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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

**2011**

**Open to Public Inspection**

**A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012**

**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 $ 43,058,454

**F** Name and address of principal officer
South Peninsula Hospital
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 2011 (Part V, line 2a) | **5** | 372 |
| **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 |
|---|---|---|---|
| **Revenue** | | | |
| **8** | Contributions and grants (Part VIII, line 1h) | 3,826,627 | 3,750,708 |
| **9** | Program service revenue (Part VIII, line 2g) | 34,374,543 | 39,302,350 |
| **10** | Investment income (Part VIII, column (A), lines 3, 4, and 7d ) | -29,364 | 669 |
| **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) | 38,171,806 | 43,053,727 |
| **Expenses** | | | |
| **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) | 22,178,537 | 23,461,645 |
| **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–24e) | 16,198,707 | 17,352,512 |
| **18** | Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) | 38,377,244 | 40,814,157 |
| **19** | Revenue less expenses Subtract line 18 from line 12 | -205,438 | 2,239,570 |

| | | Beginning of Current Year | End of Year |
|---|---|---|---|
| **Net Assets or Fund Balances** | | | |
| **20** | Total assets (Part X, line 16) | 59,764,131 | 61,723,129 |
| **21** | Total liabilities (Part X, line 26) | 24,970,160 | 24,689,588 |
| **22** | Net assets or fund balances Subtract line 21 from line 20 | 34,793,971 | 37,033,541 |

## 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 — 2013-01-24 Date

▶ Robert Letson CEO
Type or print name and title

**Paid Preparer's Use Only**

Preparer's signature ▶ | Date | Check if self-employed ▶☐ | Preparer's taxpayer identification number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ | EIN ▶ | 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 . . . . . ☑

**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 organization's program service accomplishments for each of its three largest program services, as measured 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 $ 24,068,070 including grants of $ 0 ) (Revenue $ 30,584,371 )

Our 22 bed hospital provided inpatient services to 951 patients for total patient days of 3045 for the 2011 tax year Total outpatient visits for the year were 27,045 and include, 4,490 emergency department visits, 982 ambulatory surgery visits, and 9,964 imaging visits Other outpatient services include laboratory, physical therapy, occupational therapy, infusion and chemotherapy, and sleep lab

**4b** (Code ) (Expenses $ 4,014,224 including grants of $ 0 ) (Revenue $ 6,238,816 )

Our Long Term care facility served 39 residents during the 2011 tax year with an average daily census of 25 and total resident days of 9,276

**4c** (Code ) (Expenses $ 1,591,045 including grants of $ 0 ) (Revenue $ 1,676,765 )

The hospital opened its first provider-based clinic during the 2011 tax year The clinic had 1,191 patient visits during the year

(Code ) (Expenses $ 900,001 including grants of $ 0 ) (Revenue $ 802,398 )

Our community health services department provides home health care, chore and respite services, and other home care services to more than 300 local residents 3,200 visits were made to client homes in the 2011 yax year Other program services include revenue from cafeteria and vendings machines, medical record copies, and other program related sources

**4d** Other program services (Describe in Schedule O )

(Expenses $ 900,001 including grants of $ 0 ) (Revenue $ 802,398 )

**4e** **Total program service expenses** ▶ $ 30,573,340

## 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)? *If "Yes," complete Schedule A* | 1 | Yes | |
| 2 | Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)? | 2 | Yes | |
| 3 | Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I* | 3 | | 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? *If "Yes," complete Schedule C, Part II* | 4 | | 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? *If "Yes," complete Schedule C, Part III* | 5 | | No |
| 6 | Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I* | 6 | | 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? *If "Yes," complete Schedule D, Part II* | 7 | | No |
| 8 | Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III* | 8 | | 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? *If "Yes," complete Schedule D, Part IV* | 9 | | No |
| 10 | Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V* | 10 | | 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, line10? *If "Yes," complete Schedule D, Part VI.* | 11a | 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? *If "Yes," complete Schedule D, Part VII.* | 11b | | 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? *If "Yes," complete Schedule D, Part VIII.* | 11c | | 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? *If "Yes," complete Schedule D, Part IX.* | 11d | | No |
| e | Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.* | 11e | 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)? *If "Yes," complete Schedule D, Part X.* | 11f | | No |
| 12a | Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII* | 12a | Yes | |
| b | Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional* | 12b | Yes | |
| 13 | Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E* | 13 | | No |
| 14a | Did the organization maintain an office, employees, or agents outside of the United States? | 14a | | No |
| b | Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I* | 14b | | 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 ? *If "Yes," complete Schedule F, Part II and IV* | 15 | | 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 ? *If "Yes," complete Schedule F, Part III and IV* | 16 | | 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? *If "Yes," complete Schedule G, Part I* | 17 | | 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? *If "Yes," complete Schedule G, Part II* | 18 | | No |
| 19 | Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III* | 19 | | No |
| 20a | Did the organization operate one or more hospitals? *If "Yes," complete Schedule H* | 20a | Yes | |
| b | If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements | 20b | 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? *If "Yes," complete Schedule I, Parts I and II* | **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? *If "Yes," complete Schedule I, Parts I and III* | **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? *If "Yes," complete Schedule J* | **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? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25* | **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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part II* | **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? *If "Yes," complete Schedule L, Part III* | **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? *If "Yes," complete Schedule L, Part IV* | **28a** | | No |
| **b** | A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV* | **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 owner? *If "Yes," complete Schedule L, Part IV* | **28c** | | No |
| **29** | Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M* | **29** | | No |
| **30** | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M* | **30** | | No |
| **31** | Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I* | **31** | | No |
| **32** | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II* | **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? *If "Yes," complete Schedule R, Part I* | **33** | | No |
| **34** | Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1* | **34** | Yes | |
| **35a** | Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)? | **35a** | | No |
| **b** | Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* | **35b** | | No |
| **36** | **Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2* | **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? *If "Yes," complete Schedule R, Part VI* | **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 . . . . . ☐

| | | | | Yes | No |
|---|---|---|---|---|---|
| **1a** | Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . . . . . | **1a** | 97 | | |
| **b** | Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable | **1b** | 0 | | |
| **c** | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? . . . . . | | | **1c** | Yes | |
| **2a** | Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return . . . . . | **2a** | 372 | | | |
| **b** | If at least one is reported on line 2a, did the organization file all required federal employment tax returns? | | | **2b** | Yes | |
| | **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions) | | | | | |
| **3a** | Did the organization have unrelated business gross income of $1,000 or more during the year? . . . . . | | | **3a** | | No |
| **b** | If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O* . . . . . | | | **3b** | | |
| **4a** | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)? . . . . . | | | **4a** | | No |
| **b** | If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts | | | | | |
| **5a** | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . | | | **5a** | | No |
| **b** | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? | | | **5b** | | No |
| **c** | If "Yes" to line 5a or 5b, did the organization file Form 8886-T? . . . . . | | | **5c** | | |
| **6a** | Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible? . . . . . | | | **6a** | | No |
| **b** | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? . . . . . | | | **6b** | | |
| **7** | **Organizations that may receive deductible contributions under section 170(c).** | | | | | |
| **a** | Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor? . . . . . | | | **7a** | | |
| **b** | If "Yes," did the organization notify the donor of the value of the goods or services provided? . . . . . | | | **7b** | | |
| **c** | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? . . . . . | | | **7c** | | |
| **d** | If "Yes," indicate the number of Forms 8282 filed during the year . . . . | **7d** | | | | |
| **e** | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? . . . . . | | | **7e** | | |
| **f** | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . | | | **7f** | | |
| **g** | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? . . . . . | | | **7g** | | |
| **h** | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? . . . . . | | | **7h** | | |
| **8** | **Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? . . . . . | | | **8** | | |
| **9** | **Sponsoring organizations maintaining donor advised funds.** | | | | | |
| **a** | Did the organization make any taxable distributions under section 4966? . . . . . | | | **9a** | | |
| **b** | Did the organization make a distribution to a donor, donor advisor, or related person? . . . . . | | | **9b** | | |
| **10** | **Section 501(c)(7) organizations.** Enter | | | | | |
| **a** | Initiation fees and capital contributions included on Part VIII, line 12 . . . | **10a** | | | | |
| **b** | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities | **10b** | | | | |
| **11** | **Section 501(c)(12) organizations.** Enter | | | | | |
| **a** | Gross income from members or shareholders . . . . . | **11a** | | | | |
| **b** | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them ) . . . . . | **11b** | | | | |
| **12a** | **Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041? | | | **12a** | | |
| **b** | If "Yes," enter the amount of tax-exempt interest received or accrued during the year | **12b** | | | | |
| **13** | **Section 501(c)(29) qualified nonprofit health insurance issuers.** | | | | | |
| **a** | Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state | | | **13a** | | |
| **b** | Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans | **13b** | | | | |
| **c** | Enter the aggregate amount of reserves on hand | **13c** | | | | |
| **14a** | Did the organization receive any payments for indoor tanning services during the tax year? . . . . . | | | **14a** | | No |
| **b** | If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . . | | | **14b** | | |

