

Yukon-Kuskokwim Health Corporation

Basic Financial Statements and Schedules
Years Ended September 30, 2015 and 2014

(With Independent Auditor's Report Thereon)

Yukon-Kuskokwim Health Corporation

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Yukon-Kuskokwim Health Corporation

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Independent Auditor's Report

Board of Directors
Yukon-Kuskokwim Health Corporation
Bethel, Alaska

Report on the Financial Statements

We have audited the accompanying statements of net position of Yukon-Kuskokwim Health Corporation as of September 30, 2015 and 2014, the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Yukon-Kuskokwim Health Corporation's basic financial statements as listed in the table of contents.

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 Yukon-Kuskokwim Health Corporation as of September 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedules on pages 32 through 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016 on our consideration of Yukon-Kuskokwim Health Corporation's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yukon-Kuskokwim Health Corporation's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
January 15, 2016

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Management's Discussion and Analysis

Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis

September 30, 2015 and 2014

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Yukon-Kuskokwim Health Corporation (YKHC) as of and for the years ended September 30, 2015 and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements, including the footnotes, which follow this section.

Using the Financial Statements

YKHC's September 30, 2015 and 2014 financial statements are presented in accordance with *Governmental Accounting Standards Board (GASB) Statement No. 34*. The September 30, 2013 financial statements are not presented in the accompanying financial statements. The condensed September 30, 2013 financial information is presented consistent with 2015 and 2014.

YKHC's financial report includes three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements, along with the notes to the financial statements, comprise the basic financial statements.

The Statement of Net Position displays the assets, liabilities and net assets at the end of the fiscal years 2015 and 2014. The Statement of Revenues, Expenses and Changes in Net Assets portrays the revenue earned, the operating and nonoperating expenses incurred, and the resultant income. The lower portion describes the net effect on net assets from the beginning of the year to the end of the year. The statement of cash flows illustrates the effect on cash from operating, investing and financing activities as well as the net increase in cash and cash equivalents.

Other Information

A governmental entity such as YKHC is comprised of many programs, which can be grouped into major categories. In the combining schedules of revenues, expenses and changes in net assets, the various columns represent the corporate general account, the Indian Health Service (IHS) program, State of Alaska programs, federal programs and other programs.

Statement of Net Position

The Statement of Net Position presents the financial position of YKHC at the end of the fiscal years 2015 and 2014 includes all assets and liabilities of YKHC. The difference between total assets and total liabilities (net assets) is one indicator of the financial condition of YKHC, while the change in net assets is an indicator of whether the financial condition has improved or declined during the year. Resources are classified into three net asset categories - investment in Permanent Fund, General Operations, net investment in capital assets.

Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis

A summarized comparison of YKHC's assets, liabilities and net position and certain ratios at September 30, 2015, 2014, and 2013 follows (in thousands):

	2015	2014	2013	FY 15 % Increase (decrease)	FY 14 % Increase (decrease)
Assets:					
Current assets	\$ 56,022	36,303	36,261	54%	0%
Capital assets, net of depreciation	107,952	108,127	103,800	(0)	4
Other assets	87,507	90,717	49,926	(4)	82
Total assets	<u>\$ 251,481</u>	<u>235,147</u>	<u>189,987</u>	7	24
Liabilities:					
Current liabilities	23,461	34,419	35,666	(32)	(3)
Noncurrent liabilities	7,846	8,416	9,269	(7)	(9)
Total liabilities	<u>31,307</u>	<u>42,835</u>	<u>44,935</u>	(27)	(5)
Net position:					
Net investment in capital assets	99,301	98,869	93,725	0	5
Investment in Permanent Fund	79,998	81,968	40,658	(2)	102
General Operations	40,875	11,474	10,669	256	8
Total net assets	<u>220,174</u>	<u>192,311</u>	<u>145,052</u>	14	33
Total liabilities and net position	<u>\$ 251,481</u>	<u>235,146</u>	<u>189,987</u>	7	24
Current assets to total assets	22.28%	15.44%	19.09%		
Capital assets, net of depreciation to total assets	42.93%	45.98%	54.64%		
Working capital (current assets less current liabilities)	\$ 32,561	1,884	595	1,628	217

YKHC's 2015 statement of net position shows an increase of 14% in total net assets, 54% increase in current assets, 32% decrease in current liabilities and 1,628% increase in working capital. A more detailed analysis of the reasons for these changes follows:

- The increase in current assets has primarily increased due to an increase in Cash and Cash Equivalents and an increase in Investments.
- The decrease in current liabilities has primarily decreased due to decreasing our Unearned Revenue, decrease in accounts payable and accrued expenses, and decrease in long term debt.
- The increase in working capital can be primarily attributed to the increase in current assets and decrease in current liabilities.

Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis

YKHC's 2014 statement of net position shows an increase of 33% in total net assets, 82% increase in other assets, 5% decrease in total liabilities and 217% increase in working capital. A more detailed analysis of the reasons for these changes follows:

- The increase in other assets has primarily increased due to an increase in investment in permanent fund.
- The decrease in total liabilities has primarily decreased due to eliminating our line of credit, decrease in accounts payable and accrued expenses, and decrease in long term debt.
- The increase in working capital can be primarily attributed to the decrease in current liabilities.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net assets presents the results of operations for YKHC as a whole. Revenues, expenses and other changes in net position are reported as either operating or nonoperating. Significant recurring sources of YKHC's revenue are grants, contracts, and compacts with the federal and state agencies and patient service and program income.

A summarized comparison of YKHC's revenues, expenses and changes in net position and certain ratios for the years ended September 30, 2015, 2014, and 2013 follows (in thousands):

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Yukon-Kuskokwim Health Corporation

