

**BATH COMMUNITY HOSPITAL**

**FINANCIAL REPORT**

**December 31, 2020**

## CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Assets, Liabilities, and Fund Balances - Income Tax Basis .....	3
Statements of Revenues, Expenses and Changes in Fund Balances - Income Tax Basis.....	4
Statements of Cash Flows - Income Tax Basis .....	5
Notes to Financial Statements.....	6
SUPPLEMENTARY INFORMATION	
Net Patient Service Revenue – Income Tax Basis .....	20
Reductions of Revenue – Income Tax Basis.....	21
Schedule of Expenses – Income Tax Basis .....	22
COMPLIANCE SECTION	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	24
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	26
Schedule of Expenditures of Federal Awards .....	28
Schedule of Findings and Questioned Costs .....	29



## 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, 2020 and 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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.

---

*Your Success is Our Focus*

1909 Financial Drive • Harrisonburg, VA 22801 • 540-434-6736 • Fax: 540-434-3097 • www.BEcpas.com

## **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, 2020 and 2019, 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.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules as listed in the Contents are presented for purposes of additional analysis and are not a required part of the financial statements of Bath Community Hospital. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 audit 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April \_\_, 2021, on our consideration of the Bath Community Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bath Community Hospital's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
April \_\_, 2021

**BATH COMMUNITY HOSPITAL**

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

**December 31, 2020 and 2019**

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,041,428	\$ 390,912
Accounts receivable, net (Note 4)	3,123,380	3,563,801
Cost report settlement receivable	1,149,446	1,003,209
Inventory (Note 5)	486,038	503,809
Current portion of notes receivable	-	68,112
Current portion of prepaid expenses	26,250	45,000
Total current assets	6,826,542	5,574,843
LONG-TERM INVESTMENTS (Note 6)	29,975	29,254
PROPERTY, PLANT, AND EQUIPMENT, NET (Note 7)	21,884,583	21,212,211
<b>OTHER ASSETS</b>		
Restricted cash and cash equivalents	6,024,294	72,996
Note receivable, net of current portion and allowance	-	17,332
Prepaid expenses, net of current portion	281,566	280,841
Total other assets	6,305,860	371,169
Total assets	\$ 35,046,960	\$ 27,187,477
<b>LIABILITIES AND FUND BALANCES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 861,208	\$ 1,286,303
Accrued expenses	952,032	1,360,971
Unearned revenues (Note 11)	2,548,656	-
Current portion of long-term debt, net (Note 9)	16,110,775	-
Total current liabilities	20,472,671	2,647,274
<b>LONG-TERM LIABILITIES</b>		
Unearned revenues (Note 11)	2,078,662	-
Long-term debt, net (Note 9)	428,358	16,013,144
Total long-term liabilities	2,507,020	16,013,144
Total liabilities	22,979,691	18,660,418
<b>FUND BALANCES</b>	12,067,269	8,527,059
Total liabilities and fund balances	\$ 35,046,960	\$ 27,187,477

The Notes to Financial Statements are an integral part of these statements.

**BATH COMMUNITY HOSPITAL**

**STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN FUND BALANCES - INCOME TAX BASIS  
Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
Revenues, Gains, and Other Support		
Net patient service revenue (Note 3)	\$ 15,220,202	\$ 15,964,719
Investment income (Note 6)	4,461	2,299
Contributions (Note 17)	4,261,649	6,416,496
Income from funds held in trust by others (Note 13)	5,160,277	5,099,621
Other revenues, gains, and support	2,590,355	2,667,022
Total revenues, gains, and other support	27,236,944	30,150,157
Expenses		
Salaries and benefits	13,781,918	13,324,078
Other operating	8,060,715	8,286,506
Provision for bad debts	1,000,250	593,800
Depreciation	1,185,816	1,413,327
Total expenses (Note 15)	24,028,699	23,617,711
Change in fund balances from operations	3,208,245	6,532,446
Pass through of contributions to Foundation (Note 17)	(5,160,277)	(5,099,621)
Federal awards due to COVID-19	5,492,242	-
Change in fund balances	3,540,210	1,432,825
Fund balances, beginning	8,527,059	7,094,234
Fund balances, ending	\$ 12,067,269	\$ 8,527,059

The Notes to Financial Statements are an integral part of these statements.

