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Form **990**
 Department of the Treasury
 Internal Revenue Service

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047
2010
Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

- B** Check if applicable:
 Address change
 Name change
 Initial return
 Terminated
 Amended return
 Application pending

C Name of organization
 SOUTH PENINSULA HOSPITAL INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) Room/suite
 4300 Bartlett Street

City or town, state or country, and ZIP + 4
 Homer, AK 99603

D Employer identification number
 92-0037099

E Telephone number
 (907) 235-8101

G Gross receipts \$ 38,207,127

F Name and address of principal officer
 Robert F Letson
 4300 Bartlett St
 Homer, AK 99603

H(a) Is this a group return for affiliates? Yes No

H(b) Are all affiliates included? Yes No
 If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status 501(c)(3) 501(c) () (Insert no) 4947(a)(1) or 527

J Website: ▶ www.sphosp.org

K Form of organization Corporation Trust Association Other ▶ **L** Year of formation 1969 **M** State of legal domicile AK

Part I Summary

1 Briefly describe the organization's mission or most significant activities
 South Peninsula Hospital promotes community health and wellness by providing personalized, high quality, locally coordinated healthcare

2 Check this box if the organization discontinued its operations or disposed of more than 25% of its net assets

3 Number of voting members of the governing body (Part VI, line 1a)	3	9
4 Number of independent voting members of the governing body (Part VI, line 1b)	4	9
5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	382
6 Total number of volunteers (estimate if necessary)	6	40
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
b Net unrelated business taxable income from Form 990-T, line 34	7b	0

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	4,138,538	3,826,627
9 Program service revenue (Part VIII, line 2g)	30,465,640	34,374,543
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	10,917	-29,364
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	34,615,095	38,171,806

13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0	0
14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	18,576,453	22,178,537
16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	14,677,734	16,198,707
18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	33,254,187	38,377,244
19 Revenue less expenses Subtract line 18 from line 12	1,360,908	-205,438

	Beginning of Current Year	End of Year
20 Total assets (Part X, line 16)	60,883,752	59,764,131
21 Total liabilities (Part X, line 26)	25,884,343	24,970,160
22 Net assets or fund balances Subtract line 21 from line 20	34,999,409	34,793,971

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here Signature of officer _____ Date 2011-11-15
 Robert Letson CEO
 Type or print name and title

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no ▶

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III Yes No

1 Briefly describe the organization's mission

South Peninsula Hospital promotes community health and wellness by providing personalized, high quality, locally coordinated healthcare

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses \$ 23,870,004 including grants of \$ 0) (Revenue \$ 27,868,901)

Our 22 bed hospital provided inpatient services to 966 patients for total patient days of 3,302 for the 2010 tax year. Total outpatient visits for the year were 29,607 and include 4,495 emergency department visits, 960 ambulatory surgery visits, and 9,625 imaging visits. Other outpatient services included laboratory, physical therapy, occupational therapy, speech therapy, infusion and chemo therapy, and sleep lab

4b (Code) (Expenses \$ 4,189,411 including grants of \$ 0) (Revenue \$ 5,780,547)

Our 38 bed Long Term Care facility served 35 resident during the 2010 tax year with an average daily census of 25 and total resident days of 9,295

4c (Code) (Expenses \$ 926,242 including grants of \$ 0) (Revenue \$ 598,452)

Our community health services department provides home health care, chire and respite services, and other home care services to more than 300 local residents 4,532 visits were made to clinet homes in the 2010 tax year

4d Other program services (Describe in Schedule O) **See also Additional Data for Description**

(Expenses \$ 0 including grants of \$ 0) (Revenue \$ 126,637)

4e Total program service expenses \$ 28,985,657

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> <input checked="" type="checkbox"/>	Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? <input checked="" type="checkbox"/>	Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>		No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i>		No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>		No
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i>		No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i>		No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i>		No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i>		No
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i>		No
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> <input checked="" type="checkbox"/>	Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i>		No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i>		No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i>		No
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>	Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i>		No
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> <input checked="" type="checkbox"/>	Yes	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> <input checked="" type="checkbox"/>	Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? <i>If "Yes," complete Schedule F, Parts I and IV.</i>		No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? <i>If "Yes," complete Schedule F, Parts II and IV.</i>		No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S? <i>If "Yes," complete Schedule F, Parts III and IV.</i>		No
17 Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions).</i>		No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>		No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> <input checked="" type="checkbox"/>	Yes	
b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	Yes	

Part IV Checklist of Required Schedules *(continued)*

21 Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	No
22 Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22	No
23 Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b-24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b	No
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c	No
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d	No
25a Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a	No
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b	No
26 Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26	No
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27	No
28 Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)		
a A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	No
b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	No
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	No
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29	No
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30	No
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31	No
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32	No
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	No
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes
35 Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35	No
a Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36	No
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37	No
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

Table with columns for question ID, question text, and Yes/No response. Includes rows for Form 1096, W-2G, Form W-3, and various organizational compliance questions.

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1b	Enter the number of voting members included in line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Does the organization have members or stockholders?		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		No
7b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Does the organization have local chapters, branches, or affiliates?		No
10b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	Yes	
12b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	Yes	
13	Does the organization have a written whistleblower policy?		No
14	Does the organization have a written document retention and destruction policy?	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)		No
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		No
16b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed <input type="checkbox"/> _____
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization <input type="checkbox"/> South Peninsula Hospital 4300 Bartlett Street Homer, AK 99603 (907) 235-8101

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Kelly Cooper Director	2.5	X						0	0	0
(2) Vickey Hodnik Director	3	X						0	0	0
(3) Kent Haina Director	3	X						0	0	0
(4) Julie Woodworth Director	5	X						0	0	0
(5) Nina Allen Director	1.5	X						0	0	0
(6) Bernadette Wilson Director	4	X						0	0	0
(7) Matthew North Director	2	X						0	0	0
(8) Matthew Hambrick Director	3	X						0	0	0
(9) Clyde Boyer Director	3	X						0	0	0
(10) Walter Partridge Director	3.75	X						0	0	0
(11) Robert F Letson Chief Executive Officer	50			X				126,958	0	52,619
(12) Robert A Barnes Chief Financial Officer	45.00			X				38,137	0	15,806
(13) Lori I Meyer Controller/Acting CFO	45			X				106,794	0	44,262
(14) Larry R Tripp CRNA	40				X			280,562	0	0
(15) Diane G Peterson Pharmacist	40				X			126,323	0	52,356
(16) Christine K Anderson Chief Nursing Officer/Clinical Informatics Analyst	40				X			120,981	0	50,142

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) Douglas J Westphal Rehabilitation Manager	40					X		107,337	0	44,487
(18) Michael J Toner Pharmacy Manager	40					X		107,134	0	44,403
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								1,014,226	0	304,075

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization **8**

	Yes	No
3 Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		No
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	Yes	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
Eris Radiology LLC PO Box 2434 Homer, AK 99603	Radiologists	441,182
Raymond Fowler 40914 Crested Crane St Homer, AK 99603	Anesthesiologist	287,886
Jeffrey Quam PO Box 1592 Homer, AK 99603	Radiologist	264,484
James Peterson PO Box 58 Homer, AK 99603	Anesthesiologist	179,884
The Owens Group LLC 3705 Artic Blvd suite 2717 Anchorage, AK 99503	Consulting	145,904

