

BATH COMMUNITY HOSPITAL

FINANCIAL REPORT

December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Bath Community Hospital (a non-profit organization hereinafter referred to as the "Hospital") which comprise the statements of assets, liabilities, and fund balances - income tax basis as of December 31, 2013 and 2012, and the related statements of revenue over expenses - income tax basis and cash flows - income tax basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the Hospital uses for income tax purposes as described in Note 2; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances - income tax basis of Bath Community Hospital as of December 31, 2013 and 2012, and its revenues, expenses, other changes in fund balances and cash flows - income tax basis for the years then ended, in accordance with the basis of accounting the Hospital uses for income tax purposes as described in Note 2.

Basis of Accounting

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
April 3, 2014

BATH COMMUNITY HOSPITAL

STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCES - INCOME TAX BASIS
December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,168,817	\$ 2,648,765
Accounts receivable (Note 4)	1,978,512	1,607,317
Cost report settlement receivable	664,659	-
Other receivables	-	427,178
Inventory	297,320	302,700
Current portion of notes receivable	94,683	317,944
Prepaid expenses	206,286	172,018
	6,410,277	5,475,922
LONG-TERM INVESTMENTS (Note 5)	7,652	16,305,146
NET PROPERTY, PLANT AND EQUIPMENT (Note 6)	7,432,955	5,156,444
OTHER ASSETS		
Investment in Hot Springs Pharmacy, Inc.	205,143	205,143
457(b) investments (Note 7)	150,605	-
Note receivable	270,024	-
	625,772	205,143
Total other assets	625,772	205,143
Total assets	\$ 14,476,656	\$ 27,142,655
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	\$ 890,777	\$ 473,615
Accrued expenses	995,660	801,171
Cost report settlement payable	-	1,004,762
	1,886,437	2,279,548
Total current liabilities	1,886,437	2,279,548
FUND BALANCES	12,590,219	24,863,107
Total liabilities and fund balances	\$ 14,476,656	\$ 27,142,655

BATH COMMUNITY HOSPITAL

STATEMENTS OF REVENUES OVER EXPENSES - INCOME TAX BASIS

Years Ended December 31, 2013 and 2012

	2013	2012
Revenues, Gains and Other Support		
Net patient service revenue	\$ 13,248,257	\$ 11,740,014
Provision for bad debts	(1,170,567)	(1,048,320)
Net patient service revenue excluding provision for bad debts	12,077,690	10,691,694
Investment income (Note 5)	1,277,140	664,774
Contributions	724,348	69,674
Income from funds held in trust by others (Note 10)	3,472,630	3,197,307
Other revenues, gains and support	420,880	531,905
Total revenues, gains and other support	17,972,688	15,155,354
Expenses		
Salaries	7,016,218	6,464,204
Other operating expenses	7,172,221	7,131,207
Depreciation	819,889	812,134
Total expenses (Note 12)	15,008,328	14,407,545
Change in fund balances	2,964,360	747,809
Unrestricted Fund Balances, Beginning of Year	24,863,107	24,115,298
Transfers		
Tranfser to Foundation (Note 14)	(15,237,248)	-
Unrestricted Fund Balances, End of Year	\$ 12,590,219	\$ 24,863,107

BATH COMMUNITY HOSPITAL

STATEMENTS OF CASH FLOWS - INCOME TAX BASIS

Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING ACTIVITIES		
Change in fund balances	\$ 2,964,360	\$ 747,809
Adjustments to reconcile change in fund balances to net cash provided by operating activities:		
Realized gain on investments	(953,810)	(344,884)
Depreciation	819,889	812,134
Provision for bad debts	1,170,567	1,048,320
Loss on disposal of equipment	13,767	29,172
Change in estimate for cost report settlements	(930,516)	1,004,762
Noncash forgiveness of notes receivable	45,489	-
Changes in operating assets and liabilities		
Accounts receivable	(1,541,762)	(688,625)
Other receivables	427,178	(369,252)
Inventory	5,380	(6,502)
Prepaid expenses	(34,268)	(9,282)
Cost report settlement refund (payments)	(738,905)	283,255
Accounts payable	(34,928)	119,351
Accrued expenses	194,489	(201,658)
	1,406,930	2,424,600
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,658,077)	(976,445)
Proceeds from sale of equipment	-	11,310
Payments for new notes receivable	8,698	-
Collections on notes receivable	(100,950)	-
Proceeds from equity method investment	-	115,891
Purchase of long-term investments	(18,404,884)	(15,988,778)
Proceeds from sale of long-term investments	20,268,335	15,663,626
	(886,878)	(1,174,396)
Net increase in cash	520,052	1,250,204
Beginning	2,648,765	1,398,561
Ending	\$ 3,168,817	\$ 2,648,765

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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. 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.

