

**BATH COMMUNITY HOSPITAL**

**FINANCIAL REPORT**

**December 31, 2012**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of assets, liabilities, and net assets - income tax basis of Bath Community Hospital as of December 31, 2012 and 2011, and the related statements of revenue over expenses 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; this includes 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - income tax basis of Bath Community Hospital as of December 31, 2012 and 2011, and its revenue and expenses and cash flows - income tax basis for the years then ended, in accordance with the basis of accounting the Hospital uses for income tax purposes as described in Note 2.

## **Basis of Accounting**

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
March 20, 2013

**BATH COMMUNITY HOSPITAL**

**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - INCOME TAX BASIS**  
**December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,648,765	\$ 1,398,561
Accounts receivable (Note 4)	1,607,317	1,967,012
Cost report settlement receivable	-	283,255
Other receivables	427,178	57,926
Inventory	302,700	296,198
Current portion of note receivable	317,944	317,944
Prepaid expenses	172,018	162,736
	<u>5,475,922</u>	<u>4,483,632</u>
LONG-TERM INVESTMENTS (Note 5)	<u>16,305,146</u>	<u>15,645,738</u>
NET PROPERTY, PLANT, & EQUIPMENT (Note 6)	<u>5,156,444</u>	<u>5,032,615</u>
<b>OTHER ASSETS</b>		
Investment in Hot Springs Pharmacy, Inc.	205,143	205,143
Equity method investment	-	105,263
	<u>205,143</u>	<u>310,406</u>
Total assets	<u>\$ 27,142,655</u>	<u>\$ 25,472,391</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 473,615	\$ 354,264
Accrued expenses	801,171	1,002,829
Cost report settlement payable	1,004,762	-
	<u>2,279,548</u>	<u>1,357,093</u>
UNRESTRICTED NET ASSETS	<u>24,863,107</u>	<u>24,115,298</u>
Total liabilities and net assets	<u>\$ 27,142,655</u>	<u>\$ 25,472,391</u>

**BATH COMMUNITY HOSPITAL**

**STATEMENTS OF REVENUES OVER EXPENSES - INCOME TAX BASIS**

**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Revenues, Gains and Other Support		
Net patient service revenue	\$ 11,740,014	\$ 10,636,066
Provision for bad debts	(1,048,320)	(1,079,403)
Net patient service revenue excluding provision for bad debts	<u>10,691,694</u>	<u>9,556,663</u>
Investment income (Note 5)	664,774	184,946
Contributions	69,674	100
Income from funds held by others (Note 10)	3,197,307	2,983,015
Other revenues, gains and support	<u>531,905</u>	<u>233,271</u>
Total revenues, gains and other support	<u>15,155,354</u>	<u>12,957,995</u>
Expenses		
Salaries	6,464,204	5,676,926
Other operating expenses	7,131,207	5,980,015
Depreciation	<u>812,134</u>	<u>721,809</u>
Total expenses (Note 12)	<u>14,407,545</u>	<u>12,378,750</u>
Change in net assets	747,809	579,245
Unrestricted Net Assets, Beginning of Year	<u>24,115,298</u>	<u>23,536,053</u>
Unrestricted Net Assets, End of Year	<u>\$ 24,863,107</u>	<u>\$ 24,115,298</u>

**BATH COMMUNITY HOSPITAL**

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

**Years Ended December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 747,809	\$ 579,245
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized (gain) loss on investments	(334,256)	101,841
Depreciation	812,134	721,809
Provision for bad debts	1,048,320	1,079,403
Loss on disposal of equipment	29,172	2,970
Change in estimated cost report settlement	1,288,017	16,745
Changes in operating assets and liabilities		
Accounts receivable	(688,625)	(1,012,254)
Other receivables	(369,252)	(12,536)
Inventory	(6,502)	(42,709)
Prepaid expenses	(9,282)	2,205
Other assets	(10,628)	(29,845)
Accounts payable	119,351	116,632
Accrued expenses	(201,658)	122,929
	<b>2,424,600</b>	<b>1,646,435</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(976,445)	(1,130,230)
Proceeds from sale of equipment	11,310	4,900
Proceeds from equity method investment	115,891	-
Insurance proceeds from fire	-	164,095
Purchase of long-term investments	(15,988,778)	(10,489,704)
Proceeds from sale of long-term investments	15,663,626	8,452,471
	<b>(1,174,396)</b>	<b>(2,998,468)</b>
Net increase (decrease) in cash	1,250,204	(1,352,033)
Beginning	1,398,561	2,750,594
Ending	\$ 2,648,765	\$ 1,398,561

