Financial Statements
June 30, 2012 and 2011

Floyd Valley Home Medical Equipment, LLC

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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, 2012 and 2011, 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, 2012 and 2011, and the results of its operations, 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 March 13, 2013 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

Sioux Falls, South Dakota
March 13, 2013

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	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 12,876	$ 23,604
Receivables		
Trade, less allowance for doubtful accounts and contractual allowances of $34,585 in 2012 and $21,114 in 2011	109,852	71,952
Related party	30,660	60,214
Inventories	30,687	43,122
Prepaid expenses	1,140	1,068
Total current assets	185,215	199,960
Property and Equipment, Net	20,713	15,157
	$ 205,928	$ 215,117
Liabilities and Members' Capital		
Current Liabilities		
Accounts payable		
Trade	$ 5,961	$ 1,407
Related party	11,272	7,988
Accrued expenses	3,338	2,829
Total current liabilities	20,571	12,224
Members' Capital	185,357	202,893
	$ 205,928	$ 215,117

	2012	2011
Revenues		
Retail sales	$ 230,864	$ 224,966
Rental fees	420,102	392,171
Gross revenues	650,966	617,137
Less: Returns, contractual adjustments, and allowances	151,586	138,528
Net revenues	499,380	478,609
Cost of Revenues	156,140	148,060
Gross Profit	343,240	330,549
Operating Expenses		
Contract labor	171,298	165,988
Management fees	61,307	59,499
Rent	16,800	16,290
Other	26,398	24,537
Insurance	2,510	2,443
Depreciation	409	414
Provision for bad debts	4,054	7,504
Total operating expenses	282,776	276,675
Operating Income	60,464	53,874
Other Income		
Interest income	-	4
Net Income	$ 60,464	$ 53,878

Members' Capital, Beginning of Year	$ 202,893	$ 204,015
Net income	60,464	53,878
Distributions to members	(78,000)	(55,000)
Members' Capital, End of Year	$ 185,357	$ 202,893

	2012	2011
Operating Activities		
Cash received from customers	$ 457,426	$ 465,844
Cash paid to suppliers	(405,875)	(395,914)
Other receipts - related party	29,554	331
Net Cash from Operating Activities	81,105	70,261
Investing Activities		
Interest earned on cash and cash equivalents	-	4
Purchase of property and equipment	(13,833)	(9,251)
Net Cash used for Investing Activities	(13,833)	(9,247)
Net Cash used for Financing Activities		
Distributions to members	(78,000)	(55,000)
Net Change in Cash and Cash Equivalents	(10,728)	6,014
Cash and Cash Equivalents, Beginning of Year	23,604	17,590
Cash and Cash Equivalents, End of Year	$ 12,876	$ 23,604
Reconciliation of Net Income to Net Cash from Operating Activities		
Operating income	$ 60,464	$ 53,874
Charges and credits to net income not affecting cash		
Depreciation	5,166	12,356
Loss on disposal of equipment	3,111	6,508
Change in assets and liabilities		
Receivables	(8,346)	(4,930)
Inventories	12,435	4,557
Prepaid expenses	(72)	8
Accounts payable	7,838	(4,167)
Accrued expenses	509	2,055
Net Cash from Operating Activities	$ 81,105	$ 70,261

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 company does not assess interest charges on delinquent accounts receivable balances.

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	3 - 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, 2012 and 2011. The Company is no longer subject to examinations by federal and state tax authorities for years before 2009.

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 revenues and cost of revenues.

Advertising Costs

The Company expenses advertising costs as incurred. Expenses incurred during the years ended June 30, 2012 and 2011 totaled $2,457 and $1,832, respectively.

Subsequent Events

The Company has evaluated subsequent events through March 13, 2013, the date which the financial statements were available to be issued.

Note 2 - Property and Equipment

A summary of equipment at June 30, 2012 and 2011, is as follows:

	2012		2011	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Equipment	$ 28,731	$ 26,410	$ 27,985	$ 26,001
Rental equipment	192,068	173,676	179,540	166,367
	$ 220,799	$ 200,086	$ 207,525	$ 192,368
Net property and equipment		$ 20,713		$ 15,157

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, 2012 and 2011:

	2012	2011
Contract labor	$ 171,298	$ 165,988
Management fees	61,307	59,499
Rent expense	16,800	16,290
Accounts receivable - related party	30,660	60,214
Accounts payable - related party	11,272	7,988

Leases

The Company leases building space from Floyd Valley Hospital 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 $16,800 and $16,290 for the years ended June 30, 2012 and 2011, 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, 2012 and 2011, was as follows:

	2012	2011
Medicare	25%	12%
Medicaid	12%	11%
Blue Cross	21%	24%
Commercial insurance	10%	14%
Other third-party payors and customers	32%	39%
	100%	100%

Note 5 - Subsequent Events

During December 2012, the Board approved member distributions totaling $47,000 which were paid in January 2013.

The Company has evaluated subsequent events through March 13, 2013, the date which the financial statements were available to be issued.

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, 2012

Floyd Valley Home Medical Equipment, LLC

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CPAs & BUSINESS ADVISORS

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, 2012, and have issued our report thereon dated March 13, 2013. 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

Management of the Company is responsible for establishing and maintaining effective 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. 12-1 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.

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

Sioux Falls, South Dakota
March 13, 2013

Current Year Audit Findings:

Finding No. 12-1 – 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.

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

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CPAs & BUSINESS ADVISORS

To 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, 2012 and 2011, and have issued our report thereon dated March 13, 2013. 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 September 11, 2012. 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. The significant accounting policies used by the Company 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, 2012. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 Contractuals and Doubtful Accounts – Management's estimate of the allowance for contractuals and doubtful accounts is based on historical loss levels and an analysis of the collectibility 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.

The following misstatement was not corrected by management and is not reflected in the financial statements. The misstatement was not deemed material to the financial statements.

- $9,000 to decrease accounts receivable and revenue, as a result of a rental billing error.

The net effect of this unrecorded entry would have been to decrease net income by $9,000.

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 March 13, 2013.

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.

This information is intended solely for the use of the Board of Directors and management of Floyd Valley Home Medical Equipment, LLC and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Sioux Falls, South Dakota
March 13, 2013