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization **13**

Part VIII Statement of Revenue

		(A)	(B)	(C)	(D)	
		Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a Federated campaigns 1a	0				
	b Membership dues 1b	0				
	c Fundraising events 1c	0				
	d Related organizations 1d	0				
	e Government grants (contributions) 1e	3,821,365				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	5,262				
	g Noncash contributions included in lines 1a-1f \$	0				
	h Total. Add lines 1a-1f ▼		3,826,627			
	Program Service Revenue			Business Code		
2a Hospital		622000	27,868,907	27,868,907	0	0
b Long Term Care		623000	5,780,547	5,780,547	0	0
c Community Health Services		621610	598,452	598,452	0	0
d _____						
e _____						
f All other program service revenue			126,637	126,637	0	0
g Total. Add lines 2a-2f ▼			34,374,543			
Other Revenue	3 Investment income (including dividends, interest and other similar amounts) ▼		5,957	0	0	5,957
	4 Income from investment of tax-exempt bond proceeds ▼		0	0	0	0
	5 Royalties ▼		0	0	0	0
	6a Gross Rents	(i) Real		(ii) Personal		
		b Less rental expenses				
		c Rental income or (loss)	0	0		
		d Net rental income or (loss) ▼				
	7a Gross amount from sales of assets other than inventory	(i) Securities		(ii) Other		
		b Less cost or other basis and sales expenses	0	35,321		
		c Gain or (loss)	0	-35,321		
		d Net gain or (loss) ▼		-35,321	0	0
	8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 a					
b Less direct expenses b						
c Net income or (loss) from fundraising events ▼						
9a Gross income from gaming activities See Part IV, line 19 a						
	b Less direct expenses b					
	c Net income or (loss) from gaming activities ▼					
10a Gross sales of inventory, less returns and allowances a						
	b Less cost of goods sold b					
	c Net income or (loss) from sales of inventory ▼					
Miscellaneous Revenue		Business Code				
11a _____						
	b _____					
	c _____					
	d All other revenue					
e Total. Add lines 11a-11d ▼		0				
12 Total revenue. See Instructions ▼		38,171,806	34,374,543	0	-29,364	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	0	0		
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0	0		
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0	0		
4	Benefits paid to or for members	0	0		
5	Compensation of current officers, directors, trustees, and key employees	376,951	0	376,951	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0	0	0	0
7	Other salaries and wages	15,330,329	11,530,925	3,799,404	0
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	682,553	513,392	169,161	0
9	Other employee benefits	4,591,154	3,432,626	1,158,528	0
10	Payroll taxes	1,197,550	898,163	299,387	0
a	Fees for services (non-employees)				
	Management	116,360	116,360	0	0
b	Legal	302,874	0	302,874	0
c	Accounting	22,060	0	22,060	0
d	Lobbying	0	0	0	0
e	Professional fundraising services See Part IV, line 17	0			0
f	Investment management fees	0	0	0	0
g	Other	4,626,978	3,802,882	824,096	0
12	Advertising and promotion	88,716	0	88,716	0
13	Office expenses	3,743,938	3,300,197	443,741	0
14	Information technology	496,195	437,385	58,810	0
15	Royalties	0	0	0	0
16	Occupancy	1,389,976	81,253	1,308,723	0
17	Travel	112,648	50,733	61,915	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0	0	0	0
19	Conferences, conventions, and meetings	106,457	60,578	45,879	0
20	Interest	940,582	940,010	572	0
21	Payments to affiliates	0	0	0	0
22	Depreciation, depletion, and amortization	2,738,347	2,738,347	0	0
23	Insurance	387,311	387,311	0	0
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Repairs & Maintenance	942,139	658,212	283,927	0
b	Dues, Books & Subscriptions	184,126	37,283	146,843	0
c					
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	38,377,244	28,985,657	9,391,587	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing	1,655	1	1,605
	2 Savings and temporary cash investments	8,910,714	2	6,052,721
	3 Pledges and grants receivable, net	0	3	0
	4 Accounts receivable, net	6,162,779	4	6,774,323
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	0	5	0
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L	0	6	0
	7 Notes and loans receivable, net	0	7	0
	8 Inventories for sale or use	1,199,624	8	1,160,194
	9 Prepaid expenses and deferred charges	1,235,533	9	1,111,326
	10a Land, buildings, and equipment cost or other basis. Complete Part VI of Schedule D	71,959,779		
	b Less accumulated depreciation	27,295,817	43,373,447	10c 44,663,962
	11 Investments—publicly traded securities	0	11	
	12 Investments—other securities. See Part IV, line 11		12	
	13 Investments—program-related. See Part IV, line 11		13	
	14 Intangible assets	0	14	
	15 Other assets. See Part IV, line 11		15	
16 Total assets. Add lines 1 through 15 (must equal line 34)	60,883,752	16	59,764,131	
Liabilities	17 Accounts payable and accrued expenses	3,302,534	17	3,104,838
	18 Grants payable	0	18	0
	19 Deferred revenue	394,540	19	370,714
	20 Tax-exempt bond liabilities	22,187,269	20	21,237,144
	21 Escrow or custodial account liability. Complete Part IV of Schedule D	0	21	0
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L	0	22	0
	23 Secured mortgages and notes payable to unrelated third parties	0	23	0
	24 Unsecured notes and loans payable to unrelated third parties	0	24	0
	25 Other liabilities. Complete Part X of Schedule D	0	25	257,464
	26 Total liabilities. Add lines 17 through 25	25,884,343	26	24,970,160
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	34,974,123	27	34,768,685
	28 Temporarily restricted net assets	25,286	28	25,286
	29 Permanently restricted net assets	0	29	0
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 Total net assets or fund balances	34,999,409	33	34,793,971	
34 Total liabilities and net assets/fund balances	60,883,752	34	59,764,131	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	38,171,806
2	Total expenses (must equal Part IX, column (A), line 25)	2	38,377,244
3	Revenue less expenses Subtract line 2 from line 1	3	-205,438
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	34,999,409
5	Other changes in net assets or fund balances (explain in Schedule O)	5	0
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	34,793,971

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input checked="" type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2010

Open to Public Inspection

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
SOUTH PENINSULA HOSPITAL INC

Employer identification number

92-0037099

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

- 1 A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2 A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state

- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8 A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2)**. (Complete Part III)
- 10 An organization organized and operated exclusively to test for public safety See **section 509(a)(4)**.
- 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3)**. Check the box that describes the type of supporting organization and complete lines 11e through 11h
 - a Type I
 - b Type II
 - c Type III - Functionally integrated
 - d Type III - Other
- e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
 - (i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?
 - (ii) a family member of a person described in (i) above?
 - (iii) a 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support
			Yes	No	Yes	No	Yes	No	
Total									

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	

13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** **Section C. Computation of Public Support Percentage**

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14	15	

16a 33 1/3% support test—2010. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization **b 33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization **17a 10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization **b 10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization **18 Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here 						

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 		
b 33 1/3% support tests—2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions 		

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

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Additional Data

Software ID: 10000077
Software Version: v1.00
EIN: 92-0037099
Name: SOUTH PENINSULA HOSPITAL INC

Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services

(Code) (Expenses \$ 0 including grants of \$ 0) (Revenue \$ 126,637)

Other program services include revenue from cafeteria and vendings machines, medical record copies, and other program related sources

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2010

Open to Public Inspection

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12. Attach to Form 990. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization SOUTH PENINSULA HOSPITAL INC

Employer identification number 92-0037099

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), Aggregate value at end of year.

- 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

- 1 Purpose(s) of conservation easements held by the organization (check all that apply): Preservation of land for public use, Protection of natural habitat, Preservation of open space, Preservation of an historically important land area, Preservation of a certified historic structure.

2 Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

Table with 2 columns: Description, Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06.

- 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year
4 Number of states where property subject to conservation easement is located
5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?
6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year
7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year
8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?
9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

- 1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items
b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items: (i) Revenues included in Form 990, Part VIII, line 1; (ii) Assets included in Form 990, Part X
2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items: a Revenues included in Form 990, Part VIII, line 1; b Assets included in Form 990, Part X

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a** Public exhibition
- b** Scholarly research
- c** Preservation for future generations
- d** Loan or exchange programs
- e** Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If "Yes," explain the arrangement in Part XIV and complete the following table

	Amount
1c Beginning balance	
1d Additions during the year	
1e Distributions during the year	
1f Ending balance	

2a Did the organization include an amount on Form 990, Part X, line 21? Yes No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as

- a** Board designated or quasi-endowment
- b** Permanent endowment
- c** Term endowment

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

	Yes	No
(i) unrelated organizations	3a(i)	
(ii) related organizations	3a(ii)	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	0	188,508		188,508
b Buildings	0	47,742,303	9,822,989	37,919,314
c Leasehold improvements	0	58,662	10,459	48,203
d Equipment	0	23,342,783	17,462,369	5,880,414
e Other	0	627,523	0	627,523
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				44,663,962

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. (Column (b) should equal Form 990, Part X, col (B) line 12)		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. (Column (b) should equal Form 990, Part X, col (B) line 13)		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 15.)	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
Note Payable to Kenai Peninsula Borough	257,464
Total. (Column (b) should equal Form 990, Part X, col (B) line 25)	257,464

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	38,171,806
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	38,377,244
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-205,438
4	Net unrealized gains (losses) on investments	4	0
5	Donated services and use of facilities	5	0
6	Investment expenses	6	0
7	Prior period adjustments	7	0
8	Other (Describe in Part XIV)	8	0
9	Total adjustments (net) Add lines 4 - 8	9	0
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-205,438