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**Note 1. Organization and Nature of Business**

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

**Note 2. Summary of Significant Accounting Policies**

Basis of accounting:

The accompanying financial statements have been prepared on the basis of accounting used for income tax reporting. That basis differs from generally accepted accounting in that funds held in trust by others and all investments are carried at their tax basis rather than fair market value. Additionally, the Hospital does not consolidate its wholly owned subsidiary, Hot Springs Pharmacy, Inc.

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.

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 for interest bearing accounts. All non-interest bearing accounts are insured by the FDIC without limit. At times, deposits exceeded federally insured limits during the year.

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.

Note Receivable:

The Hospital paid off the student loans of one of its physicians in 2009. This note bears interest at 4.25% and was expected to be forgiven in four annual installments beginning on August 1, 2012.

In 2012, this physician terminated from employment, which requires the note to be repaid in full. Accordingly, this balance was reclassified from long-term to current in 2011.



**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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

Equity method investment:

The Hospital was a member of Shenandoah Shared Hospital Services, Inc. (SSHS), a not-for-profit organization. During the year, SSHS liquidated its assets. Upon liquidation, all remaining balances were distributed to its members. In 2011, this investment was carried at the amount the Hospital expected to receive upon liquidation.

Long-term investments:

Long-term investments in marketable equity and debt securities are stated at cost. The cost of sales of marketable equity securities is based on average cost for computing realized gains and losses. Investment income includes interest and dividends as well as realized gains. Interest is recognized on the accrual basis. Dividends are recognized on the ex-dividend date.

Long-term investments include assets set aside by the Board of Directors for future Hospital needs over which the Board retains control and may at its discretion subsequently use for other purposes.

Property, plant and equipment:

Property, plant and equipment are carried at cost and depreciated over the estimated service lives of the assets. Depreciation is computed using various lives ranging from 5 to 20 years on major movable equipment and 10 to 50 years on buildings and improvements. The straight-line method is used for financial reporting and for cost reimbursement purposes.

Investment in Hot Springs Pharmacy, Inc:

The Hospital owns 100% of Hot Springs Pharmacy, Inc. This investment is carried at cost as it is its own tax-paying entity and the income is not reportable at the Hospital level. This investment is not consolidated in accordance with the income tax basis of reporting.

Unrestricted net assets:

Unrestricted net assets are those whose use by the Hospital has not been limited.

Excess of revenues, gains and other support over expenses:

The Statements of Activities include excess of revenues, gains and other support over expenses. Changes in unrestricted net assets that are excluded from revenues, gains and other support over expenses, consistent with industry practice, would include certain restricted contributions and investment income from restricted funds. There were no items that were excluded from this performance indicator during 2012 or 2011.

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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

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.

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. The federal income tax returns for the Hospital for 2009, 2010, 2011, and 2012 are subject to examination by the Internal Revenue Service.

Subsequent events:

Subsequent events have been evaluated through March 20, 2013, the date that the financial statements were available to be issued.

Prior year reclassifications:

Certain items in the December 31, 2011 financial statements and notes to the financial statements have been reclassified to conform to the December 31, 2012 presentation. These reclassifications had no impact on net assets or changes in net assets.

**Note 3. Net Patient Service Revenue**

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

- Medicare - Medicare reimbursement is based on the ratio of Medicare patients to non-Medicare patients times Medicare allowable costs. Final Medicare settlements have been determined for all years prior to and including 2009.

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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

- 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 by all years prior to and including 2009.

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.

