NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

with

SUPPLEMENTARY INFORMATION

September 30, 2017 and 2016

With Independent Auditor's Report

BerryDunn

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwestern Medical Center, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Northwestern Medical Center, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northwestern Medical Center, Inc. and Subsidiaries as of September 30, 2017 and 2016, and the results of their operations, changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Board of Directors
Northwestern Medical Center, Inc. and Subsidiaries

Restatement

As described in Note 1, the accompanying 2016 consolidated financial statements have been restated to properly recognize Northwestern Medical Center, Inc. and Subsidiaries' interest in a 457(b) deferred compensation plan established for its eligible employees. Our opinion is not modified with respect to this matter.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information contained in Schedules 1 and 2 is presented for purposes of additional analysis, rather than to present the financial position and results of operations of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
December 21, 2017
Registration No. 92-0000278

NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2017 and 2016

ASSETS

	2017	(As Restated) 2016
Current assets		
Cash and cash equivalents	**$ 5,954,422**	$ 2,988,775
Patient accounts receivable, net	**10,828,387**	9,776,422
Contributions receivable, net	**772,690**	1,022,208
Short-term investments	**10,769,763**	16,780,572
Other current assets	**4,251,654**	4,426,634
Total current assets	**32,576,916**	34,994,611
Assets limited as to use	**32,328,245**	45,261,154
Investments	**47,020,732**	47,511,942
Property and equipment, net	**61,555,339**	38,219,072
Other long-term assets	**110,199**	249,856
Total assets	**$ 173,591,431**	$ 166,236,635

LIABILITIES AND NET ASSETS

	2017	(As Restated) 2016
Current liabilities		
Accounts payable	**$ 4,208,831**	$ 3,487,009
Salaries, wages and payroll taxes	**3,315,510**	3,254,760
Other accrued expenses	**1,222,361**	1,594,847
Estimated third-party settlements	**1,911,849**	1,460,033
Current portion of long-term debt	**1,015,636**	846,977
Total current liabilities	**11,674,187**	10,643,626
Deferred compensation	**2,384,878**	1,982,776
Long-term debt, net of current portion and unamortized bond issuance costs	**32,755,798**	33,708,946
Interest rate swaps	**433,263**	2,193,713
Total liabilities	**47,248,126**	48,529,061
Net assets		
Unrestricted	**122,134,028**	112,532,424
Temporarily restricted	**3,090,926**	4,120,579
Permanently restricted	**1,118,351**	1,054,571
Total net assets	**126,343,305**	117,707,574
Total liabilities and net assets	**$ 173,591,431**	$ 166,236,635

The accompanying notes are an integral part of these consolidated financial statements.

NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations

Years Ended September 30, 2017 and 2016

	2017	2016
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	**$102,024,441**	$ 105,762,947
Less provision for bad debts	**4,957,214**	3,154,701
Net patient service revenue	**97,067,227**	102,608,246
Other operating revenue	**3,206,227**	3,809,879
Capitation revenue	**6,748,298**	-
Net asset released from endowment for operations	**1,687,260**	1,935,624
Total unrestricted revenues, gains and other support	**108,709,012**	108,353,749
Expenses		
Salaries and wages	**53,427,049**	50,025,667
Employee benefits	**13,009,439**	11,244,782
Supplies	**12,114,339**	12,983,782
Contracted services	**14,512,154**	13,370,559
Depreciation	**4,722,649**	4,550,356
Travelers' expense	**203,003**	324,066
Health care improvement tax	**5,976,583**	5,882,637
Other operating	**6,594,011**	6,471,313
Interest	**603,519**	607,965
Total expenses	**111,162,746**	105,461,127
(Loss) income from operations	**(2,453,734)**	2,892,622
Nonoperating gains (losses)		
Net investment income	**3,458,787**	2,002,181
Unrealized gains (losses) on interest rate swaps	**1,760,451**	(861,642)
Unrealized gain on investments	**4,524,461**	2,611,450
Other	**189**	87,136
Nonoperating gains, net	**9,743,888**	3,839,125
Excess of revenues over expenses	**7,290,154**	6,731,747
Net assets released from restrictions used for capital acquisitions	**2,311,450**	-
Increase in unrestricted net assets	**$ 9,601,604**	$ 6,731,747

The accompanying notes are an integral part of these consolidated financial statements.

NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years Ended September 30, 2017 and 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balances, October 1, 2015	$105,800,677	$ 1,993,332	$ 1,071,601	$108,865,610
Excess of revenue over expenses	6,731,747	-	-	6,731,747
Contributions	-	4,159,527	-	4,159,527
Depreciation in beneficial interest in perpetual trusts	-	-	(17,030)	(17,030)
Net investment loss	-	(96,656)	-	(96,656)
Net assets released from restrictions used for operations	-	(1,935,624)	-	(1,935,624)
Net increase (decrease) in net assets	6,731,747	2,127,247	(17,030)	8,841,964
Balances, September 30, 2016	112,532,424	4,120,579	1,054,571	117,707,574
Excess of revenue over expenses	**7,290,154**	**-**	**-**	**7,290,154**
Contributions	**-**	**2,954,764**	**-**	**2,954,764**
Appreciation in beneficial interest in perpetual trusts	**-**	**-**	**63,780**	**63,780**
Net investment gain	**-**	**14,293**	**-**	**14,293**
Net assets released from restrictions used for operations	**-**	**(1,687,260)**	**-**	**(1,687,260)**
Net assets released from restrictions used for capital acquisitions	**2,311,450**	**(2,311,450)**	**-**	**-**
Net increase (decrease) in net assets	**9,601,604**	**(1,029,653)**	**63,780**	**8,635,731**
Balances, September 30, 2017	**$122,134,028**	**$ 3,090,926**	**$ 1,118,351**	**$126,343,305**

The accompanying notes are an integral part of these consolidated financial statements.

NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	**$ 8,635,731**	$ 8,841,964
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	**4,722,649**	4,550,356
Provision for bad debts	**4,957,214**	3,154,701
(Gain) loss on disposal of property and equipment	**(3,708)**	423,241
Net realized and unrealized gains on investments	**(6,659,104)**	(3,459,070)
Net change in beneficial interest in perpetual trusts	**(63,780)**	17,030
Contributions restricted to long-term purposes	**(722,168)**	(1,729,205)
Unrealized (gain) loss on interest rate swaps	**(1,760,451)**	861,642
Decrease (increase) in		
Patient accounts receivable, net	**(6,009,179)**	(3,077,534)
Contributions receivable	**96,321**	-
Other assets	**314,637**	(76,679)
Increase (decrease) in		
Accounts payable and accrued expenses	**(167,632)**	(2,035,363)
Estimated third-party settlements	**451,816**	105,857
Net cash provided by operating activities	**3,792,346**	7,576,940
Cash flows from investing activities		
Purchase of property and equipment	**(27,506,110)**	(10,046,174)
Net proceeds from sale of property and equipment	**28,620**	-
Purchase of investments	**(2,853,396)**	(11,979,936)
Withdrawal (deposit) from (to) construction fund	**17,454,390**	(17,454,390)
Proceeds from sale of investments	**11,958,920**	10,194,429
Net cash used by investing activities	**(917,576)**	(29,286,071)
Cash flows from financing activities		
Contributions received for long-term purposes	**875,365**	706,997
Payment of bond issuance costs	**-**	(235,906)
Borrowings on long-term debt	**47,745**	17,665,425
Principal payments on long-term debt	**(832,233)**	(623,894)
Net cash provided by financing activities	**90,877**	17,512,622
Net increase (decrease) in cash and cash equivalents	**2,965,647**	(4,196,509)
Cash and cash equivalents, beginning of year	**2,988,775**	7,185,284
Cash and cash equivalents, end of year	**$ 5,954,422**	$ 2,988,775
Supplemental disclosures of cash flow information		
Cash paid for interest	**$ 586,527**	$ 556,154
Acquisition of property and equipment included in accounts payable	**$ 772,975**	$ 195,257

The accompanying notes are an integral part of these consolidated financial statements.

Organization

Northwestern Medical Center, Inc. (Hospital or NMC) is a 70-bed, not-for-profit hospital in St. Albans, Vermont. The Hospital is the sole-owning member of Northwestern Occupational Health, LLC (NOH), a for-profit entity that provides medical rehabilitative and urgent care services. The consolidated financial statements also include the accounts of the Northwestern Medical Center Auxiliary, Inc. (Auxiliary) which is organized specifically for the promotion and support of the Hospital. Auxiliary volunteers provide the Hospital approximately 24,000 hours of support annually, as well as financial support.

The Hospital and Auxiliary are tax-exempt corporations pursuant to Section 501(c)(3) of the Internal Revenue Code and, as such, are not subject to certain income and property taxes. As a single member LLC, NOH is considered a disregarded tax entity and its results of operations are consolidated with the Hospital.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Hospital and its subsidiaries, NOH and Auxiliary (collectively, "Organization"). All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include money market funds with a maturity of three months or less when purchased. The Hospital maintains its cash in deposit accounts which, at times, may exceed federal depository insurance limits. Management believes credit risk related to these investments is minimal. The Hospital has not experienced any losses in such accounts.

Patient Accounts Receivable

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of individual accounts and historical adjustments. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

In evaluating the collectibility of accounts receivable, the Hospital analyzes past results and identifies trends for each major payor source of revenue for the purpose of estimating the appropriate amounts of the allowance for doubtful accounts and the provision for bad debts. Data in each major payor source are regularly reviewed to evaluate the adequacy of the allowance for doubtful accounts. For receivables relating to services provided to patients having third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a corresponding provision for bad debts at varying levels based on the age of the receivables and the payor source. For receivables relating to self-pay patients (which includes both patients without insurance and patients with deductibles, and copayment balances due for which third-party coverage exists for part of the bills), the Hospital records a provision for bad debts in the period of service based on past experience which indicates patients are unable or unwilling to pay amounts for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or eligible) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

Short-Term Investments, Assets Limited as to Use, and Investments

Short-term investments include money market funds, certificates of deposit and highly liquid debt instruments with a maturity of one year or less when purchased. These funds represent excess cash from operations that are available for day-to-day operational needs, as required.

Assets limited as to use include donor-restricted investments, cash collateralizing property financed by bank loans, bond proceeds to be used for capital projects, deferred compensation plan assets and designated assets set aside by the Board of Directors for future capital improvements, over which the Board of Directors retains control and which it may, at its discretion, use for other purposes.

Investments represent unrestricted donations received over the years, as well as excess funds generated from the operations of the Hospital. These funds, collectively, may only be used upon Board approval. While these funds are identified and referred to as the Hospital's endowment, they are not endowment funds as defined by the Uniform Prudent Management of Institutional Funds Act (UPMIFA) or U.S. GAAP and are not subject to any donor limitations or guidelines with respect to withdrawals.

Investments also include the non-current portion of short-term investments.

