TELLURIDE HOSPITAL DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2014 and 2013

DALBY, WENDLAND & CO., P.C.
CPAs and Business Advisors

Grand Junction
464 Main Street • P.O. Box 430 • Grand Junction, CO 81502
Phone: (970) 243-1921 • Fax: (970) 243-9214

Board of Directors
Telluride Hospital District
Telluride, Colorado

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the blended component units of Telluride Hospital District (the District), which comprise the statement of net position as of December 31, 2014, and the related statements of revenue, expenses, and changes in net position, and cash flows and for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. The financial statements of the Telluride Medical Center Foundation (Foundation) were audited in accordance with the *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 respective financial position of the business-type activities and the blended component units of the District as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report of Summarized Comparative Information

We have previously audited the District's 2013 financial statements, and our report dated April 28, 2014, expressed an unmodified opinion on those audited, financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 20 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 Boards, 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 inquiries 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 out 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 opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedule of revenue, non-operating revenues, expenses, and non-operating expenses - departments on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dalby, Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

May 29, 2015

TELLURIDE HOSPITAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2014

The Telluride Medical Center (TMC) operates two healthcare business units 1) a trauma & emergency services department offering a full service level V trauma center providing emergency care twenty four hours a day seven days a week and 2) a primary care department that is a multi-specialty medical practice with two doctors, two mid-level providers and visiting specialists.

The Telluride Medical Center has two affiliated organizations: the TMC Foundation, a charitable fundraising organization, and IFAM, the Institute for Altitude Medicine, an altitude medicine charitable research organization. For additional financial information on the TMC Foundation, please see the TMC Foundation's December 31, 2014 audited financial statements.

The Telluride Medical Center is governed by a five member Board of Directors elected by the voters within a Special District established under Colorado law (the Telluride Hospital District).

Financial Overview

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are mainly comprised of four components:

- The Statements of Net Position provides information about the District's assets and liabilities and reflects the District's financial position as of December 31, 2014 and 2013.
- The Statements of Revenue, Expenses and Changes in Net Position reports the cumulative activity of providing healthcare services and the expenses related to such activity for the years ended December 31, 2014 and 2013.
- The Statements of Cash Flows outlines the cash inflows and outflows related to the activity of providing healthcare services for the years ended December 31, 2014 and 2013.
- The Notes to Financial Statements provide explanation and clarification on specific items within the previously mentioned financial statements and should be read in their entirety.

This report also contains other supplemental information in addition to the basic financial statements themselves.

1. Statement of Net Position

Financial Analysis

The District's total assets at the end of the 2014 calendar year were $7,699,630 as compared to $7,467,275 at the end of the 2013 calendar year. The $232,355 increase reflects an increase in total cash and cash equivalents and investments of $111,416, an increase in net receivables of $30,324 plus a $31,542 increase in prepaid expenses relating to service contracts. The remainder of the increase is attributable to capital work in progress on a new regional medical facility. The increase in cash and cash equivalents relates to an 11% increase in net patient service revenue. In addition, staff made deliberate reductions where possible anticipating a reduction in ad valorem tax revenue.

At December 31, 2014, assets consisted primarily of cash and cash equivalents and investments of $2,988,686, net capital assets of $2,287,208, current year ad valorem taxes receivable of $1,540,011, and net accounts receivable from patient services and pledges of $627,980.

Comparable asset balances at December 31, 2013 were as follows: cash and cash equivalents of $2,877,270, net capital assets of $2,235,965, prior year ad valorem taxes receivable of $1,537,313, and net accounts receivable from patient services and pledges of $596,565.

The District's total liabilities at December 31, 2014 were $895,296 consisting of accrued liabilities of $692,582, and accounts payables and due to affiliates of $202,714. The increase in accounts payable and due to affiliates of $29,822 relates to the timing of the bills payable.

Comparable liability balances at December 31, 2013 were as follows: total liabilities of $861,103, consisting of accrued liabilities of $688,211, and accounts payable and due to affiliates of $172,892.

The District's deferred inflows of resources at December 31, 2014 were $1,542,077 and the comparable balance in 2013 was $1,532,457. The District does not have any debt nor any estimated liability for potential losses.

2. Statements of Revenue, Expenses and Changes in Net Position

Patient Service Revenues

The District's net patient service revenue is divided between revenues from its 24-hour emergency service (50%) and revenues from its primary care clinic (50%). However, the emergency service accounts for only 19% of the patient encounters while the primary care accounts for 81%. Ninety percent (90%) of the District's patient charges are billable to insurance companies and 10% of charges are considered self pay or without insurance. Because payments for services rendered to patients under insurance programs are less than billed charges, the District estimates a provision for contractual adjustments to reduce the total charges to these patients to estimated receipts, based upon either the program's principles or the contractual arrangements. Due to the complicated nature of claim adjudication, the payments received could differ from the provision.

The District's revenues are classified as operating and non-operating revenues. Operating revenues consist of net patient service revenues which increased between the calendar years 2014 and 2013 by 11%. Net patient service revenue for the 2014 calendar year was reported as $4,208,747 compared to the 2013 calendar year net patient revenue of $3,796,617. Patient visits increased 11% during the same period relating to increased provider hours and a general improvement in the economy.

The Telluride Medical Center Foundation (TMCF) had a successful year with fund raising of $329,490 in 2014 compared to $281,857 in 2013, which includes in-kind contributions from the District of $104,433 and $102,768, respectively. The increase does not reflect the program funding to the District which was $142,553 in 2014 from $139,641 in 2013. TMCF received grants in 2014 totaling $904,882 of which all funds were dispersed per the program. Comparable grants in 2013 totaled $1,292,719. The Institute for Altitude Medicine (IFAM) contributions and grants were minimal in 2014 due to a planned reduction in fundraising.

