

XXXXXXXXXX

Capital Financing Study

Prepared by
Stroudwater Associates

Introduction

The expansion of healthcare access to rural areas was funded in two ways: the Hill-Burton program supported construction and cost-based Medicare payment supported on-going costs. XXXXXX (XXXXXX), located in rural XXX, XXXX was supported by these policies until Medicare began the inpatient prospective payment system (PPS). Under PPS, a volume-based system, lack of inpatient volume in rural hospitals often prevented them from investing free cash in facility and other capital initiatives. The result: XXX has been too unprofitable and reimbursement for capital costs too small for its facility to be substantially upgraded. Thus, like many rural hospitals, XXX has an aging physical plant that increases the compliance risk and results in significant out-migration to newer, urban facilities.

The Medicare Rural Hospital Flexibility Program was established in 1997 with the passage of the Balanced Budget Act (BBA), which is well known for taking further cuts from hospital payment. A less well known feature of the BBA was the creation of the Critical Access Hospital (CAH), a rural hospital meeting certain criteria that becomes eligible for cost-based reimbursement. This payment system (versus places PPS) places CAHs in a better position to make facility and/or equipment improvements. In 1997, XXX became licensed as a CAH.

This report evaluates the impact that CAH has on XXX's plans to construct a new facility. Specifically, it projects future cash flows and expenses to provide a "going forward" feasibility study to qualify for financing support through the HUD 242 program.

Current Status of Hospital Operations

XXX is a 12-bed CAH providing acute care (6 beds), skilled nursing 6 “swing” beds, outpatient, and emergency care primarily to residents of XXXX, XXX and surrounding areas. The hospital transitioned to CAH on XXXXX. Overall occupancy rates in the hospital were approximately 30% in fiscal years prior to the conversion. Since that time, occupancy has approximated 33% for an average daily census of 4.

In 2000, Medicare patients accounted for 53% of all XXX acute inpatients (measured by discharges) and approximately 60% of total inpatient days. On a combined inpatient and outpatient basis, Medicare represented approximately 41% of total charges. Key fiscal year 2000 measures of XXX’s annual outpatient volume are 2,400 Emergency Department visits, over 4,400 provider-based primary care clinic visits, 2,885 radiology exams, 32,500 outpatient pharmacy prescriptions filled, and approximately 36,000 laboratory tests. Medicare patients account for about 32% of outpatient volume (measured in charges).

Approach and Results Summary

Approach:

XXXXX has engaged Stroudwater Associates to work with XXX’s administration to assess the hospital’s operating performance before and after a major capital project – the impact of which would start in 2003. Toward that end, this document summarizes the projected financial impacts of constructing a new hospital facility. Specifically, this model:

1. Uses the most current year’s cost report and financial statements as a baseline from which to project future performance;
2. Forecasts future cash flows from operational activities (inpatient, outpatient, and other operations) based on volume and payment level assumptions that anticipate known

regulatory and payment system changes (e.g., BBRA) as well as expected local market changes throughout the projection period; and

3. Presents all the necessary pro formas (i.e., balance sheet, statement of operations, and statement of cash flows) on a year-by-year basis to facilitate HUD decision making.

Stroudwater has used XXX internal data to model the impact that CAH status has on the facility construction project. Stroudwater matched the financial model to XXX's operating performance for 2001 based on audited financial statements and the recently submitted cost report. Using year-to-date 2002 data, Stroudwater was able to match the model's financial performance for fiscal year 2002 with XXX's internal financial statements. Discussions with XXX administrative staff determined the utilization, revenue, and expense assumptions for the four-year projection period (2003 – 2006).