**BATH COMMUNITY HOSPITAL**  
**STATEMENTS OF CASH FLOWS - INCOME TAX BASIS**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Change in fund balances	\$ 3,540,210	\$ 1,432,825
Adjustments to reconcile change in fund balances to net cash provided by operating activities:		
Depreciation	1,185,816	1,413,327
Amortization of loan issuance costs	89,814	89,814
Provision for bad debts	1,000,250	593,800
Allowance for notes receivable	85,444	-
Changes in operating assets and liabilities		
Accounts receivable	(559,829)	(1,067,714)
Inventory	17,771	(43,283)
Prepaid expenses	18,025	1,661
Cost report settlement receivable	(146,237)	(888,002)
Accounts payable	(650,218)	(124,115)
Accrued expenses	(408,939)	76,297
Unearned revenues	4,627,318	-
	<b>8,799,425</b>	<b>1,484,610</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,633,065)	(1,936,272)
Purchase of long-term investments	(829)	(2,769)
Proceeds from sale of long-term investments	108	109,884
	<b>(1,633,786)</b>	<b>(1,829,157)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of long-term debt	436,175	-
	<b>436,175</b>	<b>-</b>
Net increase (decrease) in cash	7,601,814	(344,547)
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<b>463,908</b>	<b>808,455</b>
<b>CASH AND CASH EQUIVALENT, ending</b>	<b>\$ 8,065,722</b>	<b>\$ 463,908</b>
<b>Reconciliation to Statements of Assets, Liabilities, and Fund Balances - Income Tax Basis</b>		
Cash and cash equivalents	\$ 2,041,428	\$ 390,912
Restricted cash and cash equivalents	6,024,294	72,996
Total	<b>\$ 8,065,722</b>	<b>\$ 463,908</b>
<b>Supplemental Disclosure of Cash Flows Information:</b>		
Cash paid for interest	\$ 145,671	\$ 144,298
Property, plant and equipment in accounts payable	<b>\$ 412,169</b>	<b>\$ 187,046</b>

The Notes to Financial Statements are an integral part of these statements.

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**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 and financial reporting

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 value. Additionally, the Bath Community Hospital Foundation, which issues a separate financial report, would be consolidated with the Hospital under generally accepted accounting principles. Unless there is an explicit difference required by the income tax basis of accounting, the Hospital follows accounting principles generally accepted in the United States of America.

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 a minimum of 120 days from the first statement of patient balance, at which time they are reviewed for collectability and, if appropriate, transferred to a collection agency. The balance is then moved to the allowance for uncollectable 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.

(Continued)

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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

Inventory

Inventory is valued at the lower of cost, as determined on the first-in, first-out basis, or net realizable value (“NRV”). NRV is defined as the estimated selling price in the ordinary course of business less reasonably predictable selling costs.

Notes receivable

The Hospital satisfied the student loans of one physician in 2009. In 2012, this physician terminated from employment and the note was split into two parts that included loan repayment and forgiveness over ten years. As the former physician repays the first part of the note, the second part is forgiven. The portion due including loan forgiveness for the coming year is considered current. At December 31, 2020 and 2019, the first part of the note totaled approximately \$79,000 and the second part totaled approximately \$92,000. The Hospital filed a Confession of Judgement against the physician in June 2019 due to lack of payment. The Hospital recorded an allowance of approximately \$171,000 and \$85,000, respectively, for these notes receivable as of December 31, 2020 and 2019.

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 40 years on buildings and improvements.

Loan issuance costs

Loan issuance costs represent the cost of debt issuance to renovate the Hospital facilities and are required 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, and included as a component of interest expense.

Measure of operations

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 fund balances that are excluded from revenues, gains, and other support over expenses, consistent with industry practice, would consist of certain contributions and investment income. The pass through of Lettie Pate Evans contributions to the Foundation is excluded from this performance indicator.

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 net patient service revenue.

(Continued)

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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

Expense allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses that are attributable to one or more program or supporting functions of the Organization; include depreciation, salaries and benefits, professional fees, supplies, purchased services, utilities, and other expenses. Depreciation is allocated based on the location and therefore use of the asset. Generally speaking, utilities are expensed directly to areas that are separately metered. Utilities for the Wellness Center are allocated between Physical Therapy and Fitness/Rehab based upon square footage. Salaries and benefits are allocated based on estimates of time and effort. Supplies, purchased services, and other expenses are allocated based on the benefit received.

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.