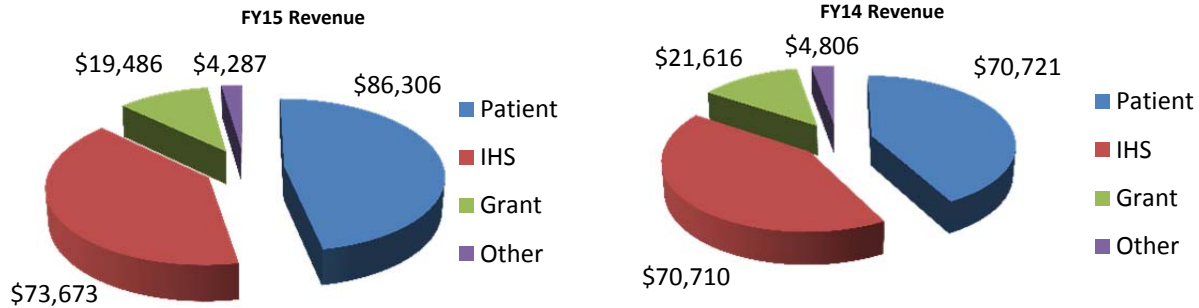
Management's Discussion and Analysis

	2015	2014	2013	2015 % increase decrease	2014 % increase decrease	% of total operating revenue 2015
Operating revenues:						
Patient care revenue, net	\$ 86,306	70,721	62,540	22%	13%	47%
Funding agreement	73,673	70,710	69,741	4	1	40
Operating grant revenue	19,486	21,616	18,857	(10)	15	11
Other	4,287	4,806	3,165	(11)	52	2
Total operating revenues	183,752	167,853	154,303	9	9	100
Operating expenses:						
Salaries	69,242	73,446	72,953	(6)	1	38
Net fringe benefits	17,321	29,900	29,172	(42)	2	9
Contracts and fees	17,852	18,104	17,089	(1)	6	10
Supplies	14,378	14,026	10,770	3	30	8
Travel	6,875	6,585	6,983	4	(6)	4
Utilities	8,662	8,378	8,939	3	(6)	5
Depreciation	7,762	7,470	6,618	4	13	4
Rental fees	3,112	3,131	3,816	(1)	(18)	2
Government labor	1,843	1,886	1,403	(2)	34	1
Other	9,346	10,943	8,300	(15)	32	5
Total operating expenses	156,393	173,869	166,043	(10)	5	85
Operating income	27,359	(6,016)	(11,740)			
Net nonoperating income (expenses)	(2,580)	42,584	(524)	(106)	(8,227)	(1)
Income before capital contributions	24,779	36,568	(12,264)			
Transfer to IHS	—	—	—			
Capital contributions	3,084	10,691	12,854	(71)	(17)	2
Change in net position	27,863	47,259	590			
Net position at beginning of year	192,311	145,052	144,462			
Net position at end of year	\$ 220,174	192,311	145,052	14	33	120

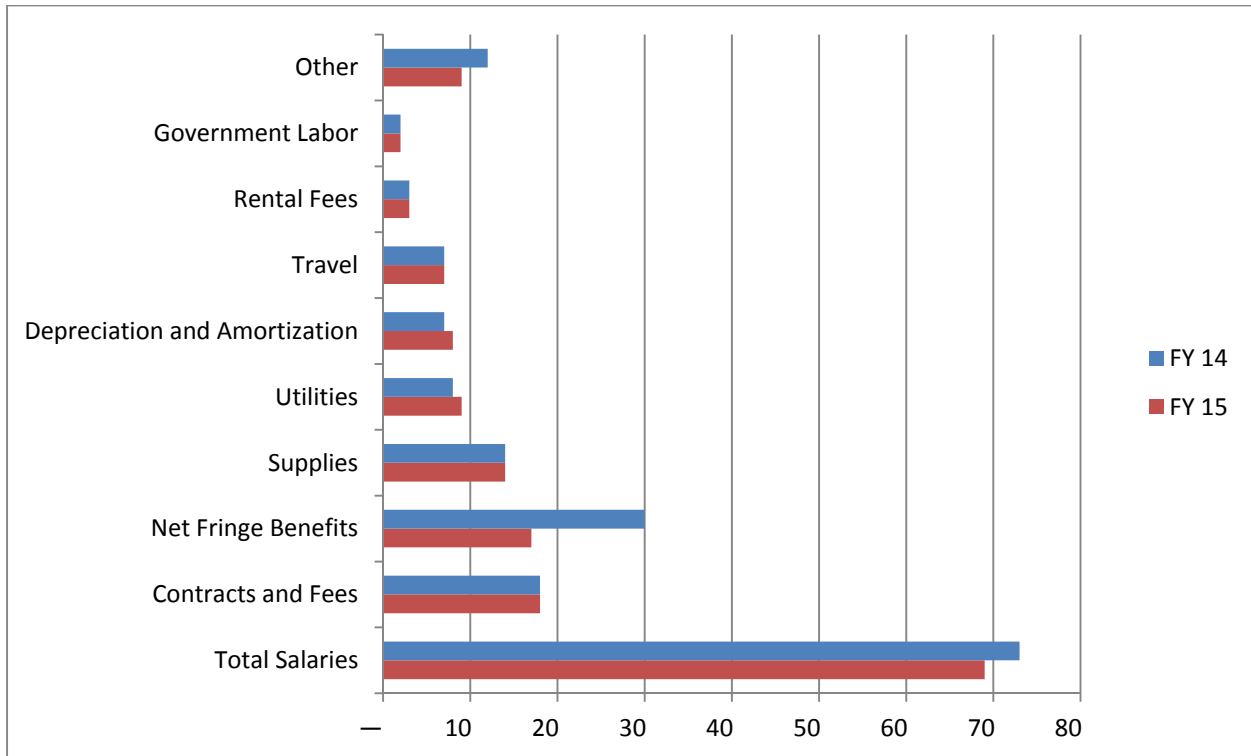
Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis

A comparison of revenues by source for 2015 and 2014 follows (in thousands):



A comparison of expenses by natural class for 2015 and 2014 follows (in millions):



2015 Activity

The statement of revenues, expenses and changes in net position reflects an overall increase in net position of 14%, or \$27,863,000 for 2015. Major factors contributing to these changes include:

Operating Revenues

- Net Patient care revenues increased by \$15,585,000 in 2015
- Funding Agreement increased by \$2,963,000 in 2015

Net Nonoperating Income

- Net nonoperating income decreased by \$45,164,000, the decrease in 2015 was primarily due to a decrease in non-recurring revenue and a decrease in Investment Income.

Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis

Operating Expenses

Total operating expenses for 2015 decreased by \$17,476,000. Contributing factors are as follows:

- Net fringe benefits decrease by \$12,579,000 primarily due to a change from Self Insurance to Federal Employee Health Benefit Insurance.
- Salary decrease by \$4,204,000 as a result of the reduction in force from the last quarter Fiscal Year 2014

Capital Contributions

Capital contributions received in 2015 of \$3,084,000 are due to construction activity funded by grants and the purchase of equipment funded by grants.

2014 Activity

The statement of revenues, expenses and changes in net position reflects an overall increase in net assets of 33%, or \$47,259,000 for 2014. Major factors contributing to these changes include:

Operating Revenues

- Net Patient care revenues increased by \$11,902,000 in 2014.
- Operating Grant Revenue increased by \$2,759,000 2014, the increase in 2014 was primarily due to increase in Diabetes and CVD Carryover grants.

Net Nonoperating Income

- Net nonoperating income increased by \$43,105,000, the increase in 2014 was primarily due to a Contract Support Cost Settlement.

Operating Expenses

Total operating expenses for 2014 increased by \$11,547,000. Contributing factors are as follows:

- Net fringe benefits increased by \$728,000 primarily due an increase in health insurance benefits payout.
- Supplies increased by \$3,256,000 primarily due to an increase in pharmaceutical supplies.
- Depreciation increased by \$852,000 due to prematernal home startup depreciation and electronic health record depreciating for the entire year.
- Miscellaneous increased by \$2,642,000 due to payment of old ANTHC invoices \$1.1 M and diabetes and CVD carryover grants.
- Government labor increase by \$483,000 due to an increase in an FTE, salary increases, and bonuses.