**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 . . . . . | 1a | 9 | | |
| b | Enter the number of voting members included in line 1a, above, who are independent . . . . . | 1b | 9 | | |
| 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? . . . . . | | 2 | | 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? . | | 3 | | No |
| 4 | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | | 4 | | No |
| 5 | Did the organization become aware during the year of a significant diversion of the organization's assets? . | | 5 | | No |
| 6 | Did the organization have members or stockholders? . . . . . | | 6 | | No |
| 7a | Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . . | | 7a | | No |
| b | Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . . | | 7b | | No |
| 8 | Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following | | | | |
| a | The governing body? . . . . . | | 8a | Yes | |
| b | Each committee with authority to act on behalf of the governing body? . . . . . | | 8b | 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 . . . . . | | 9 | | No |

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

| | | | Yes | No |
|---|---|---|---|---|
| 10a | Did the organization have local chapters, branches, or affiliates? . . . . . | 10a | | No |
| b | If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? . . . . | 10b | | |
| 11a | Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? | 11a | Yes | |
| b | Describe in Schedule O the process, if any, used by the organization to review the Form 990 . . . . . | | | |
| 12a | Did the organization have a written conflict of interest policy? *If "No," go to line 13* . . . . . | 12a | Yes | |
| b | Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . . | 12b | Yes | |
| c | Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . . | 12c | Yes | |
| 13 | Did the organization have a written whistleblower policy? . . . . . | 13 | | No |
| 14 | Did the organization have a written document retention and destruction policy? . . . . . | 14 | 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? | | | |
| a | The organization's CEO, Executive Director, or top management official . . . . . | 15a | Yes | |
| b | Other officers or key employees of the organization . . . . . | 15b | | No |
| | If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions) | | | |
| 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? . . . . . | 16a | | No |
| b | If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? . . . . . | 16b | | |

## Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶

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 made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization made 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 ▶

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, or 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 organizations compensated any current or former officer, director, or trustee

| (A) Name and Title | (B) Average hours per week (describe hours for related organizations in Schedule O) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (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) Julie Woodworth Director | 3 | X | | | | | | 0 | 0 | 0 |
| (2) Kelly Cooper Director | 2 5 | X | | | | | | 0 | 0 | 0 |
| (3) Clyde Boyer Director | 3 5 | X | | | | | | 0 | 0 | 0 |
| (4) Thomas Clark Director | 2 | X | | | | | | 0 | 0 | 0 |
| (5) Susan Drathman Director | 7 5 | X | | | | | | 0 | 0 | 0 |
| (6) Matthew Hambrick Director | 2 | X | | | | | | 0 | 0 | 0 |
| (7) Vickey Hodnick Director | 3 | X | | | | | | 0 | 0 | 0 |
| (8) Matthew North Director | 2 | X | | | | | | 0 | 0 | 0 |
| (9) Bernadette Wilson Director | 3 | X | | | | | | 0 | 0 | 0 |
| (10) Robert F Letson Chief Executive Officer | 50 | | | X | | | | 147,571 | 0 | 60,504 |
| (11) Robert A Barnes Chief Financial Officer | 40 | | | X | | | | 130,947 | 0 | 53,668 |
| (12) Brent Adcox Medical Doctor | 40 | | | | | X | | 300,949 | 0 | 123,389 |
| (13) Larry R Tripp CRNA | 40 | | | | | X | | 260,012 | 0 | 15,601 |
| (14) Douglas Westphal Physical Therapist | 40 | | | | | X | | 109,583 | 0 | 44,929 |
| (15) Lisa Mangum Surgical Services Director | 40 | | | | | X | | 109,068 | 0 | 44,718 |
| (16) Deanna Graham QI Director | 40 | | | | | X | | 105,868 | 0 | 43,406 |
| | | | | | | | | | | |

**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 (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (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 | | | |
| | | | | | | | | | | |
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| | | | | | | | | | | |
| **1b** **Sub-Total** . . . . . ▶ | | | | | | | | | | |
| **c** **Total from continuation sheets to Part VII, Section A** . . . . ▶ | | | | | | | | | | |
| **d** **Total (add lines 1b and 1c)** . . . . . ▶ | | | | | | | | 1,163,998 | 0 | 386,215 |

**2** Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 9

| | | | Yes | No |
|---|---|---|---|---|
| **3** | Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual* . . . . . | **3** | | 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? *If "Yes," complete Schedule J for such individual* . . . . . | **4** | 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? *If "Yes," complete Schedule J for such person* . . . . . | **5** | | 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 Report compensation for the calendar year ending with or within the organization's tax year

| (A) Name and business address | (B) Description of services | (C) Compensation |
|---|---|---|
| Peak Imaging<br>4438 towne Heights Ln<br>Homer, AK 99603 | Radiologist | 723,960 |
| Raymond Fowler<br>40914 Crested Crane St<br>Homer, AK 99603 | Anesthesiologist | 339,384 |
| Eris Radiology LLC<br>PO Box 2434<br>Homer, AK 99603 | Radiologists | 335,319 |
| James Peterson<br>PO Box 58<br>Homer, AK 99603 | Anesthesiologist | 246,115 |
| Paul Raymond<br>4201 Bartlett St Unit 2<br>Homer, AK 99603 | Emergency Physician | 188,442 |

**2** Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 10

## Part VIII Statement of Revenue

| | | | | (A) Total revenue | (B) Related or exempt function revenue | (C) Unrelated business revenue | (D) 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 3,688,934 | | | | |
| | f | All other contributions, gifts, grants, and similar amounts not included above | 1f 61,774 | | | | |
| | g | Noncash contributions included in lines 1a-1f $ 0 | | | | | |
| | h | **Total.** Add lines 1a-1f | | 3,750,708 | | | |
| Program Service Revenue | | | Business Code | | | | |
| | 2a | Hospital | 622000 | 30,584,371 | 30,584,371 | 0 | 0 |
| | b | Long Term Care | 623000 | 6,238,816 | 6,238,816 | 0 | 0 |
| | c | Physician Clinic | 621111 | 1,676,765 | 1,676,765 | 0 | 0 |
| | d | Community Health Services | 621610 | 634,156 | 634,156 | 0 | 0 |
| | e | | | | | | |
| | f | All other program service revenue | | 168,242 | 168,242 | 0 | 0 |
| | g | **Total.** Add lines 2a–2f | | 39,302,350 | | | |
| | 3 | Investment income (including dividends, interest and other similar amounts) | | 4,994 | 4,994 | 0 | 0 |
| | 4 | Income from investment of tax-exempt bond proceeds | | 0 | 0 | 0 | 0 |
| | 5 | Royalties | | 0 | 0 | 0 | 0 |
| | | | (i) Real / (ii) Personal | | | | |
| | 6a | Gross rents | 0 / 0 | | | | |
| | b | Less rental expenses | 0 / 0 | | | | |
| | c | Rental income or (loss) | 0 / 0 | | | | |
| | d | Net rental income or (loss) | | 0 | 0 | 0 | 0 |
| | | | (i) Securities / (ii) Other | | | | |
| | 7a | Gross amount from sales of assets other than inventory | 0 / 402 | | | | |
| | b | Less cost or other basis and sales expenses | 0 / 4,727 | | | | |
| | c | Gain or (loss) | 0 / -4,325 | | | | |
| | d | Net gain or (loss) | | -4,325 | -4,325 | 0 | 0 |
| Other Revenue | 8a | Gross income from fundraising events (not including $ 0 of contributions reported on line 1c) See Part IV, line 18 | a 0 | | | | |
| | b | Less direct expenses | b 0 | | | | |
| | c | Net income or (loss) from fundraising events | | 0 | 0 | 0 | 0 |
| | 9a | Gross income from gaming activities See Part IV, line 19 | a 0 | | | | |
| | b | Less direct expenses | b 0 | | | | |
| | c | Net income or (loss) from gaming activities | | 0 | 0 | 0 | 0 |
| | 10a | Gross sales of inventory, less returns and allowances | a 0 | | | | |
| | b | Less cost of goods sold | b 0 | | | | |
| | c | Net income or (loss) from sales of inventory | | 0 | 0 | 0 | 0 |
| | | Miscellaneous Revenue | Business Code | | | | |
| | 11a | | | | | | |
| | b | | | | | | |
| | c | | | | | | |
| | d | All other revenue | | | | | |
| | e | **Total.** Add lines 11a–11d | | 0 | | | |
| | 12 | **Total revenue.** See Instructions | | 43,053,727 | 39,303,019 | 0 | 0 |

