



FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

MEDICINE LODGE MEMORIAL HOSPITAL

December 31, 2008 and 2007

Contents

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	2
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	6
SUPPLEMENTAL INFORMATION	
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTAL INFORMATION	14
KANSAS COMMUNITY SERVICE TAX CREDIT PROGRAM STATEMENT OF RECEIPTS AND EXPENDITURES	15



Grant Thornton

Audit • Tax • Advisory

Report of Independent Certified Public Accountants

Grant Thornton LLP
8300 Thorn Drive, Suite 300
Wichita, KS 67226-2708

T 316.265.3231
F 316.383.3274
www.GrantThornton.com

Board of Trustees
Medicine Lodge Memorial Hospital

We have audited the accompanying basic financial statements of **Medicine Lodge Memorial Hospital** as of December 31, 2008 and 2007 as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Medicine Lodge Memorial Hospital** as of December 31, 2008 and 2007 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Hospital has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Grant Thornton LLP

Wichita, Kansas
June 4, 2009

FINANCIAL STATEMENTS

Medicine Lodge Memorial Hospital

BALANCE SHEETS

December 31,

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash	\$ 365,956	\$ 597,469
Accounts receivable, net	1,181,953	847,221
Other receivables	201,766	171,043
Due from third-party	378,000	293,000
Inventories	257,967	264,149
Prepaid expenses	<u>65,552</u>	<u>79,159</u>
Total current assets	2,451,194	2,252,041
INVESTMENTS AND OTHER ASSETS		
Assets whose use is limited	819,563	779,188
Ranch land and mineral interests, at cost	<u>89,078</u>	<u>89,078</u>
	908,641	868,266
CAPITAL ASSETS, AT COST		
Land	7,579	7,579
Depreciable capital assets, net of accumulated depreciation	<u>783,036</u>	<u>656,292</u>
Total capital assets, net of accumulated depreciation	<u>790,615</u>	<u>663,871</u>
Total assets	<u><u>\$ 4,150,450</u></u>	<u><u>\$ 3,784,178</u></u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES		
Capital lease obligations	\$ 20,402	\$ 61,917
Accounts payable	90,664	134,406
Salaries and vacation benefits payable	<u>490,706</u>	<u>492,553</u>
Total current liabilities	601,772	688,876
LONG-TERM CAPITAL LEASE OBLIGATIONS		
	<u>-</u>	<u>20,433</u>
Total liabilities	601,772	709,309
COMMITMENT AND CONTINGENCIES		
NET ASSETS		
Invested in capital assets, net of related debt	770,213	581,521
Restricted - expendable for specific operating activities	26,067	18,497
Unrestricted	<u>2,752,398</u>	<u>2,474,851</u>
Total net assets	<u>3,548,678</u>	<u>3,074,869</u>
Total liabilities and net assets	<u>\$ 4,150,450</u>	<u>\$ 3,784,178</u>

Medicine Lodge Memorial Hospital

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended December 31,

	2008	2007
Operating revenues		
Net patient service revenue	\$ 7,396,752	\$ 6,836,123
Other	77,954	84,961
Total operating revenues	7,474,706	6,921,084
Operating expenses		
Salaries	4,116,188	3,986,650
Supplies and other	3,583,504	3,333,179
Depreciation	106,267	102,199
Total operating expenses	7,805,959	7,422,028
Loss from operations	(331,253)	(500,944)
Nonoperating revenues (expenses)		
County tax appropriations	489,218	493,634
Interest income	36,386	53,260
Ranch income (net of expense of \$13,314 in 2008 and \$18,363 in 2007)	117,839	60,712
Contributions and grants for operations	101,322	31,997
Interest expense	(2,135)	(4,573)
Other	-	500
Net nonoperating revenues	742,630	635,530
Excess of revenues over expenses before capital contributions	411,377	134,586
Capital contributions	62,432	-
Increase in net assets	473,809	134,586
Net assets at beginning of year	3,074,869	2,940,283
Net assets at end of year	\$ 3,548,678	\$ 3,074,869

The accompanying notes are an integral part of these statements.

