JCRHC

Hospital Replacement Project

Internal Financial Projections

October 2018

Denman & Company, LLP

- Steve Schweizer, CPA, Partner
- West Des Moines, Iowa
- Audit / Cost / Consulting with 30+ Hospitals
- Iowa, Missouri, South Dakota, Kansas, Nebraska, North Carolina
- $800+ Million Healthcare Construction Projects

Construction Related Costs

Land & land preparation costs	$ 1,300,000
Construction (including alternates)	25,180,000
Construction & design contingencies	Included above
Site development	693,600
Equipment & furnishings	4,741,500
Architect, engineering and other fees	3,194,900
Owner contingencies	900,000
Total Construction Related Costs	$ 36,010,000

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Total Project Costs

Construction & related costs	$ 36,010,000
Construction period interest	580,000
Debt issue costs	291,000
Debt service reserve fund	---
Total Project Requirements	$36,881,000

Note: Excludes building demolition,
includes alternate construction items.

Funding Assumptions

Use of Existing Reserves	$ 19,011,000
Issuance of Debt	17,870,000
Total Project Costs	$ 36,881,000

Term of Debt	25 Years
Interest Rate	4.50%
Annual Debt Service	$ 1,233,400

* No other debt is considered during the forecast period

Balance Sheet Assumptions

Current Cash Days on Hand	115 Days
Accounts Receivable	60 Days
Accounts Payable	25 Days
Accrued Compensation	35 Days
Other Receivables Inventories Prepaid Expenses Other Current Liabilities	Consistent with historical results

Other Assumptions

- Begin construction Spring, 2019
- Completed by December, 2020 (20 months)
- 25-year term with 4.50% interest
- County taxes increased 1.5% per year
- Average depreciable life of 18 years

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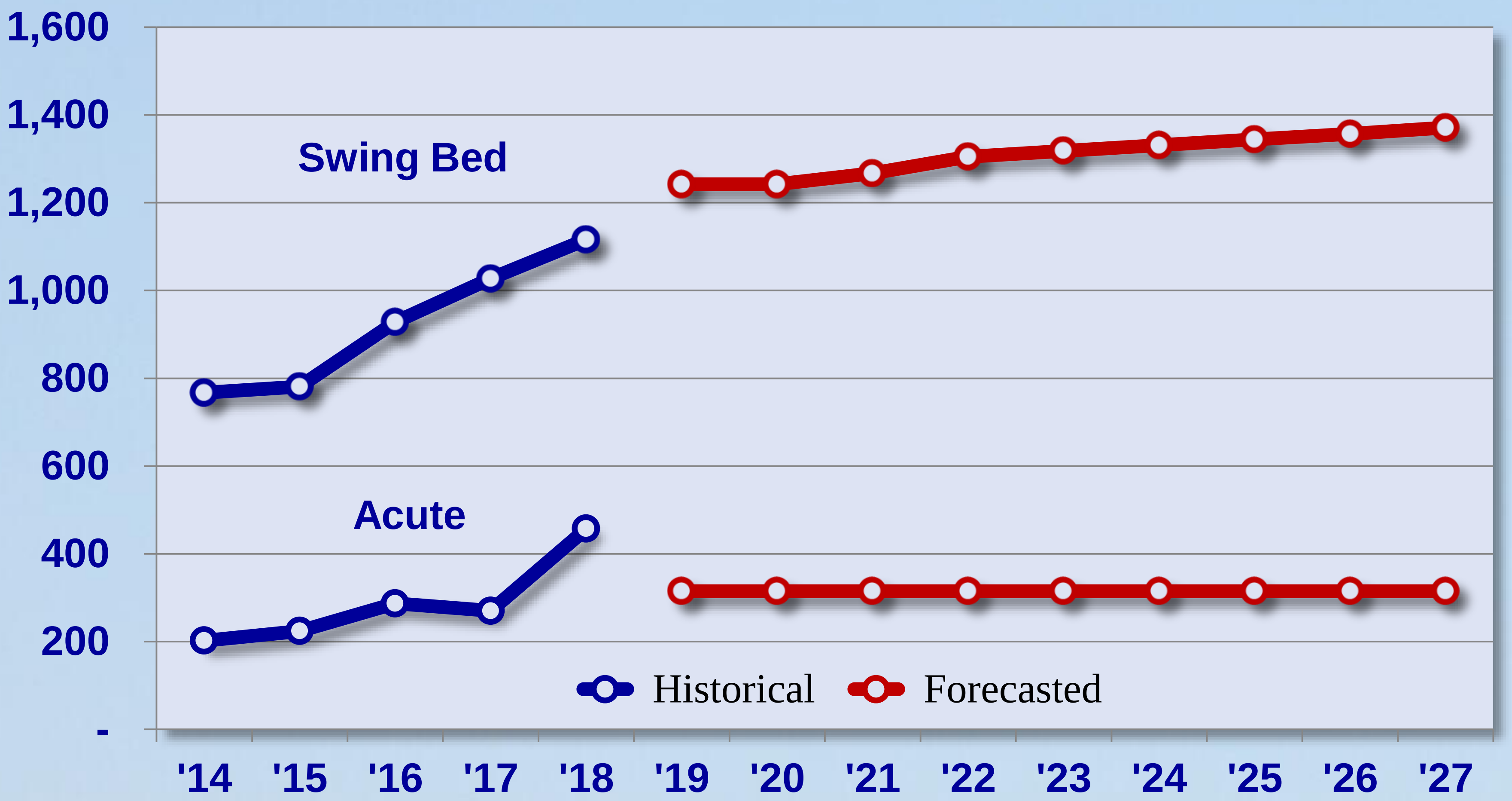
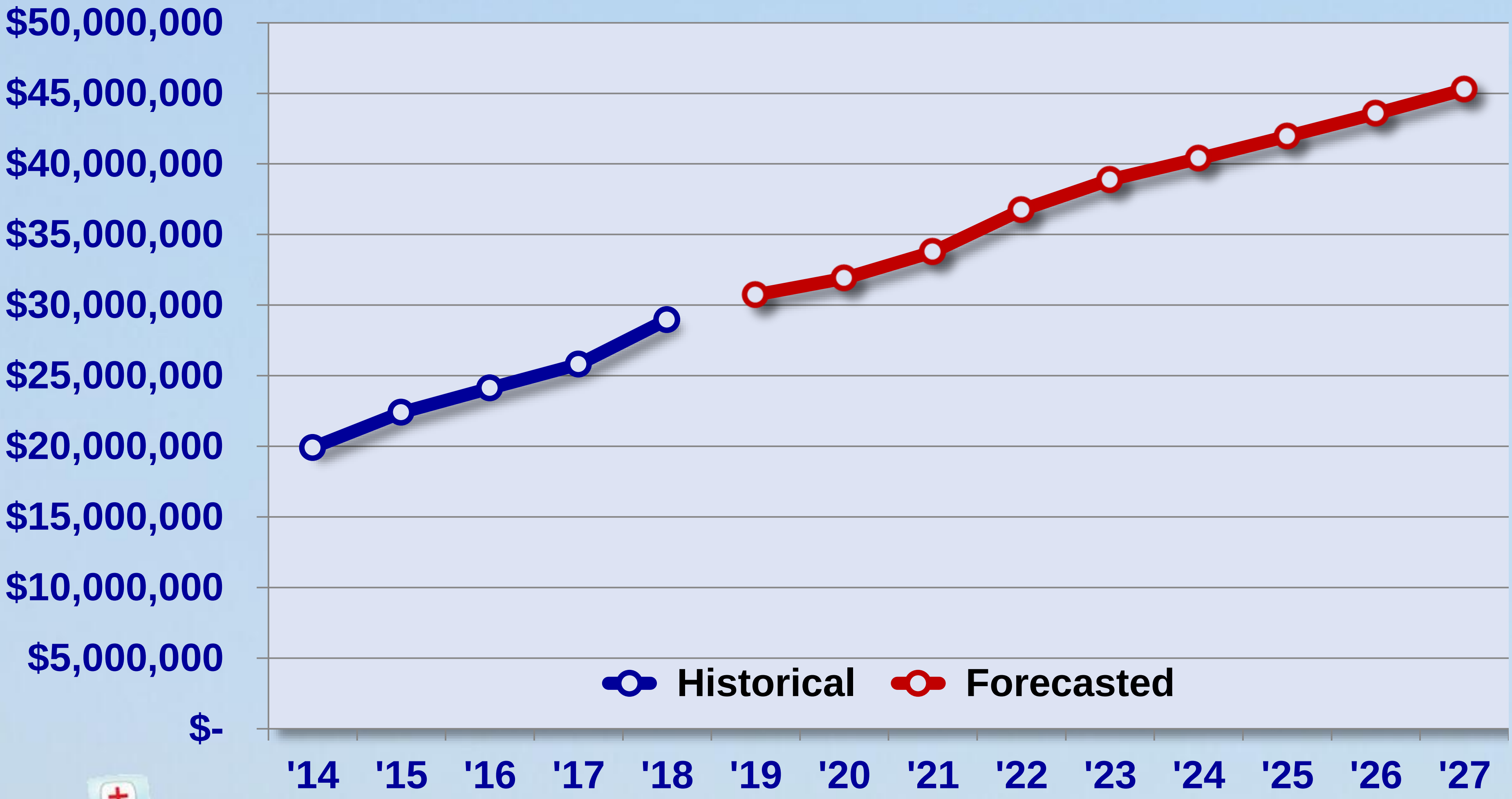
Other Assumptions