**Note 4. Accounts Receivable**

Accounts receivable consisted of:

	<u>2012</u>	<u>2011</u>
Due from patients	\$ 1,115,293	\$ 997,460
Due from third-party payors	<u>2,470,258</u>	<u>2,444,996</u>
	3,585,551	3,442,456
Allowance for uncollectible patient receivables	(1,281,227)	(1,104,857)
Allowance for contractual adjustment	<u>(697,007)</u>	<u>(370,587)</u>
Net accounts receivable	<u>\$ 1,607,317</u>	<u>\$ 1,967,012</u>

**Note 5. Long-Term Investments**

Long-term investments, reported at cost and the corresponding fair value of those investments, are as follows:

<b>December 31, 2012</b>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 1,009,994	\$ 1,009,994
Equity securities	5,571,882	6,376,083
Preferred securities	134,118	137,520
Corporate obligations	6,228,214	7,046,174
Bonds	<u>3,360,938</u>	<u>3,482,441</u>
Total	<u>\$ 16,305,146</u>	<u>\$ 18,052,212</u>

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**Note 5. Long-Term Investments (Continued)**

<b>December 31, 2011</b>	<u><b>Cost</b></u>	<u><b>Fair Value</b></u>
Cash equivalents	\$ 2,834,327	\$ 2,834,327
Equity securities	6,378,021	6,329,986
Preferred securities	268,943	287,344
Corporate obligations	4,777,276	5,108,270
Bonds	<u>1,387,171</u>	<u>1,373,714</u>
Total	<u>\$ 15,645,738</u>	<u>\$ 15,933,641</u>

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

	<u><b>2012</b></u>	<u><b>2011</b></u>
Interest and dividends on investments	\$ 428,983	\$ 357,106
Interest on operating accounts	5,366	8,060
Investment fees	(103,831)	(78,379)
Realized gains (losses) on sales of investments	<u>334,256</u>	<u>(101,841)</u>
	<u>\$ 664,774</u>	<u>\$ 184,946</u>

**Note 6. Property, Plant and Equipment**

A summary of property, plant and equipment follows:

	<u><b>2012</b></u>	<u><b>2011</b></u>
Land and land improvements	\$ 1,065,784	\$ 1,068,216
Construction in progress	637,760	274,676
Buildings and fixed equipment	8,143,357	8,713,610
Major movable and minor equipment	4,323,002	7,101,771
Transportation vehicles	<u>326,101</u>	<u>249,725</u>
	14,496,004	17,407,998
Less accumulated depreciation	<u>(9,339,560)</u>	<u>(12,375,383)</u>
Net Property, Plant and Equipment	<u>\$ 5,156,444</u>	<u>\$ 5,032,615</u>

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**Note 7. 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, 2012 and 2011 was \$266,291 and \$230,448, respectively.

During 2011, it was noted that employee deferrals were not withheld on certain wages during the years 2006 through 2009. In accordance with DOL regulations, these amounts should be remitted along with a penalty and estimated earnings through 2011. Total amounts that will be remitted to the plan approximate \$172,000 and are included in accrued expenses on the statement of financial position for 2011. All amounts were paid in 2012.

**Note 8. Leases**

The Hospital is currently obligated under several leases for facilities and equipment. Rent expense for those leases for the years ending December 31, 2012 and 2011 was \$70,287 and \$185,507, respectively. Future minimum lease payments for non-cancellable leases for the next five years are as follows:

Year ending December 31		
2013	\$	66,269
2014	\$	56,400
2015	\$	58,200
2016	\$	60,000
2017	\$	37,200
Thereafter	\$	111,600

**Note 9. Medical Malpractice Insurance**

The Hospital, from time-to-time, may be named in a lawsuit. 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 10. 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, Inc. Substantially all of the investments in the Lettie Pate Evans Foundation are in one large U.S. company.

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**Note 10. Funds Held in Trust by Others (Continued)**

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

	<u>2012</u>	<u>2011</u>
Evans Foundation	\$ 3,197,307	\$ 2,983,015
Campbell Trust	-	-
	<u>\$ 3,197,307</u>	<u>\$ 2,983,015</u>

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

	<u>2012</u>	<u>2011</u>
Evans Foundation	\$ 115,938,401	\$ 111,945,536
Campbell Trust	755,313	696,565
	<u>\$ 116,693,714</u>	<u>\$ 112,642,101</u>

**Note 11. 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>2012</u>	<u>2011</u>
Commercial	16%	8%
Patients	64%	29%
Medicare	5%	42%
Medicaid	0%	6%
Anthem	15%	15%
	<u>100%</u>	<u>100%</u>