**Note 3. Net Patient Service Revenue**

Patient service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Hospital bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the hospital receiving inpatient acute care services or patients receiving services in our outpatient centers or in their homes (home care). The Hospital measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Hospital does not believe it is required to provide additional goods or services related to that sale.

(Continued)

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Note 3. Net Patient Service Revenue (Continued)**

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and implicit price concessions provided to uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

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 - Hospital inpatient services are reimbursed on a per day rate based upon allowable costs. Outpatient services are reimbursed based upon a ratio of allowable costs to charges and the Rural Health Clinics are reimbursed based upon a per visit basis based upon allowable costs. All Medicare cost-based reimbursement rates during the year are tentative based upon the prior year's costs with final settlement determined after submission of annual cost reports for the Hospital and the Rural Health Clinics and audits thereof by the Medicare Administrative Contractor. Final Medicare settlements have been determined for all years prior to and including 2018.
- Medicaid - Hospital inpatient and outpatient services, rendered to Medicaid program beneficiaries, are paid at prospectively determined rates. The Hospital's Rural Health Clinic is reimbursed at a tentative rate per visit based upon allowable costs with final settlement determined after submission of annual cost reports by the Hospital for its Rural Health Clinics and audits thereof by the Medicaid fiscal intermediary. Final Medicaid settlements have been determined for all Cost Reports filed through 2019.

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.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospital. In addition, the contracts the Hospital has with commercial payors also provide for retroactive audit and review of claims.

(Continued)

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Note 3. Net Patient Service Revenue (Continued)**

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Hospital's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Hospital expects to collect based on its collection history with those patients.

Patients who meet the Hospital's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

The Hospital has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service or episode of care
- Method of reimbursement (fee for service or cost based)
- Hospital's line of business that provided the service (for example, hospital inpatient, hospital outpatient, and so on)

(Continued)

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Note 3. Net Patient Service Revenue (Continued)**

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>
2020	\$ 10,092,396	\$ 4,729,955	\$ 397,851	\$ 15,220,202
2019	\$ 10,972,909	\$ 4,496,338	\$ 495,472	\$ 15,964,719

**Note 4. Accounts Receivable**

Accounts receivable consists of the following:

	<u>2020</u>	<u>2019</u>
Due from patients	\$ 1,066,886	\$ 1,936,928
Due from third-party payors	3,214,373	3,593,711
Other	66,531	-
	<u>4,347,790</u>	<u>5,530,639</u>
Allowance for uncollectible receivables	(342,434)	(914,840)
Allowance for contractual adjustments	(881,976)	(1,051,998)
	<u>\$ 3,123,380</u>	<u>\$ 3,563,801</u>

Accounts receivable was \$3,089,887 at January 1, 2019.

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>2020</u>	<u>2019</u>
Commercial	9%	6%
Self-pay	33%	46%
Medicare	38%	32%
Medicaid	7%	10%
Anthem	13%	6%
	<u>100%</u>	<u>100%</u>

(Continued)

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Note 5. Inventory**

Inventory consists of the following:

	<u>2020</u>	<u>2019</u>
Hospital pharmacy	\$ 157,019	\$ 190,278
Supplies and food	211,648	187,526
Hot Springs Pharmacy	117,371	126,005
	<u>\$ 486,038</u>	<u>\$ 503,809</u>

**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:

	<u>2020</u>	<u>2019</u>
Interest and dividends on investments	\$ 1,822	\$ 592
Interest on operating accounts	2,896	1,894
Investment fees	(257)	(187)
	<u>\$ 4,461</u>	<u>\$ 2,299</u>

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

A summary of property, plant, and equipment follows:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 1,178,894	\$ 1,178,894
Buildings and fixed equipment	27,898,323	26,317,427
Major movable and minor equipment	7,491,666	7,381,712
Transportation vehicles	664,297	664,297
Construction in progress	752,027	584,690
Total cost	37,985,207	36,127,020
Less accumulated depreciation	<u>(16,100,624)</u>	<u>(14,914,809)</u>
	<u>\$ 21,884,583</u>	<u>\$ 21,212,211</u>

(Continued)

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**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, 2020 and 2019 was \$462,657 and \$350,574, respectively.

**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 April 30, 2021 after which principal and interest payments are required through July 31, 2044. The notes are collateralized through a deed of trust on the Hospital facility. The NMTC notes are shown as current on the balance sheet as they are expected to be forgiven in 2021. Notes payable are shown net of loan issuance costs on the statements of assets, liabilities, and fund balances.