On the basis of this information, Stroudwater prepared separate pro forma Balance Sheets, Statements of Operations, and Statements of Cash Flows. The intent is to project XXX financial performance under the CAH program, including the impact of a replacement facility beginning in 2003. The model includes projections through 2006 based on operating and performance assumptions both before and after the new facility is constructed. A key assumption relative to the new facility is the re-installation of a surgery program that results in higher volumes (inpatient and outpatient) by re-capturing market share that is now leaving the service area. This and other assumptions are discussed later in the report. Generally, assumptions fall into three primary categories:

1. Changes to inpatient and outpatient utilization by payer (Medicare, Medicaid, and all other);
2. Net unit revenue for inpatient stays and common outpatient services (i.e., outpatient surgery, emergency room, radiology, laboratory, and physical/occupational therapy); and
3. Operating expenses and projected rates of inflation.

Stroudwater has not audited or attempted to confirm information provided by XXX for accuracy or completeness. The extent to which the financial analysis accurately predicts actual operating gains or losses depends on how closely the future operating environment matches the model's assumptions. The financial analysis cannot account for unforeseen regulatory or operational changes that may result in reimbursement or utilization changes.

Results Summary:

As shown in the Table 1, XXX achieves a positive operating margin in the projection in every year except in the first year the new facility is in service (2003). Higher margins following construction are the combined result of cost-based Medicare payment and additional volumes by other third party payers.

Table 1: Pro Forma Statements of Operations

XXXXX XXX XXXXXX						
STATEMENTS OF OPERATIONS SUMMARY						
2001 - 2006						
	2001	2002	2003	2004	2005	2006
OPERATING REVENUE:						
Net Inpatient Revenue	1,302,483	1,425,047	2,244,326	2,800,666	2,964,002	3,043,300
Net Outpatient Revenue	1,661,573	2,171,755	2,807,478	2,983,913	3,175,277	3,326,015
Net Other Operating Revenue	505,698	505,698	505,698	505,698	505,698	505,698
Total Operating Revenue	<u>3,469,754</u>	<u>4,102,500</u>	<u>5,557,502</u>	<u>6,290,277</u>	<u>6,644,977</u>	<u>6,875,013</u>
OPERATING EXPENSES:						
Professional Services	1,940,771	2,243,402	3,202,912	3,331,029	3,464,270	3,602,841
Administration	935,540	972,962	1,118,906	1,163,662	1,210,209	1,258,617
Environmental Services	110,440	114,857	132,086	137,369	142,864	148,579
Other Operating Expenses	350,796	307,752	1,483,270	1,536,036	1,538,561	1,540,727
Total Operating Expenses	<u>3,337,547</u>	<u>3,638,973</u>	<u>5,937,174</u>	<u>6,168,096</u>	<u>6,355,903</u>	<u>6,550,763</u>
CHANGE IN NET ASSETS	132,208	463,527	(379,672)	122,180	289,073	324,250
NET ASSETS, Beginning of year	<u>147,719</u>	<u>279,926</u>	<u>743,454</u>	<u>363,782</u>	<u>485,962</u>	<u>775,036</u>
NET ASSETS, End of year	<u>279,926</u>	<u>743,454</u>	<u>363,782</u>	<u>485,962</u>	<u>775,036</u>	<u>1,099,285</u>

The statements of operations show an initial loss in the first year that the new facility is in service as additional expenses outpace the additional revenue. This dynamic is not unusual. The projections show that following 2003, operating revenue is expected to outpace expense. The increases in operating revenue are expected from two types of volume increases: 1) Re-capturing market share by offering better amenities supported by more current technologies (such as CT scanning and ultrasound), and 2) Adding new services (surgery and obstetrics). Prior to this,

XXX projects considerable gains in 2002 from the outpatient lab (190K in revenue) and outpatient clinics (250K). Without these gains, XXX does not have a substantial basis of net assets from operations going into the first year of new facility operations. The impact of this on the facility's cash position and other considerations are discussed below.

