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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

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 07-01-2012, 2012, and ending 06-30-2013

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)
4300 Bartlett Street

Room/suite

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

F

Name and address of principal officer
South Peninsula Hospital
4300 Bartlett St
Homer, AK 99603

D

Employer identification number

92-0037099

E

Telephone number

(907) 235-8101

G

Gross receipts \$ 50,840,652

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

Activities & Governance	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	10
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	10
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	412
Revenue	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
	8	Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g)	3,750,708	4,643,740
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	669	20,790
	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)	43,053,727	50,835,652
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)	23,461,645	30,165,231
	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)	17,352,512	19,285,368
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	40,814,157	49,450,599
	19	Revenue less expenses Subtract line 18 from line 12	2,239,570	1,385,053
Net Assets or Fund Balances			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	62,058,947	63,920,463
	21	Total liabilities (Part X, line 26)	25,097,068	25,573,531
	22	Net assets or fund balances Subtract line 21 from line 20	36,961,879	38,346,932

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

Robert Letson CEO

Type or print name and title

2014-01-08

Date

Paid Preparer Use Only

Prnt/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Firm's name

Firm's EIN

Firm's address

Phone no

May the IRS discuss this return with the preparer shown above? (see instructions)

☐ Yes

☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2012)

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 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 \$ 26,652,661 including grants of \$ 0) (Revenue \$ 32,490,497)

Our 22 bed hospital provided inpatient services to 1034 patients for total patient days of 3,349 for the 2012 tax year Total outpatient visits for the year were 19,113 and include 6,690 emergency department visits, 1,240 ambulatory surgery visits, and 4,582 imaging visits Other outpatient services include laboratory, physical therapy, occupational therapy, infusion and chemotherapy, and sleep lab

4b

(Code) (Expenses \$ 4,236,001 including grants of \$ 0) (Revenue \$ 6,863,599)

Our Long Term Care facility served 34 residents during the 2012 tax year with an average daily census of 26 and total resident days of 9,348

4c

(Code) (Expenses \$ 6,564,876 including grants of \$ 0) (Revenue \$ 5,901,532)

The hospital acquired an established family practice clinic during the 2012 tax year adding to the provider-based clinics established in 2011 The clinics had 17,629 patient visits during the 1021 tax year

(Code) (Expenses \$ 1,136,097 including grants of \$ 0) (Revenue \$ 915,494)

Our community health services department provides home health care, chore and respite services, and other home care services to more than 300 local residents 3,276 visits were made to client homes in the 2012 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 \$ 1,136,097 including grants of \$ 0) (Revenue \$ 915,494)

4e

Total program service expenses ▶ 38,589,635

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 for escrow or custodial account liability, 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, line 10? 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 and XII 	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 and XII 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, Parts I and IV	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 United States? If "Yes," complete Schedule F, Parts 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 United States? If "Yes," complete Schedule F, Parts 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 (see instructions)	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 hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b 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.	114	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		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.	412	
2b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		Yes	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?			No
3b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.			
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, securities account, or other financial account)?			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?			No
5b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			No
5c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			
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 as charitable contributions?			No
6b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			
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?			
b If "Yes," did the organization notify the donor of the value of the goods or services provided?			
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			
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. See the instructions for additional information the organization must report on Schedule O.		13a	
b Enter the 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 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	10	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	10	
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 this 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 ☐ Other (explain in Schedule O)
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 during the tax year
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 (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 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 organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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						1,800	0	0
(2) Kelly Cooper Director	2 5	X						1,200	0	0
(3) Clyde Boyer Director	3	X						1,200	0	0
(4) Thomas Clark Director	3	X						1,200	0	0
(5) Susan Drathman Director	2	X						1,200	0	0
(6) Matthew Hambrick Director	2	X						1,200	0	0
(7) Vickey Hodnick Director	6	X						1,200	0	0
(8) Matthew North Director	2	X						1,200	0	0
(9) Bernadette Wilson Director	3 5	X						1,200	0	0
(10) M Todd Boling DO Director	2 5	X						0	0	0
(11) Robert F Letson Chief Executive Officer	50 0			X				158,565	0	48,813
(12) Lori Meyer Chief Financial Officer	45			X				123,025	0	51,194
(13) Brent Adcox Medical Doctor	40					X		861,003	0	99,317
(14) Larry R Tripp CRNA	40					X		294,649	0	34,865
(15) Gregory Hough Medical Doctor	40					X		253,154	0	35,993
(16) Shara Sutherland Director of Patient Care Services	40					X		146,798	0	34,906
(17) Douglas Duncan Pharmacy Manager	40					X		146,139	0	48,764

Part VII

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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			
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								1,994,733	0	353,852

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▶19

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such person</i>	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 , 4438 Towne Heights Ln Homer AK 99603	Radiologist	946,414
Eris Radiology LLC PO Box 2434 Homer AK 99603	Radiologists	348,479
James Peterson , PO Box 58 Homer AK 99603	Anesthesiologist	295,066
Raymond Fowler , 40914 Crested Crane St Homer AK 99603	Anesthesiologist	271,984
Paul Raymond 4201 Bartlett St Unit 2 Homer AK 99603	Emergency Physician	235,058

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 ►12

Part VIII

Statement of Revenue

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

			(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 . . .	1a0					
	b	Membership dues	1b0					
	c	Fundraising events	1c0					
	d	Related organizations	1d0					
	e	Government grants (contributions)	1e4,532,213					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f111,527					
	g	Noncash contributions included in lines 1a-1f \$	0					
	h	Total. Add lines 1a-1f	4,643,740					
Program Service Revenue	2a	Hospital	Business Code 622000	32,490,497	32,490,497	0	0	
	b	Long Term Care	623000	6,863,599	6,863,599	0	0	
	c	Physician Clinics	621111	5,901,532	5,901,532	0	0	
	d	Community Health Services	621610	683,443	683,443	0	0	
	e							
	f	All other program service revenue		232,051	232,051	0	0	
	g	Total. Add lines 2a-2f	46,171,122					
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	10,790	10,790	0	0	
4		Income from investment of tax-exempt bond proceeds . . .	0	0	0	0		
5		Royalties	0	0	0	0		
6a		Gross rents	(i) Real	(ii) Personal				
		b	Less rental expenses					
		c	Rental income or (loss)	0	0			
		d	Net rental income or (loss)					
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
		b	Less cost or other basis and sales expenses	0	15,000			
		c	Gain or (loss)	0	5,000			
		d	Net gain or (loss)	0	10,000			
8a		Gross income from fundraising events (not including \$ 0 of contributions reported on line 1c) See Part IV, line 18	a					
b		Less direct expenses	b					
c		Net income or (loss) from fundraising events . . .						
9a		Gross income from gaming activities See Part IV, line 19	a					
b		Less direct expenses	b					
c		Net income or (loss) from gaming activities . . .						
10a		Gross sales of inventory, less returns and allowances	a					
b		Less cost of goods sold	b					
c		Net income or (loss) from sales of inventory . . .						
Miscellaneous Revenue		Business Code						
11a								
b								
c								
d	All other revenue							
e	Total. Add lines 11a-11d		0					
12	Total revenue. See Instructions		50,835,652	46,191,912	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)