Total non-operating revenues for the 2014 calendar year ended at $2,837,403, compared to the non-operating revenues in 2013 of $3,555,668. Non-operating revenue is comprised of ad valorem taxes, contributions and grants, interest income and other non-operating revenues. Ad valorem taxes are the biggest contributor to the variance in non-operating revenue and had a $274,616 decrease from 2013 based on the decrease in assessed property taxes. Contributions and grants had offsetting increases and decreases for a net decrease of $10,245 in 2014 based on the phasing out of non-operating grants.

The major expenses incurred by the District during the 2014 calendar year were compensation and employee benefits of $3,534,350 and $686,540, respectively; materials and supplies of $339,330, information technology and professional services of $336,966; depreciation and amortization of $238,747, and IT, equipment, and service contracts of $238,249.

The District's net position at the end of the 2014 calendar year was $5,262,257 as compared to $5,065,127 at the end of the 2013 calendar year. The year progressed with better than anticipated revenues and expenses. The success of the TMCF also attributed to the increase in net assets.

Provision for Doubtful Accounts

The collection of receivables from patients and third party payers is the District's primary source of cash and is therefore, critical to the District's operating performance.

During the 2014 calendar year, the primary collection risks relate to the uninsured patient and to aged insurance claims. The District estimated the Provisions for Doubtful Accounts based upon previous experience.

Significant changes in payer mix, economic conditions and trends in federal and state governmental health care coverage affect the District's collection of accounts receivable, cash flows, and results of operation. The provision for doubtful accounts for the 2014 calendar year was $152,265 and fully reserves all self-pay balances over 120 days old. The calendar year 2013 provision was $118,044.

3. Cash Flow Statements

The District's 2014 total cash used by operating activities was $1,211,127 as compared to $1,412,443 used in 2013. The operating use of cash decreased due to higher volumes of patients seen as compared to a relatively small increase in variable cost. The decrease of $201,316 is offset by a $500,945 increase in investment purchases with Colotrust.

Other sources of cash are primarily ad valorem taxes, but also consist of federal grant revenues. All federal grant monies were spent in the year received thus offset the revenues.

Capital uses of cash during 2014 were $308,034 and reflect an increase of $98,135 over the prior year. The 2014 purchases included administrative equipment which updated the IT environment and leasehold improvements. The 2013 capital use of cash was $209,899.

The 2014 increase in investing activities relates mostly to purchasing investments in Colotrust, a trust designed to offer Colorado local governments safe and liquid opportunities to diversify investments.

4. Budgetary Highlights

The District is responsible for funding expenses from cash generated through its operations and from the ad valorem taxes received during the calendar year. The District prepares a budget to reflect the expected revenues and expenses generated through its operations. The District's Board of Directors approved a 2015 budget during the last quarter of the 2014 calendar year.

The original budget was updated and approved during the last quarter of the 2014 calendar year. The variance between the original and final budgets relate to operating and non-operating grant revenue and expenses that were received and spent after the original budget was approved.

The variance between the final budget and actual amounts are due to multiple revenue and expense items.

Budgeted net patient service revenue was not realized offset by unanticipated non-operating grant revenues. Significant variances between the budgeted total compensation and benefits and the actual results relate to reduced patient services revenue as well as unanticipated grant reimbursement, the impact of salary deferment and utilization of non-benefitted staff. Other variances include planned projects and patient related grant expenses not incurred.

5. Economic and Other Factors

The days in accounts receivable ratio (DAR) at year end yielded 41 and 68 days in the primary care and emergency department business units, respectively. The healthy accounts receivable ratio is largely due to staff dedicated to working the self-pay accounts receivable. The primary care and emergency department DAR at year ended 2013 was 38 and 69, respectively. A distinctive issue for the District is the number of patient visitors from out of state presenting a non-participating insurance. Each insurance company has unique requirements for claim submission which most times require individual handling. During 2014, the District filed insurance claims with 1,460 different insurance companies of which 46% were non-participating and represented 18% of the total patient revenue.

The day's cash on hand ratio at December 31, 2014 was 108 days versus day's cash on hand in December 2013 of 123 days. The decrease is linked to decrease in property values. Management will continue to monitor this ratio to ensure that adequate cash reserves are available.

A number of major factors affect the ongoing financial situation of the District. They are a combination of healthcare legislation, significant revenue cycle adjustments, and the cost of living in a resort community impacting the District's ability to retain qualified staff and remain the premier provider of healthcare in the region.

The table below reflects the reductions in revenue related to the Care Support program over the last three years.

Charity Care	2014	2013	2012
Emergency Department	$ 76,328	$ 73,382	$ 75,343
Primary care Department	50,006	56,884	57,111
Total Charity Care	$ 126,334	$ 130,266	$ 132,454

Contacting the District's Financial Management

This management discussion and analysis report is designed to provide interested parties with a general overview of the District financial activity for the 2014 calendar year and to demonstrate the District's accountability for the money it received for providing healthcare services to members of this community and others. If you have questions about this report or need additional information, please contact Telluride Hospital District's Financial Director, 500 West Pacific Avenue, Telluride, CO 81435.