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	38,171,806
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	0
b	Donated services and use of facilities	2b	0
c	Recoveries of prior year grants	2c	0
d	Other (Describe in Part XIV)	2d	0
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	38,171,806
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	0
b	Other (Describe in Part XIV)	4b	0
c	Add lines 4a and 4b	4c	0
5	Total Revenue Add lines 3 and 4c . (This should equal Form 990, Part I, line 12)	5	38,171,806

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	38,377,244
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	0
b	Prior year adjustments	2b	0
c	Other losses	2c	0
d	Other (Describe in Part XIV)	2d	0
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	38,377,244
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	0
b	Other (Describe in Part XIV)	4b	0
c	Add lines 4a and 4b	4c	0
5	Total expenses Add lines 3 and 4c . (This should equal Form 990, Part I, line 18)	5	38,377,244

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
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SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

Hospitals

Complete if the organization answered "Yes" to Form 990, Part IV, question 20. Attach to Form 990. See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization SOUTH PENINSULA HOSPITAL INC

Employer identification number

92-0037099

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a. 1b If "Yes," is it a written policy? 2 If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. 3 Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year. 3a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing free care to low income individuals? 3b Does the organization use FPG to determine eligibility for providing discounted care to low income individuals? 4 Did the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? 5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? 5b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? 5c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? 6a Does the organization prepare a community benefit report during the tax year? 6b If "Yes," did the organization make it available to the public? Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

7 Financial Assistance and Certain Other Community Benefits at Cost

Table with 7 columns: (a) Number of activities or programs (optional), (b) Persons served (optional), (c) Total community benefit expense, (d) Direct offsetting revenue, (e) Net community benefit expense, (f) Percent of total expense. Rows include Financial Assistance and Means-Tested Government Programs (a-d) and Other Benefits (e-k).

Part II Community Building Activities during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1		No
2 Enter the amount of the organization's bad debt expense (at cost)	2		
			1,292,944
3 Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3		
			129,294
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit			

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5		10,734,673
6 Enter Medicare allowable costs of care relating to payments on line 5	6		12,415,518
7 Subtract line 6 from line 5. This is the surplus or (shortfall)	7		-1,680,845
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.			
<input type="checkbox"/> Cost accounting system	<input checked="" type="checkbox"/> Cost to charge ratio	<input type="checkbox"/> Other	

Section C. Collection Practices

9a Does the organization have a written debt collection policy?	9a		No
b If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b		

Part IV Management Companies and Joint Ventures

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

Name and address

Name and address		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	South Peninsula Hospital Inc 4300 Bartlett Street Homer, AK 99603	X	X			X		X		

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 2

Name and address	Type of Facility (Describe)
1 South Peninsula Hospital Long Term Care 4300 Bartlett Street Homer, AK 99603	Long Term Care skilled nursing facility
2 South Peninsula Hospital Long Term Care 4300 Bartlett Street Homer, AK 99603	Long Term Care skilled nursing facility
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g, open medical staff, community board, use of surplus funds, etc)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
SchH_P01_S00_L07	Schedule H, Part I, Line 7	Used worksheets provided in the instructions for Schedule H and cost to charge ratio

Identifier	ReturnReference	Explanation
SchH_P01_S00_L072f	Schedule H, Part I, Line 7, Column f	No bad debt expense is included in Form 990, Part IX, line 25

Identifier	ReturnReference	Explanation
SchH_P01_S00_L07g	Schedule H, Part I, Line 7g	Subsidized health services do not include any costs attributable to a physician clinic

Identifier	ReturnReference	Explanation
SchH_P03_S0A_L04	Schedule H, Part III, Section A, Line 4	Bad debts and charity care are subtracted from patient service revenue to arrive at net patient revenue. Line 2 is calculated by bad debt expense times cost to charge ratio. Line 3 is estimated at ten percent of bad debt at cost. The cost of providing uncompensated care should be treated as community benefit because it cost the hospital that amount to provide care to patients unwilling or unable to pay for treatment.

Identifier	ReturnReference	Explanation
SchH_P03_S0B_L08	Schedule H, Part III, Section B, Line 8	The shortfall should be treated as community benefit because it cost the hospital that amount to provide care to Medicare beneficiaries for which it was not compensated Worksheet B in the schedule H instructions and cost to charge ratio was used to determine the amount reported on line 6

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L05	Schedule H, Part V, Section B, Line 5	The assessment process and tolls were made widely available via the community health fair, city hall, survey monkey, community meetings, hospital website and more. The assessment report continues to be available on the hospital website, numerous partner websites, and at our community MAPP website www.mappofskp.net

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L07	Schedule H, Part V, Section B, Line 7	Some of the priority needs are currently being addressed by the hospital or by community work groups through the community health improvement plan (CHIP) Additional needs will be addressed by community workgroups in the future Specific needs for the hospital are being addressed by the hospital

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L19	Schedule H, Part V, Section B, Line 19	Hospital provides individuals with no insurance with a self pay discount

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L21	Schedule H, Part V, Section B, Line 21	All patients are charged at gross charges Discounts are applied to gross charges for all patients

Identifier	ReturnReference	Explanation
SchH_P06_S00_L02	Schedule H, Part VI, Line 2	<p>The hospital served as the lead organization in a community assessment utilizing MAPP (Mobilizing to Action through Planning and Partnership) MAPP is the community assessment model endorsed by the CDC and the State of Alaska Department of Health and Social Services MAPP uses four types of assessments to establish the overall community assessment 1) community data (reportable statistics from numerous groups and agencies), 2) community leader/public opinion (community surveys and interviews), 3) local public health assessment (CDC scoring of our local public health) and 4) forces of change (a look at local, state, national and international forces which impact the community All of this is compiled into one community assessment The year-long process is coordinated by the hospital, but utilizes a steering committee made up of representatives from local partners in health and wellness Over 50 partnering agencies are involved in our community assess and health improvement plan A copy of the assessment can be found at www.skpcommunitiesproject.net In addition, the hospital conducts its own satisfaction surveys with patients which ask for input on needed services, does monthly community outreach forums where we also solicit input, and take input from local physicians and providers</p>

Identifier	ReturnReference	Explanation
SchH_P06_S00_L03	Schedule H, Part VI, Line 3	During patient registration, each private pay patient is offered a Financial Assistance packet and business card for the financial counselor. The financial counselor assists any interested parties with Medicaid applications and/or the hospital's internal financial assistance application.

Identifier	ReturnReference	Explanation
SchH_P06_S00_L04	Schedule H, Part VI, Line 4	<p>The South Peninsula Hospital Service Area (SPHSA) was formed in 1969 by the Kenai Peninsula Borough. It was determined that hospital services were needed within the South Peninsula area and that such services would be best provided by the establishment of a Service Area. The population of the SPHSA is 12,472 and covers 8,317.66 square miles. South Peninsula Hospital is located in Homer, Alaska, at the southern tip of the Kenai Peninsula and close to the westerly most highway point in the country. The next closest hospital is Central Peninsula Hospital in Soldotna, 76 miles north of South Peninsula Hospital but as many as 80-90 miles for many of the residents in the SPHSA. Close to half of the population is largely in or in close proximity to the City of Homer. The remaining half is scattered in small neighborhoods throughout a vast Service Area encompassing 8,317 square miles and 491 miles of built roads. Some of the communities in the SPHSA are accessible only by air and water. Homer is the commerce hub of the Service Area, and the area attracts over 100,000 visitors each year. According to Alaska Department of Labor the estimated population in 2007, based on the 2000 U.S. Census, of the SPHSA was 12,719. The primary and Secondary Service Area combined, including Nanwalek (217), Port Graham (134) and Seldovia (429) is estimated at 13,499.</p>

Identifier	ReturnReference	Explanation
SchH_P06_S00_L05	Schedule H, Part VI, Line 5	The governing body of South Peninsula Hospital is comprised of persons who reside in the hospital service area who are neither employees nor independent contractors, nor family members of the hospital. South Peninsula Hospital extends medical staff privileges to all qualified physicians in its community. South Peninsula Hospital is committed to applying surplus funds to improvements in patient care.