Table 1 (above) summarized the results from the statements of operations. Below (Table 2) is the balance sheet summary:

Table 2: Pro Forma Balance Sheets

XXX XXXXXX XXXXXXXXX BALANCE SHEETS SUMMARY 2001 - 2006						
	2001	2002	2003	2004	2005	2006
ASSETS:						
Total Current Assets	1,005,062	1,417,519	1,609,096	2,122,474	2,795,887	3,496,883
Net Fixed Assets	253,569	234,043	9,603,803	9,069,991	8,532,608	7,991,653
Other Assets	65,000	65,000	65,000	65,000	65,000	65,000
TOTAL ASSETS	1,323,631	1,716,562	11,277,898	11,257,465	11,393,494	11,553,536
LIABILITIES AND NET ASSETS:						
Total Current Liabilities	930,255	973,109	1,240,344	1,284,684	1,331,114	1,379,738
LTD, net of Current Portion	113,449	-	9,673,772	9,486,819	9,287,345	9,074,512
Total Liabilities	1,043,704	973,109	10,914,116	10,771,503	10,618,459	10,454,251
Net Assets	279,926	743,454	363,782	485,962	775,036	1,099,285
TOTAL LIABILITIES AND NET ASSETS	1,323,631	1,716,562	11,277,898	11,257,465	11,393,494	11,553,536

As reflected in the balance sheet, the fixed assets of the organization jumps substantially in 2003 with the new facility, but total firm value (assets less liabilities) remains virtually unchanged. This also shows the expectation that facility construction will be debt financed.

Table 3: Pro Forma Statements of Cash Flows

XXX XXXXXX XXXXXXXXX STATEMENTS OF CASH FLOWS SUMMARY 2001 - 2006						
	2001	2002	2003	2004	2005	2006
Net cash provided by operating activities	138,215	463,133	150,285	634,614	885,830	952,131
Net cash used by investing activities	(50,000)	(50,000)	(10,000,000)	(100,000)	(100,000)	(100,000)
Net cash provided (used) by financing	(151,294)	(133,639)	9,735,541	(175,219)	(186,953)	(199,474)
Net increase (decrease) in cash	(63,079)	279,494	(114,173)	359,396	598,877	652,657
CASH, Beginning of year	145,283	82,204	361,698	247,525	606,920	1,205,797
CASH, End of year	82,204	361,698	247,525	606,920	1,205,797	1,858,454

The statement of cash flows shows that XXX is in a tenuous position starting at the end of 2001. For example, a small increase in days in accounts receivable (e.g., less than 5%) leads to negative cash at the end of the year. This is offset slightly in 2002 and at no time through the projection period does XXX actually have a negative cash situation. Alternatives for managing cash (e.g., working capital loan, line of credit, lower days in A/R, etc.) are not modeled in this projection.

The CAH service model affords XXX enhanced financial performance through stabilized Medicare revenue. This supports the construction of a replacement facility, as currently projected to include more space (50,000 – 55,000 square feet) for both inpatient and ambulatory services, as well as service expansion in surgery and obstetrics. XXX administration has dismissed the alternative – remodeling the current facility – on the basis that it fails to provide adequate value (i.e., high cost relative to the benefits) or meet community needs. Stroudwater has not validated these assumptions in the development of the financial model. Instead, Stroudwater uses its expertise and experience in other markets to check the “face validity” of these assumptions. In this instance, the age of the existing plant, its current condition, and its small size (less than 15,000 square feet) support the assumption that a new facility is warranted.

The financial model assumes that the facility will be placed in service on XXXXX. This is an aggressive timeframe given the financing, architectural, and other issues that need to be resolved, plus time needed for actual construction, preparation, certification, etc. A delay of 6-12 months will not severely affect the situation, though. The statement of operations project that 2001 will provide a 10% operating margin (which is similar to that achieved in 2000). Without additional costs associated with placing the new facility assets in service, this performance may be extended. Given the present condition of the physical plant, Stroudwater understands the urgency expressed by XXX administration.