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, and fully intends, 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 value (as determined by an independent appraiser) of PNC’s ownership interest. Taking this action should, in effect, cancel the debt.

In 2020, the Hospital established a construction loan with Highlands Community Bank for construction of the new Bath Community Pharmacy. The construction loan is a 12 month loan bearing interest at 3%. The construction loan will convert to a permanent loan in 2021 once construction is complete. The permanent loan is for 20 years with an initial interest rate of 3.24%.

	<b>2020</b>	<b>2019</b>
Notes payable, NMTC	\$ 16,155,350	\$ 16,155,350
Highlands Community Bank loan	436,175	-
Total Due	16,591,525	16,155,350
Loan issuance costs, net	(52,392)	(142,206)
Less Current Portion	(16,110,775)	-
Long-term debt, net	\$ 428,358	\$ 16,013,144

(Continued)

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Note 9. Long-term Debt (Continued)**

Maturities of long-term debt for subsequent years are as follows:

Year ending December 31,	
2021	\$ 16,163,167
2022	16,019
2023	16,546
2024	17,090
2025	17,652
Thereafter	<u>361,051</u>
Total	<u>\$ 16,591,525</u>

**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, 2020 and 2019 was \$76,920 and \$88,441, respectively. Future minimum lease payments for non-cancellable leases are as follows:

2021	\$ 44,020
2022	40,920
2023	40,920
2024	40,920
2025	<u>40,920</u>
	<u>\$ 207,700</u>

**Note 11. Unearned Revenues**

Unearned revenues consist of funding received in advance from the federal government to assist with pandemic hardships. Medicare accelerated payments will begin to be recouped by Medicare in April 2021. Assistance to rural health providers will need to be returned to the extent funds are not used to support operations via lost revenues or increase to expenses due to COVID-19. There were no unearned revenues in 2019.

	<u>2020</u>
Medicare Accelerated Payment	\$ 3,736,748
Assistance to Rural Health Providers	<u>890,570</u>
	<u>\$ 4,627,318</u>

(Continued)

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Note 12. 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 MagMutual Insurance. This insurance policy is a claims made policy and does not provide for tail coverage; however, tail coverage is available.

**Note 13. 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. The allocation is apportioned to be an estimated 80% in December and the remaining allocation the following June. The Hospital passes the contribution through to the Foundation.

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

	2020	2019
Evans Foundation	\$ 176,324,359	\$ 176,825,146
Campbell Trust	914,459	782,274
	\$ 177,238,818	\$ 177,607,420

**Note 14. Liquidity and Availability**

The following table reflects the Hospital's financial assets as of December 31, 2020 and 2019, reduced for amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, or because the governing board has set aside the funds for a specific purpose. These Board designations could be drawn upon if the Board approves that action. The Hospital considers general expenditures to be all expenditures related to its ongoing activities of providing healthcare as well as the conduct of services undertaken to support those activities to be general expenditures.

(Continued)

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Note 14. Liquidity and Availability**

The Hospital has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	<b>2020</b>	<b>2019</b>
Financial assets:		
Cash and cash equivalents	\$ 8,065,722	\$ 463,908
Accounts and other receivables, net	3,056,849	3,563,801
Notes receivable, net	-	85,444
Investments	29,975	29,254
Total financial assets	11,152,546	4,142,407
Less those unavailable for general expenditure within one year:		
Reserved cash - NMTC	(52,172)	(72,996)
Notes receivable to be collected after one year	-	(17,332)
Reserved cash – COVID funding	(4,627,318)	-
Total unavailable assets	(4,679,490)	(90,328)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,473,056	\$ 4,052,079

(Continued)

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Note 15. Functional Expenses**

The following detail shows all expenditures according to their natural classification as well as their function for the year ended December 31, 2020.

