

BATH COMMUNITY HOSPITAL

FINANCIAL REPORT

December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bath Community Hospital
Hot Springs, Virginia

We have audited the accompanying financial statements of Bath Community Hospital (a non-profit organization hereinafter referred to as the "Hospital") which comprise the statements of assets, liabilities, and fund balances - income tax basis as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in fund balances— income tax basis and cash flows - income tax basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the Hospital uses for income tax purposes as described in Note 2; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditor's Responsibility

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. Those standards require that we plan and perform the audits 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 auditor's 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances - income tax basis of Bath Community Hospital as of December 31, 2015 and 2014, and its revenues, expenses, other changes in fund balances and cash flows - income tax basis for the years then ended, in accordance with the basis of accounting the Hospital uses for income tax purposes as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the accounting basis the Hospital uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 21, 2016

BATH COMMUNITY HOSPITAL

STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCES - INCOME TAX BASIS

December 31, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,671,579	\$ 2,081,516
Accounts receivable, net (Note 4)	1,863,359	1,563,345
Cost report settlement receivable	-	369,819
Inventory (Note 5)	644,830	527,363
Current portion of notes receivable	95,791	105,565
Prepaid expenses	603,969	496,173
	6,879,528	5,143,781
Total current assets		
LONG-TERM INVESTMENTS (Note 6)	16,198	6,596
NET PROPERTY, PLANT AND EQUIPMENT (Note 7)	20,081,524	16,343,332
OTHER ASSETS		
Restricted cash and cash equivalents	149,938	4,344,283
Loan issuance costs, net	501,463	587,388
457(b) investments (Note 8)	216,720	189,775
Note receivable, net of current portion	213,329	241,587
	1,081,450	5,363,033
Total other assets		
Total assets	\$ 28,058,700	\$ 26,856,742
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	\$ 714,391	\$ 1,028,740
Accrued expenses	1,557,820	1,824,769
Cost report settlement payable	192,168	-
	2,464,379	2,853,509
Total current liabilities		
Long-term debt (Note 9)	16,155,350	16,155,350
Total liabilities	18,619,729	19,008,859
FUND BALANCES	9,438,971	7,847,883
Total liabilities and fund balances	\$ 28,058,700	\$ 26,856,742

BATH COMMUNITY HOSPITAL

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES - INCOME TAX BASIS
Years Ended December 31, 2015 and 2014**

	2015	2014
Revenues, Gains and Other Support		
Net patient service revenue	\$ 15,440,580	\$ 15,480,604
Provision for bad debts	(298,946)	(1,752,939)
Net patient service revenue excluding provision for bad debts	15,141,634	13,727,665
Investment income (Note 6)	11,544	21,751
Contributions	134,790	72,750
Income from funds held in trust by others (Note 12)	4,883,272	3,757,352
Other revenues, gains and support	646,265	461,011
Total revenues, gains and other support	20,817,505	18,040,529
Expenses		
Salaries	8,076,771	8,472,169
Other operating expenses	9,762,541	10,150,804
Depreciation	1,387,105	838,730
Total expenses (Note 14)	19,226,417	19,461,703
Change in fund balances	1,591,088	(1,421,174)
Fund Balances, Beginning of Year	7,847,883	12,590,219
Transfer to Foundation (Note 16)	-	(3,321,162)
Fund Balances, End of Year	\$ 9,438,971	\$ 7,847,883

