

BATH COMMUNITY HOSPITAL

FINANCIAL REPORT

December 31, 2014

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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, 2014 and 2013, 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, 2014 and 2013, and its revenues, expenses, other changes in fund balances and cash flows - income tax basis for the years then ended, in accordance with the basis of accounting the Hospital uses for income tax purposes as described in Note 2.

Basis of Accounting

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 4, 2015

BATH COMMUNITY HOSPITAL

STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCES - INCOME TAX BASIS
December 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,081,516	\$ 3,168,817
Accounts receivable, net (Note 4)	1,563,345	1,978,512
Cost report settlement receivable	369,819	664,659
Inventory	527,363	297,320
Current portion of notes receivable	105,565	94,683
Prepaid expenses	496,173	206,286
	5,143,781	6,410,277
LONG-TERM INVESTMENTS (Note 5)	6,596	7,652
NET PROPERTY, PLANT AND EQUIPMENT (Note 6)	16,343,332	7,432,955
OTHER ASSETS		
Restricted cash and cash equivalents	4,344,283	-
Loan issuance costs, net	587,388	-
Investment in Hot Springs Pharmacy, Inc.	-	205,143
457(b) investments (Note 7)	189,775	150,605
Note receivable, net of current portion	241,587	270,024
	5,363,033	625,772
Total assets	\$ 26,856,742	\$ 14,476,656
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	\$ 1,028,740	\$ 890,777
Accrued expenses	1,824,769	995,660
	2,853,509	1,886,437
Long-term debt (Note 8)	16,155,350	-
Total liabilities	19,008,859	1,886,437
FUND BALANCES	7,847,883	12,590,219
Total liabilities and fund balances	\$ 26,856,742	\$ 14,476,656

BATH COMMUNITY HOSPITAL

STATEMENTS OF REVENUES OVER EXPENSES - INCOME TAX BASIS

Years Ended December 31, 2014 and 2013

	2014	2013
Revenues, Gains and Other Support		
Net patient service revenue	\$ 15,480,006	\$ 13,248,257
Provision for bad debts	(1,752,939)	(1,170,567)
Net patient service revenue excluding provision for bad debts	13,727,067	12,077,690
Investment income (Note 5)	21,751	1,277,140
Contributions	72,750	724,348
Income from funds held in trust by others (Note 11)	3,757,352	3,472,630
Other revenues, gains and support	461,011	420,880
Total revenues, gains and other support	18,039,931	17,972,688
Expenses		
Salaries	8,472,169	7,016,218
Other operating expenses	10,150,206	7,172,221
Depreciation	838,730	819,889
Total expenses (Note 13)	19,461,105	15,008,328
(Deficit) excess of revenues, gains and other support (under) over expenses	(1,421,174)	2,964,360
Fund Balances, Beginning of Year	12,590,219	24,863,107
Transfer to Foundation (Note 15)	(3,321,162)	(15,237,248)
Fund Balances, End of Year	\$ 7,847,883	\$ 12,590,219

BATH COMMUNITY HOSPITAL

STATEMENTS OF CASH FLOWS - INCOME TAX BASIS
Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING ACTIVITIES		
Change in fund balances	\$ (1,421,174)	\$ 2,964,360
Adjustments to reconcile change in fund balances to net cash provided by operating activities:		
Realized gain on investments	-	(953,810)
Depreciation	838,730	819,889
Amortization of loan issuance costs	41,312	-
Provision for bad debts	1,752,939	1,170,567
Loss on disposal of equipment	6,914	13,767
Integration of Hot Springs Pharmacy, Inc.	(95,976)	-
Change in estimate for cost report settlements	(422,980)	(930,516)
Noncash forgiveness of notes receivable	120,812	45,489
Changes in operating assets and liabilities		
Accounts receivable	(1,337,772)	(1,541,762)
Other receivables	-	427,178
Inventory	(230,043)	5,380
Prepaid expenses	(289,887)	(34,268)
Cost report settlement refund (payments)	717,820	(738,905)
Accounts payable	445,875	(34,928)
Accrued expenses	829,109	194,489
	955,679	1,406,930
Net cash provided by operating activities		
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,063,983)	(2,658,077)
Payments for new notes receivable	(122,037)	(100,950)
Collections on notes receivable	18,780	8,698
Proceeds from consolidation of cost method investment	301,119	-
Purchase of long-term investments	(45,240)	(18,404,884)
Proceeds from sale of long-term investments	7,126	20,268,335
	(9,904,235)	(886,878)
Net cash used in investing activities		
FINANCING ACTIVITIES		
Proceeds from long-term debt	12,834,238	-
Payment of debt issuance costs	(628,700)	-
	12,205,538	-
Net cash provided by financing activities		
Net increase in cash	3,256,982	520,052
Beginning	3,168,817	2,648,765
Ending	\$ 6,425,799	\$ 3,168,817