Medicine Lodge Memorial Hospital

STATEMENTS OF CASH FLOWS

Year ended December 31,

Increase (decrease) in cash and cash equivalents

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 6,977,020	\$ 6,818,409
Cash received from others	68,439	82,402
Cash paid to employees	(4,118,035)	(3,935,662)
Cash paid to suppliers	<u>(3,607,457)</u>	<u>(3,343,475)</u>
Net cash used in operating activities	(680,033)	(378,326)
Cash flows from noncapital financing activities		
Tax appropriations	468,010	538,629
Contributions and grants for operations	<u>101,322</u>	<u>31,997</u>
Net cash provided by noncapital financing activities	569,332	570,626
Cash flows from capital and related financing activities		
Principal payments on capital lease obligations	(61,948)	(59,509)
Purchase of capital assets	(233,011)	(41,006)
Interest paid	(2,135)	(4,573)
Proceeds from sale of assets	-	500
Capital contributions	<u>62,432</u>	<u>-</u>
Net cash used in capital and related financing activities	(234,662)	(104,588)
Cash flows from investing activities		
Ranch operations	117,839	60,712
Interest income	<u>36,386</u>	<u>55,785</u>
Net cash provided by investing activities	<u>154,225</u>	<u>116,497</u>
Net increase in cash and cash equivalents	(191,138)	204,209
Cash and cash equivalents at beginning of year	<u>1,376,657</u>	<u>1,172,448</u>
Cash and cash equivalents at end of year	<u>\$ 1,185,519</u>	<u>\$ 1,376,657</u>
Reconciliation of cash and cash equivalents		
Cash in current assets	\$ 365,956	\$ 597,469
Cash and cash equivalents in Board-designated assets	793,496	760,691
Cash in grantor restricted assets	<u>26,067</u>	<u>18,497</u>
	<u>\$ 1,185,519</u>	<u>\$ 1,376,657</u>

Medicine Lodge Memorial Hospital

STATEMENTS OF CASH FLOWS - CONTINUED

Year ended December 31,

	<u>2008</u>	<u>2007</u>
Reconciliation of loss from operations to net cash used in operating activities		
Loss from operations	\$ (331,253)	\$ (500,944)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation	106,267	102,199
Provision for doubtful accounts	151,880	356,572
Change in assets and liabilities		
Accounts receivable	(486,612)	(199,286)
Other receivables	(9,515)	(2,559)
Due from Medicare	(85,000)	(175,000)
Inventories	6,182	(1,413)
Prepaid expenses	13,607	(7,077)
Accounts payable and accrued expenses	<u>(45,589)</u>	<u>49,182</u>
Net cash used in operating activities	<u>\$ (680,033)</u>	<u>\$ (378,326)</u>

The accompanying notes are an integral part of these statements.

Medicine Lodge Memorial Hospital

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE A – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Medicine Lodge Memorial Hospital is owned by Medicine Lodge Township and governed by a Board of Trustees who are appointed by the Medicine Lodge City Council and the Township Board of Medicine Lodge Township and is a component unit of the Township. The Hospital provides short-term acute care services and outpatient services and operates a medical clinic.

1. Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Proprietary fund accounting

The Hospital's financial statements are comprised solely of an enterprise fund that uses proprietary fund accounting. The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

3. Cash and cash equivalents

For purposes of the statements of cash flows, the Hospital considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

4. Accounts receivable net/net patient service revenue

Accounts receivable net/net patient service revenue is recorded at list price with contractual adjustments (which represent the difference between charges and the amount received or receivable from third-party payors) and administrative discounts, and the provision and allowance for doubtful accounts deducted to arrive at net receivables/patient service revenue. The allowance for doubtful accounts is provided for all accounts receivable greater than 150 days old in 2008 and 120 days old in 2007. The allowance for contractual adjustments has been estimated by logging claims paid after year end and by applying the current payment rates. When individual accounts are determined to be uncollectible, they are written off. Medicare is the Hospital's most significant third-party payor.

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Medicine Lodge Memorial Hospital

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE A – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Inventories

Inventories are stated at cost as determined using the first-in, first-out method.

6. Assets whose use is limited

Assets whose use is limited include assets designated by the Board of Trustees for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets whose use is limited also includes assets restricted by donors and by grantors.

7. Capital assets

Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of donation. Depreciation, including amortization of capital leases, is provided using the straight-line method over the following estimated useful lives:

Land improvements	10-40 years
Buildings	5-50 years
Fixed equipment	5-40 years
Movable equipment	3-23 years

Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on disposition of property and equipment are included in operations. The costs of significant additions, renewals and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties.