Investments and Investment Income

Investments in equity securities are reported at readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. The Hospital has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 825, *Financial Instruments*, and has elected the fair value option relative to its investments which consolidates all investment performance activity within the excess of revenues over expenses in the consolidated statements of operations.

Investment income or loss on unrestricted investments, including realized gains and losses on investments, unrealized gains and losses on investments, and interest and dividends is included in nonoperating gains (losses), unless the income or loss is restricted by donor or law.

Employee Fringe Benefits

The Hospital has an "earned time" plan to provide certain fringe benefits for its employees; however, certain employees are not eligible for this plan. Under this plan, each employee "earns" paid leave for each payroll period. Accumulated hours may be used for vacations, holidays or illnesses. Hours earned, but not used, vest with the employees up to established limits. The Hospital accrues the cost of these benefits as they are earned.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if contributed, at fair market value determined at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Hospital reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital have been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as either net assets released from restrictions used for operations or net assets released from restrictions used for capital acquisitions.

Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity. Generally, income earned on permanently restricted net assets, including net realized appreciation (depreciation) on investments, is included as a change in unrestricted net assets or as a change in temporarily restricted net assets if restricted by the donor.

Interest Rate Swaps

The Hospital uses interest rate swap contracts to mitigate the cash flow exposure of interest rate movements on variable-rate debt. The Hospital has adopted FASB ASC Topic 815, *Derivatives and Hedging*, to account for its interest rate swap contracts. The interest rate swaps do not qualify as cash flow hedges. Gains and losses on derivative financial instruments that do not qualify as hedges are required to be included in the performance indicator. As a result, the unrealized gains (losses) on the interest rate swaps for 2017 and 2016 have been included in the excess of revenues over expenses.

Net Patient Service Revenue

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

Charity Care

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

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. The Hospital records unconditional promises to give greater than one year at the net present value using risk-free interest rates applicable at the time of the contribution and the donors' expected payment terms, less an estimate for uncollectible amounts. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received and the conditions are met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions.

Restatement

The accompanying consolidated financial statements for 2016 have been restated to properly reflect the Hospital's interest in a 457(b) deferred compensation plan for its eligible employees. Total assets and total liabilities for 2016 increased $1,982,776 to reflect the Hospital's interest in the plan. There was no impact on the 2016 consolidated statement of operations, changes in net assets, or cash flows.

Subsequent Events

For purposes of the preparation of these consolidated financial statements in conformity with U.S. GAAP, the Organization has considered transactions of events occurring through December 21, 2017, the date the financial statements were available for issuance.

In November 2017, the Organization entered into agreements to purchase the real estate and improvements of Doctor's Office Commons Condominium, Units 3, 4, and 5, for $1,350,000 and Doctor's Office Commons Condominium, Units 10 and 11, for $1,015,000.

2. Net Patient Service Revenue

Patient service revenue, contractual allowances and other discounts, and the provision for bad debts are as follows for the years ended September 30:

	2017	2016
Gross patient service revenue		
Inpatient services	**$ 42,476,351**	$ 42,909,026
Outpatient services	**149,805,027**	146,812,061
	192,281,378	189,721,087
Less contractual allowances and discounts	**90,256,937**	83,958,140
Patient service revenue (net of contractual allowances and discounts)	**102,024,441**	105,762,947
Less provision for bad debts	**(4,957,214)**	(3,154,701)
Net patient service revenue	**$ 97,067,227**	$ 102,608,246

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

Medicare

Due to its geographic location, the Hospital is deemed to be a sole community hospital. Under this designation, it is reimbursed at a prospectively-determined rate per inpatient discharge based upon its historical costs from a base period. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Outpatient services rendered to Medicare program beneficiaries are paid at prospectively-determined rates. These rates vary according to an ambulatory payment classification system that is based on clinical, diagnostic, and other factors. Final settlements have been determined for all years through September 30, 2014.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at acuity-based prospectively-determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are paid at prospectively-determined rates. The Hospital's Medicaid cost reports have been audited by the fiscal intermediary through September 30, 2013.

Blue Cross and Commercial

Inpatient and outpatient services rendered to Blue Cross and MVP Health Care subscribers are reimbursed at submitted charges less a discount. Physician professional fees are reimbursed on a fee schedule. The amounts paid to the Hospital are not subject to any retroactive adjustments.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively-determined rates per discharge, discounts from established charges and prospectively-determined daily rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 36% and 11%, respectively, of the Hospital's patient revenue (net of contractual allowances and discounts) for the year ended 2017, and 31% and 17%, respectively, of the Hospital's patient revenue (net of contractual allowances and discounts) for the year ended 2016. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. In 2017 and 2016, net patient service revenue increased approximately $639,000 and $457,000, respectively, due to differences in retroactive adjustments compared to amounts previously estimated.

The Organization recognizes patient service revenue relating to services rendered to patients who have third-party payor coverage on the basis of contractual rates for such services. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates less established discounts promulgated by the Patient Protection and Affordable Care Act. Based on historical trends, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services rendered. Thus, the Organization records a provision for bad debts related to uninsured patients in the period the services are rendered. Patient service revenue, net of contractual allowances and discounts, but before the provision for bad debts, recognized from these major payor sources is as follows:

	2017	2016
Revenue from third-party payors	**$ 99,692,394**	$ 104,288,184
Revenue from self-pay patients	**2,332,047**	1,474,763
	$ 102,024,441	$ 105,762,947

3. Patient Accounts Receivable and Estimated Allowance for Doubtful Accounts

Patient accounts receivable is stated net of estimated contractual allowances and the allowance for doubtful accounts as follows as of September 30:

	2017	2016
Patient accounts receivable	**$ 24,397,626**	$ 21,900,160
Estimated contractual allowances	**(9,341,087)**	(7,358,278)
Estimated allowance for doubtful accounts	**(4,228,152)**	(4,765,460)
Patient accounts receivable, net	**$ 10,828,387**	$ 9,776,422

	2017	2016
Estimated allowance for doubtful accounts, beginning of year	**$ 4,765,460**	$ 4,832,926
Self-pay write-offs, net	**(5,494,522)**	(3,222,167)
Provision for bad debts	**4,957,214**	3,154,701
Estimated allowance for doubtful accounts, end of year	**$ 4,228,152**	$ 4,765,460

The allowance for doubtful accounts decreased approximately $537,000 from 2016 to 2017 which is consistent with the decrease in self-pay patient accounts receivable which decreased from approximately $5,242,000 at September 30, 2016 to $4,544,000 at September 30, 2017. Self-pay write-offs include charges from uninsured patients, as well as co-pays and deductibles from insured patients that are unwilling or unable to meet their financial responsibility.

4. Charity Care and Community Services

Consistent with its tax-exempt status and community service responsibility, the Hospital provides services at no charge or at discounted rates to patients who are uninsured or underinsured and meet certain criteria. The criteria for charity care consider family income, net worth, and extent of financial obligations, including healthcare costs.

The net cost of charity care provided was $573,517 in 2017 and $509,196 in 2016. The total cost estimate is based on the Hospital's cost accounting system.

As part of its mission, the Hospital underwrites a number of healthcare related programs that may not be otherwise available to the community. These activities directly align with the Community Health Needs Assessment, targeting the priorities both directly and indirectly.

Some examples of healthcare related programs are described below:

- NMC staff co-chair, facilitate, and participate in the “Community Committee on Healthy Lifestyles,” a broad multi-disciplinary grassroots effort to address pressing community health concerns through wellness and prevention. In 2014, the “RISE VT” initiative was created to bring aggressive wellness programming and initiatives throughout the region. A major grant was secured to supplement resources that the Hospital has already committed to this effort.

- The Healthy Hearts community health fair focuses on improved cardiovascular health with free screenings, educational booths, opportunities to try fitness activities, engaging kids’ activities, healthy snacks, and opportunities to discuss screening results and health questions with providers.

- NMC’s Lifestyle Medicine Department offers various community wellness and prevention programming, including media pieces, special events, smoking cessation activities, public lectures, and health related support groups.

- NMC invests staff time and production costs to dedicate space in hospital publications, paid advertising, proactive traditional media, and social media to raise awareness of health issues, prevention efforts, wellness activities, and supportive offerings put forth by the Hospital as well as community providers – who often lack the staff or resources to fully communicate these important messages to the target audiences in the community.

- Underwriting of, and voluntary participation in, local United Way programs and outreach with focus on health, education, and income – all of which contribute to improved quality of life and overall community health.

5. Contributions Receivable

Contributions receivable represent donors' unconditional promises to give to the master facility redesign capital campaign, which started during 2016. Contributions receivable are as follows:

Contributions receivable	$ 946,920
Less allowance for uncollectible contributions	(174,230)
Contributions receivable, net	$ 772,690

6. Property and Equipment

The major categories of property and equipment are as follows as of September 30:

	2017	2016
Land	**$ 1,020,530**	$ 1,020,530
Land improvements	**3,737,177**	3,737,177
Buildings	**53,516,806**	44,246,186
Major moveable equipment	**33,831,236**	30,102,315
	92,105,749	79,106,208
Less accumulated depreciation	**52,797,199**	48,216,298
	39,308,550	30,889,910
Construction-in-progress	**22,246,789**	7,329,162
	$ 61,555,339	$ 38,219,072

In December 2015, the Hospital received approval on two Certificates of Need (CON) from the State of Vermont. The first CON was for construction of a two-story medical office building which will be attached to the main hospital building. The second CON was for construction and renovation to convert shared rooms to single occupancy rooms for inpatient medical/surgical and Intensive Care Unit (ICU) beds, and create a central registration area and adequate space for specialty clinics. The estimated total cost of these projects of $33,227,609 is being financed with a $17.4 million loan and management expects the remaining funds will be funded from unrestricted net assets. The specialty clinic space was completed and placed in service in May 2017. The construction of the medical office building was completed in November 2017 and the medical/surgical and ICU space is scheduled to be completed in January 2018.

7. Assets Limited as to Use and Investments

The composition of assets limited as to use and investments as of September 30 is as follows:

	2017	2016
Assets Limited as to Use		
Internally designated for capital acquisition		
Cash equivalents	**$ 3,528,409**	$ 27,224
Equities	**13,284,314**	13,255,095
Fixed income	**7,416,308**	6,280,503
Alternative investment - hedge funds	**2,093,831**	1,933,235
	26,322,862	21,496,057
Donor-restricted		
Cash equivalents	**1,881,702**	2,906,471
Equities	**346,496**	238,113
Fixed income	**277,626**	157,318
Beneficial interest in perpetual trusts	**914,820**	851,040
	3,420,644	4,152,942
Held by bank as collateral on property		
Cash equivalents	**199,861**	199,861
Bond proceeds to be used for capital projects		
Cash equivalents	**-**	17,429,518
Other investments		
Deferred compensation	**2,384,878**	1,982,776
	$ 32,328,245	$ 45,261,154
Investments		
Cash equivalents	**$ 1,604,051**	$ 1,294,031
Certificates of deposit with maturity dates exceeding twelve months	**150,236**	2,636,851
Fixed income	**17,194,665**	18,990,023
Equities	**36,555,701**	39,261,090
Alternative investment - hedge funds	**2,285,842**	2,110,519
Total	**57,790,495**	64,292,514
Less short-term investments	**10,769,763**	16,780,572
Long-term investments	**$ 47,020,732**	$ 47,511,942

