Financial Statements
June 30, 2013 and 2012

Floyd Valley Home Medical Equipment, LLC

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of Floyd Valley Home Medical Equipment, LLC, which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of income and members' capital and cash flows for the years 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 audits. We conducted our audits 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.

200 E. 10th St., Ste. 500 | P.O. Box 5125 | Sioux Falls, SD 57117-5125 | T 605.339.1999 | F 605.339.1306 | EOE

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, 2013 and 2012, and the results of its operations, changes in members' capital and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
As disclosed in Note 6 to the financial statements, in accordance with updates to the relevant accounting standards pertaining to the presentation and disclosure of gross revenues, provision for bad debts, and the allowance for doubtful accounts for certain health care entities, Floyd Valley Home Medical Equipment, LLC has changed its presentation and disclosure of those financial statement elements.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014 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, 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* in considering Floyd Valley Home Medical Equipment, LLC's internal control over financial reporting and compliance.

Eide Bailly LLP

Sioux Falls, South Dakota
January 31, 2014

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 1,876	$ 12,876
Receivables		
Trade, less allowance for doubtful accounts and contractual allowances of $32,667 in 2013 and $34,585 in 2012	105,298	109,852
Related party	74,139	30,660
Inventories	27,174	30,687
Prepaid expenses	4,812	1,140
Total current assets	213,299	185,215
Property and Equipment, Net	40,986	20,713
	$ 254,285	$ 205,928
Liabilities and Members' Capital		
Current Liabilities		
Accounts payable		
Trade	$ -	$ 5,961
Related party	34,689	11,272
Accrued expenses	3,076	3,338
Total current liabilities	37,765	20,571
Members' Capital	216,520	185,357
	$ 254,285	$ 205,928

	2013	2012
Revenues		
Retail sales	$ 260,619	$ 230,864
Rental fees	427,019	420,102
Gross revenues	687,638	650,966
Returns, contractual adjustments, and allowances	(156,464)	(151,586)
Net revenues	531,174	499,380
Provision for bad debts	(6,953)	(4,054)
Net revenues less provision for bad debts	524,221	495,326
Cost of Revenues	154,102	156,140
Gross Profit	370,119	339,186
Operating Expenses		
Contract labor	181,613	171,298
Management fees	66,622	61,307
Rent	16,996	16,800
Other	23,061	26,398
Insurance	2,628	2,510
Depreciation	1,036	409
Total operating expenses	291,956	278,722
Net Income	$ 78,163	$ 60,464
Members' Capital, Beginning of Year	$ 185,357	$ 202,893
Net income	78,163	60,464
Distributions to members	(47,000)	(78,000)
Members' Capital, End of Year	$ 216,520	$ 185,357

	2013	2012
Operating Activities		
Cash received from customers	$ 528,775	$ 457,426
Cash paid to suppliers	(439,324)	(405,875)
Other payments - related party	(43,479)	-
Other receipts - related party	-	29,554
Net Cash from Operating Activities	45,972	81,105
Investing Activities		
Purchases of property and equipment	(9,972)	(13,833)
Financing Activities		
Distributions to members	(47,000)	(78,000)
Net Change in Cash and Cash Equivalents	(11,000)	(10,728)
Cash and Cash Equivalents, Beginning of Year	12,876	23,604
Cash and Cash Equivalents, End of Year	$ 1,876	$ 12,876
Reconciliation of Net Income to Net Cash from Operating Activities		
Operating income	$ 78,163	$ 60,464
Charges and credits to net income not affecting cash		
Depreciation	7,000	5,166
Loss on disposal of equipment	5,860	3,111
Change in assets and liabilities		
Receivables	(38,925)	(8,346)
Inventories	3,513	12,435
Prepaid expenses	(3,672)	(72)
Accounts payable	(5,705)	7,838
Accrued expenses	(262)	509
Net Cash from Operating Activities	$ 45,972	$ 81,105
Supplemental Disclosure of Non-cash Investing Activities		
Accounts payable for equipment	$ 23,161	$ -

Note 1 - Organization and Significant Accounting Policies

Principal Business Activity

Floyd Valley Home Medical Equipment, LLC (“the 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.

