

**BATH COMMUNITY HOSPITAL**

**FINANCIAL REPORT**

**December 31, 2016**

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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, 2016 and 2015, 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, 2016 and 2015, and its revenues, expenses, and 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 basis of accounting 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  
April 25, 2017

**BATH COMMUNITY HOSPITAL**

**STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCES - INCOME TAX BASIS**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,399,483	\$ 3,671,579
Accounts receivable, net (Note 4)	1,424,914	1,863,359
Inventory (Note 5)	585,104	644,830
Current portion of notes receivable	44,487	95,791
Prepaid expenses	431,767	603,969
Total current assets	5,885,755	6,879,528
<b>LONG-TERM INVESTMENTS</b>	16,408	16,198
<b>NET PROPERTY, PLANT AND EQUIPMENT (Note 7)</b>	21,834,723	20,081,524
<b>OTHER ASSETS</b>		
Restricted cash and cash equivalents	129,283	149,938
457(b) investments (Note 8)	89,105	216,720
Note receivable, net of current portion	181,470	213,329
Total other assets	399,858	579,987
Total assets	\$ 28,136,744	\$ 27,557,237
<b>LIABILITIES AND FUND BALANCES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 292,211	\$ 714,391
Accrued expenses	1,471,347	1,557,820
Cost report settlement payable	40,024	192,168
Total current liabilities	1,803,582	2,464,379
Long-term debt, net (Note 9)	15,743,701	15,653,887
Total liabilities	17,547,283	18,118,266
<b>FUND BALANCES</b>	10,589,461	9,438,971
Total liabilities and fund balances	\$ 28,136,744	\$ 27,557,237

**BATH COMMUNITY HOSPITAL**

**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCES - INCOME TAX BASIS  
Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
Revenues, Gains and Other Support		
Net patient service revenue	\$ 14,762,094	\$ 15,440,580
Provision for bad debts	(1,326,482)	(298,946)
Net patient service revenue excluding provision for bad debts	13,435,612	15,141,634
Investment income (Note 6)	11,754	24,774
Contributions	3,065,485	134,790
Income from funds held in trust by others (Note 12)	4,418,863	4,883,272
Other revenues, gains and support	170,857	633,035
Total revenues, gains and other support	21,102,571	20,817,505
Expenses		
Salaries and benefits	10,726,253	8,076,771
Other operating expenses	7,887,593	9,848,466
Depreciation	1,338,235	1,301,180
Total expenses (Note 14)	19,952,081	19,226,417
Change in fund balances	1,150,490	1,591,088
Fund Balances, Beginning of Year	9,438,971	7,847,883
Fund Balances, End of Year	\$ 10,589,461	\$ 9,438,971

**BATH COMMUNITY HOSPITAL**

**STATEMENTS OF CASH FLOWS - INCOME TAX BASIS**

**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>		
Change in fund balances	\$ 1,150,490	\$ 1,591,088
Adjustments to reconcile change in fund balances to net cash provided by operating activities:		
Depreciation	1,338,235	1,301,180
Amortization of loan issuance costs	89,814	85,925
Provision for bad debts	1,326,482	298,946
Loss on disposal of equipment	1,435	48,179
Noncash forgiveness of notes receivable	115,289	125,466
Changes in operating assets and liabilities		
Accounts receivable	(888,037)	(598,960)
Inventory	59,726	(117,467)
Prepaid expenses	172,202	(107,796)
Cost report settlement refund	(152,144)	561,987
Accounts payable	20,988	(611,949)
Accrued expenses	(86,473)	(266,949)
	<u>3,148,007</u>	<u>2,309,650</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,536,037)	(4,789,951)
Payments for new notes receivable	(50,906)	(106,214)
Collections on notes receivable	18,780	18,780
Purchase of long-term investments	(320)	(36,547)
Proceeds from sale of long-term investments	127,725	-
	<u>(3,440,758)</u>	<u>(4,913,932)</u>
Net cash used in investing activities		
	<u>(292,751)</u>	<u>(2,604,282)</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>3,821,517</u>	<u>6,425,799</u>
Ending	<u>\$ 3,528,766</u>	<u>\$ 3,821,517</u>

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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. The Hospital has a physicians group with locations in Hot Springs, Covington and Millboro as well as a pharmacy in Hot Springs.

**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 principles 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 funds set aside to pay New Market Tax Credit service fees.

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.



**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**Note 2. Summary of Significant Accounting Policies (Continued)**

Notes receivable (Continued)

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.

Property, plant and equipment

Property, plant and equipment are carried at cost and depreciated over the estimated service lives of the assets using the straight line method. 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.