Investment income and gains for assets limited as to use and investments are comprised of the following:

	2017	2016
Interest and dividend income	**$ 1,324,144**	$ 1,154,561
Realized gains	**2,134,643**	847,620
	3,458,787	2,002,181
Unrealized gains	**4,524,461**	2,611,450
	$ 7,983,248	$ 4,613,631

On May 5, 2009, the Governor of Vermont signed UPMIFA as regulation over donor-restricted endowment funds. Under UPMIFA, the amount of the original gifts is not expendable, although the value of the investments purchased may occasionally fall below that amount. UPMIFA describes “historic dollar value” as the amount that is not expendable. Income not specifically restricted by donors is reported as temporarily restricted until appropriated by the Board and expended.

8. Beneficial Interest in Perpetual Trusts

The Hospital is the beneficiary of various trusts for which it is not the trustee, consisting of $914,820 and $851,040 in irrevocable perpetual trusts at September 30, 2017 and 2016, respectively. The Hospital has reflected as assets in the balance sheets, included in donor-restricted assets limited as to use, its share of the fair value of the underlying investments in the trusts. Receipts of income are included as unrestricted investment income when received. Receipts from the trusts were approximately $24,700 and $30,200 for the years ended September 30, 2017 and 2016, respectively, and were recorded in net investment income.

9. Borrowings

Long-term debt consisted of the following as of September 30:

	2017	2016
Vermont Educational and Health Building Finance Agency (VEHBFA) Hospital Revenue Bonds 2016 Series A, interest, at a variable rate, plus principal are paid monthly; due through June 1, 2036; collateralized by substantially all of the Hospital's assets.	$ 33,944,851	$ 34,791,829
Capital lease payable, with interest at 3.0%, due in monthly installments of $980, including interest, through 2022.	47,745	-
Long-term debt before unamortized bond issuance costs	33,992,596	34,791,829
Less: unamortized bond issuance costs	221,162	235,906
Long-term debt, net of unamortized bond issuance costs	33,771,434	34,555,923
Less: current portion	1,015,636	846,977
Long-term debt, net of current portion and unamortized bond issuance costs	$ 32,755,798	$ 33,708,946

Maturities on long-term debt, before unamortized debt issuance costs, for fiscal years subsequent to September 30, 2017 are as follows:

2018	$ 1,015,636
2019	1,499,069
2020	1,536,622
2021	1,577,875
2022	1,609,592
Thereafter	26,753,802
	$33,992,596

Effective June 1, 2016, the Hospital entered into a loan agreement with VEHBFA issuing $35 million in bonds. The new issue (Series 2016A) was used to refinance the Hospital's Series 2012A bonds, to provide funds for capital projects, and to pay bond issuance costs. Interest on the Series 2016A bonds is payable monthly at a variable rate based on 75% of the one-month LIBOR rate plus 0.71%, 1.55% and 1.28% at September 30, 2017 and 2016, respectively.

The 2016A bond issue requires the Hospital to meet certain covenants. As of September 30, 2017, the Hospital was in compliance with those covenants.

Interest Rate Swaps

The Hospital has entered into three swap agreements. During 2017 and 2016, the interest rate swap agreements did not qualify for hedge accounting.

The Hospital is required to include the fair value of the swaps in the balance sheet, and annual changes, if any, in the fair value of the swaps in the statement of operations. For example, during the Bonds' holding period, the annually calculated value of the swaps will be reported as assets if expected interest rates increase above those expected on the date the swaps were entered into (and as an unrealized gain in the statement of operations), which will generally be indicative that the net fixed rate the Hospital is paying is below market expectations of rates during the remaining term of the swap. The swaps will be reported as a liability (and as an unrealized loss in the statement of operations) if expected interest rates decrease below those expected on the date the swaps were entered into, which will generally be indicative that the net fixed rate the Hospital is paying on the swap is above market expectations of rates during the remaining term of the swap. These annual accounting adjustments of value changes in the swap transaction are non-cash recognition requirements. The Hospital retains the sole right to terminate the swap agreements should the need arise, however such termination may result in a payment or receipt based on interest rate expectations at that time. The Hospital recorded the swaps at their liability positions of $433,263 and $2,193,713 at September 30, 2017 and 2016, respectively. The interest rate swap contract disclosures are summarized as follows:

Fixed Rate Paid	Variable Rate Received	Current Notional Amount	Fair Value as of September 30, 2017	Fair Value as of September 30, 2016	Termination Date	Counterparty
1.208%	.84131%	$ 25,539,851	$ 496,636	$ (738,178)	06/01/2028	People's United Bank
3.228%	.89799%	6,155,000	(72,203)	(1,302,740)	10/01/2030	Deutsche Bank AG
2.906%	.83966%	2,250,000	(857,696)	(152,795)	10/01/2021	Morgan Stanley
			$ (433,263)	$ (2,193,713)		

10. Retirement Plans

The Hospital sponsors a 403(b) retirement plan for its employees. To be eligible to participate in the 403(b) plan, an employee must meet certain requirements as specified in the Plan documents. The Hospital matches 1% if the employee contributes 2% or 3% of their annual salary and the Hospital contributes 2% if the employee contributes 4% or more of their annual salary. Total expense under the 403(b) retirement plan was $812,128 and $466,106 in 2017 and 2016, respectively.