**Note 12. 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>2012</u>	<u>2011</u>
Health care services	\$ 11,594,966	\$ 10,234,305
General and administrative	2,812,579	2,144,445
	<u>\$ 14,407,545</u>	<u>\$ 12,378,750</u>

**BATH COMMUNITY HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**Note 13. 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. In 2011, the Hospital adopted the provisions of Accounting Standards Update 10-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*, which requires charity care to be disclosed and measured at cost. The following information measures the level of charity care provided:

	<b>2012</b>	<b>2011</b>
Cost of charity care provided	\$ 543,654	\$ 621,262
Cost as a percentage of gross patient service revenue	2.89%	3.86%

**Note 14. Affiliated Organizations**

Bath Community Hospital Foundation exists for the purpose of supporting the Hospital's plans for development and community programs through philanthropy. During 2012 and 2011, approximately \$37,955 and \$27,879, respectively, were raised on the Hospital's behalf. Funds in the amount of \$36,000 were transferred from the Foundation to the Hospital during 2012. There were no funds transferred to the Hospital during 2011. As of December 31, 2012 and 2011, the Foundation held approximately \$141,721 and \$139,742, respectively, for the Hospital's benefit.

**Note 15. Commitments**

The Hospital has entered into a contract with a physician hired in 2011, wherein the Hospital will pay off his student loans. Over time as this physician works for the Hospital, his loans will be forgiven, resulting in full forgiveness after three years employment if a contract is signed for a fourth year of employment.

The Hospital has entered into a contract with Hospice Design Resources in the amount of \$938,000 for architectural and contractor work for the Hospital renovation project. Approximately \$542,000 has been paid on this contract through December 2012.

**Note 16. Supplemental Cash Flows Information**

Property, plant, and equipment expenditures in accounts payable at December 31, 2012 and 2011 were \$-0- and \$69,683, respectively.



## 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, 2012 and 2011, our report thereon dated March 20, 2013, which expressed an unqualified opinion on those financial statements, appears on page one. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
March 20, 2013



**BATH COMMUNITY HOSPITAL**

**SUPPLEMENTARY INFORMATION  
NET PATIENT SERVICE REVENUE - INCOME TAX BASIS  
Years Ended December 31, 2012 and 2011**

	----- Inpatient -----		----- Outpatient -----		----- Total -----	
	2012	2011	2012	2011	2012	2011
Daily Patient Services						
Room and board	\$ 2,725,268	\$ 2,145,349	\$ -	\$ -	\$ 2,725,268	\$ 2,145,349
Observation	-	-	52,033	83,778	52,033	83,778
	<u>2,725,268</u>	<u>2,145,349</u>	<u>52,033</u>	<u>83,778</u>	<u>2,777,301</u>	<u>2,229,127</u>
Other Nursing Services						
Operating room	18	2,657	304,848	243,165	304,866	245,822
Central services and supply	401,433	464,773	234,376	336,474	635,809	801,247
Emergency room	162,952	101,274	2,986,617	2,614,532	3,149,569	2,715,806
	<u>564,403</u>	<u>568,704</u>	<u>3,525,841</u>	<u>3,194,171</u>	<u>4,090,244</u>	<u>3,762,875</u>
Other Professional Services						
Laboratory	426,222	346,981	1,863,122	1,620,365	2,289,344	1,967,346
Echocardiology	22,237	17,781	82,973	68,747	105,210	86,528
Electrocardiology	21,339	11,778	94,246	89,203	115,585	100,981
Cardiac rehabilitation	-	-	943	9,936	943	9,936
Vascular lab	13,707	10,509	52,708	65,986	66,415	76,495
Pulmonary rehabilitation	-	-	-	17,563	-	17,563
Home oxygen	-	-	261,096	208,835	261,096	208,835
Radiology	100,108	87,970	930,177	928,065	1,030,285	1,016,035
Medical transport	30,560	11,099	373,966	361,009	404,526	372,108
CT scan	310,337	231,587	2,133,570	1,840,769	2,443,907	2,072,356
MRI	-	-	338,363	292,968	338,363	292,968
Pharmacy	1,181,730	958,601	418,281	438,665	1,600,011	1,397,266
Anesthesiology	-	680	52,679	53,113	52,679	53,793
Respiratory therapy	978,934	818,798	104,579	123,844	1,083,513	942,642
Physician practice	-	-	1,215,031	594,828	1,215,031	594,828
Health connection	-	-	2,950	2,270	2,950	2,270
Physical therapy	202,607	106,184	591,931	626,643	794,538	732,827
Supervised exercise	-	-	55,066	58,486	55,066	58,486
Sleep study	-	-	54,989	103,530	54,989	103,530
Other	16,552	6,977	10,774	1,767	27,326	8,744
	<u>3,304,333</u>	<u>2,608,945</u>	<u>8,637,444</u>	<u>7,506,592</u>	<u>11,941,777</u>	<u>10,115,537</u>
Total Patient Service Revenue	<u>\$ 6,594,004</u>	<u>\$ 5,322,998</u>	<u>\$ 12,215,318</u>	<u>\$ 10,784,541</u>	<u>\$ 18,809,322</u>	<u>\$ 16,107,539</u>
Reductions of Revenue (Page 16)					(6,359,553)	(4,663,070)
Charity Care					<u>(709,755)</u>	<u>(808,403)</u>
Net patient service revenue					\$ 11,740,014	\$ 10,636,066
Provision for bad debts					<u>1,048,320</u>	<u>1,079,403</u>
Net patient service revenue excluding provision for bad debts					<u>\$ 10,691,694</u>	<u>\$ 9,556,663</u>