Notes receivable:

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

The Hospital has loan forgiveness agreements with three physicians that are renewed on an annual basis. The full portion of these agreements is shown as a current receivable.

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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.

Subsequent to year end, the Corporation was dissolved and its assets were absorbed by the Hospital.

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 Revenues Over Expenses – Income Tax Basis include the excess of revenues, gains and other support over expenses. Changes in unrestricted fund balances that are excluded from revenues, gains and other support over expenses, consistent with industry practice, would include certain restricted contributions and investment income from restricted funds. There were no items that were excluded from this performance indicator during 2013 or 2012.

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 2. Summary of Significant Accounting Policies (Continued)

Net patient service revenue:

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care:

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

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 2010 through 2013 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Reclassifications:

Certain amounts in the prior year statements were reclassified to conform with current year presentation.

Subsequent events:

Subsequent events have been evaluated through April 3, 2014, the date that the financial statements were available to be issued.

Note 3. Net Patient Service Revenue

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

- Medicare - Medicare reimbursement is based on the ratio of Medicare patients to non-Medicare patients times Medicare allowable costs. Final Medicare settlements have been determined for all years prior to and including 2011.

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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 2011.

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:

	2013	2012
Due from patients	\$ 1,220,856	\$ 1,115,293
Due from third-party payers	2,780,278	2,470,258
	4,001,134	3,585,551
Allowance for uncollectible patient receivables	(1,292,622)	(1,281,227)
Allowance for contractual adjustment	(730,000)	(697,007)
Net accounts receivable	\$ 1,978,512	\$ 1,607,317

Note 5. Long-Term Investments

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

December 31, 2013	Cost	Fair Value
Cash equivalents	\$ 7,652	\$ 7,652
Total	\$ 7,652	\$ 7,652

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 5. Long-Term Investments (Continued)

December 31, 2012	<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>

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

	<u>2013</u>	<u>2012</u>
Interest and dividends on investments	\$ 441,051	\$ 428,983
Interest on operating accounts	2,435	5,366
Investment fees	(120,156)	(103,831)
Realized gains on sales of investments	<u>953,810</u>	<u>334,256</u>
	<u>\$ 1,277,140</u>	<u>\$ 664,774</u>

Note 6. Property, Plant and Equipment

A summary of property, plant and equipment follows:

	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 1,020,746	\$ 1,065,784
Buildings and fixed equipment	8,189,967	8,143,357
Major movable and minor equipment	3,981,267	4,323,002
Transportation vehicles	399,730	326,101
Construction in progress	<u>3,083,595</u>	<u>637,760</u>
	16,675,305	14,496,004
Less accumulated depreciation	<u>(9,242,350)</u>	<u>(9,339,560)</u>
Net Property, Plant and Equipment	<u>\$ 7,432,955</u>	<u>\$ 5,156,444</u>

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, 2013 and 2012 was \$250,299 and \$266,291, respectively.

The Hospital began a 457(b) deferred compensation plan in 2013 for certain key employees. Members contribute to the plan through payroll deductions. There is an offsetting asset and liability for the year ended December 31, 2013 of \$150,605. The liability is included in accrued expenses on the statements of assets, liabilities and fund balances.

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, 2013 and 2012 was \$79,675 and \$70,287, respectively. Future minimum lease payments for non-cancellable leases for the next five years are as follows:

Year ending December 31,		
2014	\$	56,400
2015	\$	58,200
2016	\$	60,000
2017	\$	37,200
2018	\$	37,200
Thereafter	\$	74,400

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, 2013

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

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

	<u>2013</u>	<u>2012</u>
Evans Foundation	\$ 3,472,630	\$ 3,197,307

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

	<u>2013</u>	<u>2012</u>
Evans Foundation	\$ 133,033,534	\$ 115,938,401
Campbell Trust	773,925	755,313
	<u>\$ 133,807,459</u>	<u>\$ 116,693,714</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 payer agreements. The mix of receivables from patients and third-party payers was as follows:

	<u>2013</u>	<u>2012</u>
Commercial	10%	11%
Patients	39%	36%
Medicare	44%	43%
Medicaid	1%	1%
Anthem	6%	9%
	<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>2013</u>	<u>2012</u>
Health care services	\$ 12,138,894	\$ 11,594,966
General and administrative	2,869,434	2,812,579
	<u>\$ 15,008,328</u>	<u>\$ 14,407,545</u>

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, disclosed and measured at cost. The following information measures the level of charity care provided:

	2013	2012
Cost of charity care provided at cost	\$ 458,776	\$ 543,654
Cost as a percentage of gross patient service revenue	2.44%	2.89%

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 2013 and 2012, approximately \$1,165,141 and \$37,955, respectively, were raised on the Hospital's behalf. Funds in the amount of \$721,348 and \$36,000 were transferred from the Foundation to the Hospital during 2013 and 2012, respectively and are included in contributions. Additionally, the Hospital transferred investments of approximately \$19,000,000 that had a cost basis of approximately \$15,200,000 to the Foundation in December 2013. As of December 31, 2013 and 2012, the Foundation held \$19,701,078 and \$141,721, respectively, for the Hospital's benefit.

Note 15. Commitments

Notes receivable includes approximately \$311,000 due from a former physician who concluded employment in 2012. In 2013, this agreement was modified and the note was split into two parts. As the former physician repays the first part of the note, the second part will be forgiven. At December 31, 2013, the first part of the note totaled approximately \$139,000 and the second part totaled approximately \$172,000.

The Hospital has entered into a contract with Hospice Design Resources and Neilsen Builders for the Hospital renovation project. Contracts of approximately \$112,500 and \$7,739,000, respectively, are outstanding at December 2013.

Note 16. Supplemental Cash Flows Information

	2013	2012
Supplemental Disclosure of Cash Flows Information:		
Cash Paid for Interest	\$ 2,087	\$ -
Supplemental Disclosure of Non-Cash Investing Activities:		
Property, plant and equipment in accounts payable	\$ 452,090	\$ -
Transfer of Investments to Foundation	\$ 15,237,248	\$ -



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, 2013 and 2012, our report thereon dated April 3, 2014, 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
April 3, 2014

BATH COMMUNITY HOSPITAL

**SUPPLEMENTARY INFORMATION
NET PATIENT SERVICE REVENUE - INCOME TAX BASIS
Years Ended December 31, 2013 and 2012**

	----- Inpatient -----		----- Outpatient -----		----- Total -----	
	2013	2012	2013	2012	2013	2012
Daily Patient Services						
Room and board	\$ 2,350,318	\$ 2,725,268	\$ -	\$ -	\$ 2,350,318	\$ 2,725,268
Observation	-	-	56,500	52,033	56,500	52,033
	<u>2,350,318</u>	<u>2,725,268</u>	<u>56,500</u>	<u>52,033</u>	<u>2,406,818</u>	<u>2,777,301</u>
Other Nursing Services						
Operating room	57	18	323,862	304,848	323,919	304,866
Central services and supply	388,473	401,433	218,928	234,376	607,401	635,809
Emergency room	493,275	162,952	3,130,289	2,986,617	3,623,564	3,149,569
	<u>881,805</u>	<u>564,403</u>	<u>3,673,079</u>	<u>3,525,841</u>	<u>4,554,884</u>	<u>4,090,244</u>
Other Professional Services						
Laboratory	401,037	426,222	2,046,535	1,863,122	2,447,572	2,289,344
Echocardiology	28,086	22,237	95,458	82,973	123,544	105,210
Electrocardiology	16,329	21,339	131,166	94,246	147,495	115,585
Cardiac rehabilitation	-	-	3,406	943	3,406	943
Vascular lab	8,754	13,707	72,977	52,708	81,731	66,415
Pulmonary rehabilitation	-	-	-	-	-	-
Home oxygen	-	-	229,200	261,096	229,200	261,096
Radiology	96,360	100,108	1,045,384	930,177	1,141,744	1,030,285
Medical transport	26,305	30,560	319,214	373,966	345,519	404,526
CT scan	256,446	310,337	2,185,586	2,133,570	2,442,032	2,443,907
MRI	-	-	421,226	338,363	421,226	338,363
Pharmacy	1,230,724	1,181,730	450,461	418,281	1,681,185	1,600,011
Anesthesiology	-	-	76,195	52,679	76,195	52,679
Respiratory therapy	890,953	978,934	145,258	104,579	1,036,211	1,083,513
Physician practice	-	-	900,480	1,215,031	900,480	1,215,031
Health connection	-	-	-	2,950	-	2,950
Physical therapy	185,301	202,607	436,096	591,931	621,397	794,538
Occupational therapy	58,410	-	11,152	-	69,562	-
Supervised exercise	-	-	47,209	55,066	47,209	55,066
Sleep study	-	-	44,688	54,989	44,688	54,989
Other	(714)	16,552	6,015	10,774	5,301	27,326
	<u>3,197,991</u>	<u>3,304,333</u>	<u>8,667,706</u>	<u>8,637,444</u>	<u>11,865,697</u>	<u>11,941,777</u>
Gross Patient Service Revenue	<u>\$ 6,430,114</u>	<u>\$ 6,594,004</u>	<u>\$ 12,397,285</u>	<u>\$ 12,215,318</u>	<u>\$ 18,827,399</u>	<u>\$ 18,809,322</u>
Reductions of Revenue (Page 16)					(5,003,624)	(6,359,553)
Charity Care, at gross charge					<u>(575,518)</u>	<u>(709,755)</u>
Net patient service revenue					\$ 13,248,257	\$ 11,740,014
Provision for bad debts					<u>1,170,567</u>	<u>1,048,320</u>
Net patient service revenue excluding provision for bad debts					<u>\$ 12,077,690</u>	<u>\$ 10,691,694</u>