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	318,693	0	318,693	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	21,232,522	17,109,109	4,123,413	0
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,276,473	1,021,178	255,295	
9	Other employee benefits	5,799,073	4,595,569	1,203,504	0
10	Payroll taxes	1,538,470	1,230,776	307,694	0
11	Fees for services (non-employees)				
a	Management	90,164	90,164	0	0
b	Legal	309,837	0	309,837	0
c	Accounting	40,467	0	40,467	0
d	Lobbying	0	0	0	0
e	Professional fundraising services See Part IV, line 17	0			0
f	Investment management fees	0	0	0	0
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	5,852,720	4,783,257	1,069,463	0
12	Advertising and promotion	138,344	0	138,344	0
13	Office expenses	4,681,897	4,142,885	539,012	0
14	Information technology	552,140	140,278	411,862	0
15	Royalties	0	0	0	0
16	Occupancy	1,852,973	336,048	1,516,925	0
17	Travel	190,930	110,478	80,452	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	186,120	132,183	53,937	0
20	Interest	816,777	816,504	273	0
21	Payments to affiliates	0	0	0	0
22	Depreciation, depletion, and amortization	2,709,036	2,709,036	0	0
23	Insurance	564,806	564,806	0	0
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a	Repairs and Maintenance	1,088,171	766,125	322,046	0
b	Dues Books Subscriptions	210,986	41,239	169,747	0
c					
d					
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e	49,450,599	38,589,635	10,860,964	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ☐ if following SOP 98-2 (ASC 958-720)				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		2,104	1	2,104
	2	Savings and temporary cash investments		7,923,929	2	6,541,240
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		7,712,530	4	11,359,519
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		1,213,604	8	1,484,407
	9	Prepaid expenses and deferred charges		1,065,947	9	1,020,856
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a75,772,199			
	b	Less accumulated depreciation	10b32,627,619	43,733,354	10c	43,144,580
	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		407,479	15	367,757
	16	Total assets. Add lines 1 through 15 (must equal line 34)		62,058,947	16	63,920,463
Liabilities	17	Accounts payable and accrued expenses		5,261,363	17	6,957,606
	18	Grants payable		0	18	0
	19	Deferred revenue		298,655	19	286,112
	20	Tax-exempt bond liabilities		19,338,987	20	18,194,344
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other 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		198,063	25	135,469
	26	Total liabilities. Add lines 17 through 25		25,097,068	26	25,573,531
Net Assets or Fund Balances		Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.				
	27	Unrestricted net assets		36,936,593	27	38,321,646
	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 (ASC 958), 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		36,961,879	33	38,346,932
	34	Total liabilities and net assets/fund balances		62,058,947	34	63,920,463

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	50,835,652
2	Total expenses (must equal Part IX, column (A), line 25)	2	49,450,599
3	Revenue less expenses Subtract line 2 from line 1	3	1,385,053
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	36,961,879
5	Net unrealized gains (losses) on investments	5	0
6	Donated services and use of facilities	6	0
7	Investment expenses	7	0
8	Prior period adjustments	8	0
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	38,346,932

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? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis	2a	No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☒ Both consolidated and separate basis	2b	Yes
2c	If "Yes," to line 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
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
3b	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	

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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.

Name of the organization
SOUTH PENINSULA HOSPITAL INC

Employer identification number
92-0037099

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

A family member of a person described in (i) above?

(iii)

A 35% controlled entity of a person described in (i) or (ii) above?
- h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. 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—2011. If the organization did not check a 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—2012. 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—2011. 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 IIISupport Schedule for Organizations Described in Section 509(a)(2)

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

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 can 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 education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

Complete lines 2a through 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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

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

3

Using the organization's acquisition, 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

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

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 XIII and complete the following table

	Amount
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance				
b	Contributions				
c	Net investment earnings, gains, and 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 current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b

☐ Yes

☐ No

4

Describe in Part XIII 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	56,712,410	19,625,385	37,087,025
c Leasehold improvements	0	80,470	23,641	56,829
d Equipment	0	17,835,660	12,978,593	4,857,067
e Other	0	955,151	0	955,151
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				43,144,580

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

1	Total revenue, gains, and other support per audited financial statements	1	50,835,652
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 XIII)	2d	0
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	50,835,652
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 XIII)	4b	0
c	Add lines 4a and 4b	4c	0
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	50,835,652

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

1	Total expenses and losses per audited financial statements	1	49,450,599
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 XIII)	2d	0
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	49,450,599
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 XIII)	4b	0
c	Add lines 4a and 4b	4c	0
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)	5	49,450,599

Part XIII 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, line 2, Part XI, lines 2d and 4b, and Part XII, 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

2012

Open to Public Inspection

Name of the organization
SOUTH PENINSULA HOSPITAL INC

Employer identification number
92-0037099

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☒ 100% ☐ 150% ☐ 200% ☐ Other _____ % b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☒ 300% ☐ 350% ☐ 400% ☐ Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care	3a	Yes	
		3b	Yes	
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	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 financial assistance 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 eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a		No
b	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

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance 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 Financial Assistance at cost (from Worksheet 1)			924,676	0	924,676	1 9 %
b Medicaid (from Worksheet 3, column a)			12,374,778	12,817,393	-442,615	0 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .			0	0	0	0 %
d Total Financial Assistance and Means-Tested Government Programs . .	0	0	13,299,454	12,817,393	482,061	1 9 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			104,339	20,709	83,549	0 2 %
f Health professions education (from Worksheet 5)			186,120	0	186,120	0 3 %
g Subsidized health services (from Worksheet 6)			617,648	543,168	74,480	0 15 %
h Research (from Worksheet 7)			0	0	0	0 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			18,908	0	18,908	0 03 %
j Total. Other Benefits	0	0	927,015	563,877	363,057	0 68 %
k Total. Add lines 7d and 7j . .	0	0	14,226,469	13,381,270	845,118	2 58 %

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

No

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

1,746,190

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

174,619

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

8,568,195

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

13,749,778

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-5,181,583

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

(owned 10% or more by officers, directors, trustees, key employees, and physicians—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—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

Name, address, and primary website address

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

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

South Peninsula Hospital Inc

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

1

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
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 the community health 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 CHNA 20 09		
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	No
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
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 CHNA, indicate how (check all that apply to date)		
a ☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b ☒ Execution of the implementation strategy		
c ☒ Participation in the development of a community-wide plan		
d ☒ Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>100</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
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)			
13 Explained the method for applying for financial assistance?		13	Yes
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
a ☐ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to 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 on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 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?		15	Yes
16 Check all of the following 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			
e ☐ Other similar actions (describe in Part VI)			
17 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? If "Yes," check all actions in which the hospital facility or a third party engaged		17	No
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals 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)

Policy Relating to Emergency Medical Care

		Yes	No
19	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? If "No," indicate why	Yes	
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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 its 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)			
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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? If "Yes," explain in Part VI	21		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI	22	Yes	

Part V

Facility Information (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?