**BATH COMMUNITY HOSPITAL**

**SUPPLEMENTARY INFORMATION**

**REDUCTIONS OF REVENUE - INCOME TAX BASIS**

**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Contractual Adjustments and Allowances		
Anthem	\$ 1,312,386	\$ 1,051,844
Medicare	3,172,040	1,519,934
Medicaid	285,771	758,849
Other insurance adjustments	1,211,410	932,939
Courtesy and miscellaneous	<u>377,946</u>	<u>399,504</u>
Total Reductions of Revenue	<u>\$ 6,359,553</u>	<u>\$ 4,663,070</u>

**BATH COMMUNITY HOSPITAL**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENSES - INCOME TAX BASIS  
Years Ended December 31, 2012 and 2011**

	----- Salaries -----		Other Operating Expenses		----- Total -----	
	2012	2011	2012	2011	2012	2011
Nursing Services						
Nursing administration	\$ 226,040	\$ 195,605	\$ 16,942	\$ 23,116	\$ 242,982	\$ 218,721
Nursing services	1,247,758	1,225,351	241,367	89,266	1,489,125	1,314,617
	<u>1,473,798</u>	<u>1,420,956</u>	<u>258,309</u>	<u>112,382</u>	<u>1,732,107</u>	<u>1,533,338</u>
Other Nursing Services						
Operating and recovery room	39,305	32,912	36,069	35,889	75,374	68,801
Central supply	23,383	37,235	137,177	135,211	160,560	172,446
Emergency room	480,951	372,876	660,467	720,819	1,141,418	1,093,695
	<u>543,639</u>	<u>443,023</u>	<u>833,713</u>	<u>891,919</u>	<u>1,377,352</u>	<u>1,334,942</u>
Other Professional Services						
Laboratory	391,922	376,852	494,841	434,036	886,763	810,888
Echocardiology	-	-	12,953	18,653	12,953	18,653
Electrocardiology	-	-	5,345	6,750	5,345	6,750
Cardiac rehabilitation	504	6,657	19,307	19,910	19,811	26,567
Vascular lab	-	-	10,529	6,167	10,529	6,167
Pulmonary rehabilitation	2,518	7,108	593	456	3,111	7,564
Hospice	-	-	1,174	692	1,174	692
Home health	2,455	1,674	-	-	2,455	1,674
Home oxygen	29,906	27,090	76,017	57,615	105,923	84,705
Physicians' offices	-	-	9,041	17,232	9,041	17,232
Radiology	316,946	296,798	449,356	431,722	766,302	728,520
CT scan	-	-	87,529	183,067	87,529	183,067
Speech therapy	3,062	2,054	5,124	3,946	8,186	6,000
Pharmacy	252,342	233,645	350,823	264,206	603,165	497,851
Anesthesiology	-	-	19,944	26,111	19,944	26,111
Respiratory therapy	164,959	141,203	55,807	43,638	220,766	184,841
Physical therapy	357,703	373,407	45,338	51,298	403,041	424,705
Occupational therapy	-	-	60	-	60	-
Senior Center	-	-	10,631	9,116	10,631	9,116
Supervised exercise	94,168	103,411	11,355	8,125	105,523	111,536
Ambulance	267,421	221,607	40,307	35,654	307,728	257,261
Medical records	241,952	236,099	92,697	94,865	334,649	330,964
Time share clinic	10,973	17,066	5,536	6,715	16,509	23,781
Wellness clinic	-	4,253	45,502	45,092	45,502	49,345
Patient education	-	658	-	-	-	658
Sleep study	8,437	16,368	9,631	15,984	18,068	32,352
Physician practice	986,833	445,035	247,762	69,047	1,234,595	514,082
	<u>3,132,101</u>	<u>2,510,985</u>	<u>2,107,202</u>	<u>1,850,097</u>	<u>5,239,303</u>	<u>4,361,082</u>