BATH COMMUNITY HOSPITAL

STATEMENTS OF CASH FLOWS - INCOME TAX BASIS
Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING ACTIVITIES		
Change in fund balances	\$ 1,591,088	\$ (1,421,174)
Adjustments to reconcile change in fund balances to net cash provided by operating activities:		
Depreciation	1,301,180	838,730
Amortization of loan issuance costs	85,925	41,312
Provision for bad debts	298,946	1,752,939
Loss on disposal of equipment	48,179	6,914
Integration of Hot Springs Pharmacy, Inc.	-	(95,976)
Noncash forgiveness of notes receivable	125,466	120,812
Changes in operating assets and liabilities		
Accounts receivable	(598,960)	(1,337,772)
Inventory	(117,467)	(230,043)
Prepaid expenses	(107,796)	(289,887)
Cost report settlement refund	561,987	294,840
Accounts payable	(611,949)	445,875
Accrued expenses	(266,949)	829,109
Net cash provided by operating activities	2,309,650	955,679
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,789,951)	(10,063,983)
Payments for new notes receivable	(106,214)	(122,037)
Collections on notes receivable	18,780	18,780
Proceeds from consolidation of cost method investment	-	301,119
Purchase of long-term investments	(36,547)	(45,240)
Proceeds from sale of long-term investments	-	7,126
Net cash used in investing activities	(4,913,932)	(9,904,235)
FINANCING ACTIVITIES		
Proceeds from long-term debt	-	12,834,238
Payment of debt issuance costs	-	(628,700)
Net cash provided by financing activities	-	12,205,538
Net increase (decrease) in cash	(2,604,282)	3,256,982
Beginning	6,425,799	3,168,817
Ending	\$ 3,821,517	\$ 6,425,799

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 1. Organization and Nature of Business

Bath Community Hospital (the Hospital) is a Virginia not-for-profit corporation, founded in 1925, that operates a nonprofit acute care hospital at its facilities in Hot Springs, Virginia.

Note 2. Summary of Significant Accounting Policies

Basis of accounting:

The accompanying financial statements have been prepared on the basis of accounting used for income tax reporting. That basis differs from generally accepted accounting in that funds held in trust by others and all investments are carried at their tax basis rather than fair market value.

Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

For purposes of the statements of cash flows, cash includes cash on hand and cash in banks. The Hospital maintains a significant portion of its total cash in bank deposit accounts. Accounts in the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, deposits exceeded federally insured limits during the year. Restricted cash consists of unused debt proceeds to be used on construction projects.

Allowance for uncollectible accounts:

Accounts receivable are reported at net realizable value. Balances are considered delinquent when they are outstanding for 90 days with no activity at which time the balances are transferred to a collection agency and the balance is moved to the allowance for uncollectible accounts. Balances are written off after all reasonable collection efforts have been made. The allowance for uncollectible accounts is based on historical bad debt experience and management's evaluation of the accounts receivable.

Inventory:

Inventory is valued at the lower of cost, as determined on the first-in, first-out basis, or market.

Notes receivable:

The Hospital paid off the student loans of one of its physicians in 2009. In 2012, this physician terminated from employment resulting in a new agreement that includes loan repayment and forgiveness over ten years. The portion due including loan forgiveness for the coming year is considered current.

The Hospital also has loan forgiveness agreements with three physicians that are renewed on an annual basis. The full amount of these agreements is included in current portion of notes receivable.

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 2. Summary of Significant Accounting Policies (Continued)

Property, plant and equipment:

Property, plant and equipment are carried at cost and depreciated over the estimated service lives of the assets. Depreciation is computed using various lives ranging from 3 to 20 years on major movable equipment and 10 to 50 years on buildings and improvements. The straight-line method is used for financial reporting.

Loan issuance costs:

Loan issuance costs are costs capitalized related to the issuance of debt to renovate the Hospital facilities. The costs will be amortized over the life of the debt. The Hospital paid loan issuance costs of \$628,700 in 2014 and recognized amortization of \$85,925 and \$41,312 during 2015 and 2014, respectively.

Change in fund balances:

The Statements of Revenues, Expenses and Changes in Fund Balances – Income Tax Basis include the excess of revenues, gains and other support over expenses. Changes in unrestricted fund balances that are excluded from revenues, gains and other support over expenses, consistent with industry practice, would consist of certain restricted contributions and investment income from restricted funds. There were no items that were excluded from this performance indicator during 2015 or 2014.

Net patient service revenue:

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

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 collection of amounts determined to qualify as charity care, they are not reported as revenue.

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 2. Summary of Significant Accounting Policies (Continued)

Income taxes:

The Hospital is a not-for-profit corporation as defined under 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax on related income pursuant to Section 501(a) of the Internal Revenue Code.

Reclassifications:

Certain amounts in the 2014 financial statements have been reclassified to conform to the current year presentation.

Subsequent events:

Subsequent events have been evaluated through March 21, 2016, the date that the financial statements were available to be issued.