The Hospital sponsors a Money Purchase Pension Plan covering substantially all of its employees. The Hospital's contributions are determined for, and allocated to, eligible participants based on a predetermined percent of compensation paid. Individual benefits at retirement are the amounts which can be provided by the sums contributed to each participant's account. The plan, which may be terminated at any time by the Board of Directors, provides for employee vesting over a six-year period. Retirement plan expenses charged to operations were $1,001,177 and $1,035,661 in 2017 and 2016, respectively.

The Hospital has a nonqualified deferred compensation plan established under Section 457 of the Internal Revenue Code. The plan permits certain management and highly compensated employees to defer portions of their compensation based on Internal Revenue Service guidelines. The Hospital has cumulatively recorded $2,384,878 and $1,982,776 at September 30, 2017 and 2016, respectively, related to this plan. The related investments are segregated in a separate account and reported in the balance sheet along with the Hospital's related liability to the employees.

11. Commitments and Contingencies

The Hospital has leases for medical care space, and has various leases for medical and office equipment with original terms through December 2021. Certain of these leases have renewal options and contain an annual Consumer Price Index increase provision. Future minimum payments under these leases are as follows:

Years ending September 30,	
2018	$ 683,000
2019	577,000
2020	435,000
2021	319,000
2022	244,000
	$ 2,258,000

Rental expense for the years ended September 30, 2017 and 2016 was $1,215,455 and $1,173,972, respectively.

Professional Liability Insurance and Litigation

The Hospital carries malpractice insurance coverage under a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured. The Hospital intends to renew its coverage on a claims-made basis and has no reason to believe that it may be prevented from renewing such coverage.

The Hospital is subject to complaints, claims and litigation due to potential claims which arise in the normal course of business. U.S. GAAP require the Hospital to accrue the ultimate cost of malpractice claims when the incident that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset. The Hospital has evaluated its exposure to losses arising from potential claims and determined that no such accrual was considered necessary as of September 30, 2017. An accrual for $60,000 was necessary on potential claims as of September 30, 2016.

QHR, LLC

The Hospital contracts with QHR, LLC for management advisory services. Total expenses related to the QHR, LLC contract, and charged to operations, were $1,021,690 and $1,281,562 for the years ended September 30, 2017 and 2016, respectively.

Self-Funded Health Insurance

The Hospital maintains a self-funded health insurance plan. A reserve of $442,667 and $843,943 in 2017 and 2016, respectively, has been established to allow for incurred but not reported claims for healthcare services based on claim history. The self-funded policy had an individual stop loss of $150,000 in 2017 and 2016, respectively. The Hospital's aggregate stop loss coverage begins at 125% of expected claims, excluding claim amounts which are paid under the individual stop loss coverage.

One Care Vermont

On January 1, 2017, the Hospital entered into a Risk Bearing Participant & Affiliate Agreement with One Care Vermont Accountable Care Organization, LLC. This agreement was developed to serve as the basis for the development of risk bearing agreements between the Accountable Care Organization (ACO) and payors who would be inclined to participate in these types of agreements. The agreement included a Medicare Next Generation Model ACO Program Addendum that established the foundation for a capitated agreement that will begin on January 1, 2018 and in which the Hospital will be an active participant.

In addition, the ACO entered into a pilot program agreement with the Department of Vermont Health Access for a Medicaid Next Generation Model ACO Program that was effective January 1, 2017. The Hospital is one of four Vermont hospitals participating in the pilot program which covers approximately 30,000 Medicaid lives during the 2017 calendar year. The program is a capitated reimbursement model with a fixed group of Medicaid Participants. The program has a predefined set of risk parameters which limit the risk to participating providers. The Hospital records capitation revenue when received less an estimate for claims incurred but not reported at the end of the year. The Hospital recognized $6,748,298 of income in 2017 related to the program that is recorded in as capitation revenue in the statement of operations. No income was recognized in 2016.

In 2018, the Hospital has agreed to participate in three risk bearing agreements - the continuation of the two programs defined above as well as a third program that is currently in development with Blue Cross/Blue Shield of Vermont. All three will be capitated based agreements with pre-established risk corridors.

12. Meaningful Use Revenues

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The criteria for meaningful use will be staged in three steps from fiscal year 2012 through 2017.

During 2017, the Hospital successfully completed the criteria required to attest for Modified stage 2 meaningful use certification from the Centers of Medicare & Medicaid Services (CMS) and the Department of Vermont Health Access and recorded meaningful use revenues of $115,298, included in other operating revenue in the statement of operations.

During 2016, the Hospital successfully completed the criteria required to attest for Stage 3 year 1 meaningful use certification from CMS and the Department of Vermont Health Access and recorded meaningful use revenues of $967,066, included in other operating revenue in the statement of operations.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific requirements applicable for the reporting period. The meaningful use attestations are subject to audit by CMS in future years. As part of this process, a final settlement amount for the incentive payments could be established that differs from the initial calculation, and could result in return of a portion or all of the incentive payments received by the Hospital.

13. Health Care Improvement Tax

A health care improvement tax is imposed on hospitals, nursing homes, and home health agencies as part of a program to upgrade services in Vermont. Hospitals in Vermont are assessed as a percentage of net patient revenue which is determined annually by the General Assembly. Hospital tax rates were 6.0% in 2017 and 2016.

14. Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, are as follows:

	2017	2016
Medicare	**33 %**	27 %
Medicaid	**12**	16
Blue Cross	**16**	17
Other third-party payors	**20**	16
Patients	**19**	24
	100 %	100 %

15. Functional Expenses

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

	2017	2016
Healthcare services	**$ 86,927,370**	$ 80,083,194
General and administrative	**24,235,376**	25,377,933
	$ 111,162,746	$ 105,461,127

16. Restrictions on Net Assets

Temporarily restricted net assets consisted of donor contributions to the following programs and purposes at September 30:

	2017	2016
Community wellness initiatives	**$ 2,497,160**	$ 1,873,301
Capital expenditures	**188,128**	1,917,333
Education assistance	**48,379**	43,658
Free care assistance	**120,595**	139,201
Other community programs	**236,664**	147,086
	$ 3,090,926	$ 4,120,579

Permanently restricted net assets include endowment fund assets to be held in perpetuity and consisted of the following at September 30:

	2017	2016
Beneficial Interest in Trusts; income is unrestricted	**$ 914,820**	$ 851,040
Sowles Memorial Fund; income to be used for charity care	**203,531**	203,531
	$ 1,118,351	$ 1,054,571

17. Related Parties

The Hospital leases space in doctors' office buildings owned by certain Hospital employees. The original lease terms range from one to five years. Rental expense under these leases for the years ended September 30, 2017 and 2016 was $379,062 and $364,660, respectively.

18. Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Hospital's various financial instruments included in Level 2.

The Hospital's hedge fund alternative investments are valued based on the net asset values (NAV) in accordance with U.S. GAAP as a practical expedient. The Hospital invests in the hedge funds, which calculate NAV per share in accordance with FASB guidance relative to investment companies, and these investments are reported at fair value based on the NAV per share as reported by the investee. In accordance with U.S. GAAP, the investments for which fair value is measured at fair value using the practical expedient have not been categorized in the fair value hierarchy.

Assets and liabilities measured at fair value at September 30, 2017 are summarized below:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets limited as to use				
Cash equivalents	$ 5,609,972	$ -	$ -	$ 5,609,972
Fixed income	7,693,934	-	-	7,693,934
Equities	13,630,810	-	-	13,630,810
Deferred compensation plan assets	2,384,878	-	-	2,384,878
Beneficial interest in perpetual trusts	-	-	914,820	914,820
	$ 29,319,594	$ -	$ 914,820	30,234,414
Alternative investment - hedge funds				2,093,831
Total assets limited as to use				$ 32,328,245
Investments				
Cash equivalents	$ 1,604,051	$ -	$ -	$ 1,604,051
Certificates of deposit with maturity dates exceeding twelve months	150,236	-	-	150,236
Fixed income	17,194,665	-	-	17,194,665
Equities	36,555,701	-	-	36,555,701
	$ 55,504,653	$ -	$ -	55,504,653
Alternative investment - hedge funds				2,285,842
Total investments				$ 57,790,495
Liabilities:				
Interest rate swaps	$ -	$ 433,263	$ -	$ 433,263

Assets and liabilities measured at fair value at September 30, 2016 are summarized below:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets limited as to use				
Cash equivalents	$ 20,563,074	$ -	$ -	$ 20,563,074
Fixed income	6,437,821	-	-	6,437,821
Equities	13,493,208	-	-	13,493,208
Deferred compensation plan assets	1,982,776	-	-	1,982,776
Beneficial interest in perpetual trusts	-	-	851,040	851,040
	$ 42,476,879	$ -	$ 851,040	43,327,919
Alternative investment - hedge funds				1,933,235
Total assets limited as to use				$ 45,261,154
Investments				
Cash equivalents	$ 1,294,031	$ -	$ -	$ 1,294,031
Certificates of deposit with maturity dates exceeding twelve months	2,636,851	-	-	2,636,851
Fixed income	18,990,023	-	-	18,990,023
Equities	39,261,090	-	-	39,261,090
	$ 62,181,995	$ -	$ -	62,181,995
Alternative investment - hedge funds				2,110,519
Total investments				$ 64,292,514
Liabilities:				
Interest rate swaps	$ -	$ 2,193,713	$ -	$ 2,193,713

The fair value of the interest rate swap agreements is based on the income approach using a discounted cash flow analysis of the future cash inflows and cash outflows based on the notional amount of the interest rate swap agreement, market expectations regarding the variable rate as outlined in the 2016A bonds, and the fixed interest rate of the swap agreement.

The hedge fund investment primarily invests in limited partnerships and similar pooled investment vehicles often referred to as portfolio funds. These funds are managed by independent portfolio managers that employ diverse alternative investment strategies across a variety of asset classes. The alternative investment involves certain risks due to a lack of a public market and certain time restrictions on withdrawals.

Because the Hospital will never receive the assets held in the perpetual trusts, the beneficial interest in the perpetual trusts has been categorized as a Level 3 measurement. The fair value of the perpetual trusts is based on an estimate of the Hospital's portion of the fair value of the assets held by the perpetual trusts. The fair value of the assets held by the perpetual trusts is based on the market value of the underlying assets. Due to the level of risk associated with the fair value of the underlying securities and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the balance sheets.