Loan issuance costs

Loan issuance costs represent the cost of debt issuance to renovate the Hospital facilities. During 2016, the Hospital adopted FASB Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* which requires loan issuance costs to be recorded with long-term debt on the statement of assets, liabilities and fund balances. Loan issuance costs are amortized over the life of the debt. The Hospital recognized amortization of \$89,814 and \$85,925 during 2016 and 2015, 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 2016 or 2015.

Net patient service revenue

The Hospital has agreements with third-party payors 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 payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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, 2016**

**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 prior year statements were reclassified to conform with current year presentation.

Subsequent events

Subsequent events have been evaluated through April 25, 2017, the date that the financial statements were available to be issued.

**Note 3. Net Patient Service Revenue**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors 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 2014.
- 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 2013.

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.

Patient service revenue, net of contractual allowances and discounts, recognized in the period from major payor sources, is as follows:

	<u>Governmental Payors</u>	<u>Third-Party Payors</u>	<u>Self- Pay</u>	<u>Total All Payors</u>
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 10,912,394</u>	<u>\$ 4,312,595</u>	<u>\$ 741,461</u>	<u>\$ 15,966,450</u>

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**Note 4. Accounts Receivable**

Accounts receivable consists of the following:

	<b>2016</b>	<b>2015</b>
Due from patients	\$ 735,069	\$ 636,906
Due from third-party payors	2,465,872	2,911,946
	3,200,941	3,548,852
Allowance for uncollectible receivables	(1,046,027)	(775,493)
Allowance for contractual adjustments	(730,000)	(910,000)
Net accounts receivable	\$ 1,424,914	\$ 1,863,359

**Note 5. Inventory**

Inventory consists of the following:

	<b>2016</b>	<b>2015</b>
Hospital pharmacy	\$ 243,522	\$ 294,369
Supplies and food	168,565	108,140
Hot Springs Pharmacy	173,017	242,321
	\$ 585,104	\$ 644,830

**Note 6. Long-Term Investments**

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

Investment income is comprised of the following:

	<b>2016</b>	<b>2015</b>
Interest and dividends on investments	\$ 320	\$ 9,665
Interest on operating accounts	11,544	15,172
Investment fees	(110)	(63)
	\$ 11,754	\$ 24,774

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**Note 7. Property, Plant and Equipment**

A summary of property, plant and equipment follows:

	<b>2016</b>	<b>2015</b>
Land and land improvements	\$ 1,176,310	\$ 1,102,895
Buildings and fixed equipment	25,135,278	18,403,268
Major movable and minor equipment	5,929,735	5,126,417
Transportation vehicles	464,468	384,730
Construction in progress	10,918	4,609,516
Total cost	32,716,709	29,626,826
Less accumulated depreciation	(10,881,986)	(9,545,302)
Net property, plant and equipment	<u>\$ 21,834,723</u>	<u>\$ 20,081,524</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, 2016 and 2015 was \$276,491 and \$273,274, 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, 2016 and 2015 of \$89,105 and \$216,720, 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. Notes payable are shown net of loan issuance costs on the statements of assets, liabilities and fund balances.

	<b>2016</b>	<b>2015</b>
Notes payable	\$ 16,155,350	\$ 16,155,350
Loan issuance costs, net	(411,649)	(501,463)
Long-term debt, net	<u>\$ 15,743,701</u>	<u>\$ 15,653,887</u>

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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, 2016 and 2015 was \$85,194 and \$87,360, respectively. Future minimum lease payments for non-cancellable leases for the next five years are as follows:

2017	\$	69,300
2018		39,900
2019		40,920
2020		40,920
	<u>\$</u>	<u>191,040</u>

**Note 11. Medical Malpractice Insurance**

The Hospital, from time-to-time, may be named in a lawsuit. At year end, the Hospital was 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. The Hospital receives allocation from the Foundation twice a year, in June and December. Prior to 2015 the allocation was apportioned to be 40% in June and 60% in December. In December 2015 Lettie Pate Foundation changed its December allocation to 80%, causing an additional 20% to be distributed in 2015.