3

Name and address		Type of Facility (describe)
1	South Peninsula Hospital Long Term Care 4300 Bartlett St Homer, AK 99603	Long Term Care skilled nursing facility
2	South Peninsula Hospital Provider Based Clinics 4300 Bartlett St Homer, AK 99603	Provider based physician clinics
3	South Peninsula Hospital Community Health Services 4300 Bartlett St 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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
SchH_P01_S00_L07	Schedule H, Part I, Line 7	Used worksheets provided in the instructions afor Schedule H andd cost to charge ratio
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
SchH_P03_S0A_L04	Schedule H, Part III, Section A, Line 4	Bad debt and charity care are subtracted from patient service revenue to arrive at net patient service revenue (as noted on page 18) Line 2 is calculated by bad debt expense time cost to charge ratio Line 3 is estimated at ten percent of bad debt cost

Identifier	ReturnReference	Explanation
SchH_P03_S0B_L08	Schedule H, Part III, Section B, Line 8	The shortfall should be treated as community benefit because it cost the hospital that amount to provide care to Medicare beneficiaries for which it was not compensated. The amount reported on line 6 was calculated by multiplying the total allowable costs on the cost report by the Medicare payer mix.
SchH_P05_S0B_L01	Schedule H, Part V, Section B, Line 1	Yes, our hospital is the sponsoring agency of the Southern Kenai Peninsula MAPP (Mobilizing to Action for Planning and Partnerships). MAPP is a framework for community health needs assessment and planning developed by the Centers for Disease Control and Prevention for the National Association of City and County Health Officials. We have conducted two health needs assessments using this framework, one in 2009 and one in 2012. MAPP utilizes four individual assessments to make up one complete assessment: Community Health Status, Community Themes and Strengths, Forces of Change, and, Local Public Health System. The 2012 assessment included only the first three since the changes in the facilities and resources within the community had not changed significantly outside the scope of hospital services.

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L03	Schedule H, Part V, Section B, Line 3	Deliberate effort was made to be sure the assessment reflected all areas of the community, including income levels, ages and area of residence Steering Committee Representation - our project's steering committee represents a significant portion of the community Representatives from the FQHC, public health, community mental health, city government, substance abuse agency, local college, community hospital and family planning clinic all serve on the steering committee Community surveys - 1,212 surveys were completed via hard copy and online Questions were similar if not exact to the CHNA of 2009 so responses could be compared, and were both multiple choice and free responses Surveys were distributed at the local health fair, both weekly newspapers, on www.mappofskp.net, in organization waiting room, in line at the food bank, at city hall, the public library and the hardware store The survey remained open until the committee was certain that, based on US census data for our area, a proportionate range of income levels, ages and location of residence were represented Key Informants - a key information survey was sent to more than 100 community leaders representing the broad community health perspectives of physical, mental, spiritual, environmental, education, economic and cultural perspectives MAPP Steering Committee members contacted via telephone all of these key informants in advance of sending the survey Anonymity was promised, however sector was tracked as best as possible 86 key informants participated, and the following representation was confirmed alternative healthcare - 1, arts -3, clergy - 1, education - 6, environment - 4, environmental education - 2, government - 4, law enforcement - 2, healthcare -4, military - 2, senior - 1, social services - 10, and youth -2 It is uncertain exactly what sector the remaining 44 represented out of our definition of health Both open-ended input was solicited, as well as specific follow up questions from the prior assessment
SchH_P05_S0B_L05	Schedule H, Part V, Section B, Line 5	Available at public meetings

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L07	Schedule H, Part V, Section B, Line 7	Where possible, the hospital did take action to address specific needs. Some examples include better publicizing our patient discount and financial aid programs, adding a lipidologist to our visiting specialist clinic, and adding an obstetrician/gynecologist to our primary care practice. However, the hospital is not able to address all of the needs from the assessment as many are beyond a hospital's scope of services. Community groups were formed to address the significant findings of the assessment that fall beyond the scope of just one agency or organization, and hospital representatives serve on such workgroups.
SchH_P05_S0B_L20	Schedule H, Part V, Section B, Line 20	All patients are charged at gross charges. Discounts are applied to gross charges for all patients.

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L22	Schedule H, Part V, Section B, Line 22	All patients are charges at gross charges Discounts are applied to gross charges for all patients
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 Srvices MAPP uses four types of assessments to establish the overall community assessment 1) community data (reportable statistics from numersous 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.mappofskp.net

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.
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 within the South Peninsula area and that such services would be best provided by the establishment of a service area. The population of the SPHSA is 13,136 and covers 8,317 square miles. South Peninsula Hospital is located in Homer, Alaska, at the southern tip of the Kenai Peninsula and close to the westerly most highway point in the country. The next closest hospital is Central Peninsula Hospital in Soldotna, 76 miles north of South Peninsula Hospital but as many as 80-90 miles for many of the residents in the SPHSA. Close to half of the population is largely in or in close proximity to the City of Homer. The remaining half is scattered in small neighborhoods throughout the vast service area. Some of the communities in the SPHSA are accessible only by air and water. Homer is the commerce hub of the Service Area, and the area attracts over 100,000 visitors each year. According to Alaska Department of Labor, the 2010 census of the primary service area is 13,136. The primary and secondary service area combined, including Nanwalek, Port Graham, and Seldovia is 13,987.