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

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 1. Organization and Nature of Business

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

Note 2. Summary of Significant Accounting Policies

Basis of accounting:

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

Use of estimates:

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

Cash and cash equivalents:

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

Allowance for uncollectible accounts:

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

Inventory:

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

Notes receivable:

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

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

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 2. Summary of Significant Accounting Policies (Continued)

Property, plant and equipment:

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

Loan Issuance Costs:

Loan issuance costs are costs capitalized related to issuance of debt to renovate the Hospital facilities. The costs will be amortized over the life of the debt. As of December 31, 2014, the Hospital paid loan issuance costs of \$628,700 and recognized amortization of \$41,312.

Investment in Hot Springs Pharmacy, Inc:

The Hospital owned 100% of Hot Springs Pharmacy, Inc. as of December 31, 2013. The Corporation was dissolved January 1, 2014 and its assets and operations were absorbed by the Hospital.

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 2014 or 2013.

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.

(Continued)

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 2. Summary of Significant Accounting Policies (Continued)

Income taxes:

The Hospital is a not-for-profit corporation as defined under 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax on related income pursuant to Section 501(a) of the Internal Revenue Code. The federal income tax returns for the Hospital for 2011 through 2014 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Subsequent events:

Subsequent events have been evaluated through March 4, 2015, 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 2012.
- Medicaid - Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates based upon diagnosis related groups. Outpatient services are reimbursed based upon cost. The Hospital is reimbursed for outpatient services at a tentative rate with final settlement determined after submissions of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. Final Medicaid settlements have been determined for all years prior to and including 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:

	2014	2013
Due from patients	\$ 1,375,057	\$ 1,220,856
Due from third-party payers	2,427,138	2,780,278
	3,802,195	4,001,134
Allowance for uncollectible patient receivables	(1,528,850)	(1,292,622)
Allowance for contractual adjustment	(710,000)	(730,000)
Net accounts receivable	\$ 1,563,345	\$ 1,978,512

(Continued)

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 5. Long-Term Investments

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

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

	2014	2013
Interest and dividends on investments	\$ 24,409	\$ 441,051
Interest on operating accounts	1,866	2,435
Investment fees	(4,524)	(120,156)
Realized gains on sales of investments	-	953,810
	\$ 21,751	\$ 1,277,140

Note 6. Property, Plant and Equipment

A summary of property, plant and equipment follows:

	2014	2013
Land and land improvements	\$ 1,008,146	\$ 1,020,746
Buildings and fixed equipment	8,675,058	8,189,967
Major movable and minor equipment	4,534,853	3,981,267
Transportation vehicles	384,730	399,730
Construction in progress	11,433,263	3,083,595
Total cost	26,036,050	16,675,305
Less accumulated depreciation	(9,692,718)	(9,242,350)
Net property, plant and equipment	\$ 16,343,332	\$ 7,432,955

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, 2014 and 2013 was \$251,366 and \$250,299, 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, 2014 and 2013 of \$189,775 and \$150,605, respectively. The liability is included in accrued expenses on the statements of assets, liabilities and fund balances.

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BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 8. Long-term Debt

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

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

Note 9. Leases

The Hospital is currently obligated under several leases for facilities and equipment. Rent expense for those leases for the years ending December 31, 2014 and 2013 was \$91,125 and \$79,675, respectively. Future minimum lease payments for non-cancellable leases for the next five years are as follows:

Year ending December 31,		
2015	\$	85,500
2016	\$	58,500
2017	\$	37,200
2018	\$	37,200
2019	\$	37,200
Thereafter	\$	37,200

Note 10. 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.

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 11. 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.