Assumptions

- 1) Facility Construction – As noted above, XXX believes an approximately 55,000 square foot replacement facility is warranted with the following assumptions:
 - The facility will be operational January 1, 2003. The model does not account for any costs incurred (e.g., interest expense from a construction line of credit) during the construction. Likewise, the model does not include balance sheet adjustments made throughout the construction process because when combined with a construction line of credit, there is no impact on cash flow.
 - 100% debt financing, insured through the HUD 242 program, for a rate of 6.5%
 - The facility construction is estimated to total \$7.5M with a depreciable life of 35 years; equipment will cost \$2.5M and depreciate fully – on average – over 7 years.

- 2) Hospital Utilization – Except where noted, the same increases (or decreases) projected from year to year are used in before and after the new facility.
 - Inpatient
 - i) Payer mix will remain constant.
 - ii) Inpatient admissions are expected to increase in fiscal year 2003 by 24% for Medicare, 38% for non-Medicare/Medicaid, and 24% for Medicaid. In 2005, XXX expects the marginal gains in each of these areas to be approximately one-half of the 2003 level (i.e., 13%, 19%, and 13% respectively), and then half again in 2005 (i.e., 8%, 13%, and 8% respectively). The inpatient admission gains are the result of two factors: adding a surgery program and re-capturing market share. The surgery program is expected to start with 200 surgeries per year (50 inpatient/150 outpatient). The inpatient surgeries, spread across all payor groups, result in a 14% increase. For the non-Medicare groups, an additional 13% increase is expected from the addition of labor and delivery services. The remainder of the projected gains are conservative estimates of market share that will be re-captured.

- iii) Labor and delivery is projected as a start up in the new facility (2003) with 20 admissions. This is projected to grow modestly, i.e., 6% in 2004 and 5% in 2005.
- iv) Average length of stay is expected to remain constant throughout the projection period.
- v) Medicare and Medicaid SNF bed days are projected to grow modestly in 2002 and 2003 at 5% per year.
- vi) Medicare swing bed days are projected to grow 10% in year 2002 and then remain flat through the remainder of the projection period.
- Outpatient
 - i) Payer mix will remain constant
 - ii) Outpatient volume for fiscal 2001 has been assumed at levels actually incurred, as annualized from July year to date data. For fiscal 2002 through 2005, all other volume estimates remained unchanged with the following exceptions: outpatient lab is expected to increase 43% in 2002 as additional laboratory services are provided to physician clinics outside the XXX service area; outpatient surgery is expected to grow 25% in 2004 and another 20% in 2005; and radiology is expected to grow 5% in 2004 and another 5% in 2005. Surgery volume growths are not unreasonable considering that the services are startup operations in 2003 and additional market share will be attracted to XXX over time.
 - iii) Provider-based clinic volumes are projected to double in 2002. Current production levels on a per provider basis are well below benchmark standards and XXX is committed to increasing throughput, as well as marketing the services more vigorously. Future increases (i.e., 2003 at 25%, 2004-2006 at 5%) reflect the continued emphasis on performance improvement.
 - iv) Emergency room visits are projected to increase at a rate of 5% throughout the projection period.
 - v) Observation bed volume is expected to grow modestly at a rate of 3%.

2) Revenue assumptions

- Inpatient
 - i) Medicare per case payment increases (or decreases) are tied to cost and not factored in as a separate assumption.
 - ii) Medicaid per case payments increase at 3% for 2001 and 2002, 1.4% for 2003 and 2004, and 2.5% for 2005 and 2006.
 - iii) Non-Medicare per case payments increase at 3% for 2001 and 2002, then 2.5% for all other years.
 - iv) Charges associated with the addition of surgery and labor and delivery services were estimated using two benchmark hospitals (“benchmarks”) from the same region as XXX, both of which had comparable volumes to those noted above.

Per case payment increases in these ranges are consistent with state and regional historical practices.