	<b>Nursing Services</b>	<b>Other Nursing Services</b>	<b>Other Professional Services</b>	<b>General Services</b>	<b>Total Program</b>	<b>General &amp; Administrative</b>	<b>Total</b>
Salaries and benefits	\$ 1,188,760	\$ 2,434,218	\$ 7,153,049	\$ 632,662	\$ 11,408,689	\$ 2,373,229	\$ 13,781,918
Professional fees	-	78,147	47,950	-	126,097	7,500	133,597
Pharmaceuticals	-	-	1,732,210	-	1,732,210	2,485	1,734,695
Supplies – medical and non-medical	21,515	231,050	777,860	263,358	1,293,783	42,030	1,335,813
Purchased services	74,768	154,600	836,014	81,156	1,146,538	1,521,427	2,667,965
Utilities	3,388	7,628	61,167	256,663	328,846	118,676	447,522
Interest	-	-	-	-	-	259,523	259,523
Other	36,909	119,917	628,591	66,802	852,219	629,381	1,481,600
Provision for bad debts	104,224	213,419	627,139	55,468	1,000,250	-	1,000,250
Depreciation	35,737	148,689	267,777	634,014	1,086,217	99,599	1,185,816
<b>Total</b>	<b>\$ 1,465,301</b>	<b>\$ 3,387,668</b>	<b>\$ 12,131,757</b>	<b>\$ 1,990,123</b>	<b>\$ 18,974,849</b>	<b>\$ 5,053,850</b>	<b>\$ 24,028,699</b>

The following detail shows all expenditures according to their natural classification as well as their function for the year ended December 31, 2019.

	<b>Nursing Services</b>	<b>Other Nursing Services</b>	<b>Other Professional Services</b>	<b>General Services</b>	<b>Total Program</b>	<b>General &amp; Administrative</b>	<b>Total</b>
Salaries and benefits	\$ 1,184,974	\$ 2,137,515	\$ 7,164,431	\$ 683,378	\$ 11,170,298	\$ 2,153,780	\$ 13,324,078
Professional fees	-	262,513	47,320	-	309,833	7,500	317,333
Pharmaceuticals	-	-	1,720,459	-	1,720,459	552	1,721,011
Supplies – medical and non-medical	34,040	334,413	691,280	255,023	1,314,756	44,793	1,359,549
Purchased services	40,026	346,687	683,705	95,947	1,166,365	1,540,897	2,707,262
Utilities	5,563	9,850	61,409	281,974	358,796	111,040	469,836
Interest	-	-	-	-	-	258,839	258,839
Other	46,882	36,440	734,156	130,821	948,299	504,377	1,452,676
Provision for bad debts	62,992	113,628	380,852	36,328	593,800	-	593,800
Depreciation	41,259	196,783	365,382	698,532	1,301,956	111,371	1,413,327
<b>Total</b>	<b>\$ 1,415,736</b>	<b>\$ 3,437,829</b>	<b>\$ 11,848,994</b>	<b>\$ 2,182,003</b>	<b>\$ 18,884,562</b>	<b>\$ 4,733,149</b>	<b>\$ 23,617,711</b>

(Continued)

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Note 16. 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>2020</b>	<b>2019</b>
Cost of charity care provided at cost	\$ 273,065	\$ 267,331
Cost as a percentage of gross patient service revenue	1.16%	1.05%

**Note 17. Affiliated Organizations**

The Bath Community Hospital Foundation exists for the purpose of supporting the Hospital’s plans for development and community programs through philanthropy. It shares a common board with the Hospital. Funds were not raised during 2020 or 2019. Funds of \$4,133,805 and \$6,397,285 were transferred from the Foundation to the Hospital during 2020 and 2019, respectively, and are included in contributions. Per Board approval, the Hospital transferred \$5,160,277 and \$5,099,621 of contributions in 2020 and 2019, respectively, from the Lettie Pate Evans Foundation to the Foundation. In addition, at the end of 2020 and 2019, the Hospital has accounts receivable from the Foundation of \$11,333 and \$6,870, respectively. As of December 31, 2020 and 2019, the Foundation held \$19,336,969 and \$16,138,128, respectively, for the Hospital’s benefit.

**Note 18. Adoption of New Revenue Recognition Guidance**

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 clarifies the principles for recognizing revenue and establishes a common revenue standard for U.S. financial reporting purposes. The new standard affects any entity that enters into contracts with customers for the transfer of goods or services. The core principle of the revenue recognition standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To achieve that core principle, an entity should apply the following steps: (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation in the contract, and (5) recognize revenue when, or as, the entity satisfies the performance obligation.

The Hospital adopted ASU 2014-09 and all amendments beginning in 2019. Consistent with the modified retrospective adoption method, prior reporting period results remain unchanged and reported in accordance with ASC 605. As it relates to the Hospital’s contracts to deliver tactical and specialized equipment to customers, the guidance in ASC 606 is consistent with the guidance in ASC 605; therefore, the modified retrospective approach resulted in no cumulative catch-up to retained earnings. Furthermore, there was no significant impact to revenues recognized, and no significant changes to the Hospital’s related business processes, systems, or internal control over financial reporting because of the new guidance.