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

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

	<u>2016</u>	<u>2015</u>
Evans Foundation	\$ 4,418,863	\$ 4,883,272

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

	<u>2016</u>	<u>2015</u>
Evans Foundation	\$ 134,732,204	\$ 137,455,433
Campbell Trust	746,480	735,749
	<u>\$ 135,478,684</u>	<u>\$ 138,191,182</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 payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2016</u>	<u>2015</u>
Commercial	17%	21%
Self-pay	31%	25%
Medicare	40%	46%
Medicaid	1%	1%
Anthem	11%	7%
	<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>2016</u>	<u>2015</u>
Health care services	\$ 16,404,768	\$ 16,228,126
General and administrative	3,547,313	2,998,291
	<u>\$ 19,952,081</u>	<u>\$ 19,226,417</u>

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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:

	<b>2016</b>	<b>2015</b>
Cost of charity care provided at cost	\$ 1,004,787	\$ 1,298,921
Cost as a percentage of gross patient service revenue	4.20%	5.51%

**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 2016 and 2015, approximately \$39,968 and \$5,800, respectively, was raised on the Hospital’s behalf. Funds in the amount of \$2,767,285 and \$127,285 were transferred from the Foundation to the Hospital during 2016 and 2015, respectively and are included in contributions. In addition, at the end of 2016 and 2015, the Hospital has accounts receivable from the Foundation in the amounts of \$23,238 and \$345, respectively. As of December 31, 2016 and 2015, the Foundation held \$12,408,476 and \$14,277,345, respectively, for the Hospital’s benefit.

**Note 17. Commitments**

Notes receivable includes approximately \$213,000 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, 2016 and 2015, the first part of the note totaled approximately \$99,000 and \$114,000, respectively and the second part totaled approximately \$109,000 and \$125,000, respectively.

**Note 18. Supplemental Cash Flows Information**

	<b>2016</b>	<b>2015</b>
Supplemental Disclosure of Cash Flows Information:		
Cash paid for interest	\$ 144,458	\$ 144,298
Supplemental Disclosure of Non-Cash Investing Activities:		
Property, plant and equipment in accounts payable	\$ -	\$ 443,168

**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 \$222,647 and \$233,387 as of December 31, 2016 and 2015, 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, 2016 and 2015, and our report thereon dated April 25, 2017, 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  
April 25, 2017



**BATH COMMUNITY HOSPITAL**

**SUPPLEMENTARY INFORMATION  
NET PATIENT SERVICE REVENUE - INCOME TAX BASIS  
Years Ended December 31, 2016 and 2015**

	----- Inpatient -----		----- Outpatient -----		----- Total -----	
	2016	2015	2016	2015	2016	2015
Daily Patient Services						
Room and board	\$ 2,286,510	\$ 2,335,658	\$ -	\$ -	\$ 2,286,510	\$ 2,335,658
Observation	-	-	161,107	219,310	161,107	219,310
	<u>2,286,510</u>	<u>2,335,658</u>	<u>161,107</u>	<u>219,310</u>	<u>2,447,617</u>	<u>2,554,968</u>
Other Nursing Services						
Operating room	40	-	354,583	555,275	354,623	555,275
Central services and supply	221,845	280,427	244,818	291,307	466,663	571,734
Emergency room	235,103	95,645	3,628,479	3,567,027	3,863,582	3,662,672
	<u>456,988</u>	<u>376,072</u>	<u>4,227,880</u>	<u>4,413,609</u>	<u>4,684,868</u>	<u>4,789,681</u>
Other Professional Services						
Laboratory	263,080	268,179	2,174,111	1,909,576	2,437,191	2,177,755
Echocardiology	54,691	77,206	201,671	187,702	256,362	264,908
Electrocardiology	9,828	15,079	73,875	111,924	83,703	127,003
Cardiac rehabilitation	-	-	59,914	5,785	59,914	5,785
Vascular lab	19,246	38,543	94,430	113,950	113,676	152,493
Home oxygen	-	-	331,167	243,612	331,167	243,612
Radiology	104,415	80,185	893,558	1,036,835	997,973	1,117,020
Medical transport	59,040	45,366	521,125	432,026	580,165	477,392
CT scan	260,707	211,154	2,077,312	1,943,400	2,338,019	2,154,554
MRI	-	-	338,298	389,851	338,298	389,851
Pharmacy	1,247,287	1,241,904	890,650	727,200	2,137,937	1,969,104
Hospitalist	607,939	672,849	154,973	219,226	762,912	892,075
Anesthesiology	-	20	52,519	80,613	52,519	80,633
Respiratory therapy	621,789	642,103	140,055	150,669	761,844	792,772
Physician practice	-	-	1,673,828	1,460,119	1,673,828	1,460,119
Physical therapy	434,343	431,346	594,351	777,679	1,028,694	1,209,025
Occupational therapy	281,864	152,611	62,522	18,558	344,386	171,169
Sleep study	-	-	72,119	38,415	72,119	38,415
Hot Springs Pharmacy	-	-	2,217,436	2,407,516	2,217,436	2,407,516
Other	33,573	8,537	160,730	84,244	194,303	92,781
	<u>3,997,802</u>	<u>3,885,082</u>	<u>12,784,644</u>	<u>12,338,900</u>	<u>16,782,446</u>	<u>16,223,982</u>
Gross Patient Service Revenue	<u>\$ 6,741,300</u>	<u>\$ 6,596,812</u>	<u>\$ 17,173,631</u>	<u>\$ 16,971,819</u>	<u>\$ 23,914,931</u>	<u>\$ 23,568,631</u>
Reductions of Revenue (Page 16)					(7,948,481)	(6,533,342)
Charity Care, at gross charge					<u>(1,204,356)</u>	<u>(1,594,709)</u>
Net patient service revenue					<u>\$ 14,762,094</u>	<u>\$ 15,440,580</u>
Provision for bad debts					<u>1,326,482</u>	<u>298,946</u>
Net patient service revenue excluding provision for bad debts					<u><u>\$ 13,435,612</u></u>	<u><u>\$ 15,141,634</u></u>