- Outpatient
 - i) Per unit payment increases in 2001 of 3% reflect actual experience. This rate of payment growth is expected to hold through 2003, and then conservatively assumed to slow to 2% in 2004-2006.
 - ii) Charges associated with the addition of surgery and radiology services (i.e., ultrasound and CT scanner) were estimated using the benchmark hospitals.

3) Expenses

- Allocation of costs to inpatients, outpatient, swing-beds, and non-reimbursable centers is based on stepped down, current year costs using the 1999 statistical base for years 2001 and 2002.
- Salary expenses increase in 2001 by 4% to reflect actual experience based on year-to-date activity and this rate of increase is expected to hold in 2002. For the first year of new facility operations, expenses are projected to increase 15% to accommodate operations of

a much larger facility. In addition, start up expenses associated with the development of surgery (650K) and labor and delivery (100K) services are directly allocated on the cost report. For the remainder of the projection period, salary and other expenses are expected to increase by 4% per year.

- Space allocations for the new facility are projected (on the cost report) using the benchmark hospitals. Generally, adding space for the operating rooms and labor and delivery reduces the allocations to the administrative and general line. Additional detail is found in the model “Facility Space Allocation Worksheet.”
- Costs associated with new services in surgery and labor and delivery were also estimated on the cost report using the benchmark facilities referenced above.

4) Financial management

- Beginning balances at the start of the projection period are as follows:
 - Cash: 108K
 - Patient accounts receivable: 334K
 - Other accounts receivable: 71K
 - Account payable and accrued liabilities: 573K
 - Current portion of long term debt: 176K
 - Long term debt net of current: 392K
 - Net unrestricted assets: 295K
- Days in accounts receivable are assumed to start at 76.7 days and remain constant throughout the projection period.
- Average days in accounts payable are assumed to start at 66.8 days and remain constant throughout the projection period.

Attached to this report is additional detail on assumptions used for developing the financial models (titled “XXX XXXXX – 2000 Base Case Assumptions” and “2002-2006 Assumptions”).

Appendix I – Financial Statements

PRO FORMA BALANCE SHEETS
2000 - 2006

The Accompanying Assumptions are Integral to these Pro Forma Financial Statements

	2000	2001	2002	2003	2004	2005	2006
ASSETS:							
Current Assets:							
Cash	145,283	82,204	361,698	247,525	606,920	1,205,797	1,858,454
Patient Accounts Receivable, net	601,897	622,858	755,821	1,061,571	1,215,554	1,290,090	1,338,429
Other Accounts Receivable	384,154	200,000	200,000	200,000	200,000	200,000	200,000
Other Current Assets	103,314	100,000	100,000	100,000	100,000	100,000	100,000
Total Current Assets	<u>1,234,648</u>	<u>1,005,062</u>	<u>1,417,519</u>	<u>1,609,096</u>	<u>2,122,474</u>	<u>2,795,887</u>	<u>3,496,883</u>
Property, Plant and Equipment:	536,682	511,682	486,682	10,411,682	10,436,682	10,461,682	10,486,682
Less: Accumulated Depreciation	<u>(232,702)</u>	<u>(258,113)</u>	<u>(252,639)</u>	<u>(807,879)</u>	<u>(1,366,691)</u>	<u>(1,929,074)</u>	<u>(2,495,029)</u>
Net Fixed Assets	<u>303,980</u>	<u>253,569</u>	<u>234,043</u>	<u>9,603,803</u>	<u>9,069,991</u>	<u>8,532,608</u>	<u>7,991,653</u>
Other Assets	59,872	65,000	65,000	65,000	65,000	65,000	65,000
TOTAL ASSETS	<u>1,598,500</u>	<u>1,323,631</u>	<u>1,716,562</u>	<u>11,277,898</u>	<u>11,257,465</u>	<u>11,393,494</u>	<u>11,553,536</u>
LIABILITIES AND NET ASSETS:							
Current Liabilities:							
Current Portion of LTD	151,294	133,639	113,449	175,219	186,953	199,474	212,833
Accounts payable and Accrued Liabilities	525,593	546,616	609,659	815,125	847,731	881,640	916,905
Other Current Liabilities	<u>526,806</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total Current Liabilities	1,203,693	930,255	973,109	1,240,344	1,284,684	1,331,114	1,379,738
LTD, net of Current Portion	<u>247,088</u>	<u>113,449</u>	<u>-</u>	<u>9,673,772</u>	<u>9,486,819</u>	<u>9,287,345</u>	<u>9,074,512</u>
TOTAL LIABILITIES	<u>1,450,781</u>	<u>1,043,704</u>	<u>973,109</u>	<u>10,914,116</u>	<u>10,771,503</u>	<u>10,618,459</u>	<u>10,454,251</u>
NET ASSETS:							
Accumulated Earnings (Deficit)	<u>147,719</u>	<u>279,926</u>	<u>743,454</u>	<u>363,782</u>	<u>485,962</u>	<u>775,036</u>	<u>1,099,285</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,598,500</u>	<u>1,323,631</u>	<u>1,716,562</u>	<u>11,277,898</u>	<u>11,257,465</u>	<u>11,393,494</u>	<u>11,553,536</u>