Schedule H (Form 990) 2010

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
SOUTH PENINSULA HOSPITAL INC

Employer identification number

92-0037099

Part I Questions Regarding Compensation

	Yes	No								
<p>1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</p> <table border="0"> <tr> <td><input type="checkbox"/> First-class or charter travel</td> <td><input type="checkbox"/> Housing allowance or residence for personal use</td> </tr> <tr> <td><input type="checkbox"/> Travel for companions</td> <td><input type="checkbox"/> Payments for business use of personal residence</td> </tr> <tr> <td><input type="checkbox"/> Tax idemnification and gross-up payments</td> <td><input checked="" type="checkbox"/> Health or social club dues or initiation fees</td> </tr> <tr> <td><input type="checkbox"/> Discretionary spending account</td> <td><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</td> </tr> </table>	<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use	<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence	<input type="checkbox"/> Tax idemnification and gross-up payments	<input checked="" type="checkbox"/> Health or social club dues or initiation fees	<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use									
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence									
<input type="checkbox"/> Tax idemnification and gross-up payments	<input checked="" type="checkbox"/> Health or social club dues or initiation fees									
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)									
<p>b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain</p>	Yes									
<p>2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?</p>	Yes									
<p>3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply</p> <table border="0"> <tr> <td><input type="checkbox"/> Compensation committee</td> <td><input checked="" type="checkbox"/> Written employment contract</td> </tr> <tr> <td><input type="checkbox"/> Independent compensation consultant</td> <td><input checked="" type="checkbox"/> Compensation survey or study</td> </tr> <tr> <td><input type="checkbox"/> Form 990 of other organizations</td> <td><input checked="" type="checkbox"/> Approval by the board or compensation committee</td> </tr> </table>	<input type="checkbox"/> Compensation committee	<input checked="" type="checkbox"/> Written employment contract	<input type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study	<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee				
<input type="checkbox"/> Compensation committee	<input checked="" type="checkbox"/> Written employment contract									
<input type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study									
<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee									
<p>4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization</p>										
<p>a Receive a severance payment or change-of-control payment from the organization or a related organization?</p>		No								
<p>b Participate in, or receive payment from, a supplemental nonqualified retirement plan?</p>		No								
<p>c Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</p>		No								
<p>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</p>										
<p>5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of</p>										
<p>a The organization?</p>	Yes									
<p>b Any related organization? If "Yes," to line 5a or 5b, describe in Part III</p>		No								
<p>6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of</p>										
<p>a The organization?</p>		No								
<p>b Any related organization? If "Yes," to line 6a or 6b, describe in Part III</p>		No								
<p>7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III</p>		No								
<p>8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III</p>		No								
<p>9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</p>										

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Robert F Letson	(i)	126,958	0	0	5,370	47,249	179,577	0
	(ii)	0	0	0	0	0	0	0
(2) Robert A Barnes	(i)	38,137	0	0	1,613	14,193	53,943	0
	(ii)	0	0	0	0	0	0	0
(3) Lori I Meyer	(i)	106,794	0	0	4,517	39,745	151,056	0
	(ii)	0	0	0	0	0	0	0
(4) Larry R Tripp	(i)	156,784	123,778	0	0	0	280,562	0
	(ii)	0	0	0	0	0	0	0
(5) Diane G Peterson	(i)	126,323	0	0	5,343	47,013	178,679	0
	(ii)	0	0	0	0	0	0	0
(6) Christine K Anderson	(i)	120,981	0	0	5,118	45,024	171,123	0
	(ii)	0	0	0	0	0	0	0
(7) Douglas J Westphal	(i)	107,337	0	0	4,540	39,946	151,823	0
	(ii)	0	0	0	0	0	0	0
(8) Michael J Toner	(i)	107,134	0	0	4,532	39,871	151,537	0
	(ii)	0	0	0	0	0	0	0
(9)								
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
SchJ_P01_S00_L01a	Schedule J, Part I, Line 1a	Reimbursement of health club dues at 50% of cost up to a maximum of \$400 per year
SchJ_P01_S00_L03	Schedule J, Part I, Line 3	Annually, an evaluation subcommittee comprised of board members is appointed and they review the existing evaluation form and make any necessary adjustments to the format and content of questions asked. The entire board of directors and senior management team are asked to do a confidential evaluation as well as having the CEO complete a self evaluation. The CEO's compensation is reviewed annually and any increases are a board decision based on performance.
SchJ_P01_S00_L05	Schedule J, Part I, Line 5	The CRNA receives a bonus based on revenue generated for his services.

**Schedule K
(Form 990)**

OMB No 1545-0047

Supplemental Information on Tax Exempt Bonds

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).**

2010

▶ **Attach to Form 990. ▶ See separate instructions.**

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
SOUTH PENINSULA HOSPITAL INC

Employer identification number
92-0037099

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Kenai Peninsula Borough	92-0030894		09-30-2003	10,621,278	Hospital Expansion		X		X		X
B	Kenai Peninsula Borough	92-0030894		04-05-2007	3,086,211	Hospital Expansion		X		X		X
C	Kenai Peninsula Borough	92-0030894		08-28-2007	14,703,525	Hospital Expansion		X		X		X

Part II Proceeds

	A	B	C	D
1 Amount of bonds retired	0	0	0	
2 Amount of bonds legally defeased	0	0	0	
3 Total proceeds of issue	10,552,011	3,062,070	14,683,525	
4 Gross proceeds in reserve funds	0	0	0	
5 Capitalized interest from proceeds	0	0	0	
6 Proceeds in refunding escrow	0	0	0	
7 Issuance costs from proceeds	14,255	24,141	20,000	
8 Credit enhancement from proceeds	0	0	0	
9 Working capital expenditures from proceeds	0	0	0	
10 Capital expenditures from proceeds	10,552,011	3,062,070	13,580,350	
11 Other spent proceeds	0	0	0	
12 Other unspent proceeds	55,012	0	0	
13 Year of substantial completion	2007	2007	2010	
	Yes	No	Yes	No
14 Were the bonds issued as part of a current refunding issue?		X		X
15 Were the bonds issued as part of an advance refunding issue?		X	X	X
16 Has the final allocation of proceeds been made?	X		X	X
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X	X

Part III Private Business Use

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X		X		
2 Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use?		X		X		X		
b Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
c Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?	X		X		X			
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %		0 %		0 %			
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %		0 %		0 %			
6 Total of lines 4 and 5	0 %		0 %		0 %			
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?		X		X		X		

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		
2 Is the bond issue a variable rate issue?		X		X		X		
3a Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X		X		
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was a hedge terminated?								
4a Were gross proceeds invested in a GIC?		X		X		X		
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?		X		X		X		
6 Did the bond issue qualify for an exception to rebate?		X		X		X		

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

**Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.**

OMB No 1545-0047

2010

**Open to Public
Inspection**

Name of the organization
SOUTH PENINSULA HOSPITAL INC

Employer identification number

92-0037099

Identifier	Return Reference	Explanation
F990_P06_S0B_L11a	Form 990, Part VI, Section B, Line 11a	Form 990 is prepared by the organization's controller with input from other members of the organization. The form 990 is reviewed by the Finance Committee of the board of directors. The final for 990 is approved by the board of directors before submission to the Internal Revenue Service.

Identifier	Return Reference	Explanation
F990_P06_S0B_L12c	Form 990, Part VI, Section B, Line 12c	All employees complete a conflict of interest questionnaire upon hire. Officers, Directors and Managers complete a conflict of interest questionnaire annually each December. The possible existence of conflicts of interest are required to be reported to the Corporate Compliance Officer for investigation.

Identifier	Return Reference	Explanation
F990_P06_S0B_L15	Form 990, Part VI, Section B, Line 15	In 2007 the board of directors reviewed Harty Springer website to verify salary range appropriate when searching for a new CEO. Annually, an evaluation subcommittee comprised of board members is appointed and they review the existing evaluation form and make any necessary adjustments to the format and content of questions asked. The entire board of directors and senior management team are asked to do a confidential evaluation as well as having the CEO complete a self evaluation. The CEO's compensation is reviewed annually and any increases are a board decision based on performance.