**BATH COMMUNITY HOSPITAL**

**SUPPLEMENTARY INFORMATION  
REDUCTIONS OF REVENUE - INCOME TAX BASIS  
Years Ended December 31, 2016 and 2015**

	<u>Gross Revenue</u>	<u>Reductions of Revenue</u>	<u>Net Revenue</u>
<b>December 31, 2016</b>			
Anthem	\$ 3,557,971	\$ 966,115	\$ 2,591,856
Medicare	13,479,431	2,455,329	11,024,102
Medicaid	331,510	443,218	(111,708)
Other insurance adjustments	4,065,003	3,937,133	127,870
Courtesy and miscellaneous	2,481,016	146,686	2,334,330
	<u>\$ 23,914,931</u>	<u>\$ 7,948,481</u>	<u>\$ 15,966,450</u>
<b>December 31, 2015</b>			
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	2,182,411	218,535	1,963,876
	<u>\$ 23,568,631</u>	<u>\$ 6,533,342</u>	<u>\$ 17,035,289</u>

**BATH COMMUNITY HOSPITAL**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENSES - INCOME TAX BASIS  
Years Ended December 31, 2016 and 2015**

	----- Salaries -----		Other Operating Expenses		----- Total -----	
	2016	2015	2016	2015	2016	2015
Nursing Services						
Nursing administration	\$ 117,919	\$ 182,999	\$ 8,706	\$ 12,471	\$ 126,625	\$ 195,470
Nursing services	1,182,101	1,071,298	91,651	108,424	1,273,752	1,179,722
	<u>1,300,020</u>	<u>1,254,297</u>	<u>100,357</u>	<u>120,895</u>	<u>1,400,377</u>	<u>1,375,192</u>
Other Nursing Services						
Operating and recovery room	106,329	72,288	128,443	140,845	234,772	213,133
Central supply	-	-	24,621	81,446	24,621	81,446
Emergency room	1,054,108	1,037,117	1,065,711	839,700	2,119,819	1,876,817
	<u>1,160,437</u>	<u>1,109,405</u>	<u>1,218,775</u>	<u>1,061,991</u>	<u>2,379,212</u>	<u>2,171,396</u>
Other Professional Services						
Laboratory	536,579	423,103	597,902	590,370	1,134,481	1,013,473
Echocardiology	-	-	30,211	32,201	30,211	32,201
Electrocardiology	-	-	4,798	6,729	4,798	6,729
Cardiac rehabilitation	13,233	2,475	11,218	12,125	24,451	14,600
Vascular lab	-	-	8,076	14,417	8,076	14,417
Pulmonary rehabilitation	4,368	167	18	-	4,386	167
Hospice	-	-	217	1,748	217	1,748
Home health	-	-	-	300	-	300
Home oxygen	68,680	63,596	99,925	99,203	168,605	162,799
Radiology	494,382	366,119	403,711	439,331	898,093	805,450
CT scan	-	-	76,658	63,948	76,658	63,948
Speech therapy	13,559	3,120	-	-	13,559	3,120
Pharmacy	464,939	337,648	438,887	272,346	903,826	609,994
Hospitalist	534,497	173,239	-	-	534,497	173,239
Fitness and rehab	32,830	494	34,296	40,896	67,126	41,390
Anesthesiology	37,562	69,274	31,406	20,139	68,968	89,413
Respiratory therapy	139,160	116,034	62,836	62,098	201,996	178,132
Physical therapy	546,974	490,714	61,255	83,746	608,229	574,460
Occupational therapy	130,118	25,776	4,631	11,043	134,749	36,819
Senior center	-	-	5,080	6,196	5,080	6,196
Supervised exercise	139,830	122,374	-	-	139,830	122,374
Contract physician	183,529	-	76,550	616,679	260,079	616,679
Ambulance	350,999	278,870	46,006	39,022	397,005	317,892
Medical records	258,330	259,443	77,583	81,898	335,913	341,341
Time share clinic	1,401	696	3,791	5,274	5,192	5,970
Wellness clinic	-	-	25,931	27,086	25,931	27,086
Patient education	-	-	-	22	-	22
Sleep study	16,255	6,157	16,133	7,248	32,388	13,405
Behavioral health	36,078	-	3,245	-	39,323	-
Quality	159,283	-	7,891	-	167,174	-
Hot Springs Pharmacy	236,428	229,131	1,328,595	1,441,233	1,565,023	1,670,364
Physician practice	1,559,118	1,140,074	543,047	361,276	2,102,165	1,501,350
	<u>5,958,132</u>	<u>4,108,504</u>	<u>3,999,897</u>	<u>4,336,574</u>	<u>9,958,029</u>	<u>8,445,078</u>