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
		2012
		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 appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items				
	☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☒ Health or social club dues or initiation fees ☐ 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 or provision of all of 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 filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III				
	☐ Compensation committee ☐ Independent compensation consultant ☐ Form 990 of other organizations ☒ Written employment contract ☒ Compensation survey or study ☒ 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? b Participate in, or receive payment from, a supplemental nonqualified retirement plan? c Participate in, or receive payment from, an equity-based compensation arrangement?	4a		No	
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	4b		No	
		4c		No	
5	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.				
	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	
6	If "Yes," to line 5a or 5b, describe in Part III				
	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	Yes		
b	Any related organization?	6b		No	
7	If "Yes," to line 6a or 6b, describe in Part III				
	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 accrued pursuant to a contract that was subject to the initial contract exception described in Regulations 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 duplicate copies if additional space is needed.

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual

(A) Name and Title		(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 as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1)Robert F Letson Chief Executive Officer	(i) (ii)	157,565 0	1,000 0	0 0	9,514 0	64,599 0	232,678 0	208,075 0
(2)Lori Meyer Chief Financial Officer	(i) (ii)	122,025 0	1,000 0	0 0	7,382 0	45,923 0	176,330 0	0 0
(3)Brent Adcox Medical Doctor	(i) (ii)	779,939 0	81,064 0	0 0	15,000 0	179,080 0	1,055,083 0	424,338 0
(4)Larry R Tripp CRNA	(i) (ii)	148,999 0	145,650 0	0 0	15,000 0	48,748 0	358,397 0	275,613 0
(5)Gregory Hough Medical Doctor	(i) (ii)	219,110 0	34,044 0	0 0	15,000 0	15,262 0	283,416 0	0 0
(6)Shara Sutherlin Director of Patient Care Services	(i) (ii)	145,798 0	1,000 0	0 0	8,808 0	43,068 0	198,674 0	0 0
(7)Douglas Duncan Pharmacy Manager	(i) (ii)	145,139 0	1,000 0	0 0	8,768 0	72,875 0	227,782 0	0 0

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. 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 committee 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 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 and salary survey data.
SchJ_P01_S00_L05	Schedule J, Part I, Line 5	The CRNA may receive a bonus based on revenue generated from his services.
SchJ_P01_S00_L06	Schedule J, Part I, Line 6	The medical doctors may receive a bonus based on net earnings of their clinic operations.

Schedule K
(Form 990)

Supplemental Information on Tax Exempt Bonds

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.

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	0		0		0		0	
2	Amount of bonds legally defeased	0		0		0		0	
3	Total proceeds of issue	0		0		0		0	
4	Gross proceeds in reserve funds	0		0		0		0	
5	Capitalized interest from proceeds	0		0		0		0	
6	Proceeds in refunding escrows	0		0		0		0	
7	Issuance costs from proceeds	0		0		0		0	
8	Credit enhancement from proceeds	0		0		0		0	
9	Working capital expenditures from proceeds	0		0		0		0	
10	Capital expenditures from proceeds	0		0		0		0	
11	Other spent proceeds	0		0		0		0	
12	Other unspent proceeds	0		0		0		0	
13	Year of substantial completion	2007		2009		2009		2011	
		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 of bond-financed property?		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	Does the bond issue meet the private security or payment test?		X		X		X		X
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		X
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?		X		X		X		X

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X		X		X
b	Exception to rebate?		X		X		X		X
c	No rebate due?		X		X		X		X
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X		X		X	X	
4a	Has the organization or the governmental issuer entered into a qualified 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?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (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?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
7	Has the organization established written procedures to monitor the requirements of section 148?		X		X		X		X

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has 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?	X		X		X			

Part VI

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

Identifier	Return Reference	Explanation
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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 Part VI. ▶ Attach to Form 990. ▶ See separate instructions.		OMB No 1545-0047	
			2012	
	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

Part II Proceeds									
		A	B	C	D				
1	Amount of bonds retired								
2	Amount of bonds legally defeased								
3	Total proceeds of issue								
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds								
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?								
15	Were the bonds issued as part of an advance refunding issue?								
16	Has the final allocation of proceeds been made?								
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?								

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?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								

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 of bond-financed property?								
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?								
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								
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								
6	Total of lines 4 and 5								
7	Does the bond issue meet the private security or payment test?								
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?								
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?								

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?								
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?								
b	Exception to rebate?								
c	No rebate due?								
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?								
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?								
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?								
7	Has the organization established written procedures to monitor the requirements of section 148?								

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has 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?								

Part VI

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

Identifier	Return Reference	Explanation
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Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons
▶ Complete if the organization answered
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047
2012
Open to Public Inspection

Name of the organization SOUTH PENINSULA HOSPITAL INC	Employer identification number 92-0037099
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Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 ▶ \$

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV

Business Transactions Involving Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Woodworth Electric	Family member of current director	122,161	Electrical Contracting Services		No

Part V

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

Identifier	Return Reference	Explanation
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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

2012**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	Acquisition of a family practice physician clinic
F990_P06_S0B_L11b	Form 990, Part VI, Section B, Line 11b	Form 990 is prepared by the organization Chief Financial Officer 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 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 form and make any necessary adjustments to the format and content of the questions being 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 .

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

2012

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" to Form 990, Part IV, line 33.)

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

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to 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 entity?	
						Yes	No
(1) Kenai Peninsula Borough 144 N Binkley Street Soldotna, AK 99669 92-0030894	Local Government	AK	115		N/A		

Part III

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

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" to 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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

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

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

1

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

a

Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

b

Gift, grant, or capital contribution to related organization(s)

c

Gift, grant, or capital contribution from related organization(s)

d

Loans or loan guarantees to or for related organization(s)

e

Loans or loan guarantees by related organization(s)

f

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

Lease of facilities, equipment, or other assets to related organization(s)

k

Lease of facilities, equipment, or other assets from related organization(s)

l

Performance of services or membership or fundraising solicitations for related organization(s)

m

Performance of services or membership or fundraising solicitations by related organization(s)

n

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

Other transfer of cash or property to related organization(s)

s

Other transfer of cash or property from related organization(s)

Yes

No

1a

No

1b

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

Yes

1l

No

1m

No

1n

No

1o

No

1p

No

1q

No

1r

No

1s

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-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Kenai Peninsula Borough	c	3,744,093	

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.

[illegible]

Software ID: 12000197
Software Version: v1.00
EIN: 92-0037099
Name: SOUTH PENINSULA HOSPITAL INC

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	
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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula
Borough)

Financial Statements
Years Ended June 30, 2013 and 2012

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Financial Statements
Years Ended June 30, 2013 and 2012

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

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3601 C Street, Suite 600
Anchorage, AK 99503

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

Report on the Financial Statements

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 year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the South Peninsula Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the presentation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Peninsula Hospital, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2013, South Peninsula Hospital adopted the provisions of Governmental Accounting Standards Board (GASB) Statement number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and provisions of GASB Statement number 65, *Items Previously Reported as Assets and Liabilities*. These provisions have been retrospectively applied to all periods presented in these financial statements. Our opinion is not modified with respect to this matter.