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Note 19. New Accounting Standard**

The Financial Accounting Standards Board (FASB) has issued the following statement which is not yet effective.

The FASB issued ASU 2016-02, *Leases*. The core principle of the new leases standard is that lessees should recognize assets and liabilities arising from all leases, except for leases with a lease term of 12 months or less. This will significantly gross-up many entities balance sheets. Nonpublic entities are required to adopt the new leases standard for reporting periods beginning after December 15, 2021. Early adoption is permitted.

Management has not determined the effects this new FASB Statement may have on prospective financial statements but will be assessing the change in 2021 with the assistance of its accountants.

**Note 20. COVID-19**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Hospital’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Hospital is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

**Note 21. Subsequent Events**

Subsequent events have been evaluated through April \_\_, 2021, the date the financial statements were available to be issued.

Subsequent to year end, PNC exercised its option and, in effect, canceled the NMTC debt.

**BATH COMMUNITY HOSPITAL**

**SUPPLEMENTARY INFORMATION**  
**NET PATIENT SERVICE REVENUE - INCOME TAX BASIS**  
**Years Ended December 31, 2020 and 2019**

	<u>Inpatient</u>		<u>Outpatient</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Daily Patient Services						
Room and board	\$ 2,079,695	\$ 1,882,156	\$ -	\$ -	\$ 2,079,695	\$ 1,882,156
Observation	-	-	141,540	118,633	141,540	118,633
	<u>2,079,695</u>	<u>1,882,156</u>	<u>141,540</u>	<u>118,633</u>	<u>2,221,235</u>	<u>2,000,789</u>
Other Nursing Services						
Operating room	25,052	3,902	1,139,779	1,400,072	1,164,831	1,403,974
Central services and supply	180,136	228,293	369,360	380,514	549,496	608,807
Emergency room	166,972	172,795	3,403,870	4,049,368	3,570,842	4,222,163
	<u>372,160</u>	<u>404,990</u>	<u>4,913,009</u>	<u>5,829,954</u>	<u>5,285,169</u>	<u>6,234,944</u>
Other Professional Services						
Laboratory	430,865	375,447	2,747,995	2,971,178	3,178,860	3,346,625
Echocardiology	-	1,775	-	-	-	1,775
Electrocardiology	9,196	10,497	158,199	194,603	167,395	205,100
Cardiac rehabilitation	-	-	9,653	10,726	9,653	10,726
Vascular lab	2,678	7,455	17,206	93,304	19,884	100,759
Home oxygen	-	-	231,256	267,562	231,256	267,562
Radiology	133,111	92,685	1,052,785	1,016,857	1,185,896	1,109,542
Medical transport	27,211	2,452	275,681	320,219	302,892	322,671
CT scan	184,116	157,231	2,110,407	2,137,632	2,294,523	2,294,863
MRI	-	-	168,503	258,840	168,503	258,840
Pharmacy	1,234,565	1,101,238	620,298	753,153	1,854,863	1,854,391
Hospitalist	490,028	589,515	236,767	252,025	726,795	841,540
Anesthesiology	2,296	1,623	171,536	204,680	173,832	206,303
Respiratory therapy	456,580	504,977	85,564	112,876	542,144	617,853
Physical therapy	503,390	318,806	453,482	537,204	956,872	856,010
Occupational therapy	310,225	246,906	86,065	100,072	396,290	346,978
Sleep study	-	-	267,269	287,091	267,269	287,091
Physician Clinics	-	-	3,212,113	3,909,766	3,212,113	3,909,766
Other	23,287	13,979	9,958	32,987	33,245	46,966
	<u>3,807,548</u>	<u>3,424,586</u>	<u>11,914,737</u>	<u>13,460,775</u>	<u>15,722,285</u>	<u>16,885,361</u>
Gross Patient Service Revenue	<u>\$ 6,259,403</u>	<u>\$ 5,711,732</u>	<u>\$ 16,969,286</u>	<u>\$ 19,409,362</u>	23,228,689	25,121,094
Reductions of Revenue (Page 21)					(7,729,523)	(8,858,757)
Charity Care, at Gross Charge					<u>(278,964)</u>	<u>(297,618)</u>
Net Patient Service Revenue					<u>\$ 15,220,202</u>	<u>\$ 15,964,719</u>