Identifier	Return Reference	Explanation
F990_P06_S0C_L19	Form 990, Part VI, Section C, Line 19	All governing documents, conflict of interest policy, and financial statements are available to the public by providing copies upon request. Board of directors meeting minutes are available on the hospital website www.sphosp.org

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2010

Open to Public Inspection

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**

Department of the Treasury
Internal Revenue Service

Name of the organization
SOUTH PENINSULA HOSPITAL INC

Employer identification number

92-0037099

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Kenai Peninsula Borough 144 N Binkley Street Soldotna, AK 99669 92-0030894	Local Government	AK	115		N/A		

Part III Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to other organization(s)
- c** Gift, grant, or capital contribution from other organization(s)
- d** Loans or loan guarantees to or for other organization(s)
- e** Loans or loan guarantees by other organization(s)

- f** Sale of assets to other organization(s)
- g** Purchase of assets from other organization(s)
- h** Exchange of assets
- i** Lease of facilities, equipment, or other assets to other organization(s)

- j** Lease of facilities, equipment, or other assets from other organization(s)
- k** Performance of services or membership or fundraising solicitations for other organization(s)
- l** Performance of services or membership or fundraising solicitations by other organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets
- n** Sharing of paid employees

- o** Reimbursement paid to other organization for expenses
- p** Reimbursement paid by other organization for expenses

- q** Other transfer of cash or property to other organization(s)
- r** Other transfer of cash or property from other organization(s)

	Yes	No
1a		No
1b		No
1c	Yes	
1d		No
1e	Yes	
1f		No
1g		No
1h		No
1i		No
1j	Yes	
1k		No
1l		No
1m		No
1n		No
1o		No
1p		No
1q		No
1r		No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Kenai Peninsula Borough	c	3,708,764	
(2) Kenai Peninsula Borough	e	313,831	
(3)			
(4)			
(5)			
(6)			

Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization See instructions regarding exclusion for certain investment partnerships

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproportionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII **Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation
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SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund
(An Enterprise Fund of the Kenai Peninsula Borough)

Financial Statements and Supplementary Information

Years Ended June 30, 2011 and 2010

an equal opportunity and affirmative action employer
McGLADREY ALLIANCE | McGladrey

 **Mikunda,
Cottrell & Co., Inc.**
Certified Public Accountants & Consultants

SOUTH PENINSULA HOSPITAL

June 30, 2011 and 2010

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Independent Auditor's Report

To the Honorable Mayor and Members
of the Kenai Peninsula Borough Assembly,
South Peninsula Hospital Service
Area Board, and South Peninsula
Hospital, Inc. Operating Board
Homer, Alaska

We have audited the accompanying financial statements of the South Peninsula Hospital Service Area Enterprise Fund of the Kenai Peninsula Borough, Alaska, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Kenai Peninsula Borough's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the South Peninsula Hospital Service Area Enterprise Fund and do not purport to, and do not, present fairly the financial position of the Kenai Peninsula Borough, Alaska, as of June 30, 2011 and 2010 and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Peninsula Hospital Service Area Enterprise Fund of the Kenai Peninsula Borough, Alaska, as of June 30, 2011 and 2010, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Members
of the Kenai Peninsula Borough Assembly,
South Peninsula Hospital Service
Area Board, and South Peninsula
Hospital, Inc. Operating Board

Management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mikunda, Cottrell & Co.

Anchorage, Alaska
November 1, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH PENINSULA HOSPITAL

Management's Discussion and Analysis

Years Ended June 30, 2011 and 2010

Introduction

South Peninsula Hospital (SPH) is a rural community hospital that serves a population of approximately 14,000 and spans 8,900 square miles. SPH's mission is to promote and improve community health and wellness by providing high quality, cost-effective, locally coordinated, and holistic health care.

South Peninsula Hospital provides a variety of healthcare services including;

- Diagnostic Laboratory and Imaging
- Inpatient Hospitalization
- Outpatient Care
- General and Orthopedic Surgery
- Skilled Long-term Nursing Care
- 24-Hour Emergency Services
- Specialty Care Clinics
- Community Health Services
- Rehabilitation Therapy
- Sleep Lab Services

SPH is a service area enterprise fund of the Kenai Peninsula Borough serving the Southern Kenai Peninsula. SPH operates as a not-for-profit hospital and healthcare organization with business-type activities. SPH follows accrual based accounting and records transactions in accordance with Governmental Accounting Standards for an enterprise fund.

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about the hospital's finances is, "is the hospital as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets report information about the hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The hospital's net assets are the difference between its assets and liabilities reported on the Statement of Net Assets.

These two statements report the hospital's net assets and changes in them. You can think of the hospital's net assets as one way to measure the hospital's financial health, or financial position. Over time, increases or decreases in the hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the hospital's patient base and measures of the quality of service it provides to the service area, as well as local economic factors to assess the overall health of the hospital.

SOUTH PENINSULA HOSPITAL

Management's Discussion and Analysis, continued

The Statement of Cash Flow

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and both capital and non-capital financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the changes in cash balance during the reporting period?"

The Hospital's Net Assets

The hospital's net assets decreased in by \$205,438 in 2011 and increased by \$1,357,403 in 2010.

Summarized financial information of the Hospital's Statement of Net Assets as of June 30, 2011, 2010 and 2009 is as follows:

	<u>2011</u>	(in thousands) <u>2010</u>	<u>2009</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 5,598	7,389	7,108
Net patient receivables	6,605	5,999	6,161
Other current assets	1,683	1,761	1,791
Assets whose use is limited	1,214	2,361	8,454
Plant, property and equipment, net	<u>44,664</u>	<u>43,374</u>	<u>38,678</u>
Total assets	<u>\$ 59,764</u>	<u>60,884</u>	<u>62,192</u>
<u>Liabilities</u>			
Current liabilities	\$ 4,699	4,869	6,187
Long-term bonds and lease payable	<u>20,271</u>	<u>21,015</u>	<u>22,366</u>
Total liabilities	<u>\$ 24,970</u>	<u>25,884</u>	<u>28,553</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	\$ 23,347	21,024	20,269
Restricted	25	25	25
Unrestricted	<u>11,422</u>	<u>13,951</u>	<u>13,344</u>
Total net assets	<u>\$ 34,794</u>	<u>35,000</u>	<u>33,638</u>

A new patient wing was completed in October 2009 and remodeled areas for pharmacy, laboratory, obstetrics and surgical services were completed in June 2010. Construction costs for this phase of the expansion totaled \$17,014,946, including capitalized interest expense. Construction began on a MRI building in August 2010 and was completed in April 2011 at a total cost of \$1,290,806.

SOUTH PENINSULA HOSPITAL

Management's Discussion and Analysis, continued

The capital infrastructure of the hospital is primarily funded by an established property tax mil rate which pays the bond issues and provides for equipment replacement. Long range capital expenditures are expected to be adequately funded by this mil rate and funded depreciation.

Operating Results and Changes in the Hospital's Net Assets

Summarized financial information of the Hospital's Statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2011, 2010 and 2009:

	(in thousands)		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenue	\$ <u>34,380</u>	<u>30,475</u>	<u>30,435</u>
Operating Expenses:			
Salaries, wages and benefits	22,235	18,449	18,075
Professional fees and contract staffing	4,709	3,906	3,960
Supplies	3,395	3,597	3,497
Depreciation	2,738	2,480	2,099
Other	<u>4,291</u>	<u>4,121</u>	<u>3,686</u>
Total operating expenses	<u>37,368</u>	<u>32,553</u>	<u>31,317</u>
Loss from operations	(2,988)	(2,078)	(882)
Non-operating gains (losses):			
Property taxes	3,709	3,712	3,563
Other	<u>(925)</u>	<u>(273)</u>	<u>247</u>
Total non-operating gains	<u>2,783</u>	<u>3,439</u>	<u>3,810</u>
Change in net assets	<u>(205)</u>	<u>1,361</u>	<u>2,928</u>
Net assets, beginning of year	<u>34,999</u>	<u>33,638</u>	<u>30,710</u>
Net assets, end of year	\$ <u>34,794</u>	<u>34,999</u>	<u>33,638</u>

The hospital had a \$2,987,795 loss from operations for fiscal year 2011. The hospital had strong revenue growth of almost \$4 million for the fiscal year. The revenue growth was offset by large increases in expenses. The hospital experienced a \$2.6 million increase in salaries and wages as a result of a new collective bargaining agreement that went into effect early in the fiscal year. \$900,000 of that increase was a one-time signing bonus paid out in August 2010; the remainder was an overall 14% increase in wages that brought wages in line with other Alaska hospitals. The collective bargaining agreement is in effect through December 31, 2013; salaries and wage expense should remain stable through that time. The hospital also recorded its first full year of bond interest expense of \$940,000. Prior to fiscal year 2011, a large part of the interest expense was capitalized as part of the hospital expansion costs. The increase in expenses resulted in a \$205,438 decrease in net assets.