Other Matters

The 2012 financial statements of the South Peninsula Hospital were audited by other auditors, whose report dated November 15, 2012 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, on pages 7-10 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 7, 2013 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* in considering South Peninsula Hospital's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
November 7, 2013

Management's Discussion and Analysis

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

Year Ended June 30, 2013 and 2012

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
- Family Practice Clinic

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 Position and Statement of Revenues, Expenses and Changes in Net Position

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 Position and the Statement of Revenue, Expenses and Changes in Net Position report information about the hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The hospital's net position is the result of assets and deferred outflows less liabilities and deferred inflows as reported on the Statement of Net Position.

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

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

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 Position

The hospital's net position increased in by \$1,385,093 in 2013 and \$2,246,174 in 2012.

Summarized financial information of the Hospital's Statement of Net Assets as of June 30, 2013, 2012 and 2011 is as follows:

		(in thousands)	
		Restated	Restated
<i>Assets</i>	2013	2012	2011
Cash and cash equivalents	\$ 6,304	7,531	5,598
Net patient receivables	11,138	7,591	6,605
Other current assets	2,040	1,714	1,683
Plant, property and equipment, net	43,144	43,733	44,664
Other noncurrent assets	926	1,083	1,136
Total Assets	\$ 63,552	60,652	59,686
Deferred Outflows of Revenues	\$ 368	407	131
<i>Liabilities</i>			
Current liabilities	\$ 6,958	5,261	4,414
Long term bonds and lease payable	18,329	19,537	20,402
Total Liabilities	\$ 25,287	24,798	24,816
Deferred Inflows of Resources	\$ 286	299	285
<i>Net Position</i>			
Invested in capital assets, net of related debt	\$ 24,099	23,520	23,345
Restricted	25	25	25
Unrestricted	14,223	13,417	11,346
Total Net Position	\$ 38,347	36,962	34,716

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.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

Operating Results and Changes in the Hospital's Net Position

Summarized financial information of the Hospital's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2013, 2012 and 2011:

		(in thousands)		
		2013	Restated 2012	Restated 2011
Operating Revenue	\$	46,750	39,307	34,380
Operating Expenses:				
Salaries, wages and benefits		30,198	23,452	22,235
Professional fees and contract staffing		5,352	5,215	4,709
Supplies		4,573	3,825	3,395
Depreciation		2,709	2,915	2,738
Other		5,694	4,598	4,291
Total operating expenses	\$	48,525	39,975	37,368
Loss from operations	\$	(1,775)	(668)	(2,988)
Non-operating gain (losses):				
Property taxes		3,774	3,631	3,709
Other	\$	(614)	(717)	(925)
Total non-operating gains	\$	3,160	2,914	2,783
Change in net position	\$	1,385	2,246	(205)
Net position, beginning of year		36,962	34,716	34,921
Net position, end of year	\$	38,347	36,962	34,716

The hospital had a \$1,775,713 loss from operations for fiscal year 2013 compared to a \$667,672 loss in the prior year. Gross patient revenue grew by 26%. This was offset by a 63% increase in contractual adjustments, including \$1 million in prior period settlements to Medicare. Net revenue was \$7.4 million higher than previous year and expenses increased \$8.5 million. Of that increase, \$6.7 million was in salaries, wages, and benefits. This increase was due, in part, to the acquisition of a family practice clinic. We also hired several new physicians in 2013. While this contributed to the increase in salaries, the increase in associated revenue exceeded the increase in expenses. Non-operating gains of \$3.2 million resulted in an increase in net assets of \$1.4 million for fiscal year 2013.

Fiscal year 2014 will begin with the addition of more employed physicians and mid-level providers, which is expected to further increase hospital revenue and offer the resources to provide local care to our service area population. It is hoped that the Affordable Care Act may increase the number of people in the service area that have health care coverage, thus reducing bad debt and charity care expenses. Changes to Medicaid eligibility requirements effective January 1, 2014, may also provide health coverage to currently uninsured people.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

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
- Affordable Care Act

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 33% of the hospital's gross patient revenue for fiscal year 2013 was derived from Medicare and 25% from Medicaid.

Contacting the Hospital's Financial Management

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

Financial Statements

South Penninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statement of Net Position

<i>June 30,</i>	2013	Restated 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,508,895	\$ 5,414,895
Equity in central treasury of Kenai Peninsula Borough	2,795,380	2,115,644
Total cash and equivalents and equity in central treasury of Kenai Peninsula Borough	6,304,275	7,530,539
Patient receivables	16,588,498	11,540,342
Less estimated uncollectibles	(5,450,266)	(3,949,098)
Net patient receivables	11,138,232	7,591,244
Property taxes receivable	141,152	137,330
Less estimated uncollectible taxes	(9,754)	(6,478)
Net property taxes receivable	131,398	130,852
Other receivables	89,904	62,061
Inventory	1,484,407	1,213,604
Prepaid expenses	333,860	307,012
Total current assets	19,482,076	16,835,312
Net pension asset	686,981	687,308
Assets whose use is limited:		
Employee health reserve	100,375	100,045
Malpractice reserve	85,000	85,000
Student loan program	35,329	60,294
Plant replacement funds	-	145,336
Other	18,365	4,819
Total assets whose use is limited	239,069	395,494
Capital Assets:		
Land and land improvements	3,704,067	3,662,101
Buildings	53,196,851	52,912,032
Equipment	17,835,660	16,839,966
Improvements other than buildings	80,470	80,470
Construction in progress	955,151	157,368
Less accumulated depreciation	(32,627,619)	(29,918,583)
Net Capital Assets	43,144,580	43,733,354
Total assets	63,552,706	61,651,468
Deferred Outflows of Resources		
Unamortized deferred charge on refunding	367,757	407,479
Total Assets and Deferred Outflows of Resources	\$ 63,920,463	\$ 62,058,947

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

South Penninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statement of Net Position

<i>June 30,</i>	2013	Restated 2012
Liabilities		
Current liabilities:		
Accounts and contracts payable	\$ 1,497,916	\$ 950,151
Accrued liabilities	4,041,315	2,854,924
Unearned revenue	32,081	106,863
Current portion of bonds payable	1,070,000	1,025,000
Current portion of note payable to Kenai Peninsula Borough	62,594	59,401
Bond interest payable	253,700	265,024
Total current liabilities	6,957,606	5,261,363
Long-term debt, net of current portion:		
Bonds payable, net of premium	18,194,344	19,338,987
Note payable to Kenai Peninsula Borough	135,468	198,062
Total long-term debt, net of current portion	18,329,812	19,537,049
Total liabilities	25,287,418	24,798,412
Deferred Inflows of Resources		
Property taxes received in advance	286,112	298,655
Net Position		
Net investment in capital assets	24,099,837	23,519,563
Restricted	25,286	25,286
Unrestricted	14,221,810	13,417,031
Total net position	38,346,933	36,961,880
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 63,920,463	\$ 62,058,947