- Continued Medicare cost-based reimbursement
- No significant change in services provided
- No significant contributions or fundraising
- Payor mix remains similar to current mix
- Stability of active medical staff is maintained

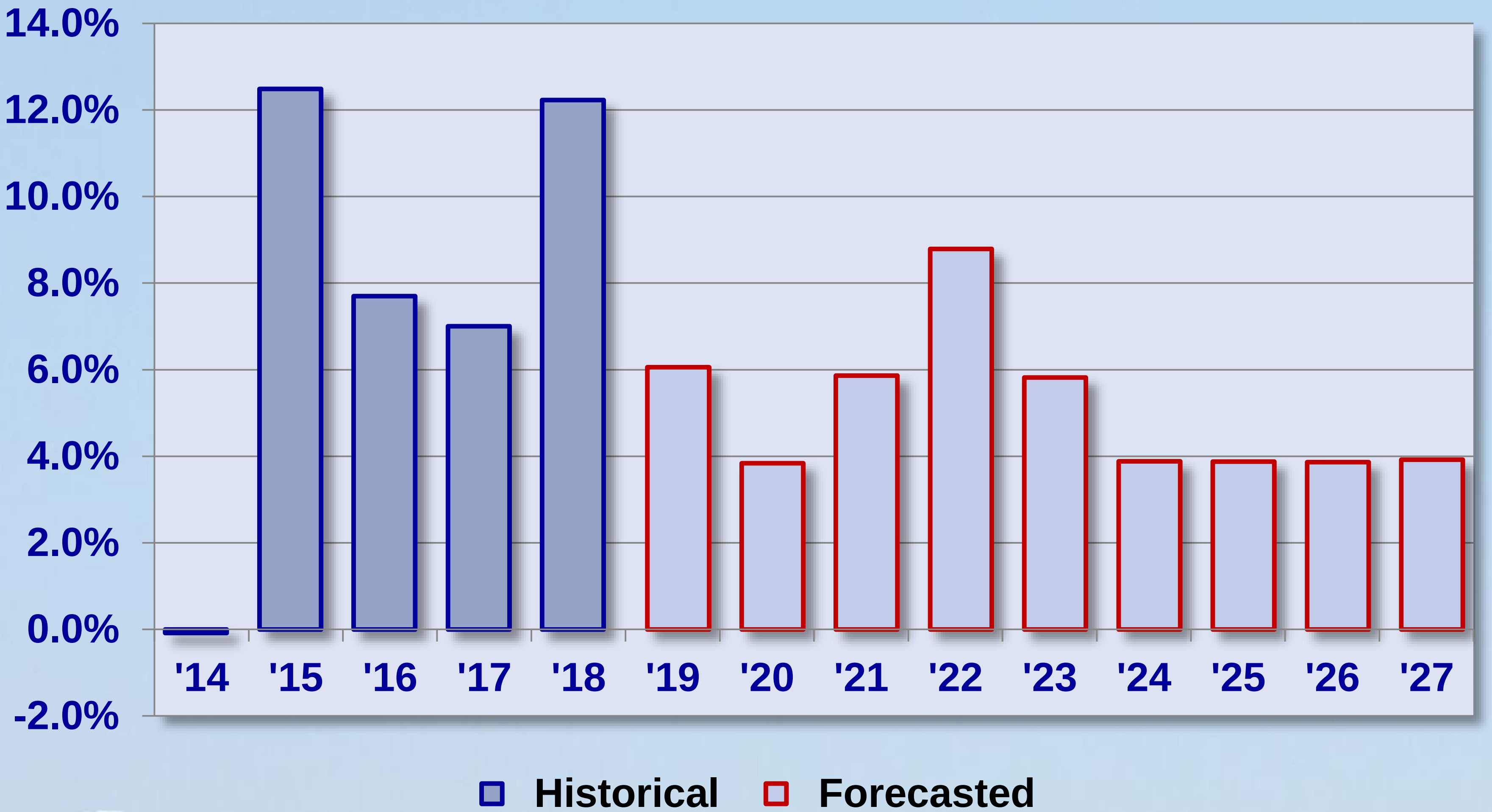
Volume – Inpatient Days



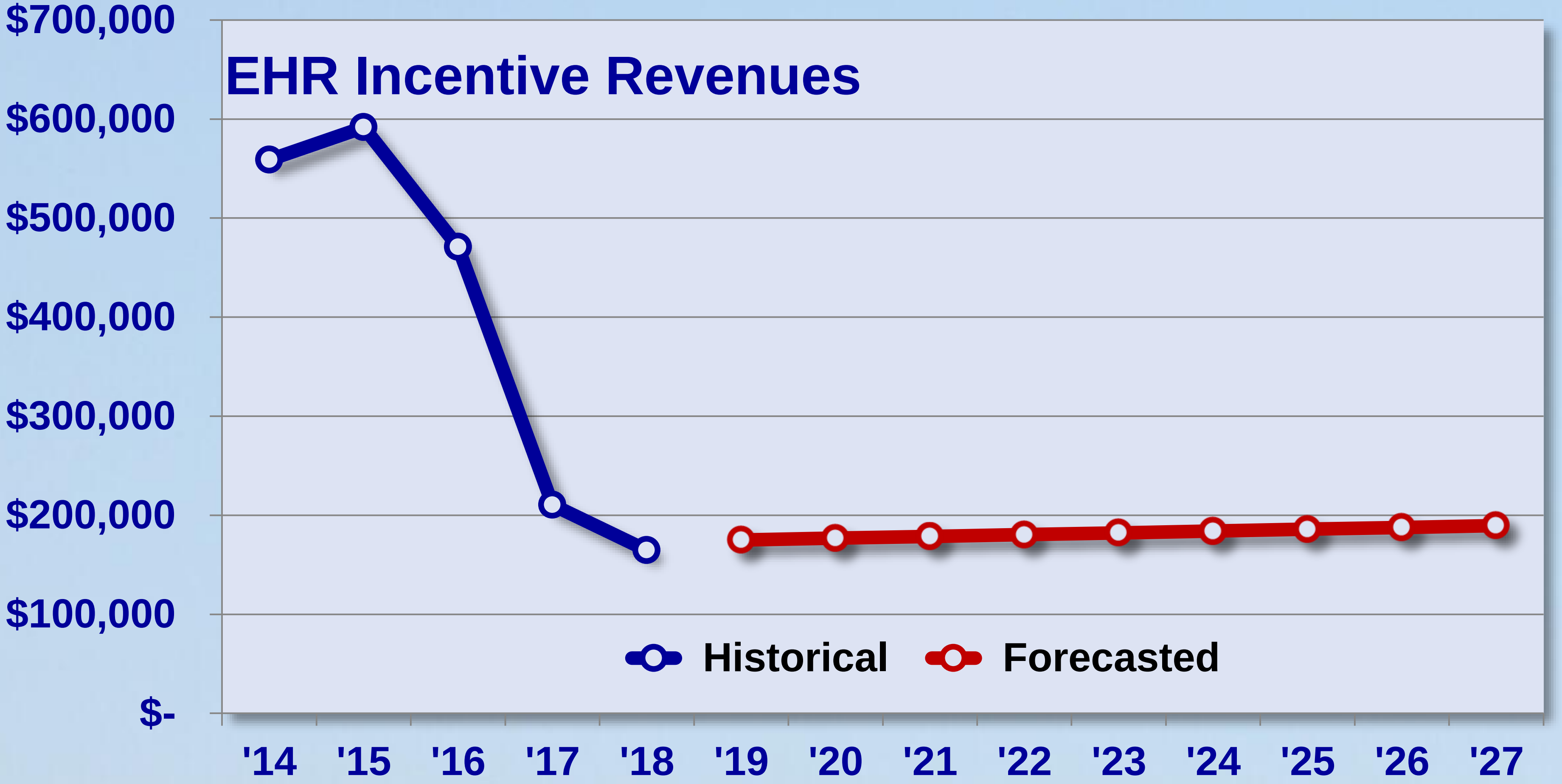
Total Gross Revenues



Year over Year Gross Revenue Growth