8. Restricted net assets

Restricted net assets are those whose use by the Hospital has been limited by donors or grantors to a specific time period or purpose (Note B).

9. Operations

Operating revenues consist of patient services and other revenue. Other revenue includes therapy service sold, meal and other miscellaneous revenue. All other revenues are considered nonoperating and consist of County tax appropriations, contributions and grants for operations, ranch income and interest income. Nonoperating expense consists of interest expense. Capital contributions are excluded from operating and nonoperating revenue but are reflected in the increase in net assets.

10. Tax appropriation

The Hospital received approximately 7% in 2008 and 2007 of its financial support from county property taxes and city and township sales taxes. These funds were used to support operations. Property taxes are levied by the county on the Hospital's behalf on January 1 and are intended to finance the Hospital's activities of the same calendar year. Amounts levied are based on assessed property values as of the preceding July 1.

Medicine Lodge Memorial Hospital

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE A – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Charity care

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

12. Income taxes

The Hospital is exempt from income taxes pursuant to Section 115 of the Internal Revenue Service Code.

13. Net assets

Net assets of the Hospital are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by outstanding borrowings used to finance capital assets. Restricted expendable net assets are noncapital assets that must be used for specific operating expenses specified by donors. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the above conditions.

14. Risk management

The Hospital is exposed to various risks of loss from torts, theft of, damage to and destruction of assets; business interruption, errors and omissions, employee injuries and illnesses, natural disasters, medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

NOTE B – CASH AND ASSETS WHOSE USE IS LIMITED

Kansas statutes require deposits in excess of FDIC coverage to be collateralized by securities issued by the United States of America or an agency thereof or by authorized securities issued by municipalities of the State of Kansas.

All certificates of deposit have maturities of less than one year and are reported at cost, which approximates fair value.

The Hospital's bank balances at December 31 were as follows:

	<u>2008</u>	<u>2007</u>
FDIC insured collateral	\$ 438,029	\$ 200,000
Collateralized by securities held by the pledging financial institution in the Hospital's name	<u>856,555</u>	<u>1,277,793</u>
	<u>\$ 1,294,584</u>	<u>\$ 1,477,793</u>
Carrying value	<u>\$ 1,184,669</u>	<u>\$ 1,375,757</u>

Medicine Lodge Memorial Hospital

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE B – CASH AND ASSETS WHOSE USE IS LIMITED - Continued

The carrying amounts of deposits shown above are included in the following balance sheet captions at December 31 as follows:

	<u>2008</u>	<u>2007</u>
Carrying amount		
Cash	<u>\$ 1,184,669</u>	<u>\$ 1,375,757</u>
Included in the following balance sheet captions		
Cash	\$ 365,106	\$ 596,569
Assets whose use is limited		
By Board	793,496	760,691
By others	<u>26,067</u>	<u>18,497</u>
	<u>819,563</u>	<u>779,188</u>
	<u>\$ 1,184,669</u>	<u>\$ 1,375,757</u>

By Board

Management has designated certain assets for the replacement of capital assets or for the acquisition of additional assets. These assets which consist of cash can be utilized for other purposes at the discretion of management.

By others

Amounts relate to restricted contributions for specific purposes. The December 31, 2008 and 2007 balances include \$6,485 and \$0 received related to the Kansas Community Service Tax Credit Program to be used for hospital improvements (see supplemental information).

NOTE C – NET ACCOUNTS RECEIVABLE

The Hospital has agreements with third-party payors that provide for payments at amounts different from its established rates. These payment arrangements include:

Medicare

The Hospital is licensed as a Critical Access Hospital. Under this reimbursement system, inpatient acute care and swing-bed services rendered to Medicare program beneficiaries are paid under cost reimbursement methodologies. Outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and cost reimbursement methodologies. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audit thereof by the Medicare fiscal intermediary.

Medicine Lodge Memorial Hospital

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE C – NET ACCOUNTS RECEIVABLE - Continued

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based on a combination of prospectively determined and fee schedule reimbursement methodologies. Effective October 5, 2007, the Hospital will receive a final settlement, based on a cost reimbursement methodology, for both inpatient and outpatient services after submission of an annual cost report by the Hospital and audit thereof by the Medicare fiscal intermediary.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined case rates and discounts from established charges.