Capital Contributions

Capital contributions received in 2014 of \$10,691,000 are due to construction activity funded by grants and the purchase of equipment funded by grants.

Capital and Debt Activities

There was a decrease of capital assets net of depreciation for FY 15 of \$174,732 and an increase of \$4,327,000 for FY 14.

At September 30, 2015 and 2014 total long-term debt outstanding was \$8,651,358 and \$9,258,067, respectively.

Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis

Contacting YKHC's Financial Management

The financial report is designed to provide YKHC's management, creditors, grantors, members and customers with a general view of YKHC's finances and to demonstrate YKHC's accountability for the funds it receives and expends. For additional information about this report, or if you need additional financial information, please contact the Accounting Department, Yukon-Kuskokwim Health Corporation, P.O. Box 528, Bethel, Alaska 99559.

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Basic Financial Statements

Yukon-Kuskokwim Health Corporation

Statements of Net Position

<i>September 30,</i>	2015	2014
Assets		
Current assets:		
Cash and Cash Equivalents (note 2)	\$ 23,147,749	\$ 5,353,810
Amounts receivable:		
Funding agencies	6,337,522	8,273,470
Patients, net of contractuales and allowances for doubtful Accounts of \$12,720,459 in 2015 and \$19,612,421 in 2014	11,973,316	15,279,649
Employee advances and relocations costs	764,362	371,505
Other	56,676	3,077,054
Investments (note 2)	9,080,468	267,060
Prepaid expenses	1,422,545	865,809
Inventory	2,902,771	2,627,348
Current portion of employee home loans receivable	24,407	4,327
Current portion of student loans receivable	312,307	182,865
Total current assets	56,022,123	36,302,897
Employee Home Loans Receivable, less Current Portion	5,484	27,782
Student Loans Receivable, less Current Portion	267,915	448,643
Investment in Permanent Fund (note 2)	79,998,307	81,968,199
Investment in LifeMed (note 4)	7,182,151	8,219,113
Investment in YK Technologies	53,043	53,043
Capital Assets, Net of Accumulated Depreciation and Amortization (note 3)	107,952,332	108,127,064
Total Assets	\$ 251,481,355	\$ 235,146,741
Liabilities and Net Position		
Current Liabilities:		
Line of Credit (note 5)	\$ -	\$ -
Accounts Payable and Accrued Expenses	7,488,022	9,380,141
Unearned Revenue	4,636,381	13,027,008
Current Portion of Long-Term Debt (note 5)	805,615	841,369
Accrued Salaries, Leave and Fringe Payable	10,531,348	11,170,052
Total Current Liabilities	23,461,366	34,418,570
Long-term Debt, less Current Maturities (note 5)	7,845,744	8,416,698
Total Liabilities	31,307,110	42,835,268
Net position:		
Net Investment in Capital Assets (note 3)	99,300,973	98,868,997
Unrestricted:		
Investment in Permanent Fund (note 2)	79,998,307	81,968,199
General Operations	40,874,965	11,474,277
Total net position	220,174,245	192,311,473
Total Liabilities and Net Position	\$ 251,481,355	\$ 235,146,741

See accompanying notes to financial statements.

Yukon-Kuskokwim Health Corporation

Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended September 30,</i>	2015	2014
Operating revenues:		
Patient care revenue	\$ 159,188,375	\$ 125,552,644
Less provision for contractual	(69,851,879)	(50,869,081)
Less uncompensated care	(1,831,957)	(1,604,463)
Less provision for bad debt	(1,198,643)	(2,357,986)
Net patient care revenue	86,305,896	70,721,114
Funding agreement	73,673,463	70,709,783
Operating grant revenue	19,485,682	21,616,399
Other revenue	4,286,576	4,805,774
Total operating revenues	183,751,617	167,853,070
Operating expenses:		
Total salaries	69,241,887	73,445,712
Net fringe benefits	17,320,525	29,900,309
Contracts and fees	17,851,971	18,104,282
Supplies	14,378,215	14,026,181
Utilities	8,662,367	8,377,976
Depreciation and amortization (note 4)	7,761,798	7,470,498
Travel	6,875,382	6,584,581
Rental fees	3,112,015	3,130,980
Furniture and equipment	1,211,199	1,945,726
Government labor	1,842,624	1,886,117
Freight and postage	1,315,329	1,768,219
Dues and subscriptions	1,096,894	1,112,731
Insurance	1,083,038	1,091,012
Repairs and maintenance	1,065,117	1,056,200
Education, advertising and licensing	1,082,923	771,288
Relocation	339,449	365,513
Miscellaneous	2,152,510	2,831,739
Total operating expenses	156,393,243	173,869,064
Operating income (loss)	27,358,374	(6,015,994)
Nonoperating revenue (expense):		
Equity in loss of lifeMed (note 5)	(1,036,963)	(625,734)
Investment income (loss) (note 2)	(1,962,542)	3,050,938
Non-recurring	761,292	40,765,018
Gain (Loss) on disposal of assets	80,672	11,632
Interest expense	(422,153)	(617,743)
Total nonoperating income (loss)	(2,579,694)	42,584,111
Income (Loss) before capital contributions	24,778,680	36,568,117
Contributed capital assets	3,084,092	10,691,118
Increase in net position	27,862,772	47,259,235
Net Position, beginning of year	192,311,473	145,052,238
Net Position, end of year	\$ 220,174,245	\$ 192,311,473

See accompanying notes to financial statements.

Yukon-Kuskokwim Health Corporation

Statements of Cash Flows

<i>Years Ended September 30,</i>	2015	2014
Cash Flows from Operating Activities		
Receipts from Grants, Contracts and Compacts	\$ 86,704,466	\$ 104,837,007
Receipts from Programs, Patients and Third Party Billings	89,612,229	69,598,572
Other Receipts	6,914,097	4,855,421
Payments to Vendors	(64,793,311)	(68,108,013)
Payments for Salaries and Benefits	(87,201,116)	(103,248,047)
Net Cash from (for) Operating Activities	31,236,365	7,934,940
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(7,602,190)	(11,804,348)
Capital Contributions	3,084,092	10,691,118
Principal Payments on Long-Term Debt	(606,708)	(817,220)
Interest Payments	(422,153)	(617,743)
Net Cash for Capital and Related Financing Activities	(5,546,959)	(2,548,193)
Cash Flows from Noncapital Financing Activities		
Payments on Line of Credit	-	(4,000,000)
Net Cash for Noncapital Financing Activities	-	(4,000,000)
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	30,621,268	50,436,254
Purchase of Investments	(39,736,299)	(89,639,693)
Proceeds from Interest and Dividends, Net of Broker Fees	1,166,060	1,136,568
Loans Granted over Principal Payments Received	53,504	(161,317)
Net Cash from (for) Investing Activities	(7,895,467)	(38,228,188)
Net Increase (Decrease) in Cash and Cash Equivalents	17,793,939	3,923,577
Cash and Cash Equivalents, beginning of year	5,353,810	1,430,233
Cash and Cash Equivalents, end of year	\$ 23,147,749	\$ 5,353,810
Reconciliation of Operating Income to Net Cash from (for)		
Operating Activities:		
Operating Income (Loss)	27,358,374	(6,015,994)
Adjustments to reconcile operating income (loss) to cash from (for) Operating Activities:		
Depreciation and Amortization	7,761,798	7,470,498
Change in Assets and Liabilities that Provided (Used) Cash:		
Amounts Receivable from Funding Agencies	1,935,948	4,516,959
Amounts Receivable from Patients	3,306,333	(1,122,542)
Other Receivables	2,627,521	(84,275)
Inventory and Other Assets	(832,159)	453,030
Accounts Payable and Accrued Expenses	(1,892,119)	(5,374,576)
Accrued Salaries, Leave and Payroll Fringe Benefits	(638,704)	97,974
Deferred Revenue	(8,390,627)	7,993,866
Net Cash From (For) Operating Activities	\$ 31,236,365	\$ 7,934,940

See accompanying notes to financial statements.