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

South Penninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statement of Revenues, Expenses and Changes in Net Position

		Restated
<i>For the Years Ended June 30,</i>	2013	2012
Operating revenues:		
Gross patient charges	\$66,976,920	\$ 52,886,440
Less charges associated with charity care	(1,249,562)	(1,041,598)
Patient service revenue	65,727,358	51,844,842
Contractual adjustments	(17,428,571)	(10,678,473)
Provision for bad debts	(2,359,716)	(2,032,261)
Net patient service revenue	45,939,071	39,134,108
Other operating revenue	811,091	173,236
Total operating revenues	46,750,162	39,307,344
Operating expenses:		
Salaries and wages	21,550,156	16,622,242
Employee benefits	8,648,009	6,829,994
Supplies, drugs and food	4,572,642	3,824,838
Professional fees	4,633,167	4,704,348
Depreciation	2,709,036	2,915,638
Utilities and telephone	1,439,876	1,437,417
Repairs and maintenance	1,242,704	997,885
Contract staffing	718,991	510,398
Lease and rentals	615,022	390,986
Insurance	564,806	478,800
Travel, meetings and education	370,932	231,960
Dues, books and subscriptions	211,388	222,812
Other operating expenses	1,248,824	807,698
Total operating expenses	48,525,553	39,975,016
Loss from operations	(1,775,391)	(667,672)
Non-operating revenues (expenses):		
General property taxes	3,744,093	3,631,204
Grants and contributions	325,617	61,774
Investment income	5,780	57,729
Gain (loss) on disposal of assets	10,000	(4,325)
Interest expense	(816,504)	(799,762)
Other expense	(108,542)	(32,774)
Total non-operating revenues, net	3,160,444	2,913,846
Change in net position	1,385,053	2,246,174
Net Position, beginning of year, as restated	36,961,880	34,715,706
Net Position, end of year	\$38,346,933	\$ 36,961,880

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

<i>For the Years Ended June 30,</i>	2013	2012
Cash Flows from Operating Activities		
Receipts from patients and users	\$ 42,353,832	\$ 38,157,605
Payments to suppliers	(15,328,516)	(13,329,179)
Payments to employees	(29,011,447)	(22,915,564)
Other receipts	811,091	173,236
Net cash provided (used) by operating activities	(1,175,040)	2,086,098
Cash Flows from Non-Capital Financing Activities		
Receipts from property taxes	3,666,631	3,632,677
Grant and other non-operating sources	217,075	29,000
Net cash provided by non-capital financing activities	3,883,706	3,661,677
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(2,120,262)	(1,961,110)
Bond and lease principal paid	(1,025,000)	(1,050,000)
Bond and lease interest paid	(902,472)	(866,721)
Payments on intergovernmental loan	(59,401)	(56,368)
Proceeds from sale of capital assets	10,000	402
Net cash used by capital and related financing activities	(4,097,135)	(3,933,797)
Cash Flows from Investing Activities		
Decrease in assets whose use is limited	156,425	61,071
Interest and dividends received	5,780	57,729
Net cash provided by investing activities	162,205	118,800
Net increase (decrease) in cash and cash equivalents	(1,226,264)	1,932,778
Cash, Cash Equivalents and Equity in Central Treasury, beginning of year	7,530,539	5,597,761
Cash, Cash Equivalents and Equity in Central Treasury, end of year	\$ 6,304,275	\$ 7,530,539
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (1,775,391)	\$ (667,672)
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities:		
Depreciation expense	2,709,036	2,915,638
Amortization expense	39,722	39,722
Change in assets and liabilities:		
Patient receivables, net	(3,546,988)	(986,641)
Other receivables	(27,843)	(10,710)
Inventory	(270,803)	(53,410)
Prepaid expenses	(26,848)	46,402
Net pension asset	327	25,316
Accounts and contracts payable	547,765	245,249
Accrued liabilities, compensated absences, and unearned revenue	1,175,983	532,204
Total adjustments	600,351	2,753,770
Net cash provided (used) by operating activities	\$ (1,175,040)	\$ 2,086,098
Noncash capital and related financing activities - in 2012, 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.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to 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.

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.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Financial Statements

Inventory

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

Prepaid Expenses

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

Property, Plant and Equipment

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

Charity Care

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

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Property Taxes

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

Deferred Inflows of Resources

Deferred inflows of resources consist of payments received as of June 30 for property taxes due October 15th. Such deferred property tax revenues are for support for the following fiscal year operations.

South Peninsula Hospital
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Notes to Financial Statements

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 uses over which the Board retains control and may, at its discretion, use for other purposes.

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.

Change in Accounting Principles

The Hospital has adopted newly issued GASB pronouncements 63 and 65, resulting in a change in presentation of the financial statements. The new pronouncements require reporting two new categories of accounts. Certain items previously reported as assets are not categorized as *deferred outflows of resources*. A *deferred outflow of resources* represents the consumption of the government's net assets that is applicable to a future reporting period. Other items previously categorized as liabilities are now categorized as *deferred inflow of resources*. A *deferred inflow of resources* represents the acquisition of net assets that is applicable to a future reporting period. In the financial statements, the residual net of all of the accounts is now called net position. As discussed further in Note 9, these statements have been retrospectively applied resulting in a restatement of opening net position.