Changes in the beneficial interest in perpetual trusts are comprised of the following for the years ended September 30:

	2017	2016
Fair value, beginning of the year	**$ 851,040**	$ 868,070
Net appreciation (depreciation)	**63,780**	(17,030)
Fair value, end of the year	**$ 914,820**	$ 851,040

SUPPLEMENTARY INFORMATION

Schedule 1

NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES

Consolidating Balance Sheet

September 30, 2017
(With Comparative Totals for September 30, 2016)

ASSETS

	2017				(As Restated) 2016
	NMC	NOH	Eliminations	**Total**	Total
Current assets					
Cash and cash equivalents	$ 5,595,046	$ 359,376	$ -	**$ 5,954,422**	$ 2,988,775
Patient accounts receivable, net	10,409,707	418,680	-	**10,828,387**	9,776,422
Contributions receivable, net	772,690	-	-	**772,690**	1,022,208
Short-term investments	10,769,763	-	-	**10,769,763**	16,780,572
Other current assets	4,819,361	75,317	(643,024)	**4,251,654**	4,426,634
Total current assets	32,366,567	853,373	(643,024)	**32,576,916**	34,994,611
Assets limited as to use	32,328,245	-	-	**32,328,245**	45,261,154
Investments	47,020,732	-	-	**47,020,732**	47,511,942
Property and equipment, net	60,856,203	699,136	-	**61,555,339**	38,219,072
Other long-term assets	880,015	-	(769,816)	**110,199**	249,856
Total assets	$173,451,762	$ 1,552,509	$(1,412,840)	**$173,591,431**	$166,236,635

LIABILITIES AND NET ASSETS

	NMC	NOH	Eliminations	**Total**	Total
Current liabilities					
Accounts payable	$ 4,164,427	$ 660,039	$ (615,635)	**$ 4,208,831**	$ 3,487,009
Salaries, wages and payroll taxes	3,220,245	95,265	-	**3,315,510**	3,254,760
Other accrued expenses	1,222,361	-	-	**1,222,361**	1,594,847
Estimated third-party settlements	1,911,849	-	-	**1,911,849**	1,460,033
Current portion of long-term debt	1,015,636	27,389	(27,389)	**1,015,636**	846,977
Total current liabilities	11,534,518	782,693	(643,024)	**11,674,187**	10,643,626
Deferred compensation	2,384,878	-	-	**2,384,878**	1,982,776
Long-term debt, net	32,755,798	611,484	(611,484)	**32,755,798**	33,708,946
Interest rate swaps	433,263	-	-	**433,263**	2,193,713
Total liabilities	47,108,457	1,394,177	(1,254,508)	**47,248,126**	48,529,061
Net assets					
Unrestricted	122,134,028	-	-	**122,134,028**	112,532,424
Member's equity	-	158,332	(158,332)	**-**	-
Temporarily restricted	3,090,926	-	-	**3,090,926**	4,120,579
Permanently restricted	1,118,351	-	-	**1,118,351**	1,054,571
Total net assets	126,343,305	158,332	(158,332)	**126,343,305**	117,707,574
Total liabilities and net assets	$173,451,762	$ 1,552,509	$(1,412,840)	**$173,591,431**	$166,236,635

NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES

Consolidating Statement of Operations

Year Ended September 30, 2017
(With Comparative Totals for the Year Ended September 30, 2016)

	2017				2016
	NMC	NOH	Eliminations	**Total**	Total
Unrestricted revenues, gains and other support					
Patient service revenue (net of contractual allowances and discounts)	$ 99,162,193	$ 2,954,734	$ (92,486)	**$102,024,441**	$ 105,762,947
Less provision for bad debts	4,642,651	314,563	-	**4,957,214**	3,154,701
Net patient service revenue	94,519,542	2,640,171	(92,486)	**97,067,227**	102,608,246
Other operating revenue	3,375,152	106,367	(275,292)	**3,206,227**	3,809,879
Capitation revenue	6,748,298	-	-	**6,748,298**	-
Net assets released from restrictions for operations	1,687,260	-	-	**1,687,260**	1,935,624
Total unrestricted revenues, gains and other support	106,330,252	2,746,538	(367,778)	**108,709,012**	108,353,749
Expenses					
Salaries and wages	51,330,787	1,604,142	492,120	**53,427,049**	50,025,667
Employee benefits	12,754,365	347,560	(92,486)	**13,009,439**	11,244,782
Supplies	11,944,805	169,534	-	**12,114,339**	12,983,782
Contracted services	13,798,962	1,416,651	(703,459)	**14,512,154**	13,370,559
Depreciation	4,686,784	35,865	-	**4,722,649**	4,550,356
Travelers' expense	131,472	71,531	-	**203,003**	324,066
Healthcare improvement tax	5,976,583	-	-	**5,976,583**	5,882,637
Other operating	6,456,507	287,920	(150,416)	**6,594,011**	6,471,313
Interest	603,519	21,232	(21,232)	**603,519**	607,965
Total expenses	107,683,784	3,954,435	(475,473)	**111,162,746**	105,461,127
(Loss) income from operations	(1,353,532)	(1,207,897)	107,695	**(2,453,734)**	2,892,622
Nonoperating gains (losses)					
Net investment income	2,272,122	-	1,186,665	**3,458,787**	2,002,181
Unrealized gains (losses) on interest rate swaps	1,760,451	-	-	**1,760,451**	(861,642)
Unrealized gains on investments	4,524,461	-	-	**4,524,461**	2,611,450
Other	86,652	-	(86,463)	**189**	87,136
Nonoperating gains, net	8,643,686	-	1,100,202	**9,743,888**	3,839,125
Excess (deficiency) of revenue over expenses	7,290,154	(1,207,897)	1,207,897	**7,290,154**	6,731,747
Net assets released from restrictions used for capital acquisitions	2,311,450	-	-	**2,311,450**	-
Increase(decrease) in unrestricted net assets	$ 9,601,604	$ (1,207,897)	$ 1,207,897	**$ 9,601,604**	$ 6,731,747