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements *September 30, 2015 and 2014*

Summary of Significant Accounting Policies

In accordance with the guidance established by the American Institute of Certified Public Accountants' (AICPA) audit and accounting guide *Audits of State and Local Governments*, Yukon-Kuskokwim Health Corporation (YKHC) is subject to accounting principles generally accepted in the United States of America applicable to state and local governments because its governing board is appointed by tribal governments.

Yukon-Kuskokwim Health Corporation follows the provisions of Governmental Accounting Standards Board (GASB) Statements of Governmental Accounting Standards. These statements establish standards for external financial reporting for all State and local governmental entities which includes a management's discussion and analysis section, a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows. It requires the classification of Net Position into three components - Net Investment in Capital Assets; Restricted; and Unrestricted.

a. Organization

YKHC administers a comprehensive health care delivery system for 58 federally recognized tribes in southwest Alaska. The system includes 43 community clinics, 5 sub-regional clinics, a regional hospital, dental services, inpatient and outpatient behavioral health services, including substance abuse counseling and treatment, health promotion and disease prevention programs, Skilled Nursing Facility and environmental health services. YKHC is a tribal organization authorized by each of the 58 federally recognized tribal councils in its service area to negotiate with the Federal Indian Health Service to provide health care services under Title III of the Indian Self Determination and Education Assistance Act of 1975. YKHC, along with 20 other tribal organizations, is a co-signer to the Alaska Tribal Health Compact, a consortium that secures federal funding agreements with the federal government to provide health care services to Alaska Natives and Native Americans throughout the state.

b. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus. The accounts of Yukon-Kuskokwim Health Corporation are reported using the flow of economic resources measurement focus. The accounts are maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

Operating revenues and expenses are distinguished from nonoperating items on the statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. YKHC's principal operating revenues include grant, contract and compact revenues and charges to customers, patients and third parties for delivery of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Capital contributions consist of federal and state grants received to construct capital assets or purchase equipment contributed to YKHC.

When both restricted and unrestricted resources are available for use, it is YKHC's policy to use restricted resources first, then unrestricted resources as they are needed.

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements

c. Management Estimates

The preparation of the financial statements requires management of YKHC to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and valuation of receivables. Actual results could differ from those estimates.

d. Cash and Cash Equivalents

For purposes of the statements of cash flows, YKHC considers all highly liquid investment instruments to be cash equivalents.

e. Investments

Investments are recorded at fair value based on quoted market prices. All investment income, including changes in fair value of investments, is recorded as nonoperating revenue in the statement of revenues, expenses, and changes in net position.

f. Accounts Receivable

Receivables from funding agencies represent amounts billed under cost reimbursable grants and amounts awarded and not yet received under the compact. Patient receivables are recorded at the amount billed to patients and third party payors and do not bear interest. YKHC determines the contractual adjustments based on historical experience with third-party payors based on payments to YKHC at amounts different from its established rates. YKHC determines the allowance based on its historical adjustment experience. YKHC reviews its contractual adjustments and allowance for doubtful accounts monthly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is remote.

g. Inventories and Supplies

Inventories and supplies are stated at the lower of cost or market using the first-in, first-out method.

h. Loans Receivable

Loans receivable relate to financing arrangements made with employees to help pay for the cost of education or to assist them in purchasing a home.

i. Investments in Joint Ventures

The investments in affiliated companies are accounted for by the equity method. YKHC would recognize a loss when there is a loss in value in the equity method investment which is other than a temporary decline.

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements

j. Capital Assets

Capital assets are stated at historical cost. Equipment under capital leases are stated at the present value of minimum lease payments. Maintenance, repairs, and minor replacements are charged to expense as incurred. Assets with individual cost of less than \$5,000 are not capitalized; rather they are charged to expense in the year acquired. Capital assets acquired with federal and state grants for which YKHC uses the capital assets in its activities and makes the decisions regarding when and how the capital assets will be used and managed are capitalized and recognized as contributed capital. Depreciation is computed on a straight-line basis over the estimated useful lives of assets. Equipment held under capital leases and leasehold improvements are amortized straight line over the shorter of the lease term or estimated useful life of the asset. YKHC estimates the useful lives of assets to be as follows:

Buildings	20 to 35 years
Leasehold improvements	5 to 15 years
Vehicles	4 years
Computer equipment	3 to 5 years
Furnishings and equipment	3 to 10 years
Medical equipment	3 to 10 years
Major computer system	7 years

k. Accrued Leave

Personnel leave is recorded in the year earned. All amounts are expected to be paid or used within one year.

l. Revenue Recognition

Revenue from the U.S. Department of Health and Human Services Indian Health Service (IHS) Compact is recognized monthly based on the Compact amount awarded. Amounts designated for specific projects in the funding agreement are considered unearned revenue until the project is complete.

YKHC also administers other federal, state, local, and private foundation grants and contracts which are generally of a cost reimbursement type and include provisions for advances and billings for costs incurred. Revenues and receivables are generally recorded when eligible expenses are incurred to the extent of the grant or contract amount. Amounts receivable from funding agencies at year end include amounts relating to expenses incurred prior to year end but not billed until after year end. Advances from funding agencies are considered liquidated when an expense is recorded. All grant and contract receipts in excess of expenses for ongoing programs have been recorded as unearned revenue.

Net patient care revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Estimated uncollectible revenue is reported as provision for bad debts in the financial statements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Some healthcare is provided with the knowledge it will not be reimbursed. This is reported under noncompensated care.