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:

<i>June 30,</i>	2013	2012
Bad debts	\$ 2,359,716	2,032,261
Charges forgone, based on established rates	1,249,562	1,041,598
Total Uncompensated Care	\$ 3,609,278	3,073,859

South Peninsula Hospital
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Notes to Financial Statements

4. Deposits and Investments

Deposits consisted of the following at:

<i>June 30,</i>	2013		2012	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Bank accounts	\$ 3,560,485	3,787,930	5,473,085	5,763,107
Cash on hand	2,104	-	2,104	-
	3,562,589	3,787,930	5,475,189	5,763,107
Less cash equivalents included in assets use is limited	(53,694)	-	(60,294)	-
Cash and Cash Equivalents	\$ 3,508,895	3,787,930	5,414,895	5,763,107

The checking and savings account balances held in the Hospital's name as of June 30, 2013 and 2012 included \$259,979 and \$255,524, respectively, 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 position as follows:

	2013	2012
Equity in Central Treasury of Kenai Peninsula Borough	\$ 2,980,755	2,446,025
Less amount included in assets whose use is limited	(185,375)	(330,381)
	\$ 2,795,380	2,115,644

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Financial Statements

5. Capital Assets

A summary of the changes in property, plant and equipment for fiscal years 2013 and 2012 follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30,2013
Land and land improvements	\$ 3,662,101	41,966	-	3,704,067
Buildings	52,912,032	284,819	-	53,196,851
Equipment	16,839,966	995,694	-	17,835,660
Improvements other than buildings	80,470	-	-	80,470
Construction in progress	119,868	1,229,793	(432,010)	917,651
Work in progress	37,500	-	-	37,500
Total property, plant and equipment	73,651,937	2,552,272	(432,010)	75,772,199
Less accumulated depreciation for:				
Land improvements	(998,423)	(169,982)	-	(1,168,405)
Buildings	(17,068,792)	(1,388,188)	-	(18,456,980)
Equipment	(11,834,363)	(1,144,229)	-	(12,978,593)
Improvements other than buildings	(17,005)	(6,637)	-	(23,641)
Total accumulated depreciation	(29,918,583)	(2,709,036)	-	(32,627,619)
Net Property, Plant and Equipment	\$ 43,733,354	(156,764)	(432,010)	43,144,580

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Financial Statements

	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)	-	(998,243)
Buildings	(15,732,680)	(1,336,112)	-	(17,068,792)
Improvements other than buildings	(10,459)	(6,546)	-	(17,005)
Equipment	(10,717,105)	(1,410,130)	292,872	(11,834,363)
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

6. Deferred Outflows of Resources

The Hospital issued bonds in 2007, which were refunded 2011 (see Note 7 regarding long-term debt) resulting in a deferred charge on bonds. The unamortized balance as of June 30, 2013 and 2012 was \$367,757 and \$407,479, respectively.

7. 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. A deferred charge on the refunding was recognized and is being amortized over the remaining life of the bonds as deferred outflows of resources using the straight-line method.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Financial Statements

Long-term debt consisted of the following at:

General Obligation Bonds:

<i>June 30,</i>	2013	2012
General obligation bonds 2003 series in annual installments, including a coupon rate ranging between 2.0% - 5.125% maturing in December 2013	480,000	940,000
	\$ -	
General obligation bonds 2007 series in annual installments, including a coupon rate ranging between 3.75% - 5.0% maturing in December 2023	3,005,000	3,020,000
General obligation bonds 2007 series in annual installments, including a coupon rate ranging between 2.0% - 5.0%, - maturing in September 2019	12,020,000	12,570,000
Refunding bonds 2011 series in annual installments, including a coupon rate ranging between 2.0% - 5.0%, maturing September 2019.	3,225,000	3,225,000
	18,730,000	19,755,000
Less current portion	(1,070,000)	(1,025,000)
	17,660,000	18,730,000
Plus unamortized bond premium	534,344	608,987
Long Term Debt, Net of Current Portion	\$ 18,194,344	19,338,987

Note Payable:

<i>June 30,</i>	2013	2012
Note payable to Kenai Peninsula Borough, payable in yearly installments of \$73,247 including interest at 5.25%, maturing April 2016.	198,062	257,463
Less current portion	(62,594)	(59,401)
Long Term Debt, Net of Current Portion	\$ 135,468	198,062

South Peninsula Hospital
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Notes to Financial Statements

The remaining annual requirements of all debt outstanding as of June 30, 2013 are as follows:

<i>Year Ended June 30,</i>	<u>General Obligation Bonds</u>		
	Principle	Interest	Total
2014	\$ 1,070,000	845,319	1,915,319
2015	1,095,000	798,150	1,893,150
2016	1,140,000	749,519	1,889,519
2017	1,190,000	698,700	1,888,700
2018	1,240,000	642,237	1,882,237
2019-2023	7,250,000	2,231,888	9,481,888
2024-2028	5,745,000	629,956	6,374,956
	<u>\$ 18,730,000</u>	<u>6,595,769</u>	<u>25,325,769</u>

<i>Year Ended June 30,</i>	<u>Note Payable</u>		
	Principle	Interest	Total
2014	\$ 62,594	10,652	73,246
2015	65,961	7,286	73,247
2016	69,507	3,738	73,245
	<u>\$ 198,062</u>	<u>21,676</u>	<u>219,738</u>

8. Restricted Net Position

The Hospital has restricted net position of \$25,286 at June 30, 2013 and 2012. This is the unspent interest earnings on bond funds which must be used for the purposes allowed by the bonds.

9. Change in Accounting Principles - Adoption of GASB Pronouncements - Restatements

The Hospital has adopted newly issued GASB pronouncement numbers 63 and 65, resulting in a change in presentation for the financial statements. The new pronouncements require, among other things, that debt issuance costs be recognized as an expense in the year incurred, rather than capitalizing and amortizing these costs over the life of the debt. A retroactive restatement of net position is required in the year of adoption.

The beginning net position has been restated as follows:

June 30, 2013

2012 Beginning Net Position , as previously presented	\$ 34,793,971
Restatement; write off unamortized debt issue costs	(78,265)
2012 Beginning Net Position , as restated	<u>\$ 34,715,706</u>

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Financial Statements

10. Leases

The Hospital has multiple operating leases for operating facilities and equipment. The total expense from operating leases for 2013 and 2012 totaled \$615,022 and \$390,986, respectively. Future minimum payments under noncancelable operating leases for the next five years are as follows:

Year Ending June 30,

2014	\$	555,134
2015		529,180
2016		505,019
2017		476,093
2018		295,196
Remaining		632,898
Total		\$ 2,993,520

11. Functional Expenses

Operating expenses grouped according to function are as follows:

	2013	2012
Operating expenses:		
Nursing services	\$ 10,540,490	9,153,383
Other professional services	16,517,795	11,551,641
General services	4,766,533	4,681,594
Fiscal and administrative services	13,991,699	11,672,760
Provisions for depreciation	2,709,036	2,915,638
Total Expenses	\$ 48,525,553	39,975,016

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Financial Statements

12. Interest Capitalized

During 2013 and 2012, the Hospital capitalized \$0 and \$29,145, respectively, in interest costs. For 2012, this amount was comprised of \$29,145 in construction phase interest.

13. 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. Outpatient services are reimbursed as a percentage of charges.

14. 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. As of January 1, 2013, the plan is "frozen" and will not accept participants other than those previously designated.

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.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Financial Statements

Annual Pension Cost and Net Pension Obligation (Asset)

The annual required contribution for the current year was determined as part of the January X, 2013 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.