PRO FORMA STATEMENTS OF OPERATIONS
2000 - 2006

The Accompanying Assumptions are Integral to these Pro Forma Financial Statements

	2000	2001	2002	2003	2004	2005	2006
OPERATING REVENUE:							
Inpatient Revenue:							
Acute	1,057,160	1,137,125	1,137,910	1,937,485	2,149,159	2,314,493	2,367,851
Swing Beds	236,931	165,358	287,138	306,841	651,507	649,509	675,449
Total Inpatient Revenue	<u>1,294,091</u>	<u>1,302,483</u>	<u>1,425,047</u>	<u>2,244,326</u>	<u>2,800,666</u>	<u>2,964,002</u>	<u>3,043,300</u>
Outpatient Revenue:							
Surgery	-	-	-	273,379	333,043	394,742	403,802
Radiology	190,513	216,045	221,653	316,265	333,139	351,267	359,090
O/P Lab	604,803	620,756	849,930	902,984	935,008	971,647	1,021,055
Respiratory Therapy	29,563	30,295	31,091	36,807	36,970	37,180	37,914
PT, OT, ST	2,739	2,798	2,875	3,908	3,828	3,779	3,843
ECG	17,201	17,673	18,178	18,518	18,761	19,062	19,485
Drugs/medical supplies	139,128	142,422	146,338	162,426	162,532	163,722	167,415
ER Visits	268,354	280,304	298,959	343,364	363,228	384,179	408,106
Observation Beds	87,678	114,176	115,753	122,522	125,763	130,620	135,601
Provider Based Clinic	230,237	237,106	486,979	627,304	671,640	719,079	769,704
Total Outpatient Revenue	<u>1,570,216</u>	<u>1,661,573</u>	<u>2,171,755</u>	<u>2,807,478</u>	<u>2,983,913</u>	<u>3,175,277</u>	<u>3,326,015</u>
Net Patient Revenue	<u>2,864,307</u>	<u>2,964,056</u>	<u>3,596,802</u>	<u>5,051,804</u>	<u>5,784,579</u>	<u>6,139,279</u>	<u>6,369,315</u>
Other Operating Revenue:	<u>816,680</u>	<u>505,698</u>	<u>505,698</u>	<u>505,698</u>	<u>505,698</u>	<u>505,698</u>	<u>505,698</u>
Total Operating Revenue	<u>3,680,987</u>	<u>3,469,754</u>	<u>4,102,500</u>	<u>5,557,502</u>	<u>6,290,277</u>	<u>6,644,977</u>	<u>6,875,013</u>
OPERATING EXPENSES:							
Professional services	1,866,126	1,940,771	2,243,402	3,202,912	3,331,029	3,464,270	3,602,841
Administration	899,558	935,540	972,962	1,118,906	1,163,662	1,210,209	1,258,617
Environmental Services	106,192	110,440	114,857	132,086	137,369	142,864	148,579
Depreciation and amortization	105,317	100,411	69,526	630,240	633,812	637,383	640,955
Interest	46,348	26,978	14,819	596,112	635,030	623,295	610,775
Provision for doubtful accounts	214,814	223,407	223,407	256,918	267,194	277,882	288,997
Total Operating Expenses	<u>3,238,355</u>	<u>3,337,547</u>	<u>3,638,973</u>	<u>5,937,174</u>	<u>6,168,096</u>	<u>6,355,903</u>	<u>6,550,763</u>
CHANGE IN NET ASSETS	442,632	132,208	463,527	(379,672)	122,180	289,073	324,250
NET ASSETS, Beginning of year	<u>(294,913)</u>	<u>147,719</u>	<u>279,926</u>	<u>743,454</u>	<u>363,782</u>	<u>485,962</u>	<u>775,036</u>
NET ASSETS, End of year	<u>147,719</u>	<u>279,926</u>	<u>743,454</u>	<u>363,782</u>	<u>485,962</u>	<u>775,036</u>	<u>1,099,285</u>