TELLURIDE HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

December 31, 2014 and 2013

	2014				2013
	THD *	IFAM **	TMCF ***	**Total**	Total
ASSETS					
Current Assets					
Cash and cash equivalents	$ 1,580,565	$ 11,454	$ 395,256	**$ 1,987,275**	$ 2,376,804
Investments	1,001,411	-	-	**1,001,411**	500,466
Accounts receivable from patient services & pledges, net of estimated uncollectibles of $444,311 (2014) and $297,886 (2013)	561,766	526	27,918	**590,210**	559,027
Other receivables	20,097	-	-	**20,097**	12,026
Ad valorem taxes receivable	1,540,011	-	-	**1,540,011**	1,537,313
Due from affiliates	9,028	-	-	**9,028**	20,656
Inventory	101,724	-	-	**101,724**	104,038
Other current assets	99,072	-	-	**99,072**	67,530
Total Current Assets	4,913,674	11,980	423,174	**5,348,828**	5,177,860
Capital Assets, net	2,287,208	-	-	**2,287,208**	2,235,965
Other Assets	63,594	-	-	**63,594**	53,450
Total Assets	7,264,476	11,980	423,174	**7,699,630**	7,467,275
LIABILITIES					
Current Liabilities					
Accounts payable	192,212	-	1,474	**193,686**	152,236
Due to affiliates	-	-	9,028	**9,028**	20,656
Accrued compensation and employee benefits	614,583	-	-	**614,583**	591,373
Other accrued liabilities	77,999	-	-	**77,999**	96,838
Unearned revenue	-	-	-	**-**	8,588
Total Current Liabilities	884,794	-	10,502	**895,296**	869,691
Total Liabilities	884,794	-	10,502	**895,296**	869,691
DEFERRED INFLOWS OF RESOURCES					
Imposed nonexchange revenue - ad valorem taxes	1,542,077	-	-	**1,542,077**	1,532,457
Total Deferred Inflows of Resources	1,542,077	-	-	**1,542,077**	1,532,457
NET POSITION					
Invested in capital assets, net of related debt	2,287,208	-	-	**2,287,208**	2,235,965
Unrestricted components of net position					
Unrestricted	1,925,397	10,993	411,632	**2,348,022**	2,199,504
Board designated	500,000	-	-	**500,000**	500,000
Temporarily restricted components of net position	125,000	987	1,040	**127,027**	129,658
Total Net Position	$ 4,837,605	$ 11,980	$ 412,672	**$ 5,262,257**	$ 5,065,127

* Telluride Hospital District - See Note 1

** Institute for Altitude Medicine - See Note 1 and Note 14

*** Telluride Medical Center Foundation - See Note 1 and Note 15

See accompanying notes.

TELLURIDE HOSPITAL DISTRICT

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

For the years ended December 31, 2014 and 2013

	2014				2013
	THD	IFAM	TMCF	**Total**	Total
Operating Revenues					
Net patient service revenue	$ 4,208,747	$ 18,728	$ -	**$ 4,227,475**	$ 3,820,837
Contribution and donation income - Note 1 and 15	-	-	329,490	**329,490**	281,857
Other revenue	79,374	(1)	-	**79,373**	54,600
Patient related grant revenue	182,871	-	-	**182,871**	205,080
Total Operating Revenues	4,470,992	18,727	329,490	**4,819,209**	4,362,374
Operating Expenses					
Compensation	3,399,038	18,826	116,486	**3,534,350**	3,317,196
Contract services	47,682	380	-	**48,062**	154,677
Employee benefits	680,931	5,609	-	**686,540**	649,495
Program expenses	-	-	110,221	**110,221**	139,641
Information technology and professional services	331,984	615	4,367	**336,966**	331,298
Other operating expenses	233,254	2,031	14,261	**249,546**	245,882
Materials and supplies	337,566	1,452	372	**339,390**	236,872
Depreciation and amortization	237,264	1,483	-	**238,747**	265,005
IT, equipment, and service contracts	227,937	10,312	-	**238,249**	238,658
Patient related grant expense	182,774	-	-	**182,774**	189,057
Building and facilities	120,947	119	-	**121,066**	123,159
Utilities and support services	75,631	-	2,622	**78,253**	69,471
Insurance	86,541	2,474	1,406	**90,421**	90,531
Travel and entertainment	-	80	1,213	**1,293**	657
Research and development	-	-	-	**-**	343
Interest and loan fees	-	-	-	**-**	10
Total Operating Expenses	5,961,549	43,381	250,948	**6,255,878**	6,051,952
Income (Loss) From Operations	(1,490,557)	(24,654)	78,542	**(1,436,669)**	(1,689,578)
Non-operating Revenues					
Ad valorem taxes	1,598,485	-	-	**1,598,485**	1,873,101
Contributions and grants	240,264	15,853	910,763	**1,166,880**	1,604,615
Interest income	7,231	-	321	**7,552**	8,534
Gain on sale of assets	10,000	-	-	**10,000**	-
Other non-operating revenues	60,367	-	-	**60,367**	69,418
Total Non-operating Revenues	1,916,347	15,853	911,084	**2,843,284**	3,555,668
Non-operating Expenses					
Contributions and grants	78,007	-	910,763	**988,770**	1,385,016
Distribution to TMCF	191,569	-	-	**191,569**	187,667
Distribution to IFAM	-	-	-	**-**	2,400
Loss on disposal of assets	-	17,645	-	**17,645**	-
Lhotka Conference	-	11,501	-	**11,501**	15,737
Total Non-operating Expenses	269,576	29,146	910,763	**1,209,485**	1,590,820
Total Non-operating Revenues, net	1,646,771	(13,293)	321	**1,633,799**	1,964,848
Increase (Decrease) in Net Position	156,214	(37,947)	78,863	**197,130**	275,270
Net Position - beginning of the year	4,681,391	49,927	333,809	**5,065,127**	4,789,857
Net Position - end of the year	$ 4,837,605	$ 11,980	$ 412,672	**$ 5,262,257**	$ 5,065,127

See accompanying notes.