Net accounts receivable recorded net of allowance for doubtful accounts and contractual adjustments at December 31 is as follows:

	<u>2008</u>	<u>2007</u>
Accounts receivable, gross	\$ 2,150,519	\$ 2,268,587
Allowance for uncollectible accounts	(762,166)	(1,240,886)
Allowance for contractual adjustments	<u>(206,400)</u>	<u>(180,480)</u>
Accounts receivable, net	<u>\$ 1,181,953</u>	<u>\$ 847,221</u>

NOTE D – CAPITAL ASSETS

Capital asset activity for the years ended December 31 is as follows:

	<u>2008</u>			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 7,579	\$ -	\$ -	\$ 7,579
Land improvements	65,457	-	-	65,457
Building	1,470,336	-	-	1,470,336
Fixed equipment	835,267	30,560	31,254	834,573
Movable equipment	1,723,977	145,389	59,497	1,809,869
Construction in progress	<u>24,787</u>	<u>57,062</u>	<u>-</u>	<u>81,849</u>
Total cost	4,127,403	233,011	90,751	4,269,663
Less accumulated depreciation				
Land improvements	60,779	3,184	-	63,963
Building	1,044,471	34,503	-	1,078,974
Fixed equipment	779,371	12,088	31,254	760,205
Movable equipment	<u>1,578,911</u>	<u>56,492</u>	<u>59,497</u>	<u>1,575,906</u>
Total accumulated depreciation	<u>3,463,532</u>	<u>106,267</u>	<u>90,751</u>	<u>3,479,048</u>
Capital assets, net	<u>\$ 663,871</u>	<u>\$ 126,744</u>	<u>\$ -</u>	<u>\$ 790,615</u>

Medicine Lodge Memorial Hospital

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE D – CAPITAL ASSETS - Continued

	2007			
	Beginning balance	Additions	Deletions	Ending balance
Land	\$ 7,579	\$ -	\$ -	\$ 7,579
Land improvements	65,457	-	-	65,457
Building	1,470,337	-	-	1,470,337
Fixed equipment	835,267	-	-	835,267
Movable equipment	1,748,065	16,220	40,308	1,723,977
Construction in progress	-	24,786	-	24,786
	4,126,705	41,006	40,308	4,127,403
Less accumulated depreciation				
Land improvements	57,596	3,183	-	60,779
Building	1,009,246	35,225	-	1,044,471
Fixed equipment	768,942	10,429	-	779,371
Movable equipment	1,565,857	53,362	40,308	1,578,911
	3,401,641	102,199	40,308	3,463,532
Total accumulated depreciation	3,401,641	102,199	40,308	3,463,532
Capital assets, net	\$ 725,064	\$ (61,193)	\$ -	\$ 663,871

NOTE E – CAPITAL LEASE OBLIGATIONS

Capital lease obligation activity for 2008 and 2007 is as follows:

	Beginning balance	Additions	Deletions	Ending balance	Amounts due within one year	Long-term portion
2008	\$ 82,350	\$ -	\$ 61,948	\$ 20,402	\$ 20,402	\$ -
2007	\$ 141,859	\$ -	\$ 59,509	\$ 82,350	\$ 61,917	\$ 20,433

The following is an analysis of the financial presentation of the capital leases at December 31:

	2008	2007
Movable equipment	\$ 290,000	\$ 290,000
Less accumulated depreciation	(278,750)	(273,750)
	\$ 11,250	\$ 16,250

Medicine Lodge Memorial Hospital

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE E – CAPITAL LEASE OBLIGATIONS - Continued

Scheduled principal and interest payments on capital lease obligations are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending December 31 2009	<u>\$ 20,402</u>	<u>\$ 162</u>

NOTE F – NET PATIENT SERVICE REVENUE

Net patient revenues for the year ended December 31 are as follows:

	<u>2008</u>	<u>2007</u>
Gross patient service revenue	\$ 9,759,661	\$ 9,333,968
Less		
Medicare contractual adjustments - Hospital	854,258	659,469
Medicaid contractual adjustments - Hospital	195,663	209,341
Other contractual adjustments - Hospital	72,081	91,375
Blue Cross contractual adjustments - Hospital	494,714	429,827
Clinic contractuals	869,665	740,108
Provision for doubtful accounts	151,880	356,572
Administrative discounts	779	11,153
Charity care	<u>29,440</u>	<u>-</u>
Net patient service revenue	<u>\$ 7,091,181</u>	<u>\$ 6,836,123</u>