For the years ended December 31, 2010, 2011, and 2012, the Hospital's annual pension cost and net pension obligation (asset) follows:

<i>Year Ended December 31,</i>	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Net Pension Obligation (Asset)
2010	\$ 639,634	606,036	95%	(561,814)
2011	682,553	808,047	118%	(687,308)
2012	833,363	833,036	100%	(686,981)

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, 2010	7,070	7,369	299	96%	11,567	2.58%
January 1, 2011	9,971	9,499	(475)	105%	13,275	(3.56)%
January 1, 2012	10,568	9,620	(948)	110%	13,847	(6.85)%

15. 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 chances 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.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Financial Statements

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

Self-Insured Health Plan

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

	2013	2012
Health insurance claims liabilities, beginning of year	\$ 824,743	756,561
Current year claims incurred and changes in estimates for claims incurred in prior years	4,717,271	4,289,905
Claims and expenses paid	(4,617,271)	(4,221,723)
Health Insurance Claims Liabilities, end of year	\$ 924,743	824,743

16. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 67 and 68 will result in the biggest reporting change. Actual impacts have not yet been determined:

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 67 - Financial Reporting for Pension Plans - 2013 - Effective for year-end June 30, 2014 - This statement contains certain technical corrections to prior GASB statements on the topic of improving financial reporting by state and local governmental pension plans.

GASB 68 - Accounting and Financial Reporting for Pensions - 2013 - Effective for year-end June 30, 2015 - This statement contains certain technical corrections to prior GASB statements on the topics of Net Pension Liability and Pension Expense.

GASB 69 - Government Combinations and Disposals of Government Operations - 2013 - Effective for year-end June 30, 2015 - This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Financial Statements

GASB 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees - Effective for year-end June 30, 2014 - This statement contains reporting requirements when a government financially guarantees the obligations of another government, non-profit, or private entity without receiving equal value in exchange.

Government Auditing Standards



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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, in accordance with the 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, the financial statements of the South Peninsula Hospital, a component unit of Kenai Peninsula Borough, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise South Peninsula Hospital's basic financial statements, and have issued our report thereon dated November 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Peninsula Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Peninsula Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of South Peninsula Hospital's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 13-01, 13-02, and 13-03 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Peninsula Hospital's financial statements are free from 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*.

South Peninsula Hospital's Response to Findings

South Peninsula Hospital's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. South Peninsula Hospital's response were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
November 7, 2013

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Findings and Responses
Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> (none reported)
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Section II - Financial Statement Findings Required to be Reported in Accordance with Governmental Auditing Standards

Finding 13-01 Internal Controls over Segregation of Duties

<i>Criteria</i>	Internal controls must be maintained over the disbursement process providing segregation of duties between initiation, processing, reviewing and approval.
<i>Condition</i>	Payroll personnel has the ability to initiate and disburse checks without a proper review process in place.
<i>Context</i>	During the course of our audit, we noted the payroll personnel processed their own disbursements without review.
<i>Effect</i>	Internal controls over the disbursement process are not sufficient to prevent or detect and correct misstatements of the financial statements due to error or fraud. This lack of controls has the potential to expose the Hospital to misappropriation of assets.
<i>Cause</i>	Turnover and transition into new positions caused sufficient review controls to not be performed.
<i>Recommendation</i>	The Hospital should implement policies to ensure that all disbursements are put through a formal review process prior to release.
<i>Management Response</i>	See Corrective Action Plan.

Finding 13-02 Internal Controls over General Ledger Reconciliations

<i>Criteria</i>	Timely and appropriate reconciliations of key general ledger accounts is an important step in the monthly, quarterly, and annual financial close and reporting process. These reconciliations help ensure accurate general ledger balances, which in turn helps ensure accurate financial statements.
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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Findings and Responses
Year Ended June 30, 2013

Finding 13-02 Internal Controls over General Ledger Reconciliations, continued

Condition The Hospital did not maintain adequate control over timely and accurate general ledger reconciliations.

Context During the course of our audit, we noted that employee bonus liabilities along with liabilities arising from temporary suspension of pension contributions were not properly accrued in the correct fiscal period.

Effect Payroll liabilities and salaries expense required reconciliation and significant adjustments had to be made to correct these balances.

Cause Effective monitoring controls over account balance reconciliations were not in place.

Recommendation We recommend the Hospital should review its policies and procedures related to processing, review and approval processes for reconciliation of account balances and transaction classes.

Management Response See Corrective Action Plan

Finding 13-03 Internal Controls over Capital Assets

Criteria Timely and appropriate reconciliations of key general ledger accounts is an important step in the monthly, quarterly, and annual financial close and reporting process. These reconciliations help ensure accurate general ledger balances, which in turn helps ensure accurate financial statements.

Condition The Hospital did not accurately maintain an accurate listing of capital assets and depreciation of those assets.

Context During the course of our audit, it was noted that the capital asset and depreciation schedule was not accurately reflecting the depreciation attributable to certain assets. It was determined this was a system error in the capital assets module of the accounting system.

Effect Accumulated depreciation balances of capital assets were updated subsequent to year end and significant changes to be accurately presented.

Cause System error causing time-in-service to be miscalculated.

Recommendation We recommend the Hospital should review system modules to ensure accurate reporting from the accounting system.

Management Response See Corrective Action Plan.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Corrective Action Plan
Year Ended June 30, 2013

Finding 13-01 Internal Controls over Segregation of Duties

Corrective Action Plan South Peninsula Hospital takes seriously the safeguarding of resources entrusted to this department. Calculated payroll registers are now reviewed and approved by the controller. In addition, the Controller has begun reconciling and approving the direct deposit import and list. As the number payroll department employees is limited to one, the payroll personnel's own disbursements are also singled out for detail review. These additional procedures will increase the controls to sufficiently prevent, detect and correct potential misstatements.

Finding 13-02 Internal Controls over General Ledger Reconciliations

Corrective Action Plan The procedure of paying professional and physician bonuses is new to the hospital in the year under audit. We have taken a look at the month and year end accrual process as it pertains to salaries and the related contract agreements and have put procedures in place to assure the completeness of expenses in the proper accounting period. All new contracts will be reviewed for special compensation arrangements and those terms will be tracked to maintain accurate general ledger entries.

Finding 13-03 Internal Controls over Capital Assets

Corrective Action Plan We have reviewed the Capital Asset module and consulted with the software company. South Peninsula Hospital will review the individual asset depreciation calculations and correct them in the module. Going forward, the asset module calculations will be reviewed periodically to assure material accuracy and appropriate reporting.