BATH COMMUNITY HOSPITAL

**SUPPLEMENTARY INFORMATION
REDUCTIONS OF REVENUE - INCOME TAX BASIS
Years Ended December 31, 2013 and 2012**

	<u>Gross Revenue</u>	<u>Reductions of Revenue</u>	<u>Net Revenue</u>
December 31, 2013			
Anthem	\$ 3,235,422	\$ 1,597,377	\$ 1,638,045
Medicare	11,842,295	1,690,523	10,151,772
Medicaid	294,092	332,240	(38,148)
Other insurance adjustments	1,671,936	1,048,831	623,105
Courtesy and miscellaneous	1,783,654	334,653	1,449,001
Totals	<u>\$ 18,827,399</u>	<u>\$ 5,003,624</u>	<u>\$ 13,823,775</u>
December 31, 2012			
Anthem	\$ 2,970,154	\$ 1,312,386	\$ 1,657,768
Medicare	11,839,860	3,172,040	8,667,820
Medicaid	334,913	285,771	49,142
Other insurance adjustments	2,175,970	1,211,410	964,560
Courtesy and miscellaneous	1,488,425	377,946	1,110,479
Totals	<u>\$ 18,809,322</u>	<u>\$ 6,359,553</u>	<u>\$ 12,449,769</u>

BATH COMMUNITY HOSPITAL

**SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENSES - INCOME TAX BASIS
Years Ended December 31, 2013 and 2012**

	----- Salaries -----		Other Operating Expenses		----- Total -----	
	2013	2012	2013	2012	2013	2012
Nursing Services						
Nursing administration	\$ 208,818	\$ 226,040	\$ 15,674	\$ 16,942	\$ 224,492	\$ 242,982
Nursing services	1,065,046	1,247,758	178,198	241,367	1,243,244	1,489,125
	<u>1,273,864</u>	<u>1,473,798</u>	<u>193,872</u>	<u>258,309</u>	<u>1,467,736</u>	<u>1,732,107</u>
Other Nursing Services						
Operating and recovery room	70,201	39,305	47,868	36,069	118,069	75,374
Central supply	4,702	23,383	57,029	137,177	61,731	160,560
Emergency room	784,569	480,951	693,218	660,467	1,477,787	1,141,418
	<u>859,472</u>	<u>543,639</u>	<u>798,115</u>	<u>833,713</u>	<u>1,657,587</u>	<u>1,377,352</u>
Other Professional Services						
Laboratory	438,393	391,922	567,802	494,841	1,006,195	886,763
Echocardiology	704	-	12,901	12,953	13,605	12,953
Electrocardiology	-	-	8,876	5,345	8,876	5,345
Cardiac rehabilitation	2,080	504	21,894	19,307	23,974	19,811
Vascular lab	-	-	13,648	10,529	13,648	10,529
Pulmonary rehabilitation	757	2,518	-	593	757	3,111
Hospice	-	-	204	1,174	204	1,174
Home health	3,697	2,455	-	-	3,697	2,455
Home oxygen	32,447	29,906	99,660	76,017	132,107	105,923
Physicians' offices	-	-	-	9,041	-	9,041
Radiology	343,416	316,946	514,483	449,356	857,899	766,302
CT scan	-	-	91,934	87,529	91,934	87,529
Speech therapy	256	3,062	1,085	5,124	1,341	8,186
Pharmacy	226,244	252,342	319,250	350,823	545,494	603,165
Anesthesiology	-	-	19,496	19,944	19,496	19,944
Respiratory therapy	156,093	164,959	51,270	55,807	207,363	220,766
Physical therapy	260,895	357,703	227,684	45,338	488,579	403,041
Occupational therapy	-	-	77,021	60	77,021	60
Senior center	-	-	19,301	10,631	19,301	10,631
Supervised exercise	91,342	94,168	24,033	11,355	115,375	105,523
Hospitalist	187,971	-	-	-	187,971	-
Ambulance	277,124	267,421	28,065	40,307	305,189	307,728
Medical records	301,471	241,952	67,061	92,697	368,532	334,649
Time share clinic	8,629	10,973	4,401	5,536	13,030	16,509
Wellness clinic	153	-	52,956	45,502	53,109	45,502
Patient education	-	-	-	-	-	-
Sleep study	9,462	8,437	7,017	9,631	16,479	18,068
Physician practice	974,129	986,833	230,600	247,762	1,204,729	1,234,595
	<u>3,315,263</u>	<u>3,132,101</u>	<u>2,460,642</u>	<u>2,107,202</u>	<u>5,775,905</u>	<u>5,239,303</u>