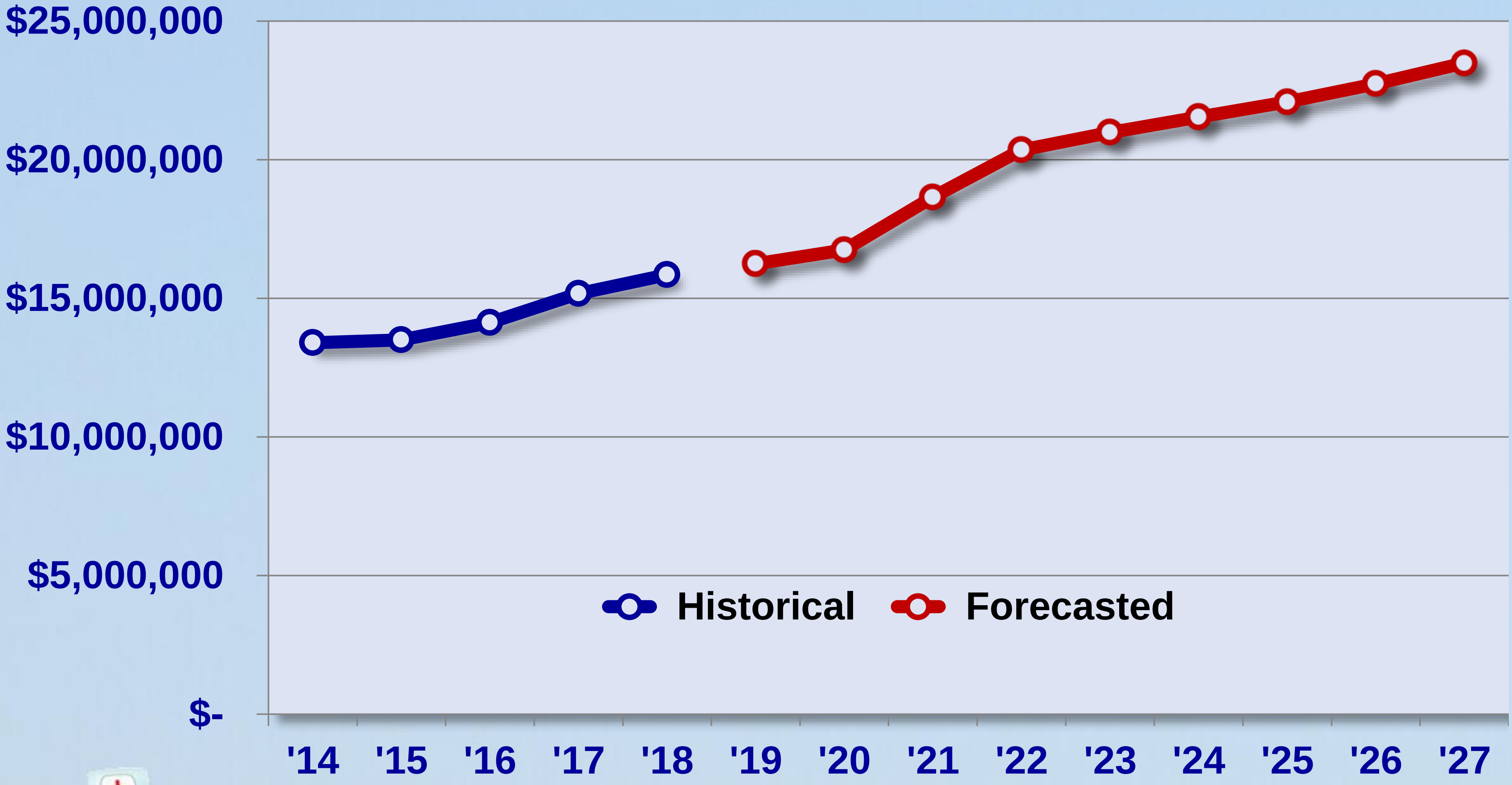


Other Revenues

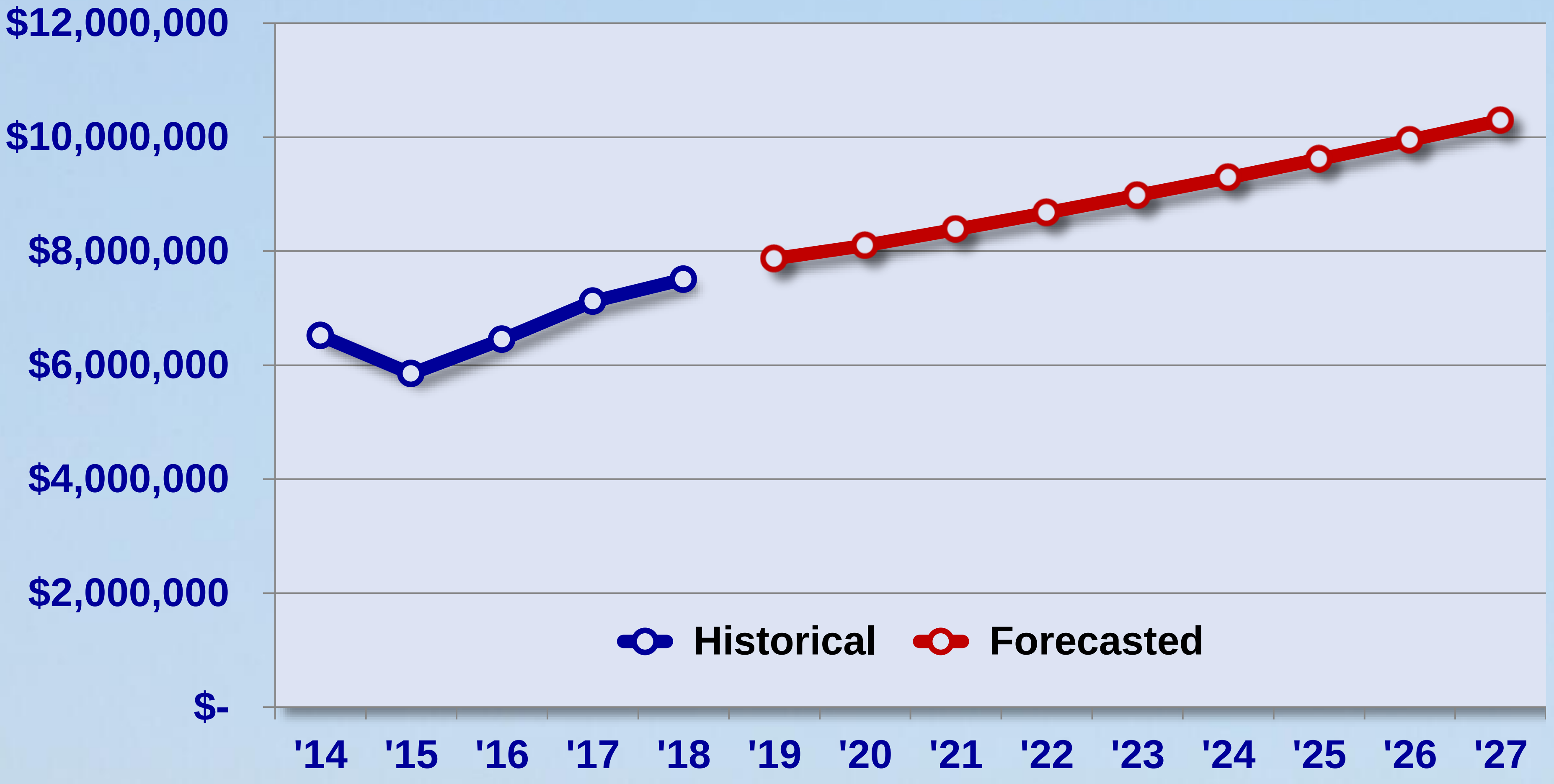


Total Expenses

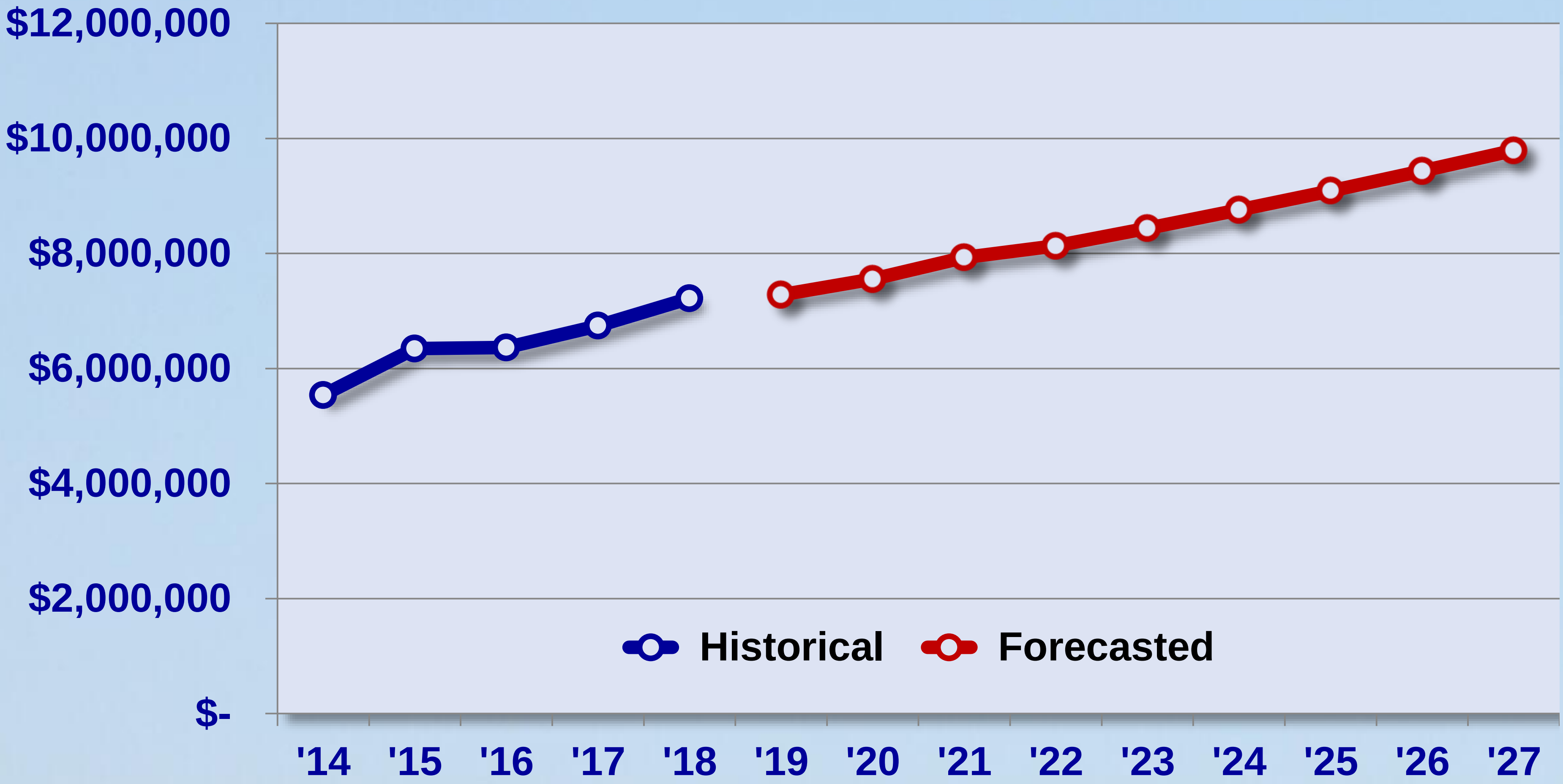
(including non-operating interest expense)