SOUTH PENINSULA HOSPITAL

Management's Discussion and Analysis, continued

Other Economic Factors

There are issues facing the hospital that could result in material changes in its financial position in the long term. Among those issues are:

- Risks related to changes in Medicare and Medicaid reimbursement
- Increasing numbers of uninsured and underinsured patients
- Competition in the local health care market
- Nursing and other healthcare related labor shortages
- Healthcare Reform

The hospital is certified as a provider under both the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 year of age or disabled, and the Medicaid program, funded jointly by the federal government and the state, which provides medical assistance to certain needy individuals and families. Approximately 32% of the hospital's gross patient revenue for fiscal year 2011 was derived from Medicare and 25% from Medicaid.

Contacting the Hospital's Financial Management

The financial report is designed to provide our patients, suppliers, investors and creditors with a general overview of the Hospital's finances. If you have questions about this report or need additional information, contact the Hospital's Finance Office at 4300 Bartlett, Homer, Alaska, 99603.

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FINANCIAL STATEMENTS

SOUTH PENINSULA HOSPITAL

Service Area Enterprise Fund

Statement of Net Assets

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 3,614,066	4,452,862
Equity in central treasury of Kenai Peninsula Borough	<u>1,983,695</u>	<u>2,935,767</u>
Total cash and equivalents and equity in central treasury of Kenai Peninsula Borough	<u>5,597,761</u>	<u>7,388,629</u>
Patient receivables	9,746,853	9,061,961
Less estimated uncollectibles	<u>(3,142,250)</u>	<u>(3,063,143)</u>
Net patient receivables	<u>6,604,603</u>	<u>5,998,818</u>
Property taxes receivable	122,231	122,463
Less estimated uncollectible taxes	<u>(3,862)</u>	<u>(5,171)</u>
Net property taxes receivable	<u>118,369</u>	<u>117,292</u>
Other receivables	51,351	46,340
Inventory	1,160,194	1,199,624
Prepaid expenses	<u>353,414</u>	<u>397,950</u>
Total current assets	<u>13,885,692</u>	<u>15,148,653</u>
Bond issuance costs	<u>45,288</u>	<u>48,771</u>
Net pension asset	<u>712,624</u>	<u>789,141</u>
Assets whose use is limited:		
Employee health reserve	243,778	237,711
Malpractice reserve	85,000	85,000
Student loan program	73,336	93,036
Plant replacement funds	49,632	1,103,175
Other	<u>4,819</u>	<u>4,819</u>
Total assets whose use is limited	<u>456,565</u>	<u>1,523,741</u>
Property, plant and equipment:		
Land and land improvements	3,603,579	3,600,579
Buildings	52,085,078	51,170,801
Equipment	15,584,936	13,037,823
Improvements other than buildings	58,662	52,702
Construction in progress	627,524	577,964
Less accumulated depreciation	<u>(27,295,817)</u>	<u>(25,066,423)</u>
Net property, plant and equipment	<u>44,663,962</u>	<u>43,373,446</u>
Total assets	<u>\$ 59,764,131</u>	<u>60,883,752</u>

The accompanying notes are an integral part of the financial statements.

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund
Statement of Net Assets, continued

<u>Liabilities and Net Assets</u>	<u>2011</u>	<u>2010</u>
Liabilities:		
Current liabilities:		
Accounts and contracts payable	\$ 704,902	846,951
Accrued liabilities	2,343,568	2,051,908
Unearned revenue	370,714	413,136
Current portion of bonds payable and capital lease	990,000	1,335,079
Current portion of note payable to Kenai Peninsula Borough	56,368	-
Bond interest payable	<u>233,313</u>	<u>222,460</u>
Total current liabilities	<u>4,698,865</u>	<u>4,869,534</u>
Long-term debt, net of current portion:		
Bonds payable, net of premium and deferred loss	20,013,832	21,014,809
Note payable to Kenai Peninsula Borough	<u>257,463</u>	<u>-</u>
Total long-term debt, net of current portion	<u>20,271,295</u>	<u>21,014,809</u>
Total liabilities	<u>24,970,160</u>	<u>25,884,343</u>
Net assets:		
Invested in capital assets, net of related debt	23,346,299	21,023,558
Restricted	25,286	25,286
Unrestricted	<u>11,422,386</u>	<u>13,950,565</u>
Total net assets	<u>34,793,971</u>	<u>34,999,409</u>
Total liabilities and net assets	<u>\$ 59,764,131</u>	<u>60,883,752</u>

The accompanying notes are an integral part of the financial statements.

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Net patient service revenue	\$ 34,247,906	30,349,373
Other operating revenue	<u>132,594</u>	<u>125,956</u>
Total operating revenues	<u>34,380,500</u>	<u>30,475,329</u>
Operating expenses:		
Salaries and wages	15,720,061	13,096,703
Employee benefits	6,515,376	5,351,802
Supplies, drugs and food	3,395,499	3,597,057
Professional fees	4,238,816	3,598,649
Depreciation	2,738,347	2,479,633
Utilities and telephone	1,244,136	1,040,911
Repairs and maintenance	1,146,822	1,085,007
Contract staffing	470,080	307,771
Lease and rentals	546,013	572,321
Insurance	387,311	349,901
Travel, meetings and education	213,693	223,979
Dues, books and subscriptions	230,635	176,324
Other operating expenses	<u>521,506</u>	<u>673,400</u>
Total operating expenses	<u>37,368,295</u>	<u>32,553,458</u>
Loss from operations	(2,987,795)	(2,078,129)
Non-operating revenues (expenses):		
General property taxes	3,708,764	3,712,321
Grants and contributions	68,939	315,294
Investment income	48,924	107,418
Gain (loss) on disposal of assets	(35,321)	1,228
Interest expense	(940,010)	(639,984)
Other income (expense)	<u>(68,939)</u>	<u>(60,745)</u>
Total non-operating revenues, net	<u>2,782,357</u>	<u>3,435,532</u>
Income before capital contributions	(205,438)	1,357,403
Capital contributions	<u>-</u>	<u>3,506</u>
Change in net assets	(205,438)	1,360,909
Net assets, beginning of year	<u>34,999,409</u>	<u>33,638,500</u>
Net assets, end of year	\$ <u>34,793,971</u>	<u>34,999,409</u>

The accompanying notes are an integral part of the financial statements.

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund
Statement of Cash Flows
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from patients and users	\$ 33,644,500	30,366,812
Payments to suppliers	(12,452,594)	(12,957,852)
Payments to employees	(21,867,260)	(18,644,812)
Other receipts	<u>132,594</u>	<u>125,956</u>
Net cash used by operating activities	<u>(542,760)</u>	<u>(1,109,896)</u>
Cash flows from non-capital financing activities:		
Receipts from property taxes	3,657,875	3,673,274
Grant and other non-operating sources	<u>-</u>	<u>254,549</u>
Net cash provided by non-capital financing activities	<u>3,657,875</u>	<u>3,927,823</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(4,010,742)	(6,801,237)
Proceeds from intergovernmental loan	313,831	-
Capital contributions received	-	3,506
Bond and lease principal paid	(1,335,079)	(1,279,650)
Bond and lease interest paid	(990,165)	(1,044,785)
Payments on short term note	-	(118,523)
Proceeds from sale of capital assets	<u>-</u>	<u>1,228</u>
Net cash used by capital and related financing activities	<u>(6,022,155)</u>	<u>(9,239,461)</u>
Cash flows from investing activities:		
Decrease in assets whose use is limited	1,067,176	6,588,720
Interest and dividends received	<u>48,996</u>	<u>113,738</u>
Net cash provided by investing activities	<u>1,116,172</u>	<u>6,702,458</u>
Net increase (decrease) in cash and cash equivalents	(1,790,868)	280,924
Cash, cash equivalents and equity in central treasury, beginning of year	<u>7,388,629</u>	<u>7,107,705</u>
Cash, cash equivalents and equity in central treasury, end of year	\$ <u>5,597,761</u>	<u>7,388,629</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ <u>(2,987,795)</u>	<u>(2,078,129)</u>
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities:		
Depreciation expense	2,738,347	2,479,633
Change in assets and liabilities:		
Patient receivables, net	(605,785)	161,886
Other receivables	(5,011)	61,879
Inventory	39,430	16,522
Prepaid expenses	44,536	(28,351)
Net pension asset	76,517	(499,065)
Accounts and contracts payable	(142,049)	(1,320,702)
Accrued liabilities, compensated absences, and unearned revenue	<u>299,050</u>	<u>96,431</u>
Total adjustments	<u>2,445,035</u>	<u>968,233</u>
Net cash used by operating activities	\$ <u>(542,760)</u>	<u>(1,109,896)</u>

The accompanying notes are an integral part of the financial statements.