## 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)

Check if Schedule O contains a response to any question in this Part IX . . . . . ☐

| 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 United States See Part IV, line 21 | 0 | 0 | | |
| 2 | Grants and other assistance to individuals in the United States See Part IV, line 22 | 0 | 0 | | |
| 3 | Grants and other assistance to governments, organizations, and individuals outside the United States 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 . . . . | 292,303 | 0 | 292,303 | 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 | 16,331,078 | 12,435,582 | 3,895,496 | 0 |
| 8 | Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . | 631,352 | 473,514 | 157,838 | 0 |
| 9 | Other employee benefits . . . . . | 4,895,710 | 3,629,561 | 1,266,149 | 0 |
| 10 | Payroll taxes . . . . . | 1,311,202 | 983,402 | 327,800 | 0 |
| 11 | Fees for services (non-employees) | | | | |
| a | Management . . . . . | 146,759 | 146,759 | 0 | 0 |
| b | Legal . . . . . | 230,850 | 0 | 230,850 | 0 |
| c | Accounting . . . . . | 20,984 | 0 | 20,984 | 0 |
| d | Lobbying . . . . . | 0 | 0 | 0 | 0 |
| e | Professional fundraising *See Part IV, line 17* . . | 0 | | | 0 |
| f | Investment management fees . . . . . | 0 | 0 | 0 | 0 |
| g | Other . . . . . | 5,315,909 | 4,355,380 | 960,529 | 0 |
| 12 | Advertising and promotion . . . . | 101,002 | 0 | 101,002 | 0 |
| 13 | Office expenses . . . . . | 3,913,076 | 3,450,947 | 462,129 | 0 |
| 14 | Information technology . . . . . | 469,985 | 55,363 | 414,622 | 0 |
| 15 | Royalties . . | 0 | 0 | 0 | 0 |
| 16 | Occupancy . . . . . | 1,674,578 | 171,517 | 1,503,061 | 0 |
| 17 | Travel . . . . . | 115,115 | 55,650 | 59,465 | 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 . . . . | 121,689 | 70,084 | 51,605 | 0 |
| 20 | Interest . . . . . | 801,276 | 799,762 | 1,514 | 0 |
| 21 | Payments to affiliates . . . . . | 0 | 0 | 0 | 0 |
| 22 | Depreciation, depletion, and amortization . . . . . | 2,915,639 | 2,915,639 | 0 | 0 |
| 23 | Insurance . . . . . | 478,800 | 478,800 | 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 | Maintenance & Repair | 836,042 | 519,314 | 316,728 | 0 |
| b | Dues Books Subscriptions | 210,808 | 32,066 | 178,742 | 0 |
| c | | | | | |
| d | | | | | |
| e | | | | | |
| f | All other expenses | | | | |
| 25 | **Total functional expenses.** Add lines 1 through 24f | 40,814,157 | 30,573,340 | 10,240,817 | 0 |
| 26 | **Joint costs.** Check here ▶ ☐ 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) Beginning of year | | (B) End of year |
|---|---|---|---|---|---|---|
| Assets | 1 | Cash—non-interest-bearing | | 1,605 | 1 | 2,104 |
| | 2 | Savings and temporary cash investments | | 6,052,721 | 2 | 7,923,929 |
| | 3 | Pledges and grants receivable, net | | 0 | 3 | 0 |
| | 4 | Accounts receivable, net | | 6,774,323 | 4 | 7,784,191 |
| | 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)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L | | 0 | 6 | 0 |
| | 7 | Notes and loans receivable, net | | 0 | 7 | 0 |
| | 8 | Inventories for sale or use | | 1,160,194 | 8 | 1,213,604 |
| | 9 | Prepaid expenses and deferred charges | | 1,111,326 | 9 | 1,065,947 |
| | 10a | Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* | 10a 73,651,937 | | | |
| | b | Less accumulated depreciation | 10b 29,918,583 | 44,663,962 | 10c | 43,733,354 |
| | 11 | Investments—publicly traded securities | | 0 | 11 | 0 |
| | 12 | Investments—other securities See Part IV, line 11 | | 0 | 12 | 0 |
| | 13 | Investments—program-related See Part IV, line 11 | | 0 | 13 | 0 |
| | 14 | Intangible assets | | 0 | 14 | 0 |
| | 15 | Other assets See Part IV, line 11 | | 0 | 15 | 0 |
| | 16 | **Total assets.** Add lines 1 through 15 (must equal line 34) | | 59,764,131 | 16 | 61,723,129 |
| Liabilities | 17 | Accounts payable and accrued expenses | | 3,104,838 | 17 | 3,864,475 |
| | 18 | Grants payable | | 0 | 18 | 0 |
| | 19 | Deferred revenue | | 370,714 | 19 | 405,518 |
| | 20 | Tax-exempt bond liabilities | | 21,237,144 | 20 | 20,221,532 |
| | 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 (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D | | 257,464 | 25 | 198,063 |
| | 26 | **Total liabilities.** Add lines 17 through 25 | | 24,970,160 | 26 | 24,689,588 |
| Net Assets or Fund Balances | | **Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.** | | | | |
| | 27 | Unrestricted net assets | | 34,768,685 | 27 | 37,008,255 |
| | 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 ▶ ☐ 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 | | 34,793,971 | 33 | 37,033,541 |
| | 34 | Total liabilities and net assets/fund balances | | 59,764,131 | 34 | 61,723,129 |

## Part XI Reconcilliation 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 | 43,053,727 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) . . . . . | 2 | 40,814,157 |
| 3 | Revenue less expenses Subtract line 2 from line 1 . . . . | 3 | 2,239,570 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . | 4 | 34,793,971 |
| 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 | 37,033,541 |

## 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 ☐ Cash ☑ Accrual ☐ 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? . . | 2a | | No |
| b | Were the organization's financial statements audited by an independent accountant? . . . . . | 2b | 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 . . . . . | 2c | 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 ☐ Separate basis ☐ Consolidated basis ☑ 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? . . . . . | 3a | | 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 . . | 3b | | |

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493029008253

# SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

## Public Charity Status and Public Support

**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.**

OMB No 1545-0047

**2011**

**Open to Public Inspection**

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 **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?

| | Yes | No |
|---|---|---|
| **(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? **11g(i)** | | |
| **(ii)** a family member of a person described in (i) above? **11g(ii)** | | |
| **(iii)** a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)** | | |

**h** Provide the following information about the supported organization(s)

| (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? Yes | (iv) No | (v) Did you notify the organization in col (i) of your support? Yes | (v) No | (vi) Is the organization in col (i) organized in the U S ? Yes | (vi) No | (vii) Amount of support? |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| **Total** | | | | | | | | | |

**Part II** **Support Schedule for Organizations Described in IRC 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) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (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) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (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 (Explain in Part IV ) Do not include gain or loss from the sale of capital assets | | | | | | |
| 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 2011 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2011.** 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—2010.** 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—2011.** 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—2010.** 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 IRC 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) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (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) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (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 501(c)(3) organization, check this box and **stop here** ▶☐

## Section C. Computation of Public Support Percentage

| | | |
|---|---|---|
| 15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f)) | 15 | |
| 16 Public support percentage from 2010 Schedule A, Part III, line 15 | 16 | |

## Section D. Computation of Investment Income Percentage

| | | |
|---|---|---|
| 17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f)) | 17 | |
| 18 Investment income percentage from **2010** Schedule A, Part III, line 17 | 18 | |

19a **33 1/3% support tests—2011.** 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—2010.** 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

| Facts And Circumstances Test |
| --- |
| |

**Explanation**

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**SCHEDULE D** (Form 990)

Department of the Treasury
Internal Revenue Service

# Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

**2011**

**Open to Public Inspection**

**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.

| | | (a) Donor advised funds | (b) Funds and other accounts |
|---|---|---|---|
| 1 | Total number at end of year | | |
| 2 | Aggregate contributions to (during year) | | |
| 3 | Aggregate grants from (during year) | | |
| 4 | 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? ☐ Yes ☐ No

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 ☐ Yes ☐ No

## 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 (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

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

| | | Held at the End of the Year |
|---|---|---|
| a | Total number of conservation easements | 2a |
| b | Total acreage restricted by conservation easements | 2b |
| c | Number of conservation easements on a certified historic structure included in (a) | 2c |
| d | Number of conservation easements included in (c) acquired after 8/17/06 | 2d |

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? ☐ Yes ☐ No

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)? ☐ Yes ☐ No

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

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

| Description of property | (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 | 45,149,380 | 10,232,795 | 34,916,585 |
| c Leasehold improvements | 0 | 80,470 | 17,005 | 63,465 |
| d Equipment | 0 | 24,602,618 | 18,670,361 | 5,932,257 |
| e Other | 0 | 3,630,961 | 998,422 | 2,632,539 |
| **Total.** Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶ | | | | 43,733,354 |

**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 |
| Payable to related third party | 198,063 |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| **Total.** *(Column (b) should equal Form 990, Part X, col (B) line 25 )* ▶ | 198,063 |

**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 (ASC740)

## 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 | 43,053,727 |
| 2 | Total expenses (Form 990, Part IX, column (A), line 25) | 2 | 40,814,157 |
| 3 | Excess or (deficit) for the year Subtract line 2 from line 1 | 3 | 2,239,570 |
| 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 | 2,239,570 |

## 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 | 43,053,727 |
| 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 | 43,053,727 |
| 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 | 43,053,727 |

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

| | | | | | |
|---|---|---|---|---|---|
| 1 | Total expenses and losses per audited financial statements | | | 1 | 40,814,157 |
| 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 | 40,814,157 |
| 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 | 40,814,157 |

## 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

2011

Open to Public Inspection

**Name of the organization**
SOUTH PENINSULA HOSPITAL INC

**Employer identification number**
92-0037099

## Part I Charity Care and Certain Other Community Benefits at Cost

| | | | Yes | No |
|---|---|---|---|---|
| 1a | Did the organization have a charity care policy? If "No," skip to question 6a | 1a | Yes | |
| b | If "Yes," is it a written policy? | 1b | Yes | |
| 2 | If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals<br>☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals<br>☐ Generally tailored to individual hospitals | | | |
| 3 | Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year | | | |
| a | Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care<br>☑ 100% ☐ 150% ☐ 200% ☐ Other _____ % | 3a | Yes | |
| b | Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care<br>☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ % | 3b | Yes | |
| c | If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care | | | |
| 4 | Did the organization's policy provide free or discounted care to the "medically indigent"? | 4 | Yes | |
| 5a | Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? | 5a | Yes | |
| b | If "Yes," did the organization's charity care expenses exceed the budgeted amount? | 5b | Yes | |
| c | 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 eligibile for free or discounted care? | 5c | | No |
| 6a | Did the organization prepare a community benefit reportduring the tax year? | 6a | | No |
| 6b | If "Yes," did the organization make it available to the public? | 6b | | |
| | Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H | | | |

