Financial Statements
June 30, 2011 and 2010

Floyd Valley Home Medical Equipment, LLC

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Floyd Valley Home Medical Equipment, LLC
Le Mars, Iowa

We have audited the accompanying balance sheets of Floyd Valley Home Medical Equipment, LLC (Company) as of June 30, 2011 and 2010, and the related statements of income and members' capital and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Floyd Valley Home Medical Equipment, LLC as of June 30, 2011 and 2010, and the results of its income and changes in members' capital and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2012 on our consideration of Floyd Valley Home Medical Equipment, LLC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Eide Bailly LLP

Fargo, North Dakota
January 16, 2012

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 23,604	$ 17,590
Receivables		
Trade, less allowance for doubtful accounts and contractual allowances of $21,114 in 2011 and $17,832 in 2010	71,952	66,691
Related party	60,214	60,545
Inventories	43,122	47,679
Prepaid expenses	1,068	1,076
Total current assets	199,960	193,581
Property and Equipment, Net	15,157	24,770
	$ 215,117	$ 218,351
Liabilities and Members' Capital		
Current Liabilities		
Accounts payable		
Trade	$ 1,407	$ 2,980
Related party	7,988	10,582
Accrued expenses	2,829	774
Total current liabilities	12,224	14,336
Members' Capital	202,893	204,015
	$ 215,117	$ 218,351

Floyd Valley Home Medical Equipment, LLC

Statements of Income and Members' Capital
Years Ended June 30, 2011 and 2010

	2011	2010
Revenues		
Retail sales	$ 224,966	$ 175,555
Rental fees	392,171	348,382
Gross revenues	617,137	523,937
Less: Returns, contractual adjustments, and allowances	138,528	122,729
Net revenues	478,609	401,208
Cost of Revenues	148,060	124,657
Gross Profit	330,549	276,551
Operating Expenses		
Contract labor	165,988	148,704
Management fees	59,499	49,786
Rent	16,290	16,106
Advertising	1,832	2,737
Other	22,705	25,288
Insurance	2,443	2,459
Depreciation	414	424
Bad debt expense (recoveries)	7,504	(1,881)
Total operating expenses	276,675	243,623
Operating Income	53,874	32,928
Other Income		
Interest income	4	40
Net Income	$ 53,878	$ 32,968

Members' Capital, Beginning of Year	$ 204,015	$ 251,410
Net income	53,878	32,968
Distributions to members	(55,000)	(80,363)
Members' Capital, End of Year	$ 202,893	$ 204,015

	2011	2010
Operating Activities		
Cash received from customers	$ 465,844	$ 416,448
Cash paid to suppliers	(395,914)	(336,919)
Other receipts	331	19,109
Net Cash from Operating Activities	70,261	98,638
Investing Activities		
Interest earned on cash and cash equivalents	4	40
Purchase of property and equipment	(9,251)	(8,575)
Net Cash used for Investing Activities	(9,247)	(8,535)
Net Cash used for Financing Activities		
Distributions to members	(55,000)	(80,363)
Net Change in Cash and Cash Equivalents	6,014	9,740
Cash and Cash Equivalents, Beginning of Year	17,590	7,850
Cash and Cash Equivalents, End of Year	$ 23,604	$ 17,590

	2011	2010
Reconciliation of Net Income to Net Cash from Operating Activities		
Operating income	$ 53,874	$ 32,928
Charges and credits to net income not affecting cash		
Depreciation	12,356	22,359
Provisions for losses on accounts receivable	3,282	(3,346)
Loss on disposal of equipment	6,508	4,626
Change in assets and liabilities		
Receivables	(8,212)	35,814
Inventories	4,557	3,575
Prepaid expenses	8	(12)
Accounts payable	(4,167)	2,171
Accrued expenses	2,055	523
Net Cash from Operating Activities	$ 70,261	$ 98,638

Note 1 - Organization and Significant Accounting Policies

Principal Business Activity

Floyd Valley Home Medical Equipment, LLC ("Company") sells and rents durable medical equipment and supplies to individuals in the community of Le Mars, Iowa and its surrounding area.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are uncollateralized customer and third-party payor obligations. Payments of accounts receivable are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from customers and third-party payors. Management reviews receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market.

Property and Equipment

Property and equipment, including rental equipment, in excess of $1,000, is capitalized and recorded at cost. Depreciation is computed using straight-line method over the following estimated useful lives:

Equipment	5 - 15 years
Rental equipment	4 - 5 years

Income Taxes

The limited liability company is not subject to income taxes. Instead, the Company files Form 1065 with the Internal Revenue Service and distributes K-1's to the members, who in turn report their proportionate share of income individually.

The Company evaluates its tax positions on an annual basis. Management has determined that there are no uncertain tax positions at June 30, 2011 and 2010. The Company is no longer subject to examinations by federal and state tax authorities for years before 2008.

