MVNA AND AFFILIATE
AN ENTERPRISE FUND OF HENNEPIN COUNTY
MINNEAPOLIS, MINNESOTA

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2015

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YEAR ENDED DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT

Board of Directors
MVNA and Affiliate
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of MVNA and Affiliate, an enterprise fund of Hennepin County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the consolidated financial statements, which collectively comprise MVNA'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.

Auditors' Responsibility

Our responsibility is to express opinions 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 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 auditors' 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MVNA and Affiliate as December 31, 2015, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1, the financial statements present only MVNA and Affiliate, an enterprise fund of Hennepin County, and do not purport to, and do not, present fairly the financial position of Hennepin County and the results of its operations and the cash flows in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

MVNA and Affiliate has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated basic financial statements as a whole. The consolidating information on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 February 29, 2016, on our consideration of MVNA and Affiliate'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 result 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 MVNA and Affiliate's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 29, 2016

MVNA AND AFFILIATE
CONSOLIDATED STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 4,164,928
Receivables:	
Patient, Net	4,110,700
United Way and Other Pledges Receivable	180,471
Prepaid Expenses, Other Assets and Supplies	647,152
Total Current Assets	9,103,251
NON-CURRENT CASH AND INVESTMENTS	
Designated by Board	122,307
Restricted for Scholarships	15,587
Endowment Investments	251,877
Total Non-Current Cash and Investments	389,771
CAPITAL ASSETS, NET	527,369
OTHER ASSETS	
Deposits	1,500
Total Assets	$ 10,021,891

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Current Portion of Capital Lease	$ 21,824
Accounts Payable:	
Trade	589,873
Estimated Third-Party Payor Settlements	31,505
Related Party	144,365
Deferred Revenue	34,688
Accrued Salaries and Benefits	986,177
Total Current Liabilities	1,808,432
CAPITAL LEASE, Less Current Maturities	76,232
Total Liabilities	1,884,664
NET POSITION	
Net Investment in Capital Assets	391,925
Restricted:	
Restricted Expendable	577,425
Restricted Non-Expendable	155,490
Unrestricted	7,012,387
Total Net Position	8,137,227
Total Liabilities and Net Position	$ 10,021,891

See accompanying Notes to Consolidated Financial Statements.

MVNA AND AFFILIATE
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015

OPERATING REVENUES	
Net Patient Service Revenue (Net of Provision for Bad Debts of $250,706)	$ 21,040,228
Other Revenue	10,676
Contributions	970,693
Total Operating Revenues	22,021,597
OPERATING EXPENSES	
Salaries and Wages	12,066,787
Employee Benefits	2,396,897
Purchased Services	1,801,190
Supplies and Other	4,528,551
Depreciation	207,601
Interest	13,685
Total Operating Expenses	21,014,711
OPERATING INCOME	1,006,886
NONOPERATING EXPENSE	
Investment Loss	(134,075)
Loss on Disposal of Assets	(6,390)
Goodwill Impairment	(227,147)
Total Nonoperating Expenses	(367,612)
EXCESS OF REVENUES OVER EXPENSES	639,274
EQUITY DISTRIBUTIONS	(7,986,267)
CHANGE IN NET POSITION	(7,346,993)
Net Position - Beginning of Year	15,484,220
NET POSITION - END OF YEAR	$ 8,137,227

See accompanying Notes to Consolidated Financial Statements.

MVNA AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Patients and Third-Party Payors	$ 20,824,977
Paid to Suppliers for Goods and Services	(6,967,496)
Paid to Employees for Services	(14,463,684)
Other Receipts and Payments, Net	970,693
Net Cash Provided by Operating Activities	364,490
CASH FLOWS FROM NONCAPITAL INVESTING ACTIVITIES	
Purchases of Investments	(23,113)
Proceeds from Sales of Investments	7,568,859
Equity Distribution	(7,986,267)
Net Cash Used by Noncapital Investing Activities	(440,521)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Repayments of Capital Lease	(19,256)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(95,287)
Cash and Cash Equivalents - Beginning of Year	4,260,215
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,164,928
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	$ 1,006,886
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	207,601
Provision for Bad Debts	250,706
(Increase) Decrease in:	
Net Patient and Resident Receivable	(685,537)
Other Receivables	225,390
Supplies	(168,726)
Increase (Decrease) in:	
Accounts Payable	(465,521)
Accrued Expenses	(16,486)
Third-Party Payor Settlements	10,177
Net Cash Provided by Operating Activities	$ 364,490