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services. Management believes that YKHC is in substantial compliance with current laws and regulations.

m. Federal Agency Costs and Reimbursements

Certain salary and employee benefit expenses of YKHC's Indian Health Service (IHS) program are paid directly by the federal government through Memorandum of Agreement (MOA). In addition, YKHC orders and receives supplies from the General Services Administration (GSA) as a federal contractor. These MOA and GSA costs are included as operating revenues and expenses in the statement of revenues, expenses and changes in net position to indicate the total operating cost of the program.

n. Allocation of Indirect Expenses

Indirect expenses are allocated to programs based upon an agreement negotiated with the cognizant agency which provides for allocation of indirect costs. These indirect costs are based upon total direct expenditures of each program, less certain subcontracts and equipment purchases. Indirect charges to the various programs have been made at the current negotiated provisional rates unless otherwise limited by contractual agreement.

o. Income Taxes

YKHC is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. YKHC is subject to income taxes on certain unrelated business activities. YK Technologies, a wholly owned subsidiary of YKHC, pays taxes and files a separate tax return.

p. Employee Retention Bonuses

Amounts earned under the employee retention bonus program are expensed when the employee reaches his anniversary date and the amount becomes payable.

2. Deposits and Investments

Cash and Cash Equivalents

YKHC's cash and equivalents are considered to be cash on hand and demand deposits.

Custodial Credit Risk

At September 30, 2015 and 2014 the bank balances were \$24,625,361 and \$2,979,431, respectively. Balances exceeding the \$250,000 Federal Deposit Insurance Corporation (FDIC) coverage limit are collateralized. The fair value of cash and cash equivalents approximates carrying value.

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements

Investments

YKHC reports all equity and debt securities at fair value. Unrealized gains and losses are reflected in investment income. The Chief Executive Officer or his designee, guided by YKHC's investment policy, manages YKHC's investments. A third-party trustee holds all investments in YKHC's name. Investments consist of the following at September 30, 2015:

	Fair Value	Cost
Money market funds	\$ 8,526,388	\$ 8,526,388
Fixed income:		
Corporate bonds	16,110,703	16,117,942
Government bond obligations	2,923,142	2,935,221
Domestic mutual funds	6,937,346	7,052,704
International mutual funds	1,744,808	1,828,188
Mortgage backed securities	1,522,067	1,525,089
Other	1,606,422	1,669,417
Equities:		
Domestic mutual funds	16,250,282	14,730,311
International mutual funds	4,481,417	4,948,335
Domestic equities	7,987,952	8,029,698
International equities	3,727,120	4,181,758
Other	10,004,657	10,122,134
Real estate & specialty assets	7,057,417	7,687,765
Accrued income on investments	199,054	-
	\$ 89,078,775	\$ 89,354,950

Investments consist of the following at September 30, 2014:

	Fair Value	Cost
Money market funds	\$ 9,373,753	\$ 9,373,753
Fixed income:		
Corporate bonds	14,533,107	14,548,655
Government bond obligations	864,518	859,494
Domestic mutual funds	13,035,921	13,069,919
International mutual funds	3,730,908	3,666,461
Equities:		
Domestic mutual funds	4,935,467	4,830,778
International mutual funds	4,452,991	3,900,452
International equities	19,048,108	16,797,217
Other	5,808,913	5,417,043
Real estate & specialty assets	6,334,959	6,409,257
Accrued income on investments	116,615	-
	\$ 82,235,260	78,873,029

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements

Maturities

Maturities for bonds held at September 30, 2015 and 2014, respectively:

<i>Bond Maturity</i>	2015	2014
Less than 1 year	\$ 2,585,341	\$ -
1-2 years	4,094,592	1,085,020
3-5 years	11,913,989	13,299,994
6-10 years	439,923	1,012,611
	<u>\$ 19,033,845</u>	<u>\$ 15,397,625</u>

Investment income consists of the following for the year ended September 30, 2015 and 2014, respectively:

	2015	2014
Increase in fair value of investments	\$ (3,638,406)	\$ 1,460,816
Net realized gains	427,365	615,928
Broker fees	(364,793)	(225,991)
Interest and dividends	1,613,292	1,200,185
	<u>\$ (1,962,542)</u>	<u>\$ 3,050,938</u>

Credit Risk

Credit ratings for bonds held at September 30, 2015 and 2014, respectively:

<i>Quality rating</i>	2015	2014
AAA	\$ 3,024,269	\$ 967,044
AA	2,027,226	1,433,875
A	6,719,532	5,972,942
BAA	7,262,818	7,023,764
Total Bonds	<u>\$ 19,033,845</u>	<u>\$ 15,397,625</u>

Custodial Credit Risk

At September 30, 2015 and 2014 significantly all of YKHC's investments were held with one financial institution. Balances exceeding the \$500,000 Securities Investor Protection Corporation (SIPC) coverage limit are uninsured. Amounts in the Permanent Fund are managed accounts, not subject to custodial credit risk.

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements

Interest Rate Risk

It is YKHC policy to achieve the objectives of:

- Maximize earnings of Corporation funds invested in high-quality, low risk securities.
- Invest funds in securities with principal returned in a time frame consistent with the anticipated funding needs of the Corporation thereby reducing the risk of loss of principal.

Foreign Currency Exposure

None.

Permanent Fund

Included in investments are amounts invested in the Permanent Fund totaling \$79,998,307 and \$81,968,199 at September 30, 2015 and 2014, respectively. These investments are not restricted, as defined by the Governmental Accounting Standards Board; however, it is the intent of YKHC to maintain the corpus of the fund intact in perpetuity.

3. Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Reclassified and Deletions	Ending Balance
Capital assets being depreciated:				
Buildings and leasehold improvements	\$ 105,255,347	\$ 1,808,676	\$ 12,559,915	\$ 119,623,938
Furnishings and equipment	48,613,743	1,505,596	188,419	50,307,758
Total capital assets being depreciated	153,869,090	3,314,272	12,748,334	169,931,696
Less accumulated depreciation and amortization	(70,011,289)	(7,761,798)	65,440	(77,707,647)
Capital assets being depreciated, net	83,857,801	(4,447,526)	12,813,774	92,224,049
Capital assets not being depreciated:				
Artwork	102,583	5,500	(13,300)	112,783
Land	3,832,806	-	-	3,832,806
Construction in progress	20,315,874	4,282,418	(12,815,598)	11,782,694
Total capital assets not being depreciated	24,269,263	4,287,918	(12,828,898)	15,728,283
Net Capital Assets	\$ 108,127,064	\$ (159,608)	\$ (15,124)	\$ 107,952,332

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Reclassified and Deletions	Ending Balance
Capital assets being depreciated:				
Buildings and leasehold improvements	\$ 87,940,135	\$ 29,383	\$ 17,285,829	\$ 105,255,347
Furnishings and equipment	47,702,465	315,114	596,164	48,613,743
Total capital assets being depreciated	135,642,600	344,497	17,881,993	153,869,090
Less accumulated depreciation and amortization	(62,517,834)	(7,477,615)	(15,839)	(70,011,289)
Capital assets being depreciated, net	73,124,766	(7,133,118)	17,866,154	83,857,801
Capital assets not being depreciated:				
Artwork	120,583	-	-	120,583
Land	3,832,806	-	-	3,832,806
Construction in progress	26,722,177	11,459,851	(17,866,154)	20,315,874
Total capital assets not being depreciated	30,675,566	11,459,851	(17,866,154)	24,269,263
Net Capital Assets	\$ 103,800,332	\$ 4,326,732	\$ -	\$ 108,127,064

YKHC's net investment in capital assets includes the following at September 30, 2015 and 2014:

	2015	2014
Capital assets, net of accumulated depreciation	\$ 107,952,332	\$ 108,127,064
Less long-term debt related to capital assets	(8,651,359)	(9,258,067)
	\$ 99,300,973	\$ 98,868,997

Generally, title to buildings, furnishings and equipment acquired with proceeds from contracts or grants vests with YKHC. Such capital is expensed for grant reporting purposes but capitalized for financial reporting purposes and recorded as contributed capital in the period acquired. Capital contributions received in 2015 and 2014 were \$3,084,092 and \$10,691,118, respectively.