**7** Charity Care and Certain Other Community Benefits at Cost

| Charity Care and Means-Tested Government Programs | (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 |
|---|---|---|---|---|---|---|
| a Charity care at cost (from Worksheet 1) | | | 666,623 | 0 | 666,623 | 2 % |
| b Medicaid (from Worksheet 3, column a) | | | 8,120,565 | 4,990,206 | 3,130,359 | 7 % |
| c Costs of other means-tested government programs (from Worksheet 3, column b) | | | 0 | 0 | 0 | 0 % |
| d **Total** Charity Care and Means-Tested Government Programs | 0 | 0 | 8,787,188 | 4,990,206 | 3,796,982 | 9 % |
| **Other Benefits** | | | | | | |
| e Community health improvement services and community benefit operations (from (Worksheet 4) | | | 98,742 | 7,682 | 91,060 | 0 2 % |
| f Health professions education (from Worksheet 5) | | | 109,932 | 0 | 109,932 | 0 3 % |
| g Subsidized health services (from Worksheet 6) | | | 653,919 | 564,746 | 89,173 | 0 2 % |
| h Research (from Worksheet 7) | | | 0 | 0 | 0 | 0 % |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) | | | 56,000 | 0 | 56,000 | 0 1 % |
| j **Total** Other Benefits | 0 | 0 | 918,593 | 572,428 | 346,165 | 0 8 % |
| k **Total.** Add lines 7d and 7j | 0 | 0 | 9,705,781 | 5,562,634 | 4,143,147 | 9 8 % |

**Part II Community Building Activities** Complete this table if the organization conducted any community building activities.

| | (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 | 2 | 1,307,608 | | |
| 3 | Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy | 3 | 130,761 | | |
| 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 | 8,404,845 | | |
| 6 | Enter Medicare allowable costs of care relating to payments on line 5 | 6 | 7,740,865 | | |
| 7 | Subtract line 6 from line 5 This is the surplus or (shortfall) | 7 | 663,980 | | |
| 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 | | | | |

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

**Section C. Collection Practices**

| | | | | | |
|---|---|---|---|---|---|
| 9a | Did the organization have a written debt collection policy during the tax year? | | 9a | | No |
| b | If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI | | 9b | | |

**Part IV Management Companies and Joint Ventures** (see instructions)

| | (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 from largest to smallest)

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

| | 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<br>4300 Bartlett St<br>Homer, AK 99603 | X | X | | | X | | X | | |
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## Part V Facility Information *(continued)*

### Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

South Peninsula Hospital Inc

**Name of Hospital Facility:**

**Line Number of Hospital Facility (from Schedule H, Part V, Section A):** 1

| | | Yes | No |
|---|---|---|---|
| **Community Health Needs Assessment** (Lines 1 through 7 are optional for 2011) | | | |
| **1** During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 | 1 | | No |
| If "Yes," indicate what the Needs Assessment describes (check all that apply) | | | |
| **a** ☐ A definition of the community served by the hospital facility | | | |
| **b** ☐ Demographics of the community | | | |
| **c** ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community | | | |
| **d** ☐ How data was obtained | | | |
| **e** ☐ The health needs of the community | | | |
| **f** ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups | | | |
| **g** ☐ The process for identifying and prioritizing community health needs and services to meet those needs | | | |
| **h** ☐ The process for consulting with persons representing the community's interests | | | |
| **i** ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs | | | |
| **j** ☐ Other (describe in Part VI) | | | |
| **2** Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___ | | | |
| **3** In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted | 3 | | |
| **4** Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI | 4 | | |
| **5** Did the hospital facility make its Needs Assessment widely available to the public? | 5 | | |
| If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) | | | |
| **a** ☐ Hospital facility's website | | | |
| **b** ☐ Available upon request from the hospital facility | | | |
| **c** ☐ Other (describe in Part VI) | | | |
| **6** If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) | | | |
| **a** ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community | | | |
| **b** ☐ Execution of the implementation strategy | | | |
| **c** ☐ Development of a community-wide community benefit plan for the facility | | | |
| **d** ☐ Participation in community-wide community benefit plan | | | |
| **e** ☐ Inclusion of a community benefit section in operational plans | | | |
| **f** ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA | | | |
| **g** ☐ Prioritization of health needs in the community | | | |
| **h** ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community | | | |
| **i** ☐ Other (describe in Part VI) | | | |
| **7** Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs | 7 | | |
| **Financial Assistance Policy** | | | |
| Did the hospital facility have in place during the tax year a written financial assistance policy that | | | |
| **8** Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care? | 8 | Yes | |
| **9** Used federal poverty guidelines (FPG) to determine eligibility for providing free care? | 9 | Yes | |
| If "Yes," indicate the FPG family income limit for eligibility for free care 100% | | | |
| If "No," explain in Part VI the criteria the hospital facility used | | | |

## Part V Facility Information *(continued)*

| | | | Yes | No |
|---|---|---|---|---|
| 10 | Used FPG to determine eligibility for providing discounted care? | 10 | Yes | |
| | If "Yes," indicate the FPG family income limit for eligibility for discounted care 300%<br>If "No," explain in Part VI the criteria the hospital facility used | | | |
| 11 | Explained the basis for calculating amounts charged to patients? | 11 | Yes | |
| | If "Yes," indicate the factors used in determining such amounts (check all that apply) | | | |
| | **a** ☑ Income level | | | |
| | **b** ☑ Asset level | | | |
| | **c** ☑ Medical indigency | | | |
| | **d** ☐ Insurance status | | | |
| | **e** ☐ Uninsured discount | | | |
| | **f** ☐ Medicaid/Medicare | | | |
| | **g** ☐ State regulation | | | |
| | **h** ☐ Other (describe in Part VI) | | | |
| 12 | Explained the method for applying for financial assistance? | 12 | Yes | |
| 13 | Included measures to publicize the policy within the community served by the hospital facility? | 13 | Yes | |
| | If "Yes," indicate how the hospital facility publicized the policy (check all that apply) | | | |
| | **a** ☐ The policy was posted at all times on the hospital facility's web site | | | |
| | **b** ☐ The policy was attached to all billing invoices | | | |
| | **c** ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms | | | |
| | **d** ☐ The policy was posted in the hospital facility's admissions offices | | | |
| | **e** ☐ The policy was provided, in writing, to patients upon admission to the hospital facility | | | |
| | **f** ☑ The policy was available upon request | | | |
| | **g** ☐ Other (describe in Part VI) | | | |
| **Billing and Collections** | | | | |
| 14 | Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? | 14 | Yes | |
| 15 | Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP | | | |
| | **a** ☑ Reporting to credit agency | | | |
| | **b** ☐ Lawsuits | | | |
| | **c** ☐ Liens on residences | | | |
| | **d** ☐ Body attachments or arrests | | | |
| | **e** ☐ Other similar actions (describe in Part VI) | | | |
| 16 | Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? | 16 | | No |
| | If "Yes," check all actions in which the hospital facility or a third party engaged | | | |
| | **a** ☐ Reporting to credit agency | | | |
| | **b** ☐ Lawsuits | | | |
| | **c** ☐ Liens on residences | | | |
| | **d** ☐ Body attachments | | | |
| | **e** ☐ Other similar actions (describe in Part VI) | | | |
| 17 | Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) | | | |
| | **a** ☑ Notified patients of the financial assistance policy upon admission | | | |
| | **b** ☑ Notified patients of the financial assistance policy prior to discharge | | | |
| | **c** ☑ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills | | | |
| | **d** ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy | | | |
| | **e** ☐ Other (describe in Part VI) | | | |

## Part V Facility Information *(continued)*

### Policy Relating to Emergency Medical Care

| | | Yes | No |
|---|---|---|---|
| **18** Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . . | **18** | Yes | |
| If "No," indicate why | | | |
| **a** ☐ The hospital facility did not provide care for any emergency medical conditions | | | |
| **b** ☐ The hospital facility's policy was not in writing | | | |
| **c** ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI) | | | |
| **d** ☐ Other (describe in Part VI) | | | |

### Individuals Eligible for Financial Assistance

| | | | |
|---|---|---|---|
| **19** Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care | | | |
| **a** ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged | | | |
| **b** ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged | | | |
| **c** ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged | | | |
| **d** ☐ Other (describe in Part VI) | | | |
| **20** Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . | **20** | | No |
| If "Yes," explain in Part VI | | | |
| **21** Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . . | **21** | Yes | |
| If "Yes," explain in Part VI | | | |

**Part V Facility Information** *(continued)*

**Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**
(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 3

| | Name and address | Type of Facility (Describe) |
|---|---|---|
| 1 | South Peninsula Hospital Long Term Care<br>4300 Bartlett St<br>Homer, AK 99603 | Long Term Care skilled nursing facility |
| 2 | South Peninsula Hospital Orthopedic Clinic<br>4300 Bartlett St<br>Homer, AK 99603 | Provider based physician clinic |
| 3 | South Peninsula Hospital Community Health Services<br>4300 Bartlett St<br>Homer, AK 99603 | Home health care services |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |

## Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions 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, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health 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 service revenue Line 2 is calculated by bad debt expense times cost to charge ratio Line 3 is estimated at ten percent of bad debt cost The cost of providing uncompensated care should be treated as community benefit because it costs 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 | No shortfall reported |

| 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 | 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 multi-year 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 assessment 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 asks for input on needed services, does monthly community outreach forums where we also solicit input, and take input from local physicians and providers |

| 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 | The South Peninsula Hospital Service Area (SPHSA) was formed in 1969 by the Kenai Peninsula Borough It was determined that hospital services were needed with in 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 8317 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 Hiospital 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 attacts over 100,000 visitors each year According to Alaska Department of Labor the estimated population in 2007 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 |

| 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 |

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**Schedule J** (Form 990)

Department of the Treasury
Internal Revenue Service

# Compensation Information

**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.**

OMB No 1545-0047

**2011**

**Open to Public Inspection**

**Name of the organization**
SOUTH PENINSULA HOSPITAL INC

**Employer identification number**
92-0037099

## Part I Questions Regarding Compensation

| | | | Yes | No |
|---|---|---|---|---|
| **1a** | Check the appropiate 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 | | | |
| | ☐ First-class or charter travel | ☐ Housing allowance or residence for personal use | | |
| | ☐ Travel for companions | ☐ Payments for business use of personal residence | | |
| | ☐ Tax idemnification and gross-up payments | ☑ Health or social club dues or initiation fees | | |
| | ☐ Discretionary spending account | ☐ Personal services (e g , maid, chauffeur, chef) | | |
| **b** | If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain | **1b** | Yes | |
| **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? | **2** | Yes | |
| **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 | | | |
| | ☐ Compensation committee | ☑ Written employment contract | | |
| | ☐ Independent compensation consultant | ☑ Compensation survey or study | | |
| | ☐ Form 990 of other organizations | ☑ Approval by the board or compensation committee | | |
| **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 | | | |
| **a** | Receive a severance payment or change-of-control payment? | **4a** | | No |
| **b** | Participate in, or receive payment from, a supplemental nonqualified retirement plan? | **4b** | | No |
| **c** | Participate in, or receive payment from, an equity-based compensation arrangement? | **4c** | | No |
| | If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III | | | |
| | **Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.** | | | |
| **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 | | | |
| **a** | The organization? | **5a** | Yes | |
| **b** | Any related organization? | **5b** | | No |
| | If "Yes," to line 5a or 5b, describe in Part III | | | |
| **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 | | | |
| **a** | The organization? | **6a** | | No |
| **b** | Any related organization? | **6b** | | No |
| | If "Yes," to line 6a or 6b, describe in Part III | | | |
| **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 | **7** | | No |
| **8** | Were any amounts reported in Form 990, Part VII, paid or accured 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 | **8** | | No |
| **9** | If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)? | **9** | | |

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space 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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

| (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) | 141,571 | 6,000 | 0 | 8,854 | 51,650 | 208,075 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (2) Robert A Barnes | (i) | 129,963 | 984 | 0 | 7,857 | 45,811 | 184,615 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (3) Brent Adcox | (i) | 270,949 | 30,000 | 0 | 18,057 | 105,332 | 424,338 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (4) Larry R Tripp | (i) | 147,834 | 112,178 | 0 | 15,601 | 0 | 275,613 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (5) Douglas Westphal | (i) | 100,342 | 9,241 | 0 | 6,575 | 38,354 | 154,512 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (6) Lisa Mangum | (i) | 107,347 | 1,721 | 0 | 6,544 | 38,174 | 153,786 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (7) Deanna Graham | (i) | 104,868 | 1,000 | 0 | 6,352 | 37,054 | 149,274 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
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## 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 $500 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 review annually and any increases are a board decision based on performance and salary survey data |
| SchJ_P01_S00_L05 | Schedule J, Part I, Line 5 | The CRNA receives a bonus based on revenue generated from his services |

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**Schedule K (Form 990)**

Department of the Treasury
Internal Revenue Service

# 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).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

**2011**

**Open to Public Inspection**

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 |
| D | Kenai Peninsula Borough | 92-0030894 | | 09-01-2011 | 3,285,000 | Retire oustanding debt | | X | | X | | X |

## Part II Proceeds

| | | A | B | C | D |
|---|---|---|---|---|---|
| 1 | Amount of bonds retired | 3,365,000 | | | 0 |
| 2 | Amount of bonds defeased | 0 | | | 0 |
| 3 | Total proceeds of issue | 0 | 0 | 0 | 3,285,000 |
| 4 | Gross proceeds in reserve funds | 0 | | | 0 |
| 5 | Capitalized interest from proceeds | 0 | | | 0 |
| 6 | Proceeds in refunding escrow | 0 | | | 0 |
| 7 | Issuance costs from proceeds | 0 | | | 32,976 |
| 8 | Credit enhancement from proceeds | 0 | | | 0 |
| 9 | Working capital expenditures from proceeds | 0 | | | 0 |
| 10 | Capital expenditures from proceeds | 0 | | | 0 |
| 11 | Other spent proceeds | 0 | | | 0 |
| 12 | Other unspent proceeds | 0 | | | 0 |
| 13 | Year of substantial completion | 2007 | | | 2011 |

| | | A | | B | | C | | D | |
|---|---|---|---|---|---|---|---|---|---|
| | | Yes | No | Yes | No | Yes | No | Yes | No |
| 14 | Were the bonds issued as part of a current refunding issue? | | X | | X | | X | X | |
| 15 | Were the bonds issued as part of an advance refunding issue? | | X | X | | | X | | X |
| 16 | Has the final allocation of proceeds been made? | X | | X | | X | | X | |
| 17 | Does the organization maintain adequate books and records to support the final allocation of proceeds? | X | | 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 | | X |
| 2 | Are there any lease arrangements that may result in private business use of bond-financed property? | | X | | 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 | | X |
| b | If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property? | | | | | | | | |
| c | Are there any research agreements that may result in private business use of bond-financed property? | | X | | X | | X | | X |
| d | If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property? | | | | | | | | |
| 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 % | | 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 % | | 0 % | |
| 6 | Total of lines 4 and 5 | 0 % | | 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 | 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 | | X |
| 2 | Is the bond issue a variable rate issue? | | X | | X | | X | X | |
| 3a | Has the organization or the governmental issuer entered into a hedge with respect to the bond issue? | | X | | 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 | | 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 | | X |
| 6 | Did the bond issue qualify for an exception to rebate? | | X | | X | | X | | X |

## Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☑ No

## Part VI Supplemental Information

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

| Identifier | Return Reference | Explanation |
|---|---|---|

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493029008253

**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

**2011**

**Open to Public Inspection**

Name of the organization
SOUTH PENINSULA HOSPITAL INC

**Employer identification number**
92-0037099

| Identifier | Return Reference | Explanation |
|---|---|---|
| F990_P03_S00_L02 | Form 990, Part III, Line 2 | South Peninsula Hospital opened its first provider based physician clinic during the 2011 tax year |
| F990_P06_S0B_L11b | Form 990, Part VI, Section B, Line 11b | Form 990 is prepared by the organization's controller with input from other members of the organization The form is reviewed by the Finance Committee of the board of directors The final form 990 is approved by the board of directors before submission to the Internal Revenue Service |
| 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 |
| F990_P06_S0B_L15 | Form 990, Part VI, Section B, Line 15 | Annually, an evaluation committee comprised of board members is appointed and they review the existing evaluation for and make any necessary adjustments to the format and content of the 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 |
| 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 |

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493029008253

# SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

## Related Organizations and Unrelated Partnerships

▶ 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.

OMB No 1545-0047

**2011**

**Open to Public Inspection**

**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 |
|---|---|---|---|---|---|
| | | | | | |
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**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<br>144 N Binkley Street<br>Soldotna, AK 99669<br>92-0030894 | Local Government | AK | 115 | | N/A | | |
| | | | | | | | |
| | | | | | | | |
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**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? Yes | (h) No | (i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065) | (j) General or managing partner? Yes | (j) No | (k) Percentage ownership |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | |
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**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 |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
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## 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

| | | Yes | No |
|---|---|---|---|
| **1** During the tax year, did the orgranization 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 | 1a | | No |
| **b** Gift, grant, or capital contribution to related organization(s) | 1b | | No |
| **c** Gift, grant, or capital contribution from related organization(s) | 1c | Yes | |
| **d** Loans or loan guarantees to or for related organization(s) | 1d | | No |
| **e** Loans or loan guarantees by related organization(s) | 1e | | No |
| **f** Sale of assets to related organization(s) | 1f | | No |
| **g** Purchase of assets from related organization(s) | 1g | | No |
| **h** Exchange of assets with related organization(s) | 1h | | No |
| **i** Lease of facilities, equipment, or other assets to related organization(s) | 1i | | No |
| **j** Lease of facilities, equipment, or other assets from related organization(s) | 1j | Yes | |
| **k** Performance of services or membership or fundraising solicitations for related organization(s) | 1k | | No |
| **l** Performance of services or membership or fundraising solicitations by related organization(s) | 1l | | No |
| **m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s) | 1m | | No |
| **n** Sharing of paid employees with related organization(s) | 1n | | No |
| **o** Reimbursement paid to related organization(s) for expenses | 1o | | No |
| **p** Reimbursement paid by related organization(s) for expenses | 1p | | No |
| **q** Other transfer of cash or property to related organization(s) | 1q | | No |
| **r** Other transfer of cash or property from related organization(s) | 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 | 3,631,204 | |
| **(2)** | | | |
| **(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) Predominant income(related, unrelated, excluded from tax under sections 512-514) | (e) Are all partners section 501(c)(3) organizations? | | (f) Share of total income | (g) Share of end-of-year assets | (h) Disproprtionate 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 | | Yes | No | |
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Schedule R (Form 990) 2011