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

	<u>2014</u>	<u>2013</u>
Evans Foundation	\$ 3,757,352	\$ 3,472,630

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

	<u>2014</u>	<u>2013</u>
Evans Foundation	\$ 136,121,207	\$ 133,033,534
Campbell Trust	755,757	773,925
	<u>\$ 136,876,964</u>	<u>\$ 133,807,459</u>

Note 12. 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>2014</u>	<u>2013</u>
Commercial	13%	10%
Self-pay	46%	39%
Medicare	31%	44%
Medicaid	2%	1%
Anthem	8%	6%
	<u>100%</u>	<u>100%</u>

(Continued)

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 13. Functional Expenses

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

	2014	2013
Health care services	\$ 15,181,312	\$ 12,138,894
General and administrative	4,279,793	2,869,434
	\$ 19,461,105	\$ 15,008,328

Note 14. 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:

	2014	2013
Cost of charity care provided at cost	\$ 655,767	\$ 458,776
Cost as a percentage of gross patient service revenue	3.06%	2.44%

Note 15. Affiliated Organizations

Bath Community Hospital Foundation exists for the purpose of supporting the Hospital's plans for development and community programs through philanthropy. During 2014 and 2013, approximately \$2,300,000 and \$1,200,000, respectively, were raised on the Hospital's behalf. Funds in the amount of \$72,750 and \$724,348 were transferred from the Foundation to the Hospital during 2014 and 2013, respectively and are included in contributions. During 2014, the Hospital transferred \$3,321,162 to the Foundation to reimburse it for funds expended on the Hospital's behalf. In addition, at the end of 2014, the Hospital has accounts receivable from the Foundation in the amount of \$3,138. 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, 2014 and 2013, the Foundation held \$15,081,763 and \$19,701,078, respectively, for the Hospital's benefit.

BATH COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 16. Commitments

Notes receivable includes approximately \$268,000 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, 2014 and 2013, the first part of the note totaled approximately \$127,000 and \$139,000, respectively and the second part totaled approximately \$141,000 and \$172,000, respectively.

The Hospital has entered into a contract with Neilsen Builders for the Hospital renovation project. A contract of approximately \$1,153,982 is outstanding at December 2014.

Note 17. Supplemental Cash Flows Information

	<u>2014</u>	<u>2013</u>
Supplemental Disclosure of Cash Flows Information:		
Cash Paid for Interest	\$ -	\$ 2,087
Capitalized Interest	\$ 70,231	\$ -
Supplemental Disclosure of Non-Cash Investing Activities:		
Property, plant and equipment in accounts payable	\$ 144,128	\$ 452,090
Transfer to Foundation related to debt issuance	\$ 3,321,162	\$ -
Transfer of Investments to Foundation	\$ -	\$ 15,237,248

Note 18. Contingencies

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



INDEPENDENT AUDITOR’S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Bath Community Hospital as of and for the years ended December 31, 2014 and 2013, our report thereon dated March 4, 2015, which expressed an unmodified opinion on those financial statements, appears on page one. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 4, 2015

BATH COMMUNITY HOSPITAL

SUPPLEMENTARY INFORMATION
NET PATIENT SERVICE REVENUE - INCOME TAX BASIS
Years Ended December 31, 2014 and 2013

	----- Inpatient -----		----- Outpatient -----		----- Total -----	
	2014	2013	2014	2013	2014	2013
Daily Patient Services						
Room and board	\$ 2,243,805	\$ 2,350,318	\$ -	\$ -	\$ 2,243,805	\$ 2,350,318
Observation	-	-	103,811	56,500	103,811	56,500
	<u>2,243,805</u>	<u>2,350,318</u>	<u>103,811</u>	<u>56,500</u>	<u>2,347,616</u>	<u>2,406,818</u>
Other Nursing Services						
Operating room	6,324	57	441,275	323,862	447,599	323,919
Central services and supply	302,582	388,473	253,811	218,928	556,393	607,401
Emergency room	431,395	493,275	3,426,948	3,130,289	3,858,343	3,623,564
	<u>740,301</u>	<u>881,805</u>	<u>4,122,034</u>	<u>3,673,079</u>	<u>4,862,335</u>	<u>4,554,884</u>
Other Professional Services						
Laboratory	343,181	401,037	2,000,628	2,046,535	2,343,809	2,447,572
Echocardiology	37,094	28,086	103,692	95,458	140,786	123,544
Electrocardiology	15,192	16,329	113,552	131,166	128,744	147,495
Cardiac rehabilitation	-	-	1,264	3,406	1,264	3,406
Vascular lab	17,847	8,754	78,021	72,977	95,868	81,731
Home oxygen	-	-	224,172	229,200	224,172	229,200
Radiology	79,240	96,360	1,074,886	1,045,384	1,154,126	1,141,744
Medical transport	43,501	26,305	332,526	319,214	376,027	345,519
CT scan	179,653	256,446	2,336,484	2,185,586	2,516,137	2,442,032
MRI	-	-	386,713	421,226	386,713	421,226
Pharmacy	1,098,187	1,230,724	492,244	450,461	1,590,431	1,681,185
Anesthesiology	2,704	-	79,015	76,195	81,719	76,195
Respiratory therapy	689,665	890,953	114,026	145,258	803,691	1,036,211
Physician practice	-	-	1,268,563	900,480	1,268,563	900,480
Physical therapy	240,275	185,301	462,055	436,096	702,330	621,397
Occupational therapy	-	58,410	-	11,152	-	69,562
Supervised exercise	-	-	-	47,209	-	47,209
Sleep study	-	-	30,519	44,688	30,519	44,688
Hot Springs Pharmacy	-	-	2,310,580	-	2,310,580	-
Other	1,008	(714)	54,750	6,015	55,758	5,301
	<u>2,747,547</u>	<u>3,197,991</u>	<u>11,463,690</u>	<u>8,667,706</u>	<u>14,211,237</u>	<u>11,865,697</u>
Gross Patient Service Revenue	<u>\$ 5,731,653</u>	<u>\$ 6,430,114</u>	<u>\$ 15,689,535</u>	<u>\$ 12,397,285</u>	<u>\$ 21,421,188</u>	<u>\$ 18,827,399</u>
Reductions of Revenue (Page 16)					(5,219,367)	(5,003,624)
Charity Care, at gross charge					<u>(721,815)</u>	<u>(575,518)</u>
Net patient service revenue					<u>\$ 15,480,006</u>	<u>\$ 13,248,257</u>
Provision for bad debts					<u>1,752,939</u>	<u>1,170,567</u>
Net patient service revenue excluding provision for bad debts					<u><u>\$ 13,727,067</u></u>	<u><u>\$ 12,077,690</u></u>