**BATH COMMUNITY HOSPITAL**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENSES - INCOME TAX BASIS (CONTINUED)**  
**Years Ended December 31, 2012 and 2011**

	----- Salaries -----		Other Operating Expenses		----- Total -----	
	2012	2011	2012	2011	2012	2011
General Services						
Dietary	\$ 139,643	\$ 129,420	\$ 134,986	\$ 112,069	\$ 274,629	\$ 241,489
Operation of plant	147,773	135,380	310,860	302,352	458,633	437,732
Housekeeping	99,324	96,291	75,299	86,329	174,623	182,620
	<u>386,740</u>	<u>361,091</u>	<u>521,145</u>	<u>500,750</u>	<u>907,885</u>	<u>861,841</u>
Administrative Services						
Business office	42,789	40,801	396,819	327,022	439,608	367,823
Social services	52,393	51,263	4,548	3,157	56,941	54,420
Purchasing	36,001	41,230	3,191	5,773	39,192	47,003
Medical information systems	86,241	80,449	103,274	82,928	189,515	163,377
Administration	562,297	598,433	293,242	173,226	855,539	771,659
Human resources	83,966	70,811	15,982	13,263	99,948	84,074
Public relations	291	-	50,792	29,893	51,083	29,893
Security	53,728	52,274	2,705	560	56,433	52,834
Employee health	10,220	5,610	-	205	10,220	5,815
Property fees	-	-	17,694	11,949	17,694	11,949
Professional fees	-	-	676,402	244,817	676,402	244,817
Telephone	-	-	77,315	62,993	77,315	62,993
Insurance	-	-	154,724	158,254	154,724	158,254
Miscellaneous	-	-	79,962	82,401	79,962	82,401
	<u>927,926</u>	<u>940,871</u>	<u>1,876,650</u>	<u>1,196,441</u>	<u>2,804,576</u>	<u>2,137,312</u>
Benefits						
Payroll taxes	-	-	463,199	425,690	463,199	425,690
Group life insurance	-	-	5,155	2,938	5,155	2,938
Hospitalization insurance	-	-	700,126	654,588	700,126	654,588
Pension plan	-	-	299,587	271,760	299,587	271,760
Workmen's compensation	-	-	33,338	44,941	33,338	44,941
Unemployment taxes	-	-	13,300	9,272	13,300	9,272
Employee physicals	-	-	19,483	19,237	19,483	19,237
	<u>-</u>	<u>-</u>	<u>1,534,188</u>	<u>1,428,426</u>	<u>1,534,188</u>	<u>1,428,426</u>
Other Expenses						
Depreciation	-	-	812,134	721,809	812,134	721,809
	<u>-</u>	<u>-</u>	<u>812,134</u>	<u>721,809</u>	<u>812,134</u>	<u>721,809</u>
Total Expenses	<u>\$ 6,464,204</u>	<u>\$ 5,676,926</u>	<u>\$ 7,943,341</u>	<u>\$ 6,701,824</u>	<u>\$ 14,407,545</u>	<u>\$ 12,378,750</u>