## Part VII Supplemental Information

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

| Identifier | Return Reference | Explanation | |
|---|---|---|---|

**SOUTH PENINSULA HOSPITAL**
**(A Component Unit of the Kenai Peninsula Borough)**

Financial Statements

Years Ended June 30, 2012 and 2011

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

**SOUTH PENINSULA HOSPITAL**

June 30, 2012 and 2011

Table of Contents

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

An independently owned member
McGLADREY ALLIANCE | McGladrey

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, a component unit of the Kenai Peninsula Borough, Alaska, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the South Peninsula Hospital'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Peninsula Hospital, as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2012 on our consideration of South Peninsula Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



3601 "C" Street, Suite 600 * Anchorage, Alaska 99503 * (907) 278-8878 * Fax (907) 278-5779 * www.mcc-cpa.com

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

Accounting principles generally accepted in the United States of America require that the identified required supplementary information, such as management's discussion and analysis, on pages 4 – 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mikunda, Cottrell & Co.

Anchorage, Alaska
November 15, 2012

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**SOUTH PENINSULA HOSPITAL**
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

Years Ended June 30, 2012 and 2011

## 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 discretely presented component unit 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 hospitals 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 hospitals 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.

**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 increased in by $2,239,570 in 2012 and decreased by $205,438 in 2011.

Summarized financial information of the Hospital's Statement of Net Assets as of June 30, 2012, 2011 and 2010 is as follows:

| | (in thousands) | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| Assets | | | |
| Cash and cash equivalents | $ 7,531 | 5,598 | 7,389 |
| Net patient receivables | 7,591 | 6,605 | 5,999 |
| Other current assets | 1,714 | 1,683 | 1,761 |
| Plant, property and equipment, net | 43,733 | 44,664 | 43,374 |
| Other noncurrent assets | 1,154 | 1,214 | 2,361 |
| Total assets | $ 61,723 | 59,764 | 60,884 |
| Liabilities | | | |
| Current liabilities | $ 5,560 | 4,699 | 4,869 |
| Long-term bonds and lease payable | 19,130 | 20,271 | 21,015 |
| Total liabilities | $ 24,690 | 24,970 | 25,884 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | $ 23,520 | 23,346 | 21,024 |
| Restricted | 25 | 25 | 25 |
| Unrestricted | 13,489 | 11,422 | 13,951 |
| Total net assets | $ 37,034 | 34,793 | 35,000 |

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, 2012, 2011 and 2010:

| | (in thousands) | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| Operating Revenue | $ 39,308 | 34,380 | 30,475 |
| Operating Expenses: | | | |
| Salaries, wages and benefits | 23,452 | 22,235 | 18,449 |
| Professional fees and contract staffing | 5,215 | 4,709 | 3,906 |
| Supplies | 3,825 | 3,395 | 3,597 |
| Depreciation | 2,915 | 2,738 | 2,480 |
| Other | 4,575 | 4,291 | 4,121 |
| Total operating expenses | 39,982 | 37,368 | 32,553 |
| Loss from operations | (674) | (2,988) | (2,078) |
| Non-operating gains (losses): | | | |
| Property taxes | 3,631 | 3,709 | 3,712 |
| Other | (717) | (925) | (273) |
| Total non-operating gains | 2,914 | 2,783 | 3,439 |
| Change in net assets | 2,240 | (205) | 1,361 |
| Net assets, beginning of year | 34,794 | 34,999 | 33,638 |
| Net assets, end of year | $ 37,034 | 34,794 | 34,999 |

The hospital had a $674,276 loss from operations for fiscal year 2012 compared to almost a $3 million loss in the prior year. Net revenue was $4.9 million higher than previous year and expenses increased $2.6 million. Of that increase, $1.2 million was in salaries, wages, and benefits because the hospital began employing physicians in fiscal year 2012. While this contributed to the increase in salaries, the increase in associated revenue far exceeded the increase in expenses. Increases in professional fees and supplies were driven by higher patient volume. Non-operating gains of $2.9 million resulted in an increase in net assets of $2.2 million for fiscal year 2012

**Operating Results and Changes in the Hospital's Net Assets, continued**
Fiscal year 2013 will begin with the acquisition of a local family practice clinic bringing on more employed physicians and mid-level providers. Several more employed physicians will also begin practice in 2013 which is expected to further increase hospital revenue and offer the resources to provide local care, including OB/GYN services, to our service area population.

## 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 37% of the hospital's gross patient revenue for fiscal year 2012 was derived from Medicare and 24% 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.

# FINANCIAL STATEMENTS

**SOUTH PENINSULA HOSPITAL**
(A Component Unit of the Kenai Peninsula Borough)
Statement of Net Assets
June 30, 2012 and 2011

| | | 2012 | 2011 |
|---|---|---|---|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ | 5,414,895 | 3,614,066 |
| Equity in central treasury of Kenai Peninsula Borough | | 2,115,644 | 1,983,695 |
| Total cash and equivalents and equity in central treasury of Kenai Peninsula Borough | | 7,530,539 | 5,597,761 |
| Patient receivables | | 11,540,342 | 9,746,853 |
| Less estimated uncollectibles | | (3,949,098) | (3,142,250) |
| Net patient receivables | | 7,591,244 | 6,604,603 |
| Property taxes receivable | | 137,330 | 122,231 |
| Less estimated uncollectible taxes | | (6,478) | (3,862) |
| Net property taxes receivable | | 130,852 | 118,369 |
| Other receivables | | 62,061 | 51,351 |
| Inventory | | 1,213,604 | 1,160,194 |
| Prepaid expenses | | 307,012 | 353,414 |
| Total current assets | | 16,835,312 | 13,885,692 |
| Bond issuance costs | | 71,661 | 45,288 |
| Net pension asset | | 687,308 | 712,624 |
| Assets whose use is limited: | | | |
| Employee health reserve | | 100,045 | 243,778 |
| Malpractice reserve | | 85,000 | 85,000 |
| Student loan program | | 60,294 | 73,336 |
| Plant replacement funds | | 145,336 | 49,632 |
| Other | | 4,819 | 4,819 |
| Total assets whose use is limited | | 395,494 | 456,565 |
| Property, plant and equipment: | | | |
| Land and land improvements | | 3,662,101 | 3,603,579 |
| Buildings | | 52,912,032 | 52,085,078 |
| Equipment | | 16,839,966 | 15,584,936 |
| Improvements other than buildings | | 80,470 | 58,662 |
| Construction in progress | | 157,368 | 627,524 |
| Less accumulated depreciation | | (29,918,583) | (27,295,817) |
| Net property, plant and equipment | | 43,733,354 | 44,663,962 |
| Total assets | $ | 61,723,129 | 59,764,131 |

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

**SOUTH PENINSULA HOSPITAL**
(A Component Unit of the Kenai Peninsula Borough)
Statement of Net Assets, continued

| | | 2012 | 2011 |
|---|---|---|---|
| Liabilities and Net Assets | | | |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts and contracts payable | $ | 950,151 | 704,902 |
| Accrued liabilities | | 2,854,924 | 2,343,568 |
| Unearned revenue | | 405,518 | 370,714 |
| Current portion of bonds payable and capital lease | | 1,025,000 | 990,000 |
| Current portion of note payable to Kenai Peninsula Borough | | 59,401 | 56,368 |
| Bond interest payable | | 265,024 | 233,313 |
| Total current liabilities | | 5,560,018 | 4,698,865 |
| Long-term debt, net of current portion: | | | |
| Bonds payable, net of premium and deferred loss | | 18,931,508 | 20,013,832 |
| Note payable to Kenai Peninsula Borough | | 198,062 | 257,463 |
| Total long-term debt, net of current portion | | 19,129,570 | 20,271,295 |
| Total liabilities | | 24,689,588 | 24,970,160 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | | 23,519,563 | 23,346,299 |
| Restricted | | 25,286 | 25,286 |
| Unrestricted | | 13,488,692 | 11,422,386 |
| Total net assets | | 37,033,541 | 34,793,971 |
| Total liabilities and net assets | $ | 61,723,129 | 59,764,131 |