**BATH COMMUNITY HOSPITAL**

**SUPPLEMENTARY INFORMATION**  
**REDUCTIONS OF REVENUE - INCOME TAX BASIS**  
**Years Ended December 31, 2020 and 2019**

	<u>Gross Revenue</u>	<u>Reductions of Revenue</u>	<u>Net Revenue</u>
<b>December 31, 2020</b>			
Anthem	\$ 3,849,347	\$ 1,544,047	\$ 2,305,300
Other commercial	3,218,137	788,294	2,429,843
Medicare	12,274,972	3,109,117	9,165,855
Medicaid	2,728,610	1,809,046	919,564
Private Pay	1,157,623	757,983	399,640
	<u>\$ 23,228,689</u>	<u>\$ 8,008,487</u>	<u>\$ 15,220,202</u>
<b>December 31, 2019</b>			
Anthem	\$ 4,420,827	\$ 2,025,556	\$ 2,395,271
Other commercial	3,544,757	1,633,182	1,911,575
Medicare	13,229,412	4,061,480	9,167,932
Medicaid	2,431,977	507,549	1,924,428
Private Pay	1,494,121	928,608	565,513
	<u>\$ 25,121,094</u>	<u>\$ 9,156,375</u>	<u>\$ 15,964,719</u>

**BATH COMMUNITY HOSPITAL**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENSES - INCOME TAX BASIS**  
**Years Ended December 31, 2020 and 2019**

	Salaries		Other Operating Expenses		Total	
	2020	2019	2020	2019	2020	2019
Nursing Services						
Nursing administration	\$ 199,387	\$ 210,509	\$ 4,312	\$ 6,435	\$ 203,699	\$ 216,944
Nursing services	989,373	974,465	135,110	120,076	1,124,483	1,094,541
	1,188,760	1,184,974	139,422	126,511	1,328,182	1,311,485
Other Nursing Services						
Operating and recovery room	314,146	260,486	209,060	362,127	523,206	622,613
Central supply	-	-	149,517	176,493	149,517	176,493
Emergency room	2,120,072	1,877,029	217,555	451,283	2,337,627	2,328,312
	2,434,218	2,137,515	576,132	989,903	3,010,350	3,127,418
Other Professional Services						
Laboratory	548,619	558,910	555,964	458,464	1,104,583	1,017,374
Electrocardiology	-	-	4,637	5,800	4,637	5,800
Cardiac rehabilitation	2,894	2,516	9,164	12,634	12,058	15,150
Pulmonary rehabilitation	363	905	-	-	363	905
COVID	195,067	-	65,190	-	260,257	-
Home oxygen	53,107	52,373	134,622	120,437	187,729	172,810
Radiology	483,861	552,273	480,828	335,352	964,689	887,625
CT scan	-	-	57,347	62,560	57,347	62,560
Speech therapy	-	1,058	7,693	2,100	7,693	3,158
Pharmacy	430,604	436,976	384,656	332,480	815,260	769,456
Hospitalist	237,482	245,927	-	-	237,482	245,927
Fitness and rehab	34,701	42,292	26,368	27,659	61,069	69,951
Anesthesiology	199,665	-	15,209	81,271	214,874	81,271
Respiratory therapy	121,036	170,431	64,835	51,327	185,871	221,758
Physical therapy	474,239	494,456	57,199	60,750	531,438	555,206
Occupational therapy	155,974	150,536	4,130	3,998	160,104	154,534
Contract physician	279,237	301,182	4,850	5,659	284,087	306,841
Ambulance	259,266	327,619	36,367	29,669	295,633	357,288
Medical records	111,689	117,248	185,419	369,314	297,108	486,562
Hospice	-	-	-	2,891	-	2,891
Time share clinic	1,274	5,870	-	67	1,274	5,937
Fitness and Wellness	151,979	191,611	14,409	32,175	166,388	223,786
Sleep study	81,920	70,656	48,178	46,389	130,098	117,045
Behavioral health	116,291	155,381	6,913	21,625	123,204	177,006
Quality	122,797	173,016	8,597	17,128	131,394	190,144
Hot Springs Pharmacy	243,896	276,078	1,400,468	1,320,650	1,644,364	1,596,728
Physician practice	2,847,088	2,837,116	595,894	537,931	3,442,982	3,375,047
	7,153,049	7,164,430	4,168,937	3,938,330	11,321,986	11,102,760