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Principles of Consolidation

MVNA is organized as a Minnesota nonprofit corporation. MVNA is organized to promote individual, family and community health through the administration of charitable, educational, and scientific activities and projects on its behalf or as the agent, trustee or representative of others. MVNA provides health and supportive services to individuals at their homes, primarily in Hennepin County. The mission of MVNA is to provide comprehensive and culturally competent community health and related services in collaboration with public health and health service providers to ensure the healthy future of Minnesota residents.

MVNA uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis, using the economic resources measurement focus. Based on GASB Codification Topic 1600, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, as amended.

MVNA is the sole member of Hospice of the Twin Cities, Inc. (Hospice). Hospice is organized to offer comprehensive care focused on easing the physical, emotional and spiritual pain that often accompanies terminal illness.

The consolidated financial statements include the accounts of MVNA and Hospice. MVNA and Hospice are referred to as the “Organization”. All significant intercompany balances and transactions have been eliminated.

Hennepin Healthcare System, Inc. (HHS), a nonprofit public corporation, operating as a subsidiary of Hennepin County, entered into an agreement with MVNA and Hospice, under which, effective January 1, 2015, HHS became the sole member of MVNA and Hospice.

Effective January 1, 2016, MVNA merged into HHS and ceased to exist as a separate entity.

Reporting Entity

This report contains the financial information of MVNA and Affiliate, which is a separate enterprise fund of Hennepin County. Component units are legally separate entities for which MVNA and Affiliate (Primary Government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Primary Government misleading. The criteria used to determine if the Primary Government is financially accountable for a component unit include whether or not the Primary Government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of MVNA and Affiliate.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which MVNA and Affiliate gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables, if material, are recorded as revenues when services are provided.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in financial statements and accompanying notes. Actual results could differ from those estimates.

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

Income Taxes

MVNA has been recognized by the Internal Revenue Service (IRS) as exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). Hospice is organized as a Delaware nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). MVNA and Hospice are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, MVNA and Hospice may be subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

The Organization follows the accounting standards for evaluating uncertain tax positions. The Organization files information returns as a tax exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use. The Organization places its temporary cash investments with financial institutions. At times such investments may be in excess of the FDIC insurance limit.

Non-Current Cash and Investments

Mandatory segregation of assets is presented as non-current cash and investments. Such segregation may be required by external parties. Funds held in a custodian capacity are maintained in separate bank accounts.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Expendable Net Position – Restricted expendable net position is non-capital net position that must be used for a particular purpose, as specified by creditor, grantors, or contributors external to the Organization.

Restricted Non-Expendable Net Position – Restricted non-expendable net position equals the principal portion of permanent endowments.

Unrestricted Net Position – All other net position that are available for use.

Patient Receivables

Patient receivables are uncollateralized customer and third-party payor obligations. The Organization does not charge interest on outstanding patient receivables. 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 determines 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. At December 31, 2015, the provision for bad debts was approximately $791,200.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market. The Organization has contractual relationships with vendors whereby it can sell back an agreed amount of unused and expired flu vaccine at cost.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets in excess of $3,000 for individual items are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Amortization is included in depreciation in the consolidated financial statements. The estimated useful lives of property and equipment are 2 to 20 years.

Investments and Investment Loss

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statement of net position and considered trading securities. Investments in cash and money markets or certificates of deposit are measured at historical cost, plus any accrued interest, which is considered a reasonable estimate of fair value. Investment income or loss (including unrealized gains and losses on investments considered trading securities, realized gains and losses on investments, interest, and dividends) is reported as investment income on the statement of revenues, expenses and changes in net position.