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

**SOUTH PENINSULA HOSPITAL**
(A Component Unit of the Kenai Peninsula Borough)
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

| | 2012 | 2011 |
|---|---|---|
| Operating revenues: | | |
| Patient service revenue (net of contractual adjustments and discounts) | $ 41,166,369 | 35,884,545 |
| Provision for bad debts | (2,032,261) | (1,636,639) |
| Net patient service revenue | 39,134,108 | 34,247,906 |
| Other operating revenue | 173,236 | 132,594 |
| Total operating revenues | 39,307,344 | 34,380,500 |
| Operating expenses: | | |
| Salaries and wages | 16,622,242 | 15,720,061 |
| Employee benefits | 6,829,994 | 6,515,376 |
| Supplies, drugs and food | 3,824,838 | 3,395,499 |
| Professional fees | 4,704,348 | 4,238,816 |
| Depreciation | 2,915,638 | 2,738,347 |
| Utilities and telephone | 1,437,417 | 1,244,136 |
| Repairs and maintenance | 997,885 | 1,146,822 |
| Contract staffing | 510,398 | 470,080 |
| Lease and rentals | 390,986 | 546,013 |
| Insurance | 478,800 | 387,311 |
| Travel, meetings and education | 231,960 | 213,693 |
| Dues, books and subscriptions | 222,812 | 230,635 |
| Other operating expenses | 814,302 | 521,506 |
| Total operating expenses | 39,981,620 | 37,368,295 |
| Loss from operations | (674,276) | (2,987,795) |
| Non-operating revenues (expenses): | | |
| General property taxes | 3,631,204 | 3,708,764 |
| Grants and contributions | 61,774 | 68,939 |
| Investment income | 57,729 | 48,924 |
| Loss on disposal of assets | (4,325) | (35,321) |
| Interest expense | (799,762) | (940,010) |
| Other expense | (32,774) | (68,939) |
| Total non-operating revenues, net | 2,913,846 | 2,782,357 |
| Change in net assets | 2,239,570 | (205,438) |
| Net assets, beginning of year | 34,793,971 | 34,999,409 |
| Net assets, end of year | $ 37,033,541 | 34,793,971 |

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

**SOUTH PENINSULA HOSPITAL**
(A Component Unit of the Kenai Peninsula Borough)
Statement of Cash Flows
For the Years Ended June 30, 2012 and 2011

| | | 2012 | 2011 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Receipts from patients and users | $ | 38,157,605 | 33,644,500 |
| Payments to suppliers | | (13,329,179) | (12,452,594) |
| Payments to employees | | (22,915,564) | (21,867,260) |
| Other receipts | | 173,236 | 132,594 |
| Net cash provided (used) by operating activities | | 2,086,098 | (542,760) |
| Cash flows from non-capital financing activities | | | |
| Receipts from property taxes | | 3,632,677 | 3,657,875 |
| Grant and other non-operating sources | | 29,000 | - |
| Net cash provided by non-capital financing activities | | 3,661,677 | 3,657,875 |
| Cash flows from capital and related financing activities | | | |
| Purchase of capital assets | | (1,961,110) | (4,010,742) |
| Proceeds from intergovernmental loan | | - | 313,831 |
| Bond and lease principal paid | | (1,050,000) | (1,335,079) |
| Bond and lease interest paid | | (866,721) | (990,165) |
| Payments on intergovernmental loan | | (56,368) | - |
| Proceeds from sale of capital assets | | 402 | - |
| Net cash used by capital and related financing activities | | (3,933,797) | (6,022,155) |
| Cash flows from investing activities | | | |
| Decrease in assets whose use is limited | | 61,071 | 1,067,176 |
| Interest and dividends received | | 57,729 | 48,996 |
| Net cash provided by investing activities | | 118,800 | 1,116,172 |
| Net increase (decrease) in cash and cash equivalents | | 1,932,778 | (1,790,868) |
| Cash, cash equivalents and equity in central treasury, beginning of year | | 5,597,761 | 7,388,629 |
| Cash, cash equivalents and equity in central treasury, end of year | $ | 7,530,539 | 5,597,761 |
| Reconciliation of loss from operations to net cash flows from operating activities | | | |
| Loss from operations | $ | (674,276) | (2,987,795) |
| Adjustments to reconcile loss from operations to net cash provided (used) by operating activities | | | |
| Depreciation expense | | 2,915,638 | 2,738,347 |
| Amortization expense | | 46,326 | - |
| Change in assets and liabilities | | | |
| Patient receivables, net | | (986,641) | (605,785) |
| Other receivables | | (10,710) | (5,011) |
| Inventory | | (53,410) | 39,430 |
| Prepaid expenses | | 46,402 | 44,536 |
| Net pension asset | | 25,316 | 76,517 |
| Accounts and contracts payable | | 245,249 | (142,049) |
| Accrued liabilities, compensated absences, and unearned revenue | | 532,204 | 299,050 |
| Total adjustments | | 2,760,374 | 2,445,035 |
| Net cash provided (used) by operating activities | $ | 2,086,098 | (542,760) |
| Noncash capital and related financing activities - the Hospital issued $3,285,000 in refunding bonds at a premium of $517,589 to advance refund $3,365,000 of previously issued outstanding bonds | $ | (80,000) | - |

The accompanying notes are an integral part of the financial statements

## (1) The Reporting Entity

The South Peninsula Hospital is a component unit 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. The South Peninsula Hospital 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.

In 2012 the Kenai Peninsula Borough adopted the provisions of GASB Statement number 61, *The Financial Reporting Entity: Omnibus*. In connection therewith, the Kenai Peninsula Borough reviewed its legal and contractual agreements with the South Peninsula Hospital which was previously reported as an enterprise fund, and has determined that, for financial reporting purposes in accordance with generally accepted accounting principles, this activity is appropriately recorded as a discretely presented enterprise component unit of the Kenai Peninsula Borough.

## (2) Summary of Significant Accounting Policies

### Enterprise Accounting

Enterprise activities accounting is 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 Hospital 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 are financed from existing cash resources of the Hospital and the Kenai Peninsula Borough, the issuance of general obligation bonds by the Kenai Peninsula Borough on behalf of the Hospital.

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.

**Summary of Significant Accounting Policies, continued**

Equity in Central Treasury

The Kenai Peninsula Borough has combined monies available for investment from all of the Borough's separate reporting funds and component units into a "Central Treasury". The Central Treasury concept permits the more efficient investment of the combined assets. Each entity 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.

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.

**Summary of Significant Accounting Policies, continued**

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 property taxes, those of the Borough service areas including the South Peninsula Hospital.

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.

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:

| | 2012 | 2011 |
|---|---|---|
| Bad debts | $ 2,043,137 | 1,668,364 |
| Charges forgone, based on established rates | 1,041,598 | 789,822 |
| Total uncompensated care | $ 3,084,735 | 2,458,186 |

(4) **Deposits and Investments**

Deposits consisted of the following at June 30:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Carrying Amount | Bank Balance | Carrying Amount | Bank Balance |
| Bank accounts | $ 5,473,085 | 5,763,107 | 3,685,797 | 3,745,208 |
| Cash on hand | 2,104 | - | 1,605 | - |
| | 5,475,189 | 5,763,107 | 3,687,402 | 3,745,208 |
| Less cash equivalents included in assets whose use is limited | (60,294) | - | (73,336) | - |
| Cash and cash equivalents | $ 5,414,895 | 5,763,107 | 3,614,066 | 3,745,208 |

The checking and savings account balances held in the Hospital's name as of June 30, 2012 included $4,613,301 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 and several component units into a "Central Treasury." The Hospital's investment in the Central Treasury is recorded on the statement of net assets as follows:

| | 2012 | 2011 |
|---|---|---|
| Equity in Central Treasury of Kenai Peninsula Borough | $ 2,446,025 | 2,362,105 |
| Less amount included in assets whose use is limited | (330,381) | (378,410) |
| | $ 2,115,644 | 1,983,695 |

(5) **Capital Assets**

A summary of the changes in property, plant and equipment for fiscal years 2012 and 2011 follows:

| | Balance July 1, 2011 | Additions | Deletions | Balance June 30, 2012 |
|---|---|---|---|---|
| Land and land improvements | $ 3,603,579 | 58,522 | - | 3,662,101 |
| Buildings | 52,085,078 | 826,954 | - | 52,912,032 |
| Equipment | 15,584,936 | 1,552,628 | (297,598) | 16,839,966 |
| Improvements other than buildings | 58,662 | 21,808 | - | 80,470 |
| Construction in progress | 98,283 | 329,275 | (307,690) | 119,868 |
| Construction in progress- KPB | 529,241 | 1,634,067 | (2,163,308) | - |
| Work in progress | - | 37,500 | - | 37,500 |
| Total property, plant and equipment | 71,959,779 | 4,460,754 | (2,768,596) | 73,651,937 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (835,573) | (162,850) | - | (998,423) |
| Buildings | (15,732,680) | (1,336,112) | - | (17,068,792) |
| Equipment | (10,717,105) | (1,410,130) | 292,872 | (11,834,363) |
| Improvements other than buildings | (10,459) | (6,546) | - | (17,005) |
| Total accumulated depreciation | (27,295,817) | (2,915,638) | 292,872 | (29,918,583) |
| Net property, plant and equipment | $ 44,663,962 | 1,545,116 | (2,475,724) | 43,733,354 |

| | Balance July 1, 2010 | Additions | Deletions | Balance June 30, 2011 |
|---|---|---|---|---|
| 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 | 577,964 | 2,934,600 | (2,885,040) | 627,524 |
| Total property, plant and equipment | 68,439,869 | 6,949,226 | (3,429,316) | 71,959,779 |

**Capital Assets, continued**

| | Balance July 1, 2010 | Additions | Deletions | Balance June 30, 2011 |
|---|---|---|---|---|
| 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 | (9,508,464) | (1,253,207) | 44,566 | (10,717,105) |
| Total accumulated depreciation | (25,066,423) | (2,738,347) | 508,953 | (27,295,817) |
| Net property, plant and equipment | $ 43,373,446 | 4,210,879 | (2,920,363) | 44,663,962 |

(6) **Long-Term Debt**

The voters of the South Peninsula Hospital Service Area authorized the sale of $10,290,000 in general obligation bonds in 2003. The bond proceeds were used to fund the construction costs of the hospital expansion project. The 20-year bonds were issued at a premium in December 2003 with a coupon rate ranging between 2.0% - 5.125%.