The land, buildings and improvements used in the operation of the Yukon-Kuskokwim Delta Regional Hospital are the property of the Indian Health Services (IHS) and are not included in capital assets.

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements

Property with an original cost of \$1,618,138 is subject to a deed of trust in favor of the State of Alaska to secure performance by YKHC of certain provisions of Grant Agreement No. GT-06-C-4235. The provisions include use of the proceeds of the grant for construction of a facility to be operated as a health clinic for a period of 20 years, commencing in January 1995.

4. Investment in Joint Ventures

Investment in LifeMed

LifeMed of Alaska LLC (LMA) was established on April 25, 2008, under an agreement between Providence Health System - Alaska (Providence) and YKHC. It is the successor to each of the members separate air ambulance operations. LMA provides medical transport services, both air transport and ground transport. LMA has five site locations that they maintain and originate flights from. The sites are located in Anchorage, Bethel, Soldotna, Fairbanks, and Wolf Lake, Alaska.

Income (loss) in LMA is allocated equally to each member adjusted for depreciation of the respective property and equipment that each member contributed.

Summarized financial information for LMA at September 30, 2015 and 2014 is as follows:

	2015	2014
Assets		
Current assets	\$ 14,658,490	\$ 14,759,813
Land and buildings	4,828,691	5,094,569
Other assets	54,246	350,520
Total Assets	\$ 19,541,427	\$ 20,204,902
Liabilities and Equity:		
Current liabilities	\$ 4,838,780	\$ 3,141,440
Long-term liabilities	-	286,890
Member equity	14,702,647	16,776,572
Long-Term Liabilities and Equity	\$ 19,541,427	\$ 20,204,902
Equity Allocable to YKHC	\$ 7,182,151	\$ 8,219,113

The loss allocable to YKHC as of September 30, 2015 and 2014 was \$1,036,963 and \$625,734, respectively.

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements

5. Line-of-Credit, Long-Term Debt and Capital Lease

Long-term debt and capital lease activity for the year ended September 30, 2015 and 2014 was as follows:

<i>2015</i>	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Notes payable to bank	\$ 9,258,067	\$ -	\$ 606,708	\$ 8,651,359	\$ 805,615

<i>2014</i>	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Notes payable to bank	\$10,074,793	\$ -	\$817,220	\$9,258,067	\$841,369

Line of credit

YKHC entered into a \$20,000,000 line-of-credit with a bank. Balance at September 30, 2015 and 2014 was \$0 and \$0, respectively. Interest accrues on the outstanding balance at LIBOR plus 1.75% not to fall below 3.5%. The line is secured by the Investment in Permanent Fund.

Long-Term Debt

The following summarizes long-term debt at September 30, 2015 and 2014:

	2015	2014
Loan #4: Monthly loan payments beginning October 1, 2000, payable in monthly installments of \$98,398, including interest accruing at 3.91% per annum; secured by building and land; loan matures in 2024.	\$ 8,439,141	\$ 8,860,640
Loan #8: Note payable in the original amount of \$1,238,000, payable in monthly installments of \$15,432, including interest accrued at 3.5% per annum,; secured by real property, loan matures in 2016.	212,218	355,598
Loan #9: Note payable in the original amount of \$400,000, payable in monthly installments of \$4,356, including interest accruing at 3.25% per annum; secured by real property, loan matures in 2015	-	41,829
Total long-term debt	8,651,359	9,258,067
Less current maturities	805,615	841,369
Long-Term Debt, Less Current Maturities	\$ 7,845,744	\$ 8,416,698

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements

The City of Emmonak and the City of St. Mary's (the Cities) each issued revenue bonds totaling \$18 million for the construction of an office building and equipment located in the City of Bethel, and two sub-regional clinics and equipment located in the City of Emmonak and the City of St. Mary's. The Cities sold the revenue bonds to the Wells Fargo Bank. YKHC is obligated to pay principal, premium, if any, and interest on the revenue bonds when due and therefore recorded the outstanding debt reflected in Loan #4. These loans were refinanced through the City of Marshall for \$8,857,000 in FY15.

Maturities of long-term debt are as follows:

<i>Year Ending September 30,</i>	Loan #4	Loan #8	Loan#9	Total Principal	Interest	Total Debt Services
2016	\$ 657,414	\$ 148,201	\$ -	\$ 805,615	\$ 488,031	\$ 1,293,646
2017	741,560	64,017	-	805,577	439,769	1,245,346
2018	788,068	-	-	788,068	392,626	1,180,694
2019	837,494	-	-	837,494	343,267	1,180,761
2020	890,019	-	-	890,019	290,741	1,180,760
Thereafter	4,524,586	-	-	4,524,586	565,901	5,090,487
	\$ 8,439,141	\$ 212,218	\$ -	\$ 8,651,359	\$ 2,520,335	\$ 11,171,694

6. Self Insurance

YKHC maintains a health and medical benefit program which is offered to all permanent full time employees. Health services for employees are provided within YKHC or through third party providers. Claims are processed through a third party administrator. YKHC has retained a major portion of the risk for this plan, and, accordingly, is liable for any employee health claims that are approved for payment. Stop-loss insurance limits YKHC's liability for individual and aggregate claims. Stop-loss limits were \$225,000 for individual claims and \$10,051,811 for annual aggregate claims based on current employee counts. Health and medical services provided within YKHC totaled \$1,555,982 and \$5,063,140 for the years ended September 30, 2015 and 2014, respectively. Health and medical expenses performed by third party providers totaled \$2,998,821 and \$14,314,711 for the years ended September 30, 2015 and 2014, respectively and consisted of paid claims, stop-loss premiums, and administrative fees. YKHC collected premiums for self insurance in the amount of \$862,373 and \$2,468,239 for the years ended September 30, 2015 and 2014, respectively. YKHC discontinued the self insurance program as of January 1, 2015 for medical. Dental and vision are still offered through the self-insurance program. YKHC started using the Federal Employee Health Benefits program as of January 1, 2015.

