Financial Statements
June 30, 2014 and 2013

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, 2014 and 2013, 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 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 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 Floyd Valley Home Medical Equipment, LLC as of June 30, 2014 and 2013, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2015 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 16, 2015

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 2,731	$ 1,876
Receivables		
Trade, less allowance for doubtful accounts and contractual allowances of $20,351 in 2014 and $32,667 in 2013	91,924	105,298
Related party	37,602	74,139
Inventories	31,182	27,174
Prepaid expenses	5,019	4,812
Total current assets	168,458	213,299
Property and Equipment, Net	48,410	40,986
	$ 216,868	$ 254,285
Liabilities and Members' Capital		
Current Liabilities		
Related party payable	$ 8,651	$ 34,689
Accrued expenses	3,076	3,076
Total current liabilities	11,727	37,765
Members' Capital	205,141	216,520
	$ 216,868	$ 254,285

	2014	2013
Revenues		
Retail sales	$ 230,828	$ 260,619
Rental fees	461,035	427,019
Gross revenues	691,863	687,638
Returns, contractual adjustments, and allowances	(170,499)	(156,464)
Net revenues	521,364	531,174
Provision for bad debts	(6,409)	(6,953)
Net revenues less provision for bad debts	514,955	524,221
Cost of Revenues	149,319	154,102
Gross Profit	365,636	370,119
Operating Expenses		
Contract labor	184,716	181,613
Management fees	65,814	66,622
Rent	19,661	16,996
Other	36,073	23,061
Insurance	3,149	2,628
Depreciation	6,602	1,036
Total operating expenses	316,015	291,956
Net Income	$ 49,621	$ 78,163
Members' Capital, Beginning of Year	$ 216,520	$ 185,357
Net income	49,621	78,163
Distributions to members	(61,000)	(47,000)
Members' Capital, End of Year	$ 205,141	$ 216,520

	2014	2013
Operating Activities		
Cash received from customers	$ 528,329	$ 528,775
Cash paid to suppliers	(444,515)	(439,324)
Other payments - related party	-	(43,479)
Other receipts - related party	36,537	-
Net Cash from Operating Activities	120,351	45,972
Investing Activities		
Purchases of property and equipment	(58,496)	(9,972)
Financing Activities		
Distributions to members	(61,000)	(47,000)
Net Change in Cash and Cash Equivalents	855	(11,000)
Cash and Cash Equivalents, Beginning of Year	1,876	12,876
Cash and Cash Equivalents, End of Year	$ 2,731	$ 1,876
Reconciliation of Net Income to Net Cash from Operating Activities		
Operating income	$ 49,621	$ 78,163
Charges and credits to net income not affecting cash		
Depreciation	12,763	7,000
Loss on disposal of equipment	15,148	5,860
Change in assets and liabilities		
Receivables	49,911	(38,925)
Inventories	(4,008)	3,513
Prepaid expenses	(207)	(3,672)
Accounts payable	(2,877)	(5,705)
Accrued expenses	-	(262)
Net Cash from Operating Activities	$ 120,351	$ 45,972
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 and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash and 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, 2013 to June 30, 2014. 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 the straight-line method over the following estimated useful lives:

Equipment	3 - 15 years
Rental equipment	5 years
Leasehold improvements	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, 2014 and 2013. The Company is no longer subject to examinations by federal and state tax authorities for years before 2011.

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, 2014 and 2013 totaled $3,521 and $2,973, respectively.

Note 2 - Property and Equipment

A summary of equipment at June 30, 2014 and 2013, is as follows:

	2014		2013	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Equipment	$ 51,392	$ 33,655	$ 51,892	$ 27,446
Rental equipment	74,534	55,275	201,170	184,630
Leasehold improvements	11,808	394	-	-
	$ 137,734	$ 89,324	$ 253,062	$ 212,076
Net property and equipment		$ 48,410		$ 40,986

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, 2014 and 2013:

	2014	2013
Contract labor	$ 184,716	$ 181,613
Management fees	65,814	66,622
Rent expense	9,926	16,996
Accounts receivable - related party	37,602	74,139
Accounts payable - related party	8,651	34,689

Note 4 - Leases

The Company leased building space from Floyd Valley Hospital on a month-to-month basis under an operating lease agreement through January 2014. Beginning February 2014, the Company entered into a noncancelable long-term building lease with an unrelated party. The new lease requires monthly rent and occupancy costs of $1,861 for a term of 60 months. Total rent expense was $19,661 and $16,996 for the years ended June 30, 2014 and 2013, respectively.

Note 5 - Concentrations of Credit Risk

The Company grants credit without collateral to its customers, most of who are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2014 and 2013, was as follows:

	2014	2013
Medicare	29%	33%
Medicaid	11%	11%
Blue Cross	21%	15%
Commercial insurance	4%	6%
Other third-party payors and customers	35%	35%
	100%	100%

Note 6 - 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 $3,322 and $3,173 as part of contract labor for the years ended June 30, 2014 and 2013.

Note 7 - Subsequent Events

During November 2014, the Company made member distributions totaling $18,000.

The Company has evaluated subsequent events through January 16, 2015, the date which the financial statements were available to be issued.

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, 2014 and 2013, 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 16, 2015.

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. 14-1]

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 16, 2015

Current Year Audit Finding:

Finding No. 14-1 – 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.