**BATH COMMUNITY HOSPITAL**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENSES - INCOME TAX BASIS (CONTINUED)  
Years Ended December 31, 2020 and 2019**

	Salaries		Other Operating Expenses		Total	
	2020	2019	2020	2019	2020	2019
General Services						
Dietary	\$ 184,937	\$ 261,488	\$ 161,473	\$ 197,966	\$ 346,410	\$ 459,454
Operation of plant	241,675	222,790	406,525	506,129	648,200	728,919
Housekeeping	206,050	199,100	25,192	59,670	231,242	258,770
	<u>632,662</u>	<u>683,378</u>	<u>593,190</u>	<u>763,765</u>	<u>1,225,852</u>	<u>1,447,143</u>
Administrative Services						
Business office	400,325	309,092	637,005	677,610	1,037,330	986,702
Social services	72,849	73,773	2,718	1,996	75,567	75,769
Purchasing	88,455	106,788	2,013	3,331	90,468	110,119
Medical information systems	121,793	126,375	229,222	217,987	351,015	344,362
Administration	963,814	762,994	441,893	410,361	1,405,707	1,173,355
Human resources	153,740	144,529	69,612	84,767	223,352	229,296
Public relations	93,391	91,467	60,797	76,630	154,188	168,097
Security	163,520	218,523	2,792	2,880	166,312	221,403
Finance	315,342	320,239	5,839	12,421	321,181	332,660
Property fees	-	-	8,764	25,747	8,764	25,747
Professional fees	-	-	429,115	314,444	429,115	314,444
Telephone	-	-	28,889	25,393	28,889	25,393
Insurance	-	-	303,538	296,468	303,538	296,468
Interest	-	-	235,485	234,112	235,485	234,112
Miscellaneous	-	-	125,352	83,851	125,352	83,851
	<u>2,373,229</u>	<u>2,153,780</u>	<u>2,583,034</u>	<u>2,467,998</u>	<u>4,956,263</u>	<u>4,621,778</u>
Benefits						
Payroll taxes	-	-	754,983	747,754	754,983	747,754
Group life insurance	-	-	(404)	(1,036)	(404)	(1,036)
Long term disability	-	-	71,665	59,757	71,665	59,757
Hospitalization insurance	-	-	1,027,257	1,047,556	1,027,257	1,047,556
Pension plan	-	-	467,400	351,774	467,400	351,774
Workmen's compensation	-	-	54,798	57,673	54,798	57,673
Other employee benefits	-	-	4,344	4,236	4,344	4,236
Employee physicals	-	-	40,995	2,579	40,995	2,579
Benefit allocation	-	-	(2,421,038)	(2,270,293)	(2,421,038)	(2,270,293)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Expenses						
Provision for bad debts	-	-	1,000,250	593,800	1,000,250	593,800
Depreciation	-	-	1,185,816	1,413,327	1,185,816	1,413,327
	<u>-</u>	<u>-</u>	<u>2,186,066</u>	<u>2,007,127</u>	<u>2,186,066</u>	<u>2,007,127</u>
Total Expenses	<u>\$ 13,781,918</u>	<u>\$ 13,324,077</u>	<u>\$ 10,246,781</u>	<u>\$ 10,293,634</u>	<u>\$ 24,028,699</u>	<u>\$ 23,617,711</u>

# COMPLIANCE SECTION

---

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the Board of Directors  
Bath Community Hospital  
Hot Springs, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the tax basis financial statements of Bath Community Hospital (the “Hospital”), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Hospital’s basic financial statements, and have issued our report thereon dated April 1, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hospital’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.**

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
April \_\_, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE**

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

*Report on Compliance for Each Major Federal Program*

We have audited Bath Community Hospital's (the "Hospital") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended December 31, 2020. The Hospital's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for the Hospital's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Hospital's compliance.

*Report on Compliance for Each Major Federal Program (Continued)*

*Opinion on Each Major Federal Program*

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

**Report on Internal Control over Compliance**

Management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
April \_\_, 2021



# BATH COMMUNITY HOSPITAL

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended December 31, 2020

### A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **no findings relating to the major program tested**.
7. The program tested as major was:

<u>Name of Program</u>	<u>CFDA #</u>
Provider Relief Funds	93.498

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The Hospital was **determined not to be a low-risk auditee**.

### B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

### C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None