TELLURIDE HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

	2014				2013
	THD	IFAM	TMCF	**Total**	Total
Cash Flows From Operating Activities					
Cash received from patients and third-party payors	$ 4,144,830	$ 18,248	$ -	**$ 4,163,078**	$ 3,780,066
Cash received from other operating activities	254,174	915	359,707	**614,796**	545,907
Cash paid to suppliers and others	(1,564,757)	-	(294,986)	**(1,859,743)**	(1,755,163)
Cash paid to employees for services	(4,104,440)	(24,819)	-	**(4,129,259)**	(3,983,253)
Net Cash Provided (Used) by Operating Activities	(1,270,193)	(5,656)	64,721	**(1,211,128)**	(1,412,443)
Cash Flows From Non-capital Financing Activities					
Ad valorem taxes - Telluride Hospital District	1,605,407	-	-	**1,605,407**	1,864,653
Change in due to/from affiliate, net	11,628	-	(11,628)	**-**	-
Non-operating revenues	193,631	15,853	762,642	**972,126**	1,536,031
Non-operating expenses	(152,576)	(29,146)	(762,642)	**(944,364)**	(1,452,814)
Net Cash Provided (Used) by Non-capital Financing Activities	1,658,090	(13,293)	(11,628)	**1,633,169**	1,947,870
Cash Flows From Capital and Related Financing Activities					
Acquisition of property and equipment	(308,033)	-	-	**(308,033)**	(209,899)
Net Cash Used for Capital and Related Financing Activities	(308,033)	-	-	**(308,033)**	(209,899)
Cash Flows From Investing Activities					
Purchase of investments	(500,945)	-	-	**(500,945)**	(500,466)
Interest income received	7,231	-	321	**7,552**	8,534
Investment in HealthCare Management, Inc.	(10,144)	-	-	**(10,144)**	(19,855)
Net Cash Provided (Used) by Investing Activities	(503,858)	-	321	**(503,537)**	(511,787)
Increase (Decrease) in Cash and Cash Equivalents	(423,994)	(18,949)	53,414	**(389,529)**	(186,259)
Cash and Cash Equivalents - beginning of the year	2,004,559	30,403	341,842	**2,376,804**	2,563,063
Cash and Cash Equivalents - end of the year	$ 1,580,565	$ 11,454	$ 395,256	**$ 1,987,275**	$ 2,376,804

See accompanying notes.

TELLURIDE HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

	2014				2013
	THD	IFAM	TMCF	**Total**	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Income (loss) from operations	$ (1,490,557)	$ (24,654)	$ 78,542	**$ (1,436,669)**	$ (1,689,578)
Proceeds from sale of fixed assets	-	397	-	**397**	-
Adjustments to reconcile operating loss to net cash used for operating activities:					
Bad debts	225,823	-	-	**225,823**	201,552
Provision for contractual adjustments	2,307,077	-	-	**2,307,077**	1,613,866
(Gain)/loss on sale/disposal of assets	(10,000)	17,645	-	**7,645**	-
Depreciation and amortization	237,264	1,483	-	**238,747**	265,005
Changes in:					
Accounts receivable from patient services & pledges	(2,596,817)	(480)	33,216	**(2,564,081)**	(1,871,946)
Other receivables	1,929	-	-	**1,929**	20,127
Inventory	2,314	-	-	**2,314**	(8,884)
Other current assets	(31,542)	-	-	**(31,542)**	(1,925)
Accounts payable and accrued liabilities	84,316	(47)	(47,037)	**37,232**	59,340
Net Cash Provided (Used) by Operating Activities	$ (1,270,193)	$ (5,656)	$ 64,721	**$ (1,211,128)**	$ (1,412,443)

See accompanying notes.

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Telluride Hospital District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental financial reporting principles. The following is a summary of the District's significant accounting policies:

Financial Reporting Entity - The District was established in 1983 to operate and maintain a community health clinic and emergency center for the diagnosis and treatment of individuals requiring outpatient services and emergency care in the community and surrounding area of Telluride, Colorado.

The primary purpose of the District is to enhance and promote local health care by providing primary and emergency medical services, which includes establishing and operating a primary care medical center, Telluride Medical Center – Primary Care Enterprise and a 24-hour emergency medical care center. The District is commonly referred to as the Telluride Medical Center (TMC). In addition to its primary purpose, the District supports community health care through ongoing review and assessment of regional health care needs and cooperation with local, regional, state, and federal health care initiatives.

The financial statements of the District include all of the integral parts of the District's operations. To conform to GAAP as applicable to governments, criteria was considered to determine whether any organization should be included in the District's reporting entity. Based on these considerations, it was determined that the Institute For Altitude Medicine (IFAM), a separate legal entity, and the Telluride Medical Center Foundation (TMCF) meet the criteria to be included in the District's financial statements as blended component units. Additional financial information pertaining to the IFAM may be obtained from Institute For Altitude Medicine, P.O. Box 1229, Telluride, CO, 81435 (see Note 14). Additional financial information pertaining to the TMCF may be obtained from Telluride Medical Center Foundation, P.O. Box 1229, Telluride, CO, 81435 (see Note 15).

Risk Management - The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the five preceding years (see Note 13 for discussion of coverage related to medical malpractice claims).