Accruals were made based upon estimates of the health claims incurred for the years ended September 30, 2015 and 2014, including claims incurred but not reported. A schedule of the changes in the claims liability for the years ended September 30, 2015 through 2012 follows:

	Balance at Beginning of Year	Claims Incurred	Claims Paid	Balance at End of Year
2015	\$ 1,849,597	\$ 2,998,821	\$ 4,832,476	\$ 15,942
2014	1,304,353	14,314,711	13,769,467	1,849,597
2013	871,452	13,081,842	12,648,941	1,304,353
2012	672,572	9,955,164	9,711,284	916,452

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements

7. Commitments and Contingencies

a. Grant and Contract Expenditures

Expenditures reimbursed under grants and contracts are subject to audits by governmental agencies or their representatives. Amounts reflected in the financial statements as expenditures in prior periods have generally not been audited by the funding agencies. Accordingly, adjustments of amounts received under grants and contracts could result if the grants and contracts are audited by such agencies.

b. Litigation

YKHC is a party to various claims and legal actions arising from the ordinary course of business. In the opinion of management, the outcome of these actions will not have a material adverse effect on the financial statements of YKHC.

c. Malpractice

YKHC is covered under Federal Tort Claim Act (FTCA), coverage which is extended to contractors, grantees and recipients of cooperative agreements under Public Law 93-638, the Indian Self-Determination and Education Assistance Act. Losses from asserted claims, which arise in programs funded by the Indian Health Service, are the responsibility of the Federal Government under the FTCA. It is uncertain whether the FTCA coverage extends to programs/services provided by YKHC that are not specifically addressed under the Indian Health Service compact. No provision for liability, if any, is included in the accompanying financial statements.

d. Pension Plans

YKHC has a defined contribution plan which covers all of its eligible full-time benefited employees. The plan provides for discretionary employer contributions based on 6% of employee compensation and is administered by OneAmerica Financial Partners, Inc. Effective April 1, 1999 YKHC amended their 403(b) Employee Contributory Tax Deferred Annuity Plan. In addition to the discretionary employer contributions of 6%, the employer contributes up to 2% of an employee's salary into the 401(a) plan as a match to what the employee contributes to a 403(b) plan. All plan investments are participant directed. YKHC's management elected for contributions of 4% and 2% for calendar year 2014. Management elected for contributions of 6% and 2% for calendar year 2013. Payments for December 31, 2014 and 2013 were \$2,495,865 (paid in FY 2015) and \$3,885,651 (paid in FY 2014).

e. Employee Retention Bonus Program

YKHC has an employee retention bonus program. The program was designed to improve employee retention for difficult positions to fill. Amounts owed under the program are paid to the employees upon their anniversary date. If an employee terminates employment any unpaid retention bonus is forfeited; therefore, they are not included in the accompanying financials as the amount to be ultimately paid is not able to be estimated.

Yukon-Kuskokwim Health Corporation

Notes to Basic Financial Statements

Potential amounts to be paid in the future are as follows:

<i>Year Ending September 30:</i>	Retention amounts	
2016	\$	1,696,514
2017		1,747,410
2018		1,799,832
	\$	5,243,756

f. Service and Operating Lease Agreements

YKHC has noncancelable service agreements for equipment with remaining terms from one to three years. Rental expense for the service agreements during 2015 and 2014 was \$928,633 and \$875,255, respectively. YKHC also leases 40 health clinics from the villages in the Yukon-Kuskokwim Delta. The leases are for one year with options to renew annually for an additional four years. Annual rent was \$1,459,316 and \$1,419,007 for 2015 and 2014, respectively under these leases.

Future lease expense under noncancelable leases are as follows:

<i>Year Ending September 30:</i>	Service agreements	
2015	\$	2,727,798
2016		860,386
2017		787,770
2018		449,332
Net Minimum Lease Payments	\$	4,825,286

8. Subsequent Events

Indian Health Services transferred land and buildings with a net book value of approximately \$14,569,000, effective January 2016.

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Schedules

Yukon-Kuskokwim Health Corporation
Combining Statement of Net Position Information

<i>September 30, 2015</i>	General Account	Indian Health Service Program	State of Alaska Programs	Federal Programs	Other Programs	Reclassifications	Total
Assets							
Current Assets:							
Cash and Cash Equivalents	\$ 8,722,416	\$ 14,425,333	\$ -	\$ -	\$ -	-	\$ 23,147,749
Amounts Receivable:							
Funding Agencies	-	31,312	2,030,259	4,241,311	34,640	-	6,337,522
Patients, Net of Contractuals and Allowances for Doubtful Accounts of \$12,720,459 in 2015 and \$19,612,421 in 2014	(72,609)	12,045,925	-	-	-	-	11,973,316
Employee Advances and Relocations Costs	764,362	-	-	-	-	-	764,362
Other	50,775	-	5,901	-	-	-	56,676
Investments	9,080,468	-	-	-	-	-	9,080,468
Prepaid Expenses	1,422,545	-	-	-	-	-	1,422,545
Inventory	2,367,624	535,147	-	-	-	-	2,902,771
Current Portion of Employee Home Loans Receivable	24,407	-	-	-	-	-	24,407
Current Portion of Student Loans Receivable	312,307	-	-	-	-	-	312,307
Due (to) from Other Funds	(150,204,706)	151,118,756	(902,597)	(707,979)	696,526	-	-
Total current assets	(127,532,411)	178,156,473	1,133,563	3,533,332	731,166	-	56,022,123
Employee Home Loans Receivable, less Current Portion	5,484	-	-	-	-	-	5,484
Student Loans Receivable, Less Current Portion	267,915	-	-	-	-	-	267,915
Investment in Permanent Fund	79,998,307	-	-	-	-	-	79,998,307
Investment in LifeMed	7,182,151	-	-	-	-	-	7,182,151
Investment in YK Technologies	53,043	-	-	-	-	-	53,043
Capital Assets, Net of Accumulated Depreciation and Amortization	107,874,603	407,895	(330,205)	39	-	-	107,952,332
Total Assets	\$ 67,849,092	\$ 178,564,368	\$ 803,358	\$ 3,533,371	\$ 731,166	\$ -	\$ 251,481,355
Liabilities and Net Position							
Current Liabilities:							
Line of Credit	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Accounts Payable and Accrued Expenses	5,745,905	1,186,215	321,106	175,440	59,356	-	7,488,022
Unearned Revenue	8,975	516,724	617,724	3,377,928	115,030	-	4,636,381
Current Portion of Long-Term Debt	805,615	-	-	-	-	-	805,615
Accrued Salaries, Leave and Fringe Payable	10,531,294	54	-	-	-	-	10,531,348
Total Current Liabilities	17,091,789	1,702,993	938,830	3,553,368	174,386	-	23,461,366
Long-term Debt, less Current Maturities	7,845,744	-	-	-	-	-	7,845,744
Total Liabilities	24,937,533	1,702,993	938,830	3,553,368	174,386	-	31,307,110
Net Position:							
Net Investment in Capital Assets	99,223,244	407,895	(330,205)	39	-	-	99,300,973
Unrestricted:							
Investment in Permanent Fund	79,998,307	-	-	-	-	-	79,998,307
General Operations	(136,309,992)	176,453,480	194,733	(20,036)	556,780	-	40,874,965
Total Net Position	42,911,559	176,861,375	(135,472)	(19,997)	556,780	-	220,174,245
Total Liabilities and Net Position	\$ 67,849,092	\$ 178,564,368	\$ 803,358	\$ 3,533,371	\$ 731,166	\$ -	\$ 251,481,355