BATH COMMUNITY HOSPITAL

**SUPPLEMENTARY INFORMATION
REDUCTIONS OF REVENUE - INCOME TAX BASIS
Years Ended December 31, 2014 and 2013**

	<u>Gross Revenue</u>	<u>Reductions of Revenue</u>	<u>Net Revenue</u>
December 31, 2014			
Anthem	\$ 3,122,228	\$ 1,280,269	\$ 1,841,959
Medicare	12,146,141	2,095,427	10,050,714
Medicaid	445,934	382,305	63,629
Other insurance adjustments	3,231,113	1,121,920	2,109,193
Courtesy and miscellaneous	<u>2,475,772</u>	<u>339,446</u>	<u>2,136,326</u>
Totals	<u>\$ 21,421,188</u>	<u>\$ 5,219,367</u>	<u>\$ 16,201,821</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	<u>1,783,654</u>	<u>334,653</u>	<u>1,449,001</u>
Totals	<u>\$ 18,827,399</u>	<u>\$ 5,003,624</u>	<u>\$ 13,823,775</u>

BATH COMMUNITY HOSPITAL

**SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENSES - INCOME TAX BASIS
Years Ended December 31, 2014 and 2013**

	----- Salaries -----		Other Operating Expenses		----- Total -----	
	2014	2013	2014	2013	2014	2013
Nursing Services						
Nursing administration	\$ 331,651	\$ 208,818	\$ 16,896	\$ 15,674	\$ 348,547	\$ 224,492
Nursing services	1,126,256	1,065,046	158,536	178,198	1,284,792	1,243,244
	<u>1,457,907</u>	<u>1,273,864</u>	<u>175,432</u>	<u>193,872</u>	<u>1,633,339</u>	<u>1,467,736</u>
Other Nursing Services						
Operating and recovery room	120,972	70,201	81,814	47,868	202,786	118,069
Central supply	-	4,702	86,274	57,029	86,274	61,731
Emergency room	759,190	784,569	846,906	693,218	1,606,096	1,477,787
	<u>880,162</u>	<u>859,472</u>	<u>1,014,994</u>	<u>798,115</u>	<u>1,895,156</u>	<u>1,657,587</u>
Other Professional Services						
Laboratory	482,236	438,393	529,458	567,802	1,011,694	1,006,195
Echocardiology	1,939	704	19,359	12,901	21,298	13,605
Electrocardiology	-	-	5,330	8,876	5,330	8,876
Cardiac rehabilitation	3,768	2,080	11,670	21,894	15,438	23,974
Vascular lab	-	-	9,204	13,648	9,204	13,648
Pulmonary rehabilitation	5,340	757	631	-	5,971	757
Hospice	-	-	1,129	204	1,129	204
Home health	-	3,697	425	-	425	3,697
Home oxygen	40,325	32,447	89,864	99,660	130,189	132,107
Radiology	365,179	343,416	461,638	514,483	826,817	857,899
CT scan	-	-	97,774	91,934	97,774	91,934
Speech therapy	1,080	256	-	1,085	1,080	1,341
Pharmacy	345,795	226,244	462,961	319,250	808,756	545,494
Fitness and rehab	447	-	54,742	-	55,189	-
Anesthesiology	-	-	1,521	19,496	1,521	19,496
Respiratory therapy	140,355	156,093	75,593	51,270	215,948	207,363
Physical therapy	312,266	260,895	188,118	227,684	500,384	488,579
Occupational therapy	-	-	1,521	77,021	1,521	77,021
Senior center	-	-	4,506	19,301	4,506	19,301
Supervised exercise	112,319	91,342	-	-	112,319	91,342
Hospitalist	56,302	187,971	153,989	-	210,291	187,971
Ambulance	286,463	277,124	55,201	28,065	341,664	305,189
Medical records	269,879	301,471	68,099	67,061	337,978	368,532
Time share clinic	175	8,629	4,414	4,401	4,589	13,030
Wellness clinic	-	153	23,386	52,956	23,386	53,109
Patient education	1,077	-	32	-	1,109	-
Sleep study	4,520	9,462	6,590	7,017	11,110	16,479
Hot Springs Pharmacy	171,871	-	1,616,938	-	1,788,809	-
Physician practice	1,237,244	974,129	281,024	254,633	1,518,268	1,228,762
	<u>3,838,580</u>	<u>3,315,263</u>	<u>4,225,117</u>	<u>2,460,642</u>	<u>8,063,697</u>	<u>5,775,905</u>