Pledges Receivable

Pledges, less any allowance for estimated uncollectible amounts, are recorded as receivables and temporarily restricted support in the year the pledge is made. Pledges receivable at December 31, 2015 are $180,471, and are due within one year from the United Way, other corporations, and individuals.

Net Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization 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.

Deferred Revenue

Advances received in conjunction with exchange transactions are deferred and recognized as revenue as the agreed-upon services are performed.

Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred.

NOTE 2 NET PATIENT SERVICE REVENUE

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. As part of its operations, the Organization has contracts with various governmental agencies, which allow the Organization to provide support to the community. Revenue is recognized when earned under the terms of the contracts.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

A summary of patient service revenue and contractual adjustments for the year ended December 31, 2015 is as follows:

Total Patient Service Revenue	$ 25,232,413
Contractual Adjustments:	
Medicare	49,126
Medicaid	(606,513)
Commercial Insurance	(2,611,718)
Other	(772,374)
Provision for Bad Debts	(250,706)
Total Revenue Adjustments	(4,192,185)
Net Patient Service Revenue	$ 21,040,228

NOTE 3 INVESTMENTS AND INVESTMENT LOSS

Restricted Assets

The composition of restricted assets at December 31, 2015 is shown in the following table. Investments in equity securities and fixed income securities are stated at fair value. Cash and money market balances are stated at face value due to the nearness to maturity, which approximates fair value.

Cash and Money Market	$ 183,788
Equity Securities	165,236
Fixed Income Securities	40,747
Total	$ 389,771

NOTE 3 INVESTMENTS AND INVESTMENT LOSS (CONTINUED)

Investment Loss

Investment income and gains and losses on restricted assets consist of the following for the year ended December 31, 2015:

Interest and Dividend Income	$	141,506
Realized Gains on Investments		92,618
Unrealized Loss on Investments		(368,199)
Total Investment Loss	$	(134,075)

NOTE 4 CAPITAL ASSETS

Changes in capital assets during 2015 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and Equipment	$ 2,152,110	$ -	$ (326,617)	$ 1,825,493
Less: Accumulated Depreciation	(1,410,750)	(207,601)	320,227	(1,298,124)
Net Capital Assets	$ 741,360	$ (207,601)	$ (6,390)	$ 527,369

NOTE 5 LEASES

The Organization leases certain equipment and office space under noncancelable long-term lease agreements. Certain leases have been recorded as a capitalized lease and others as operating leases. Total lease expense for the year ended December 31, 2015 for all operating leases was $283,786. The capitalized leased assets consist of:

Equipment	$	121,761
Less: Accumulated Amortization (Recorded as Depreciation on the Accompanying Consolidated Financial Statements)		23,705
Total	$	98,056

NOTE 5 LEASES (CONTINUED)

Minimum future lease payments for the capital and operating leases are as follows:

Year Ending December 31,	Capital Lease Principal	Capital Lease Interest	Operating Leases
2016	$ 21,825	$ 11,115	$ 245,881
2017	24,737	8,203	251,599
2018	28,038	4,902	116,963
2019	23,456	1,248	-
Total Minimum Lease Payments	$ 98,056	$ 25,468	$ 614,443

NOTE 6 RESTRICTED NET POSITION

Restricted, nonexpendable net assets of $155,490 as of December 31, 2015, represent the principal amounts of the permanent endowment, restricted to investment in perpetuity. Investment earnings from the permanent endowment are expendable to support programs as established by the contributor. These earnings are included in the statements of net position under net position restricted, expendable. Total net position restricted, expendable was $577,425 as of December 31, 2015.

NOTE 7 PENSION PLAN

The Organization sponsors a defined contribution tax deferred annuity plan for both MVNA and Hospice that covers all eligible employees. The Organization will match employee contributions up to 50% of the first 4% of salaries for employees who are active in the plan. The Organization also sponsors a money purchase plan covering substantially all employees. Contributions are 3% of each eligible employee’s gross annual salary. Total pension plan expense for the year ended December 31, 2015 was $397,631.