**BATH COMMUNITY HOSPITAL**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENSES - INCOME TAX BASIS (CONTINUED)  
Years Ended December 31, 2016 and 2015**

	-----Salaries-----		Other Operating Expenses		-----Total-----	
	2016	2015	2016	2015	2016	2015
General Services						
Dietary	\$ 255,818	\$ 167,139	\$ 157,612	\$ 122,659	\$ 413,430	\$ 289,798
Operation of plant	210,145	153,109	344,322	324,065	554,467	477,174
Housekeeping	187,228	131,540	84,898	86,617	272,126	218,157
	<u>653,191</u>	<u>451,788</u>	<u>586,832</u>	<u>533,341</u>	<u>1,240,023</u>	<u>985,129</u>
Administrative Services						
Business office	266,383	152,459	449,589	429,025	715,972	581,484
Social services	71,839	39,434	1,820	1,431	73,659	40,865
Purchasing	74,715	58,624	2,967	2,177	77,682	60,801
Medical information systems	126,092	93,584	136,937	135,342	263,029	228,926
Administration	761,215	565,365	452,340	543,398	1,213,555	1,108,763
Human resources	129,369	110,989	42,250	20,823	171,619	131,812
Public relations	82,252	-	59,927	119,205	142,179	119,205
Security	142,608	115,231	500	683	143,108	115,914
Employee health	-	17,091	-	496	-	17,587
Property fees	-	-	12,145	9,804	12,145	9,804
Professional fees	-	-	237,267	129,049	237,267	129,049
Telephone	-	-	47,156	23,431	47,156	23,431
Insurance	-	-	206,827	202,004	206,827	202,004
Interest	-	-	157,172	85,925	157,172	85,925
Miscellaneous	-	-	174,835	168,236	174,835	168,236
	<u>1,654,473</u>	<u>1,152,777</u>	<u>1,981,732</u>	<u>1,871,029</u>	<u>3,636,205</u>	<u>3,023,806</u>
Benefits*						
Payroll taxes	-	-	602,829	576,852	602,829	576,852
Group life insurance	-	-	8,465	7,434	8,465	7,434
Long term disability	-	-	38,066	37,026	38,066	37,026
Hospitalization insurance	-	-	942,766	927,359	942,766	927,359
Pension plan	-	-	278,966	275,336	278,966	275,336
Workmen's compensation	-	-	66,422	53,981	66,422	53,981
Other employee benefits	-	-	9,219	26,849	9,219	26,849
Employee physicals	-	-	23,619	19,799	23,619	19,799
Benefit allocation	-	-	(1,970,352)	-	(1,970,352)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,924,636</u>	<u>-</u>	<u>1,924,636</u>
Other Expenses						
Depreciation	-	-	1,338,235	1,301,180	1,338,235	1,301,180
	<u>-</u>	<u>-</u>	<u>1,338,235</u>	<u>1,301,180</u>	<u>1,338,235</u>	<u>1,301,180</u>
Total Expenses	<u>\$ 10,726,253</u>	<u>\$ 8,076,771</u>	<u>\$ 9,225,828</u>	<u>\$ 11,149,646</u>	<u>\$ 19,952,081</u>	<u>\$ 19,226,417</u>

\* The Hospital began allocating benefits to departments in 2016.