NOTE G – RETIREMENT PLAN

The Hospital maintains a money purchase pension plan covering employees who have one year of continuous service, have attained the age of twenty-one and have worked over 500 hours during the plan year. Employee contributions to the plan are computed at the rate of 3.5% of the annual compensation of eligible employees. Employer contributions to the plan are computed at the rate of 4.5% of the annual compensation of eligible employees. The employer also makes supplemental contributions of up to 3% of the annual compensation of eligible employees based upon the number of years of continuous service. Pension costs for the Hospital, which are funded as accrued, were \$191,800 and \$159,630 for the years ended December 31, 2008 and 2007, respectively. Benefits vest after three years of service with 100% vesting after six years of service in 2008 and seven years of service in 2007.

Medicine Lodge Memorial Hospital

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE H – MANAGEMENT AGREEMENT

The Hospital Board of Trustees has a management agreement with Great Plains Health Alliance, Inc. whereby Great Plains Health Alliance, Inc. agrees to provide specialized hospital management services to the Hospital. Fees incurred under this agreement for the years ended December 31, 2008 and 2007 were \$65,376 and \$73,758, respectively.

NOTE I – CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor arrangements. The mix of receivables from patients and third-party payors for the Hospital and clinic at December 31 are as follows:

	<u>2008</u>	<u>2007</u>
Medicare	36.78%	27.79%
Medicaid	2.53	1.94
Blue Cross	10.14	6.06
Other third-party payors	11.65	7.89
Self-pay	<u>38.90</u>	<u>56.32</u>
	<u>100.00%</u>	<u>100.00%</u>

NOTE J – COMMITMENT

In December 2008, the Hospital entered into an agreement to purchase a new sonogram. Total price of the piece of equipment is approximately \$97,000.

NOTE K – CONTINGENCIES

Medicine Lodge Memorial Hospital has been identified in a matter in the course of providing patient care that may result in litigation. While the Hospital's professional insurance carrier is currently reviewing the matter, the ultimate resolution is not known at this time. In the opinion of the management, the ultimate outcome of this matter should not have a material impact upon the Hospital's financial statements.

SUPPLEMENTAL INFORMATION



Audit • Tax • Advisory

Report of Independent Certified Public Accountants on Supplemental Information

Grant Thornton LLP
8300 Thorn Drive, Suite 300
Wichita, KS 67226-2708
T 316.265.3231
F 316.383.3274
www.GrantThornton.com

Board of Trustees
Medicine Lodge Memorial Hospital

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of **Medicine Lodge Memorial Hospital** for the years ended December 31, 2008 and 2007, which are presented in the preceding section of this report. The supplemental information presented on page 15 is presented for purposes of additional analysis as required by the Kansas Department of Commerce and Housing and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements. In our opinion, the supplemental information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In connection with our 2008 and 2007 audits, nothing came to our attention that caused us to believe that **Medicine Lodge Memorial Hospital** failed to comply with the compliance requirements of the Kansas Department of Commerce and Housing Community Service Program Audit Guidelines. However, our 2008 and 2007 audits were not directed primarily toward obtaining knowledge of such noncompliance.

Grant Thornton LLP

Wichita, Kansas
June 4, 2009

Medicine Lodge Memorial Hospital

KANSAS COMMUNITY SERVICE TAX CREDIT PROGRAM

STATEMENT OF RECEIPTS AND EXPENDITURES

Year ended December 31,

Tax Credit Program - Hospital Improvements

	<u>2008</u>	<u>Total</u>
Receipts		
Contributions received for tax credit program	\$ 68,550	\$ 68,550
Expenditures	<u>62,432</u>	<u>62,432</u>
Receipts over expenditures	<u><u>\$ 6,118</u></u>	<u><u>\$ 6,118</u></u>



© Grant Thornton LLP
All rights reserved
U.S. member firm of Grant Thornton International Ltd

This report is confidential. Unauthorized use of this report in whole or in part is strictly prohibited.