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 - Cash and cash equivalents may include investments in highly liquid debt instruments with an original maturity of three months or less. The Board of Directors (the Board) has designated assets required to meet capital expenditures. These designated assets are included in cash and cash equivalents. At December 31, 2014 and 2013 there was $500,000 total Board designated assets to be used for the future purchase of land and a new facility.

Patient Receivables - Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

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

Ad Valorem Taxes - As of December 31, 2014 and 2013, the District's mill levy consisted of general operating expenses and a special levy for emergency medical care. Property taxes for the current year are levied in December of the previous year and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes for 2014 and 2013 are reportable as a receivable and a deferred inflow of resources at December 31. The deferred taxes are reported as revenue in the year in which the lien attaches and they are available and collected.

Inventory - Supply inventories are stated at the lower of cost or market, determined using the first-in, first-out method.

Capital Assets - Property and equipment are recorded at cost, or if donated, at fair market value at the date of receipt. The District defines capital assets as assets with an initial cost of more than $10,000. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method.

Net Position - Net position is presented in the following components:

Invested in capital assets, net of related debt - Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding debt used to finance the purchase or construction of those assets.

Unrestricted - Unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Temporarily restricted - Temporarily restricted component of net position is used to differentiate resources, the uses of which are specified by donors or grantors, from resources of the unrestricted component of net position on which donors or grantors place no restrictions or that arise as a result of the District operating for its stated purposes. Donor restrictions for specific purposes are reported in other operating revenues to the extent used within the period. Temporarily restricted components of net position for plant replacement and expansion are added to the unrestricted component of net position balance when expended.

Accrued Compensated Absences - The District accrues paid time-off in the period the related liability vests with the respective employee. Paid time-off is granted to all full-time employees and is vested based on years of service.

Net Patient Service Revenue - The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Net patient service 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 payors. 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.

Financial Hardship - The District provides care to patients who meet certain criteria under its financial hardship policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as financial hardship, they are not reported as revenue.

In-Kind Contributions - The District, specifically TMCF and IFAM, receives in-kind contributions to be used towards salaries and rent expense, respectively. Donated rent is recorded at its estimated value at the date of receipt.

Advertising - Advertising costs are charged to operations when incurred. For the years ended December 31, advertising expenses $12,526 (2014) and $15,353 (2013).

Income Taxes - As an essential government function of San Miguel County, the District is generally exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

NOTE 2 - BUDGETS

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

A. Budgets are required by state law.

B. Public hearings are conducted by the District to obtain taxpayer comments.

C. Prior to December 31, the budget is adopted and appropriations are made by formal resolution.

D. Expenditures may not legally exceed appropriations. The Board's approval is required for changes in the budget. Budget amounts included in the financial statements are based on the final, legally amended budget. The District's original budgeted expenditures were $6,355,824 and the final budgeted expenditures were $6,800,000 for the year ended December 31, 2014.

E. Budget appropriations lapse at the end of each year.

F. The District adopts budgets that include all financing sources and uses. The following is a budgetary comparison and a summary of the adjustments necessary to convert to the budgetary basis from GAAP used in presentation of the statements of revenue and expenses - unrestricted funds for the year ended December 31, 2014:

	Actual	Budget	Variance - Favorable (Unfavorable)
Revenue:			
GAAP-based revenue	$ 4,470,992	$ 4,446,606	$ 24,386
GAAP-based non-operating revenue	1,916,347	1,819,007	97,340
Total Budgetary Revenue	$ 6,387,339	$ 6,265,613	$ 121,726
Expenses:			
GAAP-based expenses	$ 5,961,549	$ 6,226,900	$ 265,351
GAAP-based non-operating expenses	269,576	273,100	3,524
Adjustments:			
Capital outlay	308,034	300,000	(8,034)
Total Budgetary Expenses	$ 6,539,159	$ 6,800,000	$ 260,841

NOTE 3 - TAX, SPENDING, AND DEBT LIMITATIONS

Effective January 1, 2003, the District adopted a resolution that formalized the establishment of the TMC – Primary Care Enterprise as an enterprise under Article X, Section 20 of the Colorado Constitution, as amended (the TABOR amendment), which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The TABOR amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the TABOR amendment. However, the District has made certain interpretations of the TABOR amendment's language in order to determine its compliance. As stipulated in a resolution adopted by the District dated December 11, 2002, pursuant to and in accordance with the TABOR amendment, the TMC – Primary Care Enterprise shall be excluded from the provisions of the TABOR amendment.

NOTE 4 - CASH AND CASH EQUIVALENTS

The Colorado Public Deposit Protection Act (PDPA) governs the District's cash deposits. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a market value equal to at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

The District had bank balances at December 31 as follows:

	2014	2013
Insured (FDIC) or collateralized with securities held by the District	$ 796,856	$ 548,743
Collateralized by securities held by the pledging financial institution in accordance with PDPA	2,200,783	1,761,750
Total	$ 2,997,639	$ 2,310,493
Carrying Value	$ 2,988,686	$ 2,376,804

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure the District would not be able to recover the value of its deposits. The District's deposits are not deemed to be exposed to custodial credit risk as they are held by the District, or the District's custody agent in the District's name.

Concentrations of Credit Risk - Deposits

A concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer or institution. The District holds 99% of its cash deposits in one financial institution and 1% in a second institution.

NOTE 5 - INVESTMENTS

As of December 31, 2014, the District had $1,001,411 invested in Colotrust, a local government investment pool established for local governments in Colorado to pool surplus funds. These pools operate similarly to a money market fund and each share is equal in value to $1. Investments in Colotrust consist of U.S. Treasury and agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and agency securities and is rated AAAm by Standard and Poor's.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that in the event of failure of the counter party to a transaction, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are not deemed to be exposed to custodial credit risk as they are held by the District, or the District's custody agent in the District's name.