BATH COMMUNITY HOSPITAL
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENSES - INCOME TAX BASIS (CONTINUED)
Years Ended December 31, 2013 and 2012

	----- Salaries -----		Other Operating Expenses		----- Total -----	
	2013	2012	2013	2012	2013	2012
General Services						
Dietary	\$ 125,678	\$ 139,643	\$ 106,174	\$ 134,986	\$ 231,852	\$ 274,629
Operation of plant	153,303	147,773	281,622	310,860	434,925	458,633
Housekeeping	94,196	99,324	69,900	75,299	164,096	174,623
	<u>373,177</u>	<u>386,740</u>	<u>457,696</u>	<u>521,145</u>	<u>830,873</u>	<u>907,885</u>
Administrative Services						
Business office	29,846	42,789	322,569	410,840	352,415	453,629
Social services	83,097	52,393	2,073	4,548	85,170	56,941
Purchasing	46,933	36,001	3,668	3,191	50,601	39,192
Medical information systems	97,244	86,241	139,411	103,274	236,655	189,515
Administration	781,634	562,297	379,175	293,242	1,160,809	855,539
Human resources	87,572	83,966	20,600	15,982	108,172	99,948
Public relations	1,738	291	99,977	50,792	101,715	51,083
Security	60,703	53,728	701	2,705	61,404	56,433
Employee health	5,675	10,220	2,728	-	8,403	10,220
Property fees	-	-	12,831	17,694	12,831	17,694
Professional fees	-	-	282,095	662,381	282,095	662,381
Telephone	-	-	60,517	77,315	60,517	77,315
Insurance	-	-	188,296	154,724	188,296	154,724
Miscellaneous	-	-	152,661	79,962	152,661	79,962
	<u>1,194,442</u>	<u>927,926</u>	<u>1,667,302</u>	<u>1,876,650</u>	<u>2,861,744</u>	<u>2,804,576</u>
Benefits						
Payroll taxes	-	-	509,067	463,199	509,067	463,199
Group life insurance	-	-	5,877	5,155	5,877	5,155
Hospitalization insurance	-	-	735,309	700,126	735,309	700,126
Pension plan	-	-	250,299	299,587	250,299	299,587
Workmen's compensation	-	-	67,433	33,338	67,433	33,338
Unemployment taxes	-	-	9,079	13,300	9,079	13,300
Employee physicals	-	-	17,530	19,483	17,530	19,483
	<u>-</u>	<u>-</u>	<u>1,594,594</u>	<u>1,534,188</u>	<u>1,594,594</u>	<u>1,534,188</u>
Other Expenses						
Depreciation	-	-	819,889	812,134	819,889	812,134
	<u>-</u>	<u>-</u>	<u>819,889</u>	<u>812,134</u>	<u>819,889</u>	<u>812,134</u>
Total Expenses	<u>\$ 7,016,218</u>	<u>\$ 6,464,204</u>	<u>\$ 7,992,110</u>	<u>\$ 7,943,341</u>	<u>\$ 15,008,328</u>	<u>\$ 14,407,545</u>