Note 3. Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

- Medicare - Medicare reimbursement is based on the ratio of Medicare patients to non-Medicare patients times Medicare allowable costs. Final Medicare settlements have been determined for all years prior to and including 2013.
- Medicaid - Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates based upon diagnosis related groups. Outpatient services are reimbursed based upon cost. The Hospital is reimbursed for outpatient services at a tentative rate with final settlement determined after submissions of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. Final Medicaid settlements have been determined for all years prior to and including 2012.

The Hospital has also entered into payment arrangements with commercial insurance carriers. The basis for payment to the Hospital under these agreements provide for discounts from established charges.

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 4. Accounts Receivable

Accounts receivable consists of the following:

	2015	2014
Due from patients	\$ 636,906	\$ 1,375,057
Due from third-party payers	2,911,946	2,427,138
	3,548,852	3,802,195
Allowance for uncollectible patient receivables	(775,493)	(1,528,850)
Allowance for contractual adjustment	(910,000)	(710,000)
Net accounts receivable	\$ 1,863,359	\$ 1,563,345

Note 5. Inventory

Inventory consists of the following:

	2015	2014
Hospital pharmacy	\$ 294,369	\$ 156,856
Supplies and food	108,140	136,516
Hot Springs Pharmacy	242,321	233,991
	\$ 644,830	\$ 527,363

Note 6. Long-Term Investments

Long-term investments consist entirely of money market funds whose cost approximates fair value.

Investment income on long-term investments is included in investment income. Investment income and gains are comprised of the following:

	2015	2014
Interest and dividends on investments	\$ 9,665	\$ 24,409
Interest on operating accounts	1,942	1,866
Investment fees	(63)	(4,524)
	\$ 11,544	\$ 21,751

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 7. Property, Plant and Equipment

A summary of property, plant and equipment follows:

	2015	2014
Land and land improvements	\$ 1,102,895	\$ 1,008,146
Buildings and fixed equipment	18,403,268	8,675,058
Major movable and minor equipment	5,126,417	4,534,853
Transportation vehicles	384,730	384,730
Construction in progress	4,609,516	11,433,263
Total cost	29,626,826	26,036,050
Less accumulated depreciation	(9,545,302)	(9,692,718)
Net property, plant and equipment	<u>\$ 20,081,524</u>	<u>\$ 16,343,332</u>

Note 8. Retirement Plan

The Hospital has a 403(b) defined contribution plan. The Hospital contributes 3% of gross pay for all eligible employees. In addition, the Hospital matches 50% of the first 3% that the employee contributes. The expense for the years ended December 31, 2015 and 2014 was \$273,274 and \$251,366, respectively.

The Hospital also maintains a 457(b) deferred compensation plan for certain key employees. Members contribute to the plan through payroll deductions. There is an offsetting asset and liability for the year ended December 31, 2015 and 2014 of \$216,720 and \$189,775, respectively. The liability is included in accrued expenses on the statements of assets, liabilities and fund balances.

Note 9. Long-term Debt

In 2014, the Hospital participated in a New Market Tax Credit (NMTC) Financing as the Qualified Active Low Income Community Business (QALICB). As a result of the Hospital's participation in the NMTC Financing, the Hospital is financing the renovation project with the proceeds of six notes totaling \$16,155,350. These notes require interest only payments, at a fixed rate of 0.89319%, through 2021 after which principal and interest payments are required through 2044. The notes are collateralized through a deed of trust on the Hospital facility.

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 9. Long-term Debt (Continued)

Funding for a substantial portion of these notes originated with the Bath Community Hospital Foundation (the “Foundation Loan”) with the remaining amounts originating from equity from the NMTC investor. The holder of the six notes are three Community Development Entities (CDEs), the 99.99% owner of which is BCH Investment Fund, LLC (the “Fund”). In connection with making the Foundation Loan, the Foundation entered into an agreement with PNC New Markets Investment Partners, LLC (“PNC”), owner of the Fund. The agreement allows PNC to put its ownership interest in the Fund to the Foundation during a ninety-day period, commencing on the seventh anniversary of the financing for \$1,000 plus the value, if any, of obligations remaining outstanding and payable by Foundation to PNC. In the event PNC does not exercise its option, the Foundation has the right to exercise a call option during the following six-month period, to purchase PNC’s ownership interest in the Fund at an amount equal to the fair market value (as determined by an independent appraiser) of PNC’s ownership interest.