NOTE 6 - CAPITAL ASSETS

Capital asset activities for the years ended December 31 were as follows:

2014	Beginning Balance	Additions	Deletions	Ending Balance
Building improvements	$ 2,480,709	$ 43,329	$ 14,359	$ 2,509,679
Medical equipment	1,319,629	126,030	105,423	1,340,236
Furniture and fixtures	65,614	-	-	65,614
Administrative equipment	325,577	55,622	-	381,199
Construction in process	2,527	83,052	-	85,579
Total Cost	4,194,056	308,033	119,782	4,382,307
Less accumulated depreciation and amortization:				
Building improvements	731,294	89,456	3,809	816,941
Medical equipment	947,934	114,129	97,930	964,133
Furniture and fixtures	63,289	2,327	-	65,616
Administrative equipment	215,574	32,835	-	248,409
Total Accumulated Depreciation and Amortization	1,958,091	238,747	101,739	2,095,099
Capital assets, net	$ 2,235,965	$ 69,286	$ 18,043	$ 2,287,208

2013	Beginning Balance	Additions	Deletions	Ending Balance
Building improvements	$ 2,475,302	$ 5,407	$ -	$ 2,480,709
Medical equipment	1,194,348	125,281	-	1,319,629
Furniture and fixtures	65,614	-	-	65,614
Administrative equipment	248,893	76,684	-	325,577
Construction in process	-	2,527	-	2,527
Total Cost	3,984,157	209,899	-	4,194,056
Less accumulated depreciation and amortization:				
Building improvements	642,439	88,855	-	731,294
Medical equipment	811,769	136,165	-	947,934
Furniture and fixtures	60,895	2,394	-	63,289
Administrative equipment	177,983	37,591	-	215,574
Total Accumulated Depreciation and Amortization	1,693,086	265,005	-	1,958,091
Capital assets, net	$ 2,291,071	$ (55,106)	$ -	$ 2,235,965

NOTE 7 - INVESTMENT IN HEALTHCARE MANAGEMENT, INC.

The District invested in Healthcare Management, Inc. (HCM) during 2012. As of December 31, 2014 and 2013, the District had a 0.5% ownership interest in HCM. HCM is a for-profit limited liability corporation that owns and operates two companies that provide self-pay recovery services for hospitals and medical billing offices. Management of the District identified the investment in HCM as a potential source of income as mill levy proceeds continue to decrease.

NOTE 8 - EMPLOYEE BENEFITS

Retirement Plan - The District has a deferred compensation plan (the Plan) through annuity contracts with Colorado County Officials and Employees Retirement Association (CCOERA) in accordance with Section 457(b) of the Internal Revenue Code (IRC). The Plan allows participating employees to defer a portion of their compensation for retirement purposes. The deferred compensation is invested for the participants by the District under the agreements in the Plan. Under provisions of the IRC, all Plan assets are considered to be the property of the eligible participants and are, therefore, not considered to be assets of the District.

The District has offered a 401(a) Plan (the Plan) through CCOERA. Under terms of the Plan, all employees who have completed one year of service are eligible to participate. Participants may defer a portion of their compensation up to specified limits according to the IRC. The District will match 3% of the participants' contributions for a Plan month. For the years ended December 31, 2014 and 2013 the District contributed $86,907 and $79,607 to the Plan.

Accrued Compensated Absences - The District's program pays for paid time-off (PTO) earned by regular, full-time employees. An employee may maintain a maximum of 300 PTO hours. Upon reaching 300 PTO hours, no additional time will accrue in an employee's PTO bank. At December 31, accrued PTO was $191,185 (2014) and $174,330 (2013).

NOTE 9 - LINE OF CREDIT

On April 23, 2014, the District renewed its line of credit ($400,000) with an interest rate of 0.25 percentage points over prime rate, with a 5% floor (5.0% at December 31, 2014 and 2013). This agreement has a maturity date of May 1, 2015. The line is collateralized by accounts receivable, inventory and equipment. As of December 31, 2014 and 2013, there were no draws on the line of credit.

NOTE 10 - NET POSITION

The District is required to report information regarding its financial position and activities according to three components of net position. The table below represents the District's financial position and activities at December 31, 2014:

THD	Invested in Capital Assets	Unrestricted	Unrestricted – Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning net position	$ 2,216,438	$ 1,839,953	$ 500,000	$ 125,000	$ -	$ 4,681,391
Fixed asset additions	308,034	(308,034)	-	-	-	-
Transfers to board designated	-	-	-	-	-	-
Increases (decreases) in net position	(237,264)	393,478	-	-	-	156,214
Ending net position	$ 2,287,208	$ 1,925,397	$ 500,000	$ 125,000	$ -	$ 4,837,605

IFAM	Invested in Capital Assets	Unrestricted	Unrestricted – Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning net position	$ 19,527	$ 29,413	$ -	$ 987	$ -	$ 49,927
Components of net position released from restriction	(18,044)	18,044	-	-	-	-
Increases (decreases) in net position	(1,483)	(36,464)	-	-	-	(37,947)
Ending net position	$ -	$ 10,993	$ -	$ 987	$ -	$ 11,980

TMCF	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning net position	$ 330,138	$ 3,671	$ -	$ 333,809
Components of net position released from restriction	2,631	(2,631)	-	-
Increases in net position	78,863	-	-	78,863
Ending net position	$ 411,632	$ 1,040	$ -	$ 412,672

NOTE 11 - OPERATING LEASES

The District has a non-cancellable operating lease for rental of office equipment. This is set to expire in March 2017. Lease expense for the years ended December 31, 2014 and 2013 was $3,900. Future minimum lease payments for the years ending December 31 are as follows:

2015	$ 3,900
2016	3,900
2017	975
	$ 8,775

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

The District is located in Telluride, Colorado and grants credit without collateral to its patients, who are local residents of, and visitors to, the San Miguel County, Colorado area. Most patients are insured under third-party payor agreements.