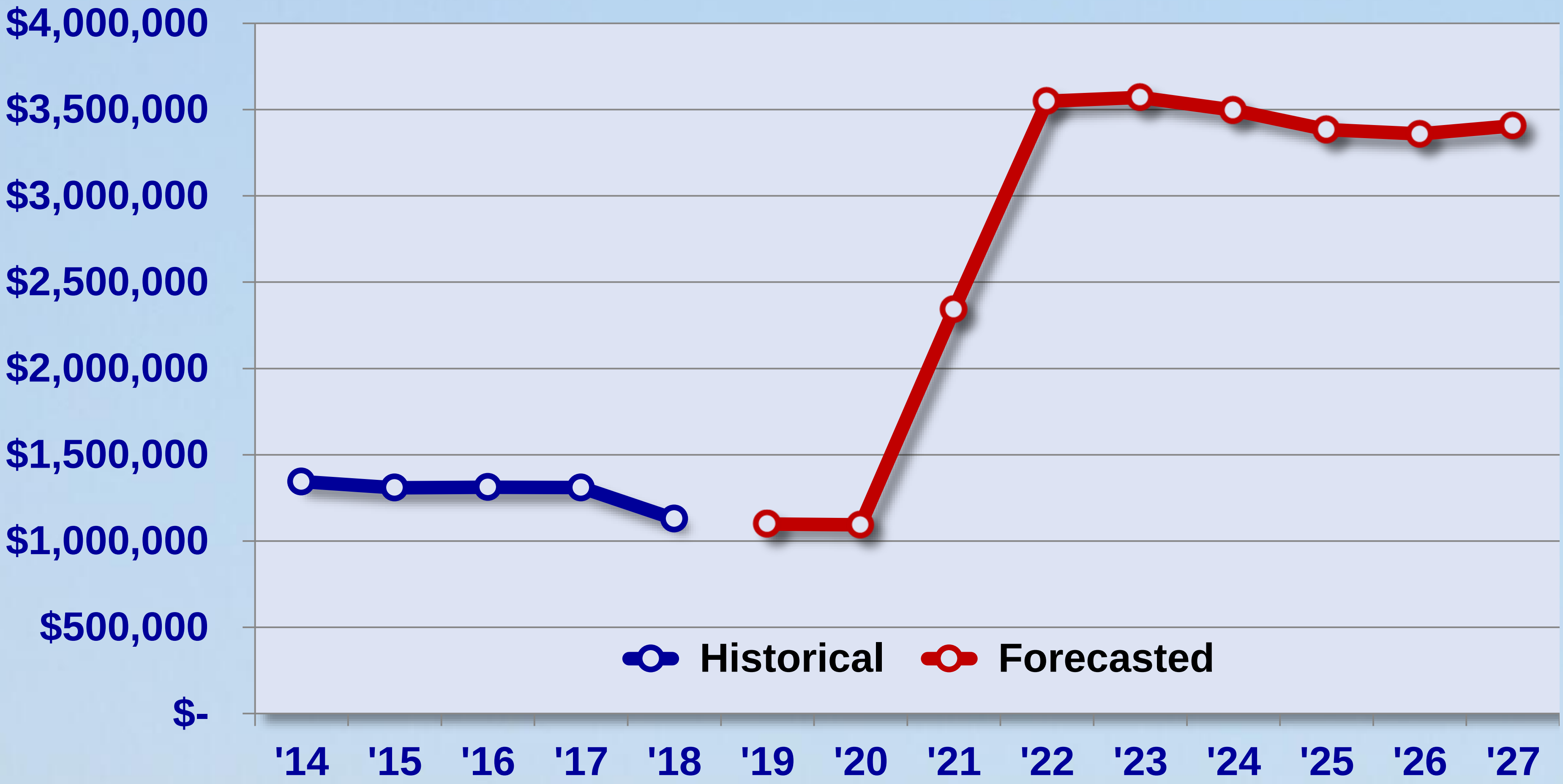
Salaries & Benefits



Supplies and Other Expenses

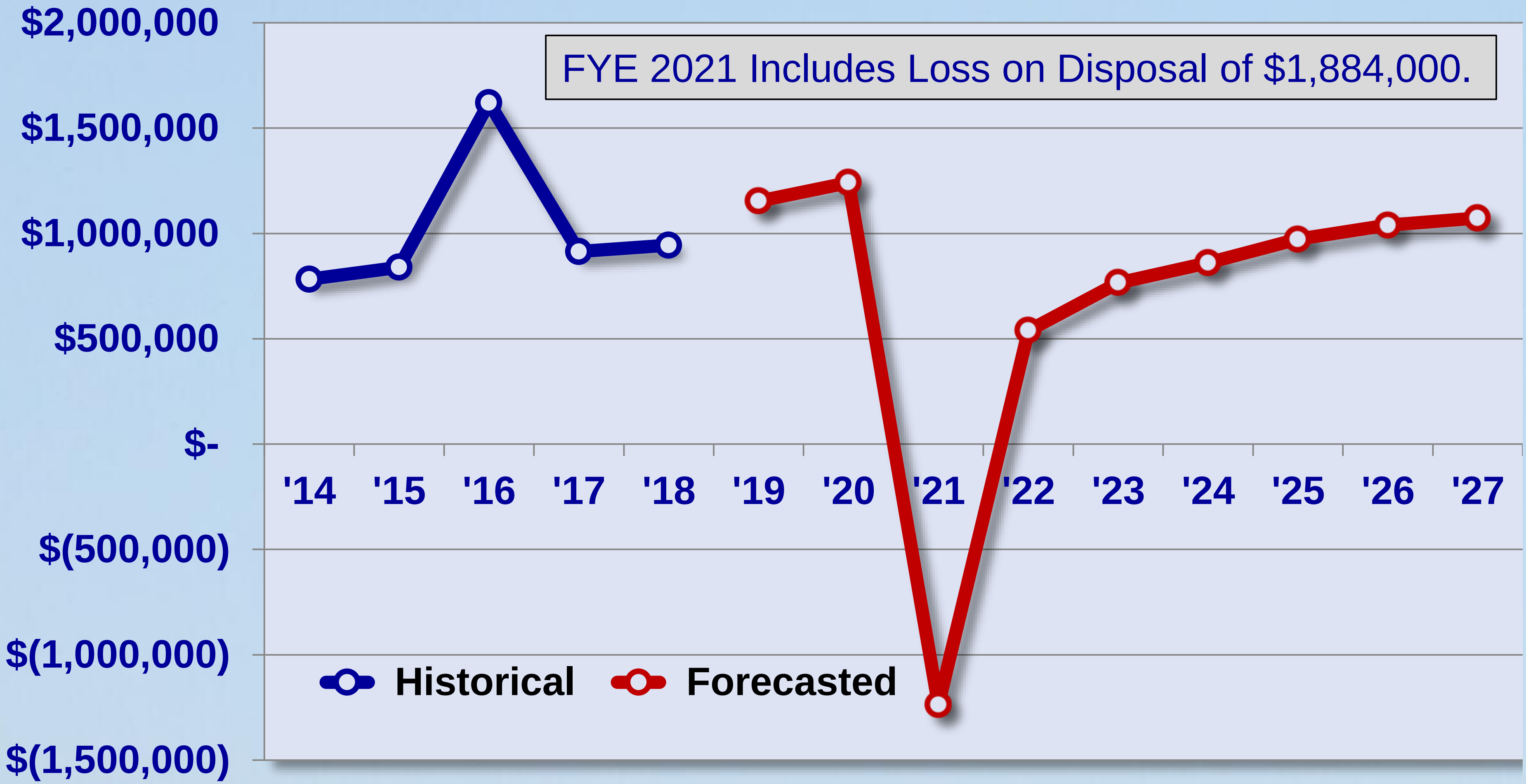


Depreciation and Interest Expense

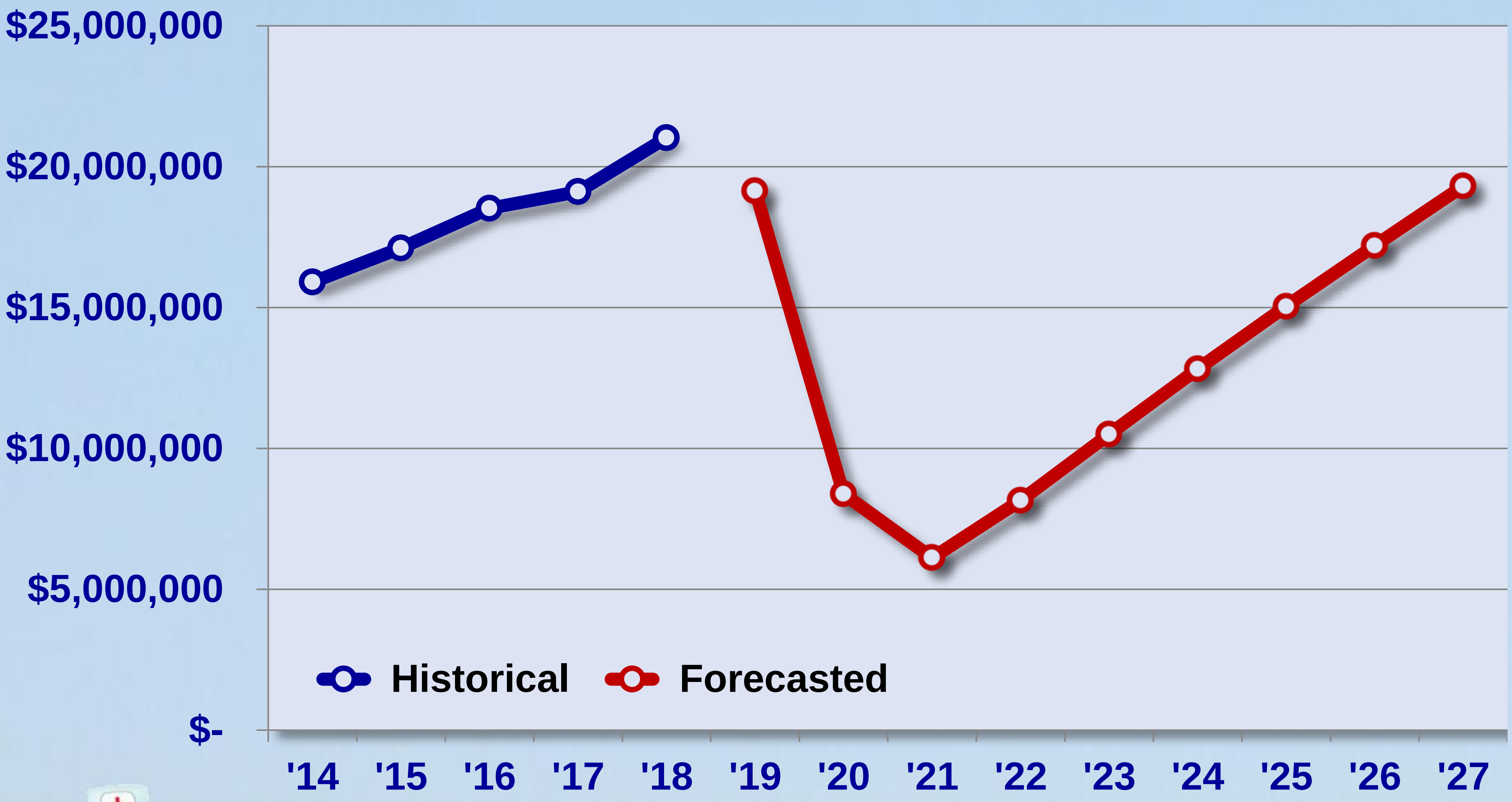


Operating Income

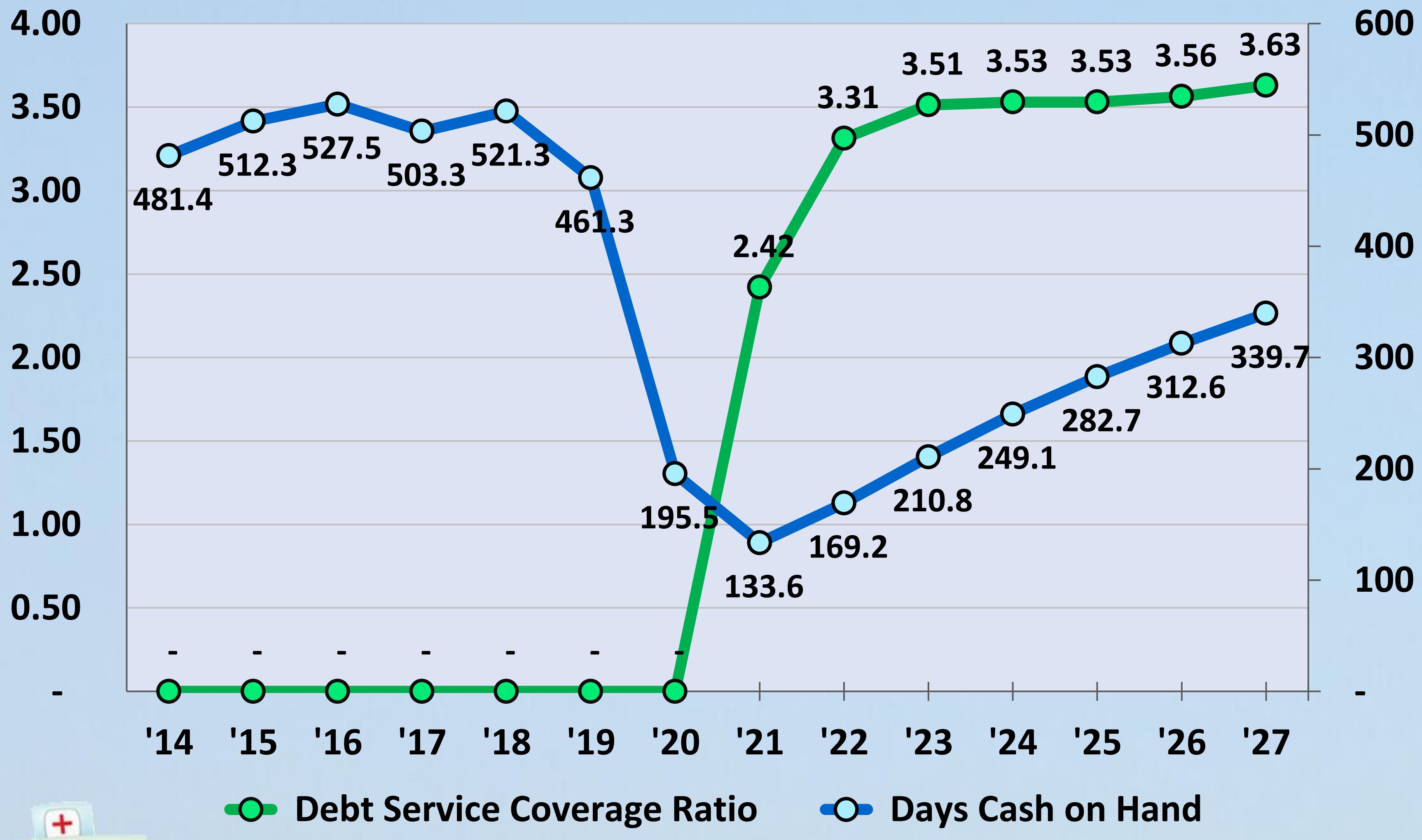
Total Income



Unrestricted Cash



Liquidity Measures



Historical Average Cash Generated
(Five years: 2014 to 2018)

Previous Five Years:	
Average Total Income	$ 1,020,000
Add back average depreciation	1,281,000
	2,301,000
Less average capital expenditures	709,000
Average cash generated per year	$ 1,592,000

Future Average Cash Generated
(Five years: 2022 to 2026)

Previous average cash generated	$ 1,592,000
Less:	
Principal payments	(491,000)
Interest payments	(742,000)
	359,000
Add:	
Reimbursement of additional depreciation and interest	1,362,000
Future average cash generated per year	$ 1,721,000

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Summary

- Extremely strong balance sheet
- Able to fund in excess of 50% of project with reserves
- Past experience of consistently strong total income
- Not relying on fund raising
- Minimal increase in property taxes
- Continued cost based reimbursement is key element
- Retention of referring physicians is key element
- Contracts with commercial insurers and managed payors need to be positively negotiated

Questions ???