Note 10. Leases

The Hospital is currently obligated under several leases for facilities and equipment. Rent expense for those leases for the years ending December 31, 2015 and 2014 was \$87,360 and \$91,125, respectively. Future minimum lease payments for non-cancellable leases for the next five years are as follows:

2016	\$	66,160
2017		37,200
2018		37,200
2019		40,920
2020		40,920
	<u>\$</u>	<u>222,400</u>

Note 11. Medical Malpractice Insurance

The Hospital, from time-to-time, may be named in a lawsuit at year end, the Hospital is not involved in any claims. The Hospital has medical malpractice insurance coverage through BB&T Insurance Services. This insurance policy is a claims made policy and does not provide for tail coverage; however, tail coverage is available.

Note 12. Funds Held in Trust by Others

Funds held in trust by others represent resources neither in the possession nor under the control of the Hospital, but held and administered by outside fiscal agents.

The Hospital receives 5% of the annual net income of the Lettie Pate Evans Foundation. Substantially all of the investments in the Lettie Pate Evans Foundation are in one large U.S. company.

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 12. Funds Held in Trust by Others (Continued)

The Hospital received the following amounts from funds held in trust by others:

	<u>2015</u>	<u>2014</u>
Evans Foundation	\$ 4,883,272	\$ 3,757,352

The estimated fair value of funds held in trust by others consists of the following:

	<u>2015</u>	<u>2014</u>
Evans Foundation	\$ 137,455,433	\$ 136,121,207
Campbell Trust	735,749	755,757
	<u>\$ 138,191,182</u>	<u>\$ 136,876,964</u>

Note 13. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers was as follows:

	<u>2015</u>	<u>2014</u>
Commercial	21%	13%
Self-pay	25%	46%
Medicare	46%	31%
Medicaid	1%	2%
Anthem	7%	8%
	<u>100%</u>	<u>100%</u>

Note 14. Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>2015</u>	<u>2014</u>
Health care services	\$ 16,228,126	\$ 15,181,312
General and administrative	2,998,291	4,279,793
	<u>\$ 19,226,417</u>	<u>\$ 19,461,105</u>

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 15. Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, disclosed and measured at cost. The following information measures the level of charity care provided:

	2015	2014
Cost of charity care provided at cost	\$ 1,298,921	\$ 655,767
Cost as a percentage of gross patient service revenue	5.51%	3.06%

Note 16. Affiliated Organizations

The Bath Community Hospital Foundation exists for the purpose of supporting the Hospital's plans for development and community programs through philanthropy. During 2015 and 2014, approximately \$5,800 and \$2,300,000, respectively, were raised on the Hospital's behalf. Funds in the amount of \$127,285 and \$72,750 were transferred from the Foundation to the Hospital during 2015 and 2014, respectively and are included in contributions. During 2014, the Hospital transferred \$3,321,162 to the Foundation to reimburse it for funds expended on the Hospital's behalf. In addition, at the end of 2015 and 2014, the Hospital has accounts receivable from the Foundation in the amounts of \$345 and \$3,138, respectively. As of December 31, 2015 and 2014, the Foundation held \$14,277,345 and \$15,081,763, respectively, for the Hospital's benefit.

Note 17. Commitments

Notes receivable includes approximately \$239,000 due from a former physician who concluded employment in 2012. In 2013, this agreement was modified and the note was split into two parts. As the former physician repays the first part of the note, the second part will be forgiven. At December 31, 2015 and 2014, the first part of the note totaled approximately \$114,000 and \$127,000, respectively and the second part totaled approximately \$125,000 and \$141,000, respectively.

The Hospital has entered into a contract with Neilsen Builders for the Hospital renovation project. A contract of approximately \$1,787,576 is outstanding at December 2015.