PRO FORMA STATEMENT OF CASH FLOWS
2000 - 2006

The Accompanying Assumptions are Integral to these Pro Forma Financial Statements

	2000	2001	2002	2003	2004	2005	2006
CASH FLOWS FROM OPERATING ACTIVITIES:							
Change in net assets	\$ 442,632	\$ 132,208	\$ 463,527	\$ (379,672)	\$ 122,180	\$ 289,073	\$ 324,250
Adjustments to reconcile change in net assets to net cash provided by operating activities:							
Depreciation and amortization	105,317	100,411	69,526	630,240	633,812	637,383	640,955
Change in provision for contractual	(90,128)	-	-	-	-	-	-
(Increase) decrease in:							
Patient accounts receivable	(178,813)	(20,961)	(132,963)	(305,750)	(153,983)	(74,536)	(48,339)
Other accounts receivable	(313,206)	184,154	-	-	-	-	-
Other current assets	(57,766)	3,314	-	-	-	-	-
Limited use assets	(15,872)	(5,128)	-	-	-	-	-
Increase (decrease) in:							
Accounts payable and accrued liabilities	(47,651)	21,024	63,043	205,466	32,605	33,909	35,266
Other current liabilities	526,806	(276,806)	-	-	-	-	-
Net cash provided by operating activities	<u>371,319</u>	<u>138,215</u>	<u>463,133</u>	<u>150,285</u>	<u>634,614</u>	<u>885,830</u>	<u>952,131</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of PP&E	<u>(165,180)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(10,000,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net cash used by investing activities	<u>(165,180)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(10,000,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from Capital lease/Debt	5,019	-	-	10,000,000	-	-	-
Repayment of Debt	<u>(173,995)</u>	<u>(151,294)</u>	<u>(133,639)</u>	<u>(264,459)</u>	<u>(175,219)</u>	<u>(186,953)</u>	<u>(199,474)</u>
Net cash provided (used) by financing activities	<u>(168,976)</u>	<u>(151,294)</u>	<u>(133,639)</u>	<u>9,735,541</u>	<u>(175,219)</u>	<u>(186,953)</u>	<u>(199,474)</u>
NET INCREASE (DECREASE) IN CASH	37,163	(63,079)	279,494	(114,173)	359,396	598,877	652,657
CASH, BEGINNING OF YEAR	<u>108,120</u>	<u>145,283</u>	<u>82,204</u>	<u>361,698</u>	<u>247,525</u>	<u>606,920</u>	<u>1,205,797</u>
CASH, END OF YEAR	<u>145,283</u>	<u>82,204</u>	<u>361,698</u>	<u>247,525</u>	<u>606,920</u>	<u>1,205,797</u>	<u>1,858,454</u>