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund

Notes to Financial Statements

June 30, 2011 and 2010

(1) **The Reporting Entity**

The South Peninsula Hospital Service Area Enterprise Fund (the Fund) is an enterprise fund of the Kenai Peninsula Borough, which was incorporated as a second class borough on January 1, 1964, under provisions of the State of Alaska Borough Act of 1961. Included in the financial statements are all entities for which the Fund has oversight responsibility. The Fund accounts for the provision of hospital services for the south peninsula area within the Kenai Peninsula Borough. The South Peninsula Hospital (the Hospital) is operated under a sublease and operating agreement ("Operating Agreement") by South Peninsula Hospital, Inc. Under the terms of this agreement, which expires December 13, 2013 with an optional six year extension, the South Peninsula Hospital Service Area provides funds to the Hospital, for payment of debt service, additions to, repairs and replacement of property, plant and equipment and for operational purposes if needed.

(2) **Summary of Significant Accounting Policies**

Enterprise Fund Accounting

Enterprise funds are used to account for government operations which are financed and operated in a manner similar to private business enterprises. It is the intent of the Kenai Peninsula Borough that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these services by the Fund are financed from existing cash resources of the Fund and the South Peninsula Hospital Service Area, the issuance of general obligation bonds by the Kenai Peninsula Borough on behalf of the Fund, and State and federal grants.

The accrual basis of accounting is followed by the Hospital. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. The Hospital follows all applicable private sector guidance issued prior to December 1, 1989 as long as it does not conflict with Governmental Accounting Standards Board pronouncements.

Equity in Central Treasury

The Kenai Peninsula Borough has combined monies available for investment from all of the Borough's separate reporting funds into a "Central Treasury". The Central Treasury concept permits the more efficient investment of the combined assets from the separate funds. Each fund whose monies are deposited in the Central Treasury has equity therein.

Investments

The Hospital's policy is to invest only in obligations of the U.S. Treasury, its agencies and instrumentalities, fully collateralized certificates of deposit, commercial paper, and money market mutual funds. Investments are stated at fair value.

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund

Notes to Financial Statements, continued

Summary of Significant Accounting Policies, continued

Inventory

Inventory consists primarily of hospital supplies and pharmaceuticals and is stated at the lower of cost (first-in, first-out method) or market.

Prepaid Expenses

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid expenses.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Interest incurred during the construction phase of construction is included as part of the capitalized value of the asset constructed. Depreciation is charged to operations by use of the straight-line method over the estimated useful lives of the assets, estimated to be ten to fifty years for buildings and three to fifteen years for equipment. Land is not depreciated. Expenditures for renewals and betterments are capitalized and maintenance and repairs are expensed when incurred. Gains and losses upon asset disposal are reflected in income.

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 included in net revenue.

Net Patient Service Revenue

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.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied by the Kenai Peninsula Borough on July 1 and are due in either two installments on September 15 and November 15, or one installment due October 15. The Borough bills and collects its own property taxes, those of the Borough service areas including the South Peninsula Hospital Service Area Enterprise Fund, and those of the cities within the Borough.

Unearned Revenue

Unearned revenue consists of payments received as of June 30 for property taxes due October 15th. Such deferred property tax revenues are for support for the following fiscal year operations.

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund

Notes to Financial Statements, continued

Summary of Significant Accounting Policies, continued

Cash Equivalents

For purposes of the statement of cash flows, the Hospital considers all highly liquid investments and deposits in the Kenai Peninsula Borough central treasury to be cash equivalents except those included in assets whose use is limited. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

Assets Whose Use is Limited

Assets whose use is limited are assets set aside by the Board for future capital improvements or other uses over which the Board retains control and may, at its discretion, use for other purposes, except for bond funds which must be used for Hospital expansion and trust funds held in escrow. These investments are recorded at fair value and are included in unrestricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

(3) **Uncompensated Care**

Bad debts and charity care are subtracted from patient service revenue to arrive at net patient revenue. The following information relates to uncompensated care for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Bad debts	\$ 1,668,364	1,694,280
Charges forgone, based on established rates	<u>789,822</u>	<u>1,056,791</u>
Total uncompensated care	<u>\$ 2,458,186</u>	<u>2,751,071</u>

(4) **Deposits and Investments**

Deposits consisted of the following at June 30:

	2011		2010	
	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Bank accounts	\$ 3,685,797	<u>3,745,208</u>	4,544,243	<u>4,737,945</u>
Cash on hand	<u>1,605</u>		<u>1,655</u>	
	3,687,402		4,545,898	
Less cash equivalents included in assets whose use is limited	<u>(73,336)</u>		<u>(93,036)</u>	
Cash and cash equivalents	<u>\$ 3,614,066</u>		<u>4,452,862</u>	

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund

Notes to Financial Statements, continued

Deposits and Investments, continued

The checking and savings account balances held in the Hospital's name as of June 30, 2011 included \$2,589,220 of uninsured and uncollateralized amounts.

The checking account balances are fully insured by federal deposit insurance or collateralized by securities which are held by the Borough's agent in the Kenai Peninsula Borough's name for the central treasury cash.

The Kenai Peninsula Borough has combined monies available for investment from all of the Borough's separate funds into a "Central Treasury." The Hospital's investment in the Central Treasury is recorded on the statement of net assets as follows:

	<u>2011</u>	<u>2010</u>
Equity in Central Treasury of Kenai Peninsula Borough	\$ 2,362,105	4,361,653
Less amount included in assets whose use is limited	<u>(378,410)</u>	<u>(1,425,886)</u>
	<u>\$ 1,983,695</u>	<u>2,935,767</u>

(5) **Capital Assets**

A summary of the changes in property, plant and equipment for fiscal years 2011 and 2010 follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Land and land improvements	\$ 3,600,579	3,000	-	3,603,579
Buildings	51,170,801	1,413,986	(499,709)	52,085,078
Equipment	13,037,823	2,591,680	(44,567)	15,584,936
Improvements other than buildings	52,702	5,960	-	58,662
Construction in progress	<u>577,964</u>	<u>2,934,600</u>	<u>(2,885,040)</u>	<u>627,524</u>
Total property, plant and equipment	<u>68,439,869</u>	<u>6,949,226</u>	<u>(3,429,316)</u>	<u>71,959,779</u>
Less accumulated depreciation for:				
Land improvements	(675,796)	(159,777)	-	(835,573)
Buildings	(14,876,749)	(1,320,318)	464,387	(15,732,680)
Improvements other than buildings	(5,414)	(5,045)	-	(10,459)
Equipment	<u>(9,508,464)</u>	<u>(1,253,207)</u>	<u>44,566</u>	<u>(10,717,105)</u>
Total accumulated depreciation	<u>(25,066,423)</u>	<u>(2,738,347)</u>	<u>508,953</u>	<u>(27,295,817)</u>
Net property, plant and equipment	<u>\$ 43,373,446</u>	<u>4,210,879</u>	<u>(2,920,363)</u>	<u>44,663,962</u>

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund

Notes to Financial Statements, continued

Capital Assets, continued

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Land and land improvements	\$ 3,534,872	65,707	-	3,600,579
Buildings	32,510,072	18,660,729	-	51,170,801
Equipment	11,824,567	1,213,256	-	13,037,823
Improvements other than buildings	34,908	17,794	-	52,702
Construction in progress	<u>13,360,306</u>	<u>5,806,945</u>	<u>(18,589,287)</u>	<u>577,964</u>
Total property, plant and equipment	<u>61,264,725</u>	<u>25,764,431</u>	<u>(18,589,287)</u>	<u>68,439,869</u>
Less accumulated depreciation for:				
Land improvements	(518,612)	(157,184)	-	(675,796)
Buildings	(13,776,366)	(1,100,383)	-	(14,876,749)
Improvements other than buildings	(478)	(4,936)	-	(5,414)
Equipment	<u>(8,291,334)</u>	<u>(1,217,130)</u>	<u>-</u>	<u>(9,508,464)</u>
Total accumulated depreciation	<u>(22,586,790)</u>	<u>(2,479,633)</u>	<u>-</u>	<u>(25,066,423)</u>
Net property, plant and equipment	<u>\$ 38,677,935</u>	<u>23,284,798</u>	<u>(18,589,287)</u>	<u>43,373,446</u>

(6) **Note Payable**

In November of 2008, the Hospital took out a short term note in the amount of \$289,840 to fund general and professional insurance costs. As of June 30, 2011 and 2010, the outstanding balance was \$0 and \$118,523, respectively.