Customer accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Company analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with goods provided to customers who have third-party insurance coverage, the Company analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay customers (which includes both customers without insurance and customers with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Company records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many customers are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Company’s process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed from June 30, 2012 to June 30, 2013. The Company does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

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.

The Company evaluates its tax positions on an annual basis. Management has determined that there are no uncertain tax positions at June 30, 2013 and 2012. The Company is no longer subject to examinations by federal and state tax authorities for years before 2010.

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, 2013 and 2012 totaled $2,973 and $2,457, respectively.

Note 2 - Property and Equipment

A summary of equipment at June 30, 2013 and 2012, is as follows:

	2013		2012	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Equipment	$ 51,892	$ 27,446	$ 28,731	$ 26,410
Rental equipment	201,170	184,630	192,068	173,676
	$ 253,062	$ 212,076	$ 220,799	$ 200,086
Net property and equipment		$ 40,986		$ 20,713

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, 2013 and 2012:

	2013	2012
Contract labor	$ 181,613	$ 171,298
Management fees	66,622	61,307
Rent expense	16,996	16,800
Accounts receivable - related party	74,139	30,660
Accounts payable - related party	34,689	11,272

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 $16,996 and $16,800 for the years ended June 30, 2013 and 2012, respectively.

Note 4 - Concentrations of Credit Risk

The Company grants credit without collateral to its customers, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2013 and 2012, was as follows:

	2013	2012
Medicare	33%	25%
Medicaid	11%	12%
Blue Cross	15%	21%
Commercial insurance	6%	10%
Other third-party payors and customers	35%	32%
	100%	100%

Note 5 - Employee Benefit Plan – Contracted Employees

Eligible contracted employees participate in a defined contribution pension plan (“403(b) Plan”). Under the 403(b) Plan, participant contributions are matched up to 2% of eligible employee compensation. The Company recognized total 403(b) Plan contribution costs of $3,173 and $-0- as part of contract labor for the years ended June 30, 2013 and 2012.

Note 6 - Change in Accounting Principle

As of and for the year ended June 30, 2013, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. In accordance with the implementation guidance, the Company retroactively applied the presentation requirements to 2012. The impact on 2012 was a decrease to net revenues of $4,054, and a decrease to total operating expenses of $4,054 in the statements of income and members’ capital. There was no impact on net income or members’ capital.

Note 7 - Subsequent Events

During January 2014, the Company made member distributions totaling $61,000.

The Company has evaluated subsequent events through January 31, 2014, the date which the financial statements were available to be issued.

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Floyd Valley Home Medical Equipment, LLC (the Company), which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of income and members' capital and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2014.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified. We did identify a certain deficiency in internal control, described in the accompanying Summary Schedule of Audit Findings, which we consider to be a significant deficiency. [Finding No. 13-1]

200 E. 10th St., Ste. 500 | P.O. Box 5125 | Sioux Falls, SD 57117-5125 | T 605.339.1999 | F 605.339.1306 | EOE

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Company's Response to Finding
The Company's response to the finding identified in our audit is described in the accompanying Summary Schedule of Audit Findings. The Company's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Sioux Falls, South Dakota
January 31, 2014

Current Year Audit Finding:

Finding No. 13-1 – Segregation of Duties

Criteria: Proper controls over financial reporting include adequate segregation of duties.

Condition: The Company has a limited number of office personnel and, accordingly, does not have adequate segregation of duties in certain areas due to this condition.

Cause: The Company cannot justify staffing the number of positions necessary to have proper segregation of duties across all areas.

Effect: This deficiency results in a reasonable possibility that the Company would not be able 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 the Company's office staff may not be large enough to assure optimal internal control, it is important that the Company is 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 plans to review this finding in the next fiscal year to determine whether cost effective solutions exist to improve this deficiency.