In September 2011, the Borough issued South Peninsula Hospital Refunding Bonds of $3,285,000. These bonds were used to retire $3,365,000 in outstanding debt. The refunding bonds were issued at a premium of $517,589 and after paying issuance cost of $32,976. The present value of the savings on the debt service was $277,368. A deferred loss on the refunding of $316,292 was recognized and will be amortized over the remaining life of the bonds using the straight-line method.

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

| | 2012 | 2011 |
|---|---|---|
| General obligation bonds 2003 series in annual installments, including a coupon rate ranging between 2.0% – 5.125%, maturing in December 2013 | $ 940,000 | 4,750,000 |
| General obligation bonds 2007 series in annual installments, including a coupon rate ranging between 3.75% – 5.0%, maturing in December 2023 | 3,020,000 | 3,035,000 |

**Long-Term Debt, continued**

| | 2012 | 2011 |
|---|---|---|
| General obligation bonds 2007 series in annual installments, including a coupon rate ranging between 4.25% – 5.0%, maturing in December 2027 | 12,570,000 | 13,100,000 |
| Refunding bonds 2011 series in annual installments, including a coupon rate ranging between 2.0 % – 5.0%, maturing September 2019 | 3,225,000 | - |
| Note payable to Kenai Peninsula Borough, payable in yearly installments of $73,247 including interest at 5.25%, maturing April 2016 | $ 257,463 | 313,831 |
| | 20,012,463 | 21,198,831 |
| Less current portion | (1,084,401) | (1,046,368) |
| | 18,928,062 | 20,152,463 |
| Plus unamortized bond premium | 608,987 | 249,742 |
| Less deferred loss on bond refunding | (407,479) | (130,910) |
| Long-term debt, net of current portion | $ 19,129,570 | 20,271,295 |

The remaining annual requirements of all debt outstanding as of June 30, 2012 are as follows:

| | General Obligation Bonds | | |
|---|---|---|---|
| Year Ended June 30 | Principal | Interest | Total |
| 2013 | $ 1,025,000 | 926,167 | 1,951,167 |
| 2014 | 1,070,000 | 858,244 | 1,928,244 |
| 2015 | 1,095,000 | 798,150 | 1,893,150 |
| 2016 | 1,140,000 | 749,519 | 1,889,519 |
| 2017 | 1,190,000 | 569,600 | 1,759,600 |
| 2018-2022 | 6,895,000 | 2,617,813 | 9,512,813 |
| 2023-2027 | 6,250,000 | 989,481 | 7,239,481 |
| 2028 | 1,090,000 | 25,888 | 1,115,888 |
| | $ 19,755,000 | 7,534,862 | 27,289,862 |

**Long-Term Debt, continued**

| Year Ended June 30 | Note Payable | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2013 | $ 59,400 | 13,847 | 73,247 |
| 2014 | 62,594 | 10,652 | 73,246 |
| 2015 | 65,961 | 7,286 | 73,247 |
| 2016 | 69,508 | 3,738 | 73,246 |
| | $ 257,463 | 35,523 | 292,986 |

(7) **Restricted Net Assets**

The Hospital has restricted net assets of $25,286 at June 30, 2012 and 2011. This is the unspent interest earnings on bond funds which must be used for the purposes allowed by the bonds.

(8) **Functional Expenses**

Operating expenses grouped according to function are as follows:

| | 2012 | 2011 |
|---|---|---|
| Operating expenses: | | |
| Nursing services | $ 9,153,383 | 9,343,192 |
| Other professional services | 11,551,641 | 10,150,938 |
| General services | 4,681,594 | 4,269,461 |
| Fiscal and administrative services | 11,679,364 | 10,866,357 |
| Provision for depreciation | 2,915,638 | 2,738,347 |
| Total expenses | $ 39,981,620 | 37,368,295 |

(9) **Interest Capitalized**

During 2012 and 2011, the Hospital capitalized $29,145 and $53,443, respectively, in interest costs. In 2012, this amount was comprised of $29,145 in construction phase interest. For 2011, this amount was comprised of $53,515 in construction phase interest, net of $72 interest earnings on bond funds.

(10) **Third-Party Payer 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 hospitals 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.

(11) **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, 2012 actuarial valuation. The plan elected to use the pre-retirement and post retirement interest rates as specified in the changes made to the Code and ERISA by the Moving Ahead for Progress in the 21st Century (MAP-21) which was enacted July 6, 2012. The actuarial assumptions included: (a) interest rates of (1) Years 0-5 – 5.540%, (2) Years 6-20 – 6.850%, and (3) Years over 20 – 7.520% rate of returns (net of administrative expenses); (b) projected salary increases of 2.0% per year; and (c) no inflation rate.

**Defined Benefit Pension Plan, continued**

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

For the years ended December 31, 2009, 2010, and 2011, the Hospital's annual pension cost and net pension obligation (asset) follows:

| Year Ended December 31, | Annual Pension Cost (APC) | Actual Contributions | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|---|
| 2009 | $ 639,634 | $ 1,138,699 | 164% | $ (789,141) |
| 2010 | 682,553 | 606,036 | 89% | (712,624) |
| 2011 | 833,363 | 808,047 | 97% | (687,308) |

A schedule of funding progress follows (in thousands):

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Liability (Overfunded Assets) | Funded Ratio | Covered Payroll | Unfunded Liability (Overfunded Assets) as Percentage of Payroll |
|---|---|---|---|---|---|---|
| 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)% |
| January 1, 2011 | 10,568 | 9,620 | (948) | 110% | 13,847 | (6.85)% |

(12) **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 has claims outstanding at year end that management believes the changes of an adverse outcome are either remote or the loss cannot be reasonably estimated therefore there is no accrual at year end. The Hospital purchases commercial insurance for all risks of loss except as described below.

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.

**Risk Management, continued**

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:

| | 2012 | 2011 |
|---|---|---|
| Health insurance claims liabilities, beginning of year | $ 756,561 | 439,806 |
| Current year claims incurred and changes in estimates for claims incurred in prior years | 4,289,905 | 2,969,225 |
| Claims and expenses paid | (4,221,723) | (2,652,470) |
| Health insurance claims liabilities, end of year | $ 824,743 | 756,561 |

(13) **New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates as follows. Management is evaluating potential effects of these statements.

*GASB 60 – Service Concession Arrangements* – Effective for year end June 30, 2013 – This statement provides guidance on proper accounting for service concession arrangements, a type of public private partnership associated with the operation of a public facility.

*GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – Effective for year end June 30, 2013 – This statement will result in a change to the government's presentation of proprietary fund statements and government-wide statements from a traditional "Balance Sheet" format to a new "Statement of Net Position" format which will segregate deferred inflows and deferred outflows from assets and liabilities respectively.

*GASB 65 – Items Previously Reported as Assets and Liabilities* – Effective for year end June 30, 2014 – This statement is a companion to GASB Statement 63 and establishes accounts to be reclassified as deferred inflows and outflows. In addition, certain items previously reported as assets or liabilities will be moved to the income statement. For example, debt issuance costs will no longer be capitalized and amortized but will be expensed as incurred, and certain regulatory assets and liabilities will be reclassified to deferred inflows and outflows.

**New Accounting Pronouncements, continued**

*GASB 66 – Technical Corrections – 2012* – Effective for year end June 30, 2014 – This statement contains certain technical corrections to prior GASB statements on the topics of Risk Financing, Operating Leases, Loan Purchases, and Servicing Fees.

*GASB 68 – Accounting and Financial Reporting for Pensions* – Effective for year end June 30, 2015 – This statement will require all governments that participate in defined benefit pension plans to report any "net pension liability" (as newly defined). An additional GASB statement provides guidance for the Plan reporting with a one year earlier implementation.

# GOVERNMENT AUDITING STANDARDS

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

An independently owned member
McGLADREY ALLIANCE | McGladrey

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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 financial statements of the South Peninsula Hospital, a component unit of Kenai Peninsula Borough, as of and for the year ended June 30, 2012, which collectively comprise South Peninsula Hospital's basic financial statements, and have issued our report thereon dated November 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of South Peninsula Hospital is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered South Peninsula Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Peninsula Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Peninsula Hospital's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



3601 "C" Street, Suite 600 * Anchorage, Alaska 99503 * (907) 278-8878 * Fax (907) 278-5779 * www.mcc-cpa.com

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of South Peninsula Hospital's management, members of the Board, and others within the entity, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
November 15, 2012

## Additional Data

**Software ID:** 11000129
**Software Version:** v1.00
**EIN:** 92-0037099
**Name:** SOUTH PENINSULA HOSPITAL INC

**Form 990, Special Condition Description:**

| Special Condition Description |
|---|

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

**4d. Other program services**

(Code ) (Expenses $ 900,001 including grants of $ 0 ) (Revenue $ 802,398 )

Our community health services department provides home health care, chore and respite services, and other home care services to more than 300 local residents 3,200 visits were made to client homes in the 2011 yax year Other program services include revenue from cafeteria and vendings machines, medical record copies, and other program related sources