Note 18. Supplemental Cash Flows Information

	2015	2014
Supplemental Disclosure of Cash Flows Information:		
Capitalized Interest	\$ 144,298	\$ 70,231
Supplemental Disclosure of Non-Cash Investing Activities:		
Property, plant and equipment in accounts payable	\$ 443,168	\$ 144,128
Transfer to Foundation related to debt issuance	\$ -	\$3,321,162

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 19. Contingencies

The Hospital awarded several key employees severance packages during 2014. Certain aspects of the employees' severance packages are contingent upon various factors. The Hospital has recognized \$233,387 and \$670,655 as of December 31, 2015 and 2014, respectively, relating to these severance packages which is included in accrued expenses on the Statements of Assets, Liabilities, and Fund Balances.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Bath Community Hospital
Hot Springs, Virginia

We have audited the financial statements of Bath Community Hospital as of and for the years ended December 31, 2015 and 2014, and our report thereon dated March 21, 2016, which expresses an unmodified opinion on those financial statements, appears on page one. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following schedules are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 21, 2016

BATH COMMUNITY HOSPITAL

**SUPPLEMENTARY INFORMATION
NET PATIENT SERVICE REVENUE - INCOME TAX BASIS
Years Ended December 31, 2015 and 2014**

	----- Inpatient -----		----- Outpatient -----		----- Total -----	
	2015	2014	2015	2014	2015	2014
Daily Patient Services						
Room and board	\$ 2,335,658	\$ 2,243,805	\$ -	\$ -	\$ 2,335,658	\$ 2,243,805
Observation	-	-	219,310	103,811	219,310	103,811
	<u>2,335,658</u>	<u>2,243,805</u>	<u>219,310</u>	<u>103,811</u>	<u>2,554,968</u>	<u>2,347,616</u>
Other Nursing Services						
Operating room	-	6,324	555,275	441,275	555,275	447,599
Central services and supply	280,427	302,582	291,307	253,811	571,734	556,393
Emergency room	95,645	431,395	3,567,027	3,427,546	3,662,672	3,858,941
	<u>376,072</u>	<u>740,301</u>	<u>4,413,609</u>	<u>4,122,632</u>	<u>4,789,681</u>	<u>4,862,933</u>
Other Professional Services						
Laboratory	268,179	343,181	1,909,576	2,000,628	2,177,755	2,343,809
Echocardiology	77,206	37,094	187,702	103,692	264,908	140,786
Electrocardiology	15,079	15,192	111,924	113,552	127,003	128,744
Cardiac rehabilitation	-	-	5,785	1,264	5,785	1,264
Vascular lab	38,543	17,847	113,950	78,021	152,493	95,868
Home oxygen	-	-	243,612	224,172	243,612	224,172
Radiology	80,185	79,240	1,036,835	1,074,886	1,117,020	1,154,126
Medical transport	45,366	43,501	432,026	332,526	477,392	376,027
CT scan	211,154	179,653	1,943,400	2,336,484	2,154,554	2,516,137
MRI	-	-	389,851	386,713	389,851	386,713
Pharmacy	1,241,904	1,098,187	727,200	492,244	1,969,104	1,590,431
Hospitalist	672,849	-	219,226	-	892,075	-
Anesthesiology	20	2,704	80,613	79,015	80,633	81,719
Respiratory therapy	642,103	689,665	150,669	114,026	792,772	803,691
Physician practice	-	-	1,460,119	1,268,563	1,460,119	1,268,563
Physical therapy	431,346	240,275	777,679	462,055	1,209,025	702,330
Occupational therapy	152,611	-	18,558	-	171,169	-
Sleep study	-	-	38,415	30,519	38,415	30,519
Hot Springs Pharmacy	-	-	2,407,516	2,310,580	2,407,516	2,310,580
Other	8,537	1,008	84,244	54,749	92,781	55,757
	<u>3,885,082</u>	<u>2,747,547</u>	<u>12,338,900</u>	<u>11,463,689</u>	<u>16,223,982</u>	<u>14,211,236</u>
Gross Patient Service Revenue	<u>\$ 6,596,812</u>	<u>\$ 5,731,653</u>	<u>\$ 16,971,819</u>	<u>\$ 15,690,132</u>	<u>\$ 23,568,631</u>	<u>\$ 21,421,785</u>
Reductions of Revenue (Page 17)					(6,533,342)	(5,219,366)
Charity Care, at gross charge					<u>(1,594,709)</u>	<u>(721,815)</u>
Net patient service revenue					<u>\$ 15,440,580</u>	<u>\$ 15,480,604</u>
Provision for bad debts					<u>298,946</u>	<u>1,752,939</u>
Net patient service revenue excluding provision for bad debts					<u>\$ 15,141,634</u>	<u>\$ 13,727,665</u>