Effective January 1, 2016, all employees of the Organization became employees of HHS, and began participating in their pension plan.

NOTE 8 CONCENTRATIONS OF CREDIT RISK

The Organization grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2015 was as follows:

Medicare	7 %
Medicaid	15
Commercial Insurance	48
Other Third-Party Payors and Patients	30
Total	100 %

The Organization's cash balances are maintained in various bank deposit accounts. At times, such deposits may be in excess of federally insured limits.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Malpractice Insurance – Health Care Industry

MVNA has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $2 million per claim and an annual aggregate limit of $4 million. Hospice has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $4 million per claim and an annual aggregate limit of $6 million. MVNA obtained tail coverage for any claims incurred but not reported at December 31, 2015.

Litigation, Claims, and Disputes

The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of litigation, claims, and disputes in process will not be material to the Organization's financial position or results of operations.

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 the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, 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 the Organization is in substantial compliance with current laws and regulations.

MVNA AND AFFILIATE
CONSOLIDATING STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS	MVNA	Hospice	Eliminations	Total
CURRENT ASSETS				
Cash and Cash Equivalents	$ 3,773,728	$ 391,200	$ -	$ 4,164,928
Receivables:				
Patient, Net	2,815,903	1,294,797	-	4,110,700
United Way and Other Pledges Receivable	180,471	-	-	180,471
Related Party	486,707	-	(486,707)	-
Prepaid Expenses, Other Assets and Supplies	584,237	62,915	-	647,152
Total Current Assets	7,841,046	1,748,912	(486,707)	9,103,251
NON-CURRENT CASH AND INVESTMENTS				
Designated by Board	-	122,307	-	122,307
Restricted for Scholarships	15,587	-	-	15,587
Endowment Investments	251,877	-	-	251,877
Total Non-Current Cash and Investments	267,464	122,307	-	389,771
CAPITAL ASSETS, NET	489,981	37,388	-	527,369
OTHER ASSETS				
Deposits	-	1,500	-	1,500
Total Assets	$ 8,598,491	$ 1,910,107	$ (486,707)	$ 10,021,891
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Current Portion of Capital Lease	$ 21,824	$ -	$ -	$ 21,824
Accounts Payable:				
Trade	244,417	345,456	-	589,873
Estimated Third-Party Payor Settlements	31,505	-	-	31,505
Related Party	144,365	486,707	(486,707)	144,365
Deferred Revenue	34,688	-	-	34,688
Accrued Salaries and Benefits	868,110	118,067	-	986,177
Total Current Liabilities	1,344,909	950,230	(486,707)	1,808,432
CAPITAL LEASE, Less Current Maturities	76,232	-	-	76,232
Total Liabilities	1,421,141	950,230	(486,707)	1,884,664
NET POSITION				
Net Investment in Capital Assets	391,925	-	-	391,925
Restricted:				
Restricted Expendable	547,950	29,475	-	577,425
Restricted Non-Expendable	155,490	-	-	155,490
Unrestricted	6,081,985	930,402	-	7,012,387
Total Net Position	7,177,350	959,877	-	8,137,227
Total Liabilities and Net Position	$ 8,598,491	$ 1,910,107	$ (486,707)	$ 10,021,891