Sales Taxes

The Company collects sales taxes from its customers and remits the entire amount to the various governmental units. The Company's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Advertising Costs

The Company expenses advertising costs as incurred.

Subsequent Events

The Corporation has evaluated subsequent events through January 16, 2012, the date which the financial statements were available to be issued.

Note 2 - Property and Equipment

A summary of equipment at June 30, 2011 and 2010, is as follows:

	2011		2010	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Equipment	$ 27,985	$ 26,001	$ 27,985	$ 25,587
Rental equipment	179,540	166,367	179,806	157,434
	$ 207,525	$ 192,368	$ 207,791	$ 183,021
Net property and equipment		$ 15,157		$ 24,770

Note 3 - Related Party Transactions

Floyd Valley Home Medical Equipment, LLC is a joint venture between Floyd Valley Hospital and Avera Home Medical Equipment, LLC. Transactions between these organizations were as follows for the years ended June 30, 2011 and 2010:

	2011	2010
Contract labor	$ 165,988	$ 148,704
Management fees	59,499	49,786
Rent expense	16,290	16,106
Accounts receivable - related party	60,214	60,545
Accounts payable - related party	7,988	10,582

Leases

The Company leases building space on a month-to-month basis under an operating lease agreement. In addition to basic monthly rent, the Company is required to pay costs of occupancy such as maintenance and insurance. Total rent expense was $16,290 and $16,106 for the years ended June 30, 2011 and 2010, respectively.

Note 4 - Concentrations of Credit Risk

The Company grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2011 and 2010, was as follows:

	2011	2010
Medicare	12%	15%
Medicaid	11%	10%
Blue Cross	24%	23%
Commercial insurance	14%	13%
Other third-party payors and customers	39%	39%
	100%	100%

Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
June 30, 2011

Floyd Valley Home Medical Equipment, LLC

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Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Floyd Valley Home Medical Equipment, LLC
Le Mars, Iowa

We have audited the financial statements of Floyd Valley Home Medical Equipment, LLC (Company), as of and for the year ended June 30, 2011, and have issued our report thereon dated January 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Company's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company’s internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control described in Summary Schedule of Audit Findings as finding No. 11-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance

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

The Company's written responses to the internal control findings identified in our audit have not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We noted certain matters that we reported to the management of Floyd Valley Home Medical Equipment, LLC in a separate letter dated January 16, 2012.

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota
January 16, 2012

Current Year Audit Findings:

Finding No. 11-1 – Segregation of Duties

Condition: The Company has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in certain areas because of a lack of segregation of duties.

Criteria: A good system of internal accounting control contemplates an adequate segregation of duties so that not one individual handles a transaction from its inception to its completion.

Effect: Inadequate segregation of duties could adversely affect the Company's ability to detect misstatements that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: While we recognize that your office staff may not be large enough to assure optimal internal control, it is important that you are aware of this condition. Under this condition, management's close supervision and review of accounting information is the best means of preventing and detecting errors and irregularities.

Response: Management will evaluate options to further mitigate the risks inherent in a small company with limited office staff.

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The Board of Directors
Floyd Valley Home Medical Equipment, LLC
Le Mars, Iowa

We have audited the financial statements of Floyd Valley Home Medical Equipment, LLC (Company) for the year ended June 30, 2011, and have issued our report thereon dated January 16, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 14, 2011. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Floyd Valley Home Medical Equipment, LLC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements relate to the collectability of patient receivables and depreciation expense.

> Allowance for Contractual Discounts and Doubtful Accounts – Management's estimate of the allowance for contractual discounts and doubtful accounts is based on historical loss levels and an analysis of the collectability of individual accounts.
>
> Depreciation Expense – Management's estimate of depreciation expense is based on the estimated useful lives assigned using industry recommended averages and historical experience. Depreciation is calculated using the straight-line method.

We evaluated the key factors and assumptions used to develop the estimates related to the collectability of patient receivables and depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected And Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements considered material, individually or in the aggregate, that were detected as a result of audit procedures.

An audit difference of $3,934 was detected as a result of our audit procedures related to unrecorded liabilities as recorded in the general ledger. The difference should typically be included as a liability in the financial statements in order to properly reflect outstanding obligations and expenses incurred. This difference has not been corrected by management and is not considered material to the financial statements.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 16, 2012.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings Or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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This report is intended solely for the use of the Board of Directors, management, and others within the Company and is not intended to be and should not be used by anyone other than these specified parties.

We will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the fine cooperation we received during the course of the audit. We look forward to many years of continued service to Floyd Valley Home Medical Equipment, LLC.

Eide Bailly LLP

Fargo, North Dakota
January 16, 2012