BATH COMMUNITY HOSPITAL

**SUPPLEMENTARY INFORMATION
REDUCTIONS OF REVENUE - INCOME TAX BASIS
Years Ended December 31, 2015 and 2014**

	<u>Gross Revenue</u>	<u>Reductions of Revenue</u>	<u>Net Revenue</u>
December 31, 2015			
Anthem	\$ 3,133,808	\$ 1,179,422	\$ 1,954,386
Medicare	13,343,526	1,802,205	11,541,321
Medicaid	348,897	472,839	(123,942)
Other insurance adjustments	4,559,989	2,860,341	1,699,648
Courtesy and miscellaneous	<u>2,182,411</u>	<u>218,535</u>	<u>1,963,876</u>
Totals	<u>\$ 23,568,631</u>	<u>\$ 6,533,342</u>	<u>\$ 17,035,289</u>
December 31, 2014			
Anthem	\$ 3,122,228	\$ 1,280,269	\$ 1,841,959
Medicare	12,146,738	2,095,427	10,051,311
Medicaid	445,934	382,305	63,629
Other insurance adjustments	3,231,113	1,121,920	2,109,193
Courtesy and miscellaneous	<u>2,475,772</u>	<u>339,446</u>	<u>2,136,326</u>
Totals	<u>\$ 21,421,785</u>	<u>\$ 5,219,367</u>	<u>\$ 16,202,418</u>

BATH COMMUNITY HOSPITAL

**SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENSES - INCOME TAX BASIS
Years Ended December 31, 2015 and 2014**

	----- Salaries -----		Other Operating Expenses		----- Total -----	
	2015	2014	2015	2014	2015	2014
Nursing Services						
Nursing administration	\$ 182,999	\$ 331,651	\$ 12,471	\$ 16,896	\$ 195,470	\$ 348,547
Nursing services	1,071,298	1,126,256	108,424	158,536	1,179,722	1,284,792
	<u>1,254,297</u>	<u>1,457,907</u>	<u>120,895</u>	<u>175,432</u>	<u>1,375,192</u>	<u>1,633,339</u>
Other Nursing Services						
Operating and recovery room	72,288	120,972	140,845	81,814	213,133	202,786
Central supply	-	-	81,446	86,274	81,446	86,274
Emergency room	1,037,117	759,190	839,700	847,504	1,876,817	1,606,694
	<u>1,109,405</u>	<u>880,162</u>	<u>1,061,991</u>	<u>1,015,592</u>	<u>2,171,396</u>	<u>1,895,754</u>
Other Professional Services						
Laboratory	423,103	482,236	590,370	529,458	1,013,473	1,011,694
Echocardiology	-	1,939	32,201	19,359	32,201	21,298
Electrocardiology	-	-	6,729	5,330	6,729	5,330
Cardiac rehabilitation	2,475	3,768	12,125	11,670	14,600	15,438
Vascular lab	-	-	14,417	9,204	14,417	9,204
Pulmonary rehabilitation	167	5,340	-	631	167	5,971
Hospice	-	-	1,748	1,129	1,748	1,129
Home health	-	-	300	425	300	425
Home oxygen	63,596	40,325	99,203	89,864	162,799	130,189
Radiology	366,119	365,179	439,331	461,638	805,450	826,817
CT scan	-	-	63,948	97,774	63,948	97,774
Speech therapy	3,120	1,080	-	-	3,120	1,080
Pharmacy	337,648	515,173	272,346	462,961	609,994	978,134
Hospitalist	173,239	-	-	-	173,239	-
Fitness and rehab	494	447	40,896	54,742	41,390	55,189
Anesthesiology	69,274	-	20,139	1,521	89,413	1,521
Respiratory therapy	116,034	140,355	62,098	75,593	178,132	215,948
Physical therapy	490,714	312,266	83,746	188,118	574,460	500,384
Occupational therapy	25,776	-	11,043	1,521	36,819	1,521
Senior center	-	-	6,196	4,506	6,196	4,506
Supervised exercise	122,374	112,319	-	-	122,374	112,319
Hospitalist	-	56,302	616,679	153,989	616,679	210,291
Ambulance	278,870	286,463	39,022	55,201	317,892	341,664
Medical records	259,443	269,879	81,898	68,099	341,341	337,978
Time share clinic	696	175	5,274	4,414	5,970	4,589
Wellness clinic	-	-	27,086	23,386	27,086	23,386
Patient education	-	1,077	22	32	22	1,109
Sleep study	6,157	4,520	7,248	6,590	13,405	11,110
Hot Springs Pharmacy	229,131	2,493	1,441,233	1,616,936	1,670,364	1,619,429
Physician practice	1,140,074	1,237,244	361,276	281,025	1,501,350	1,518,269
	<u>4,108,504</u>	<u>3,838,580</u>	<u>4,336,574</u>	<u>4,225,116</u>	<u>8,445,078</u>	<u>8,063,696</u>