BATH COMMUNITY HOSPITAL

**SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENSES - INCOME TAX BASIS (CONTINUED)
Years Ended December 31, 2014 and 2013**

	-----Salaries-----		Other Operating Expenses		-----Total-----	
	2014	2013	2014	2013	2014	2013
General Services						
Dietary	\$ 135,670	\$ 125,678	\$ 105,121	\$ 106,174	\$ 240,791	\$ 231,852
Operation of plant	161,049	153,303	284,963	281,622	446,012	434,925
Housekeeping	126,716	94,196	74,757	69,900	201,473	164,096
	<u>423,435</u>	<u>373,177</u>	<u>464,841</u>	<u>457,696</u>	<u>888,276</u>	<u>830,873</u>
Administrative Services						
Business office	147,515	29,846	390,605	322,569	538,120	352,415
Social services	68,893	83,097	2,364	2,073	71,257	85,170
Purchasing	51,637	46,933	1,611	3,668	53,248	50,601
Medical information systems	99,197	97,244	75,011	139,411	174,208	236,655
Administration	1,339,004	781,634	550,989	379,175	1,889,993	1,160,809
Human resources	100,794	87,572	29,174	20,600	129,968	108,172
Public relations	-	1,738	68,896	99,977	68,896	101,715
Security	65,045	60,703	1,187	701	66,232	61,404
Employee health	-	5,675	1,070	2,728	1,070	8,403
Property fees	-	-	8,179	12,831	8,179	12,831
Professional fees	-	-	878,606	282,095	878,606	282,095
Telephone	-	-	39,808	60,517	39,808	60,517
Insurance	-	-	217,923	188,296	217,923	188,296
Miscellaneous	-	-	138,472	152,661	138,472	152,661
	<u>1,872,085</u>	<u>1,194,442</u>	<u>2,403,895</u>	<u>1,667,302</u>	<u>4,275,980</u>	<u>2,861,744</u>
Benefits						
Payroll taxes	-	-	529,111	509,067	529,111	509,067
Group life insurance	-	-	5,524	5,877	5,524	5,877
Hospitalization insurance	-	-	977,980	735,309	977,980	735,309
Pension plan	-	-	251,787	250,299	251,787	250,299
Workmen's compensation	-	-	78,322	67,433	78,322	67,433
Unemployment taxes	-	-	5,044	9,079	5,044	9,079
Employee physicals	-	-	18,159	17,530	18,159	17,530
	<u>-</u>	<u>-</u>	<u>1,865,927</u>	<u>1,594,594</u>	<u>1,865,927</u>	<u>1,594,594</u>
Other Expenses						
Depreciation	-	-	838,730	819,889	838,730	819,889
	<u>-</u>	<u>-</u>	<u>838,730</u>	<u>819,889</u>	<u>838,730</u>	<u>819,889</u>
Total Expenses	<u>\$ 8,472,169</u>	<u>\$ 7,016,218</u>	<u>\$ 10,988,936</u>	<u>\$ 7,992,110</u>	<u>\$ 19,461,105</u>	<u>\$ 15,008,328</u>