

The details of accounts receivable are as follows for the year ended September 30, 2017:

Accounts Receivable	\$	27,144
Less: Allowance for Uncollectible Accounts		<u>(12,161)</u>
	\$	<u>14,983</u>

NOTE D: FIXED ASSETS

The following is a summary of the changes in fixed assets for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
Fixed assets not being depreciated				
Land	\$ 133,380	\$ -	\$ -	\$ 133,380
Fixed assets being depreciated				
Land Improvements	5,855	-	-	5,855
Building and Improvements	1,363,579	-	-	1,363,579
Equipment and Furniture	228,784	-	-	228,784
Vehicles	8,779	-	-	8,779
	<u>1,606,997</u>	<u>-0-</u>	<u>-0-</u>	<u>1,606,997</u>
Total fixed assets being depreciated	1,606,997	-0-	-0-	1,606,997
Less accumulated depreciation for:				
Land Improvements	(5,855)	-	-	(5,855)
Building and Improvements	(437,051)	(36,206)	-	(473,257)
Equipment and Furniture	(210,883)	(2,738)	-	(213,621)
Vehicles	(3,365)	(1,756)	-	(5,121)
	<u>(657,154)</u>	<u>(40,700)</u>	<u>-0-</u>	<u>(697,854)</u>
Total accumulated depreciation	(657,154)	(40,700)	-0-	(697,854)
Net fixed assets being depreciated	949,843	(40,700)	-0-	909,143
Net fixed assets	<u>\$ 1,083,223</u>	<u>\$ (40,700)</u>	<u>\$ -0-</u>	<u>\$ 1,042,523</u>

Beaver Island Rural Health Center
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE E: CAPITAL LEASE

In 2013 the Organization entered into a capital lease agreement for telephone equipment. The price of the equipment was \$20,000. The Organization had the remaining lease obligation forgiven during the year. The following table shows the activity for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
Capital Lease Payable	\$ 7,615	\$ -	\$ (7,615)	\$ -0-

NOTE F: TEMPORARILY RESTRICTED NET ASSETS

The following is a summary of temporarily restricted net assets for the year ended September 30, 2017:

Breast Health	\$ 1,680
Board Reimbursement	422
Senior Help Mate	4,176
Landscaping	8,416
BIHSC	16
Other	13,457
	\$ 28,167

NOTE G: FUNCTIONAL EXPENSES

The Organization provides general healthcare services to patients within its geographic location. Expenses related to providing these services for the year ended September 30, 2017 were as follows:

Program services	\$ 347,392
Management and general	232,181
	\$ 579,573

NOTE H: DEFINED CONTRIBUTION RETIREMENT PLAN

Beaver Island Rural Health Center participates in a SIMPLE IRA Retirement Plan, which covers substantially all full-time employees of the Organization. Beaver Island Rural Health Center matches up to 3% of the employee's gross compensation. The Organization's contribution for the year ended September 30, 2017 was \$5,000.

Beaver Island Rural Health Center

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I: ASSETS HELD BY OTHERS

Through its fundraising activities, the Organization accepts donations directly or encourages donors to contribute to either the Beaver Island Rural Health Center Endowment Fund, from which only the interest earned from the principal may be spent; or the Beaver Island Rural Health Center Special Projects Fund, which may be spent as necessary by the Organization. These funds are maintained by the Charlevoix County Community Foundation (the Foundation). The Foundation has explicit variance power and therefore these amounts are not shown in the financial statements of the Organization. This variance power allows the Foundation to modify any restrictions or considerations on the distributions of the fund. Distributions will be made to the Organization annually according to the spending guidelines. Summary financial information of the funds follows:

	<u>Pooled Investments</u>
Endowment Fund	\$ 1,545,894
Special Projects Fund	<u>143,518</u>
	<u>\$ 1,689,412</u>

The Endowment Fund has \$294,015 of spendable assets as of September 30, 2017. Grants from the Community Foundation are recognized by the Organization in the year they are received. For the year ended September 30, 2017 the Organization received \$71,000 from the Foundation.

NOTE J: RELATED PARTIES

Beaver Island Rural Health Center's bookkeeper and a member of the Board of Directors are considered related parties due to the fact that they are married to one another. Neither of these individuals has check signing authority nor does the board member serve on the Finance or Audit Committee. The Board of Directors is aware of this relationship. Bookkeeping services totaling \$4,395 were charged to the Organization and were considered arm's length transactions. \$720 was due and payable to the bookkeeper at year-end and is included in accounts payable on the Statement of Financial Position.

In addition, Beaver Island Rural Health Center's managing director and a member of the Board of Directors are considered related parties due to the fact that they are married to one another. The board member is not a member of the finance committee. The Board of Directors is aware of this relationship. The managing director had wages and related benefits of \$63,735 during the year ended September 30, 2017. Of this amount, \$1,310 is included in accrued payroll as of September 30, 2017.