Receivables from patients and third-party payors were as follows at December 31:

	2014	2013
Other third-party payors	56.6%	57.8%
Patient self-pay	29.6%	33.0%
Medicare	7.4%	4.8%
Medicaid	6.4%	4.4%

A summary of net patient service revenue for the years ended December 31 was as follows:

	2014	2013
Patient service revenue		
Emergency care	$ 3,476,271	$ 2,963,898
Community clinic	3,391,710	2,770,135
IFAM	18,728	32,488
Gross Patient Service Revenue	6,886,709	5,766,521
Financial hardship	(126,334)	(130,266)
Gross Patient Service Revenue, Net of Financial Hardship	6,760,375	5,636,255
Contractual adjustments	(2,307,077)	(1,613,866)
Provision for bad debts	(225,823)	(201,552)
Net Patient Service Revenue	$ 4,227,475	$ 3,820,837

NOTE 13 - CONTINGENCIES

Malpractice Insurance - The District purchases professional and general liability insurance coverage to cover medical malpractice claims. These are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. This insurance coverage is on a “claims-made” basis.

The District’s management, using information provided by its insurance carrier, has determined that the estimated liability for potential losses incurred, but not reported at December 31, 2014 and 2013, is not material to the accompanying financial statements. Accordingly, no provision for such losses has been accrued.

Litigation - The District is, at times, involved in litigation arising in the normal course of business. Management has consulted with legal counsel and estimates that these matters will be resolved without a material impact on the operations or financial position of the District.

Grant Repayment - The District received a special initiatives grant in 2010 from the Telluride Foundation in support of the Telluride Medical Center Remodeling Project in the amount of $125,000. The grant set forth a condition that requires the District to remain in the facility located at 500 West Pacific Avenue for five years. If the District does not remain in the facility through 2015, they would be required to repay the grant in full. The District’s management has determined there is a remote possibility that the grant would need to be repaid based on the amount of time required to build a new facility and the substantial amount of money required to fund the project. This grant is classified a temporarily restricted component of net position in the statements of net position at December 31, 2014 and 2013.

NOTE 14 - INSTITUTE FOR ALTITUDE MEDICINE

The Institute for Altitude Medicine (IFAM) was founded during 2007 to provide clinical care and consultation, conduct research and develop educational programs to optimize health as well as treat medical issues affecting people who either live at, or travel to, high altitude. IFAM is a not-for-profit, organized under section 501(c)(3) of the Internal Revenue Code.

IFAM received a gift in-kind from the District for the years ended December 31, 2014 and 2013 in the form of rent. The cost of office facilities, which are used by IFAM in connection with operations, is not reflected in IFAM in the statement of net position because asset title remains with the District. IFAM has reported contribution revenue and program expense during the years December 31, amounting to $ 0 (2014) and $2,400 (2013) in the accompanying statement of revenue, expenses and changes in net position for the free use of the facilities.

NOTE 15 - TELLURIDE MEDICAL CENTER FOUNDATION

During 2009, the Telluride Medical Center Foundation (TMCF) was formed exclusively for charitable purposes for the benefit of the District. TMCF is a not-for-profit, organized under section 501(c)(3) of the Internal Revenue Code.

As of December 31, TMCF had a payable to the District of $9,028 (2014) and $20,656 (2013).

As of December 31, TMCF had $329,490 (2014) and $281,857 (2013) of contribution and donation income, of which $104,433 (2014) and $102,768 (2013) was an in-kind donation from the District.

During 2012, TMCF was awarded four grants. The first, the Carol M. White Physical Education Program (PEP) provides grants to community-based organizations to initiate, expand, or enhance physical education programs, including after-school programs, for students in kindergarten through 12th grade. Revenue related to the PEP grant was $340,553 (2014) and $629,145 (2013). TMCF also received $149,002 (2014) and $138,002 (2013) in in-kind donations related to the PEP grant. Of that in-kind, $87,136 (2014) and $84,899 (2013) was support from the District. For the years ended December 31, 2014 and 2013, all monies were spent in the year received.

TMCF was awarded three grants under CFDA#93.912, Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program (RHNDP). The objective of these grants is to expand delivery of health care services in rural areas, for the planning and implementation of integrated health care networks in rural areas, and for planning and implementation of small health care provider quality improvement activities. The first program awarded was the Small Health Care Provider Quality Improvement Program which supports rural public, rural non-profit or other providers of healthcare services, such as a critical access hospital or rural health clinic. The second and third programs awarded were the Rural Health Information Network Program and the Rural Health Care Services Outreach Program which both support the delivery of health care services. Revenue related to the three grants for the years ended December 31 was $421,208 (2014) and $525,572 (2013). For the years ended December 31, 2014 and 2013, all monies were spent in the year received.

NOTE 16 - FINANCIAL HARDSHIP

The District provides care to patients who meet certain criteria under its financial hardship policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as financial hardship, they are not reported as revenue.

