

Global Health Ministry
Section 177 Health Plan
Agreement with The Republic
of the Marshall Islands

Special-Purpose Statement of Support and Expenses
for the Year Ended December 31, 2016, and
Independent Auditors' Report

**GLOBAL HEALTH MINISTRY
SECTION 177 HEALTH PLAN AGREEMENT WITH
THE REPUBLIC OF THE MARSHALL ISLANDS**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Global Health Ministry
Livonia, Michigan

We have audited the accompanying Special-Purpose Statement of Support and Expenses of Global Health Ministry, formerly known as Trinity Health International, (the "Statement"), for the year ended December 31, 2016, and the related notes to the Statement. The support was received and expenses were incurred in accordance with The Republic of the Marshall Islands Section 177 Health Plan Agreement with Global Health Ministry (the "Contractor"). Global Health Ministry is a wholly owned subsidiary of Trinity Health.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial reporting provisions of Section 12 of the Contract for Management of the Section 177 Health Plan Agreement (the "Contract"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statement based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Contractor's preparation and fair presentation of the Statement 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 Contractor'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 Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the support received and expenses incurred by the Contractor in the performance of the Section 177 Health Plan Agreement with The Republic of the Marshall Islands for the year ended December 31, 2016, in accordance with the financial reporting provisions of Section 12 of the Contract.

Basis of Accounting

We draw attention to Note 1 of the Statement, which describes the basis of accounting. The Statement is prepared by the Contractor on the basis of the financial reporting provisions of Section 12 of the Contract, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Contract. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Board of Trustees, management of Global Health Ministry, the government of The Republic of the Marshall Islands, and the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

April 28, 2017

**GLOBAL HEALTH MINISTRY
SECTION 177 HEALTH PLAN AGREEMENT WITH
THE REPUBLIC OF THE MARSHALL ISLANDS**

**SPECIAL-PURPOSE STATEMENT OF SUPPORT AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

I. SUPPORT:

| | |
|-------------------------------------|---------------------|
| A. Section 177 Health Plan payments | |
| 1. 2016 Program Year | <u>\$ 1,298,206</u> |
| Total support | <u>1,298,206</u> |

II. EXPENSES:

| | |
|------------------------------------|------------------|
| A. Primary care expenses | |
| 1. Direct expenses | 959,207 |
| 2. Special missions and projects | 130,303 |
| 3. Logistical support | <u>107,952</u> |
| Total primary care expenses | <u>1,197,462</u> |
| B. Administrative expenses | |
| 1. Administrative services | 2,911 |
| 2. Global Health Ministry overhead | <u>174,872</u> |
| Total administrative expenses | <u>177,783</u> |
| Total expenses | <u>1,375,245</u> |

EXPENSES IN EXCESS OF SUPPORT \$ (77,039)

See notes to special-purpose statement of support and expenses.

GLOBAL HEALTH MINISTRY SECTION 177 HEALTH PLAN AGREEMENT WITH THE REPUBLIC OF THE MARSHALL ISLANDS

NOTES TO SPECIAL-PURPOSE STATEMENT OF SUPPORT AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2016

1. SECTION 177 HEALTH PLAN AGREEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Global Health Ministry (the “Contractor”), a wholly owned subsidiary of Trinity Health, entered into a contract, commencing on January 1, 2016, extending through December 31, 2016, with The Republic of the Marshall Islands (the “Government”). Subsequent to December 31, 2016, the Contractor received written approval from the Government to continue the program through December 31, 2018. Under the terms of the contract, the Contractor has the obligation to provide management of specified health services for eligible citizens of The Republic of the Marshall Islands. In consideration of these services, the Government supports qualified contract expenses and provides a specified administration fee to the Contractor.

The contract can be terminated at the option of either party if the other party has not cured, within 60 days, a formally notified contractual default or if the other party files for bankruptcy. In addition, the Contractor may terminate the contract upon 90 days’ notice if the Section 177 Health Plan is operated in a manner that is inconsistent with the ethical standards and philosophy of the Contractor.

Patient eligibility is determined by the Government. The Government provides approvals for eligible patients to the Contractor.

Basis of Accounting—The special-purpose statement of support and expenses (the “Statement”) was prepared to present the support received and expenses incurred by the Contractor in the performance of the Section 177 Health Plan Agreement with the Government in accordance with Section 12 of the Contract for Management of the Section 177 Health Plan Agreement and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

The accompanying statement is presented on the accrual basis of accounting for expenses and on a cash basis for support received.

Fixed Assets—Fixed assets purchased by the Contractor in The Republic of the Marshall Islands, for use exclusively in the execution of the Section 177 Health Plan Agreement with the Government, are expensed when purchased. The Contractor is the custodian of the assets until the completion of the contract. Upon completion of the contract, the assets become the property of the Government.

Support—Support is recognized on the Section 177 Health Plan Agreement with the Government in an amount equal to the total contractual (including amendments) support received. Support received in 2016 was \$1,298,206. Because the Contractor has received an extension of the contract year over year, excess of support received over reported expenses at the end of the contract year may be carried forward to the next contract year. Likewise, expenses incurred in excess of the support received in a certain year can be paid for using funds leftover from a prior year. The Contractor is not obligated to incur expenses in excess of contractual support.

Allocation of Expenses—Salaries, wages, and related benefits are allocated by the Contractor on the basis of actual or estimated time devoted to the contract.

2. RELATED-PARTY TRANSACTIONS

The Contractor purchases inpatient and outpatient care and pays certain personnel and other costs through two branches of the Government. Amounts paid to the Government for inpatient and outpatient care, and for certain personnel and other costs totaled approximately \$52,041 for the year ended December 31, 2016.

3. SUBSEQUENT EVENTS

The Contractor has evaluated subsequent events through April 28, 2017, which is the date the Statement was available for issuance, and determined that no events require recording or disclosure in the Statement.

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