MVNA AND AFFILIATE
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015

	MVNA	Hospice	Eliminations	Total
OPERATING REVENUES				
Net Patient Service Revenue (Net of Provision for Bad Debts of $250,706)	$ 17,704,317	$ 3,639,072	$ (303,161)	$ 21,040,228
Other Revenue	1,464	80,570	(71,358)	10,676
Contributions	813,505	157,188	-	970,693
Total Operating Revenues	18,519,286	3,876,830	(374,519)	22,021,597
EXPENSES				
Salaries and Wages	10,089,680	1,977,107	-	12,066,787
Employee Benefits	1,963,993	432,904	-	2,396,897
Purchased Services	1,467,343	405,205	(71,358)	1,801,190
Supplies and Other	3,618,465	1,213,247	(303,161)	4,528,551
Depreciation	174,883	32,718	-	207,601
Interest	13,685	-	-	13,685
Total Expenses	17,328,049	4,061,181	(374,519)	21,014,711
OPERATING INCOME (LOSS)	1,191,237	(184,351)	-	1,006,886
NONOPERATING EXPENSES				
Investment Loss	(50,921)	(83,154)	-	(134,075)
Loss on Disposal of Assets	(6,390)	-	-	(6,390)
Goodwill Impairment	-	(227,147)	-	(227,147)
Total Nonoperating Expenses	(57,311)	(310,301)	-	(367,612)
EXCESS OF REVENUES OVER EXPENSES	1,133,926	(494,652)	-	639,274
EQUITY DISTRIBUTIONS	(4,193,791)	(3,792,476)	-	(7,986,267)
DECREASE IN NET POSITION	(3,059,865)	(4,287,128)	-	(7,346,993)
Net Position - Beginning of Year	10,237,215	5,247,005	-	15,484,220
NET POSITION - END OF YEAR	$ 7,177,350	$ 959,877	$ -	$ 8,137,227

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
MVNA and Affiliate
Minneapolis, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of MVNA and Affiliate, which comprise the consolidated statement of net position as of December 31, 2015, and the related consolidated statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 29, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as item 2015-001 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2015-002 – 2015-004 to be significant deficiencies.

Board of Directors
MVNA and Affiliate

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MVNA and Affiliate's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management Response to Finding

Management response to finding identified in our audit described in the Summary of Findings and Questioned Costs was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 29, 2016

CURRENT YEAR FINDINGS

2015-001: Financial Reporting Controls

The board of directors and management share the ultimate responsibility for the Organization's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The Organization engages us to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, we cannot be considered part of the Organization's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the Organization has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the Organization's activities and operations.

The Organization's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the Organization's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Response

Management determined committing the resources necessary to fully prepare the financial statements including the related disclosures and monitor recent accounting developments would be too costly and time consuming and has relied on our accounting firm to assist them.

2015-002: Controls over Accounts Receivable

The Organization implemented new clinical and reporting software during the year. It was discovered by management that the reporting functions were set up inappropriately, which resulted in inaccurate revenue and accounts receivable values being reported. This could lead to a potential material misstatement of assets on the financial statements. Management took several steps to correct the software, and as of audit fieldwork, those efforts have yet to result in accurate reporting within the clinical software. The Organization created several manual work-arounds in order to close fiscal year 2015 that, in management's opinion, ultimately resulted in materially accurate reporting of revenue and accounts receivable. This process, however, is labor-intensive and subject to human error. Moreover, the magnitude and complexity of the inappropriate software setup result in a lack of internal controls surrounding the integrity of the revenue and receivables balances. We recommend continuing to work with the software team to correct the inaccuracies in the system to automate the reporting of revenues and accounts receivable.

Response

Management will continue to work with the software implementation team to correct this software implementation challenge.

CURRENT YEAR FINDINGS (CONTINUED)

2015-003: Controls over Journal Entry Process

During the testing of controls over the journal entry process it was noted that there is not a consistently applied process for reviewing journal entries. Management is responsible for ensuring all journal entries are proper and posted with appropriate approval. This provides an opportunity for errors. We recommend the Organization review their policies and procedures surrounding the approval of journal entries.

Response

Management is confident that this control deficiency will be eliminated as a result of the full integration with HHS effective January 1, 2016.

2015-004: Controls over Disbursements

During the testing of controls over disbursements, we identified that the Controller has the ability to create new vendors, enter invoices, create payment batches. The combination of these procedures increases the risk of paying an unauthorized invoice or vendor. We recommend the Organization implement stronger segregation of duties around the disbursements cycle.

Response

Management is confident that this control deficiency will be eliminated as a result of the full integration with HHS effective January 1, 2016.