The District determines the costs associated with financial hardships by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, medical equipment and supplies, pharmacy, and other operating expenses, based on data from its costing system. Financial hardship costs for the years ended December 31 were $163,767 (2014) and $214,948 (2013).

NOTE 17 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 29, 2015, the date at which the financial statements were available to be issued.

An agreement to acquire a parcel of land located in the Town of Mountain Village was approved by the District Board in December 2014 and by the Mountain Village Town Council at their January 15, 2015 meeting. The parcel of land will be used to develop a regional medical center. The land acquisition and conveyance agreement dated January 23, 2015 states that the property will be donated to the District and fees associated with the cost of developing the project will be waived or reimbursed. The District tendered $250,000 on January 26, 2015 and will tender another $250,000 upon securing the final design approval for the project which will be retained by the Town as a deposit to be returned with accrued interest according to contract terms. Closing on the property is estimated as June 17, 2015.

REQUIRED SUPPLEMENTAL INFORMATION

TELLURIDE HOSPITAL DISTRICT

SCHEDULE OF REVENUE, NON-OPERATING REVENUES, EXPENSES
AND NON-OPERATING EXPENSES - BUDGET AND ACTUAL

For the year ended December 31, 2014

	Budgeted Amounts			Favorable
	Original	Final	THD Actual	(Unfavorable) Variance
Operating Revenues				
Net patient service revenue	$ 4,073,948	$ 4,174,739	$ 4,208,747	$ 34,008
Other revenue	50,722	73,080	79,374	6,294
Patient related grant revenue	182,032	198,787	182,871	(15,916)
Total Operating Revenues	4,306,702	4,446,606	4,470,992	24,386
Non-operating Revenues				
Ad valorem taxes	1,574,696	1,597,231	1,598,485	1,254
Contributions and grants	199,754	171,486	240,264	68,778
Interest income	8,765	6,540	7,231	691
Gain on sale of asset	-	-	10,000	10,000
Other non-operating revenues	35,450	43,750	60,367	16,617
Total Non-operating Revenues	1,818,665	1,819,007	1,916,347	97,340
Total Budgetary Revenues, net	$ 6,125,367	$ 6,265,613	$ 6,387,339	$ 121,726
Operating Expenses				
Compensation	$ 3,426,589	$ 3,528,141	$ 3,399,038	$ 129,103
Contract services	9,842	48,450	47,682	768
Employee benefits	712,556	695,984	680,931	15,053
Professional and consulting fees	325,195	357,105	331,984	25,121
Other operating expenses	220,022	276,610	233,254	43,356
Materials and supplies	269,889	340,983	337,566	3,417
Depreciation and amortization	241,476	249,007	237,264	11,743
IT, equipment, and service contracts	239,897	241,454	227,937	13,517
Patient related grant expense	183,745	185,618	182,774	2,844
Building and facilities	108,000	128,914	120,947	7,967
Utilities and support services	83,518	76,556	75,631	925
Insurance	107,341	98,078	86,541	11,537
Total Operating Expenses	5,928,070	6,226,900	5,961,549	265,351
Non-operating Expenses				
Contributions and grants	72,754	78,100	78,007	93
Distribution to TMCF	105,000	195,000	191,569	3,431
Total Non-operating Expenses	177,754	273,100	269,576	3,524
Capital Outlay	250,000	300,000	308,034	(8,034)
Total Budgetary Expenses	$ 6,355,824	$ 6,800,000	$ 6,539,159	$ 260,841

See independent auditor's report.

OTHER SUPPLEMENTAL INFORMATION

TELLURIDE HOSPITAL DISTRICT

SCHEDULE OF REVENUE, NON-OPERATING REVENUES, EXPENSES, AND NON-OPERATING EXPENSES - DEPARTMENTS

For the year ended December 31, 2014

	Emergency Care	Primary Care	THD Total
Operating Revenues			
Net patient service revenue	$ 2,320,890	$ 1,887,857	$ 4,208,747
Other revenue	298	79,076	79,374
Patient related grant revenue	-	182,871	182,871
Total Operating Revenues	2,321,188	2,149,804	4,470,992
Operating Expenses			
Compensation	2,222,722	1,176,316	3,399,038
Contract services	37,415	10,267	47,682
Employee benefits	430,746	250,185	680,931
Professional and consulting fees	201,484	130,500	331,984
Other operating expenses	170,212	63,042	233,254
Materials and supplies	159,792	177,774	337,566
Depreciation and amortization	237,264	-	237,264
IT, equipment, and service contracts	187,213	40,724	227,937
Patient related grant expense	1,590	181,184	182,774
Building and facilities	118,737	2,210	120,947
Utilities and support services	59,517	16,114	75,631
Insurance	72,133	14,408	86,541
Total Operating Expenses	3,898,825	2,062,724	5,961,549
Income (Loss) from Operations	(1,577,637)	87,080	(1,490,557)
Non-operating Revenues			
Ad valorem taxes	1,548,474	50,011	1,598,485
Contributions and grants	103,679	136,585	240,264
Interest income	7,006	225	7,231
Gain on sale of assets	-	10,000	10,000
Other non-operating revenues	37,942	22,425	60,367
Total Non-operating Revenues	1,697,101	219,246	1,916,347
Non-operating Expenses			
Contributions and grants	1,632	76,375	78,007
Distribution to TMCF	104,433	87,136	191,569
Distribution to IFAM	-	-	-
Total Non-operating Expenses	106,065	163,511	269,576
Total Non-operating Revenues, net	1,591,036	55,735	1,646,771
Increase in Net Position	$ 13,399	$ 142,815	$ 156,214

See independent auditor's report.