Yukon-Kuskokwim Health Corporation

Combining Schedule of Revenues, Expenses and Changes in Net Position

Year Ended September 30, 2015	General Account	Indian Health Service Program	State of Alaska Programs	Federal programs	Other programs	Reclassifications	Total
Operating Revenues:							
Patient Care Revenue	\$ -	\$ 157,955,150	\$ -	\$ -	\$ -	1,233,225	\$ 159,188,375
Less Provision for Contractual	(116,574)	(69,735,305)	-	-	-	-	(69,851,879)
Less Uncompensated Care	-	(1,831,957)	-	-	-	-	(1,831,957)
Less Provision for Bad Debt	-	(1,198,643)	-	-	-	-	(1,198,643)
Net Patient Care Revenue	(116,574)	85,189,245	-	-	-	1,233,225	86,305,896
Funding Agreement and Grant Revenue	-	73,673,463	-	-	-	-	73,673,463
Operating Grant Revenue	-	-	9,618,692	12,849,854	101,228	(3,084,092)	19,485,682
Intracompany	539,888	668,135	-	-	-	(1,208,023)	-
Other Revenue	2,957,332	2,554,353	-	8,116	-	(1,233,225)	4,286,576
Total Operating Revenues	3,380,646	162,085,196	9,618,692	12,857,970	101,228	(4,292,115)	183,751,617
Operating Expenses:							
Total Salaries	15,290,467	45,365,702	4,156,688	5,122,073	40,085	(733,128)	69,241,887
Contracts and Fees	7,944,209	8,582,823	497,664	1,311,620	1,575	(485,920)	17,851,971
Net Fringe Benefits	3,849,843	11,374,828	1,041,872	1,285,967	9,947	(241,932)	17,320,525
Supplies	899,996	12,962,139	318,476	868,836	1,204	(672,436)	14,378,215
Utilities	7,709,869	732,858	242,437	27,996	-	(50,793)	8,662,367
Depreciation and Amortization (note 4)	7,761,798	(1,005)	-	1,005	-	-	7,761,798
Travel	919,707	4,584,437	326,332	1,115,589	14,623	(85,306)	6,875,382
Rental Fees	1,240,359	2,234,723	40,798	39,937	-	(443,802)	3,112,015
Furniture and Equipment	443,338	375,731	1,283,276	308,826	4,184	(1,204,156)	1,211,199
Government Labor	326,674	1,354,087	-	161,863	-	-	1,842,624
Freight and Postage	352,753	836,400	267,904	123,271	-	(264,999)	1,315,329
Dues and Subscriptions	740,281	350,210	-	6,403	-	-	1,096,894
Repairs and Maintenance	315,972	646,227	108,192	26,437	-	(31,711)	1,065,117
Insurance	1,083,038	-	-	-	-	-	1,083,038
Education, Advertising and Licensing	478,484	404,419	87,007	113,013	-	-	1,082,923
Relocation	18,362	337,735	1,134	48,844	9,940	(76,566)	339,449
Miscellaneous	794,100	1,068,394	18,004	273,378	-	(1,366)	2,152,510
Total Direct Operating Expenses¹	50,169,250	91,209,708	8,389,784	10,835,058	81,558	(4,292,115)	156,393,243
Allocation of Indirect Expenses	(42,717,944)	39,454,570	1,228,907	2,014,796	19,671	-	-
Total Operating Expenses	7,451,306	130,664,278	9,618,691	12,849,854	101,229	(4,292,115)	156,393,243
Operating income	(4,070,660)	31,420,918	1	8,116	(1)	-	27,358,374
Nonoperating Revenue (Expense):							
Equity in loss of LifeMed	-	-	-	-	-	(1,036,963)	(1,036,963)
Investment Income	(2,999,505)	-	-	-	-	1,036,963	(1,962,542)
Non-Recurring	761,292	-	-	-	-	-	761,292
Gain on Disposal of Assets	81,100	-	-	(428)	-	-	80,672
Interest Expense	(422,153)	-	-	-	-	-	(422,153)
Total Nonoperating Income (Expense)	(2,579,266)	-	-	(428)	-	-	(2,579,694)
Income (Loss) before							
Capital Contributions	(6,649,926)	31,420,918	1	7,688	(1)	-	24,778,680
Current Contributed Capital Assets	3,414,297	-	(330,205)	-	-	-	3,084,092
Increase (Decrease) in Net Position	(3,235,629)	31,420,918	(330,204)	7,688	(1)	-	27,862,772
Net Position, beginning of year	46,147,188	145,440,457	194,732	(27,685)	556,781	-	192,311,473
Net Position, end of year	\$ 42,911,559	\$ 176,861,375	\$ (135,472)	\$ (19,997)	\$ 556,780	\$ -	\$ 220,174,245
(1) Expenses Related to Hospital Operations	\$ 14,830,185	\$ 64,127,028	\$ 34,999	\$ 72,724	\$ 9,146		
Expenses Related to Non-Hospital Operations.	35,339,065	27,082,680	8,354,785	10,762,334	72,412		
Total Direct Operating Expenses	\$ 50,169,250	\$ 91,209,708	\$ 8,389,784	\$ 10,835,058	\$ 81,558		

Yukon-Kuskokwim Health Corporation
Schedule of Revenues, Expenses and Changes in Net Position
Skilled Nursing Facility

Year Ended September 30, 2015

Operating Revenues	
Patient Care Revenue	\$ 5,311,699
Less Contractual Allowance	(950,593)
Net Patient Care Revenue	4,361,106
Other Revenue	150
Total Operating Revenues	4,361,256
Operating Expenses	
Total Salaries	2,189,836
Net Fringe Benefits	548,881
Relocation	20,769
Contracts and Fees	146,897
Supplies	205,906
Furniture and Equipment	12,926
Utilities	446,567
Repairs and Maintenance	54,111
Dues and Subscriptions	8,839
Travel	26,046
Education, Advertising and Licensing	5,024
Miscellaneous	9,944
Rental Fees	6,655
Freight and Postage	37,458
Depreciation and Amortization	480,035
Allocation of Indirect Expenses	1,582,074
Total Operation Expenses	5,781,968
Operating Loss	\$ (1,420,712)

Yukon-Kuskokwim Health Corporation

Schedule of Capital Assets

Skilled Nursing Facility

September 30, 2015

Capital assets being depreciated	
Buildings and leasehold improvements	\$ 16,178,301
Furnishings and equipment	391,364
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Total capital assets not being depreciated	16,569,665
Less accumulated depreciation	(942,271)
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Capital assets being depreciated, net	15,627,394
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Capital assets not being depreciated:	
Artwork	5,500
Land	700,882
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Total capital assets not being depreciated	706,382
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Net Capital Assets	\$ 16,333,776