BATH COMMUNITY HOSPITAL

**SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENSES - INCOME TAX BASIS (CONTINUED)
Years Ended December 31, 2015 and 2014**

	-----Salaries-----		Other Operating Expenses		-----Total-----	
	2015	2014	2015	2014	2015	2014
General Services						
Dietary	\$ 167,139	\$ 135,670	\$ 122,659	\$ 105,121	\$ 289,798	\$ 240,791
Operation of plant	153,109	161,049	324,065	284,963	477,174	446,012
Housekeeping	131,540	126,716	86,617	74,757	218,157	201,473
	<u>451,788</u>	<u>423,435</u>	<u>533,341</u>	<u>464,841</u>	<u>985,129</u>	<u>888,276</u>
Administrative Services						
Business office	152,459	147,515	429,025	390,604	581,484	538,119
Social services	39,434	68,893	1,431	2,364	40,865	71,257
Purchasing	58,624	51,637	2,177	1,611	60,801	53,248
Medical information systems	93,584	99,197	135,342	75,011	228,926	174,208
Administration	565,365	1,339,004	543,398	550,989	1,108,763	1,889,993
Human resources	110,989	100,794	20,823	29,174	131,812	129,968
Public relations	-	-	119,205	68,896	119,205	68,896
Security	115,231	65,045	683	1,187	115,914	66,232
Employee health	17,091	-	496	1,070	17,587	1,070
Property fees	-	-	9,804	8,179	9,804	8,179
Professional fees	-	-	129,049	878,606	129,049	878,606
Telephone	-	-	23,431	39,808	23,431	39,808
Insurance	-	-	239,030	217,923	239,030	217,923
Miscellaneous	-	-	188,122	138,474	188,122	138,474
	<u>1,152,777</u>	<u>1,872,085</u>	<u>1,842,016</u>	<u>2,403,896</u>	<u>2,994,793</u>	<u>4,275,981</u>
Benefits						
Payroll taxes	-	-	576,852	529,111	576,852	529,111
Group life insurance	-	-	7,434	5,524	7,434	5,524
Hospitalization insurance	-	-	927,359	977,980	927,359	977,980
Pension plan	-	-	275,336	251,787	275,336	251,787
Workmen's compensation	-	-	53,981	78,322	53,981	78,322
Unemployment taxes	-	-	6,963	5,044	6,963	5,044
Employee physicals	-	-	19,799	18,159	19,799	18,159
	<u>-</u>	<u>-</u>	<u>1,867,724</u>	<u>1,865,927</u>	<u>1,867,724</u>	<u>1,865,927</u>
Other Expenses						
Depreciation	-	-	1,387,105	838,730	1,387,105	838,730
	<u>-</u>	<u>-</u>	<u>1,387,105</u>	<u>838,730</u>	<u>1,387,105</u>	<u>838,730</u>
Total Expenses	<u>\$ 8,076,771</u>	<u>\$ 8,472,169</u>	<u>\$ 11,149,646</u>	<u>\$ 10,989,534</u>	<u>\$ 19,226,417</u>	<u>\$ 19,461,703</u>