(7) **Long-Term Debt**

Long-term debt consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
General obligation bonds 2003 series in annual installments, including a coupon rate ranging between 2.0% – 5.125%, maturing in December 2019	\$ 4,750,000	5,180,000
General obligation bonds 2007 series in annual installments, including a coupon rate ranging between 3.75% – 5.0%, maturing in December 2023	3,035,000	3,050,000

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund

Notes to Financial Statements, continued

Long-Term Debt, continued

	<u>2011</u>	<u>2010</u>
General obligation bonds 2007 series in annual installments, including a coupon rate ranging between 4.25% – 5.0%, maturing in December 2027	\$ 13,100,000	13,605,000
Capital lease payable to Sun Trust Leasing Co. secured by equipment, payable in quarterly installments of \$395,021 including interest at 4.11%, maturing June 2011	-	385,079
Note payable to Kenai Peninsula Borough, payable in yearly installments of \$73,247 including interest at 5.25%, maturing April 2016	<u>313,831</u>	<u>-</u>
	21,198,831	22,220,079
Less current portion	<u>(1,046,368)</u>	<u>(1,335,079)</u>
	20,152,463	20,885,000
Plus unamortized bond premium	249,742	270,789
Less deferred loss on bond refunding	<u>(130,910)</u>	<u>(140,980)</u>
Long-term debt, net of current portion	<u>\$ 20,271,295</u>	<u>21,014,809</u>

The remaining annual requirements of all debt outstanding as of June 30, 2011 are as follows:

	<u>General Obligation Bonds</u>		
<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 990,000	941,244	1,931,244
2013	1,025,000	899,613	1,924,613
2014	1,070,000	856,307	1,926,307
2015	1,115,000	811,138	1,926,138
2016	1,160,000	761,507	1,921,507
2017-2021	6,655,000	2,919,056	9,574,056
2022-2026	6,740,000	1,212,819	7,952,819
2027-2028	<u>2,130,000</u>	<u>102,363</u>	<u>2,232,363</u>
	<u>\$ 20,885,000</u>	<u>8,504,047</u>	<u>29,389,047</u>

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund

Notes to Financial Statements, continued

Long-Term Debt, continued

Year Ended <u>June 30</u>	Note Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 56,368	16,878	73,246
2013	59,400	13,847	73,247
2014	62,594	10,652	73,246
2015	65,961	7,286	73,247
2016	<u>69,508</u>	<u>3,738</u>	<u>73,246</u>
	<u>\$ 313,831</u>	<u>52,401</u>	<u>366,232</u>

(8) **Restricted Net Assets**

The Hospital has restricted net assets of \$25,286 at June 30, 2011 and 2010. This is the unspent interest earnings on bond funds which must be used for the purposes allowed by the bonds.

(9) **Functional Expenses**

Operating expenses grouped according to function are as follows:

	<u>2011</u>	<u>2010</u>
Operating expenses:		
Nursing services	\$ 9,343,192	7,892,773
Other professional services	10,150,938	9,019,679
General services	4,269,461	3,593,004
Fiscal and administrative services	10,866,357	9,568,369
Provision for depreciation	<u>2,738,347</u>	<u>2,479,633</u>
Total expenses	<u>\$ 37,368,295</u>	<u>32,553,458</u>

(10) **Interest Capitalized**

During 2011 and 2010, the Hospital capitalized \$53,443 and \$373,906, respectively, in interest costs. In 2011, this amount was comprised of \$53,515 in construction phase interest, net of \$72 interest earnings on bond funds. For 2010, this amount was comprised of \$380,227 in construction phase interest, net of \$6,321 interest earnings on bond funds.

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund

Notes to Financial Statements, continued

(11) **Third-Party Payor Programs**

The Hospital has agreements with third-party payers that provide for reimbursement at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payers. A summary of the basis of reimbursement with major third-party payers follows:

Medicare

Critical Access Hospitals are paid based on each hospital's reported costs. Inpatient, Outpatient, Laboratory, Therapy, and Swing-Bed services are paid at 101 percent of the hospital's cost of providing those services. The hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits by the Medicare fiscal intermediary.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid for through a cost reimbursement method. Inpatient stays are paid on a per day rate with limits based on diagnosis. Outpatient services are reimbursed as a percentage of charges.

(12) **Defined Benefit Pension Plan**

Description of Plan

The Hospital employees participate in the South Peninsula Hospital Employees' Pension Plan, a defined benefit single employer plan. The Plan was established and is administered by the South Peninsula Hospital. The Plan issues separate financial statements that are available by contacting the Hospital at South Peninsula Hospital, 4300 Bartlett St., Homer, Alaska 99603.

Funding Policy

The Plan's funding policy provides for actuarially determined periodic contributions by the Hospital at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The Plan uses the traditional unit credit actuarial method. Significant actuarial assumptions used to calculate the net pension obligation are identical to those used for funding purposes.

Annual Pension Cost and Net Pension Obligation (Asset)

The annual required contribution for the current year was determined as part of the January 1, 2010 actuarial valuation. The actuarial assumptions included: (a) January 2010 segment interests of (1) Years 0-5 – 3.780%, (2) Years 6-20 – 6.310%, and (3) Years over 20 – 6.570% rate of returns (net of administrative expenses); (b) projected salary increases of 2.0% per year; and (c) no inflation rate.

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund

Notes to Financial Statements, continued

Defined Benefit Pension Plan, continued

Annual Pension Cost and Net Pension Obligation (Asset), continued

For the years ended December 31, 2008, 2009, and 2010, the Hospital's annual pension cost and net pension obligation (asset) follows:

<u>Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2008	\$ 703,637	\$ 973,373	138%	\$ (290,076)
2009	639,634	1,138,699	164%	(789,141)
2010	682,553	606,036	89%	(712,624)

A schedule of funding progress follows (in thousands):

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability (Overfunded Assets)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability (Overfunded Assets) as Percentage of Payroll</u>
January 1, 2008	\$ 7,409	\$ 7,423	\$ 14	99%	\$ 10,500	0.13%
January 1, 2009	7,070	7,369	299	96%	11,567	2.58%
January 1, 2010	9,971	9,499	(472)	105%	13,275	(3.56)%

(13) **Risk Management**

The Hospital is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, medical malpractice, errors and omissions, injuries to employees, and natural disasters. The Hospital purchases commercial insurance for all risks of loss except as described below.

SOUTH PENINSULA HOSPITAL
Service Area Enterprise Fund

Notes to Financial Statements, continued

Risk Management, continued

The Hospital is insured for medical malpractice claims by a modified claims-made policy for any occurrence since January 1, 1987 reported during the current policy period or renewal thereof. Management has no reason to believe that the Hospital will not be able to obtain such coverage in future periods. The Hospital also retains \$100,000 of medical claims expense per covered employee each year, with coverage limited to a lifetime maximum of \$1,000,000 per covered employee.

Self-Insured Health Plan

The Hospital is self-insured for employee health insurance claims. Health Plan administration and processing is contracted to an independent third-party service provider. Health expense claims, administrative fees, and stop loss premiums are accrued in the period incurred. An estimate for claims incurred but not reported (IBNR) and claims incurred but not paid (IBNP) as of the Statement of Net Asset's date has been recorded based on claims lag reports from the plan administrator:

	<u>2011</u>	<u>2010</u>
Health insurance claims liabilities, beginning of year	\$ 439,806	200,000
Current year claims incurred and changes in estimates for claims incurred in prior years	2,969,225	3,026,286
Claims and expenses paid	<u>(2,652,470)</u>	<u>(2,786,480)</u>
Health insurance claims liabilities, end of year	\$ <u>756,561</u>	<u>439,806</u>