

Southwestern Vermont Health Care Corporation

Independent Auditor's Report and Consolidated Financial Statements

September 30, 2019 and 2018

Southwestern Vermont Health Care Corporation

September 30, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
Southwestern Vermont Health Care Corporation
Bennington, Vermont

We have audited the accompanying consolidated financial statements of Southwestern Vermont Health Care Corporation (the "Corporation"), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, 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 Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Southwestern Vermont Health Care Corporation as of September 30, 2019 and 2018, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in *Note 1* to the consolidated financial statements, in 2019, the Corporation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Springfield, Missouri
December 20, 2019

Southwestern Vermont Health Care Corporation
Consolidated Balance Sheets
September 30, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 11,314,225	\$ 10,664,727
Patient accounts receivable	16,121,651	17,219,172
Other receivables	1,578,902	1,805,669
Supplies	3,105,914	3,297,450
Prepaid expenses and other	<u>2,130,834</u>	<u>1,756,201</u>
Total current assets	<u>34,251,526</u>	<u>34,743,219</u>
Assets Limited As To Use		
Internally designated	72,379,309	68,556,894
Externally restricted	<u>14,070,623</u>	<u>13,250,863</u>
	<u>86,449,932</u>	<u>81,807,757</u>
Property and Equipment, At Cost	186,107,764	181,180,643
Less accumulated depreciation	<u>132,609,526</u>	<u>125,221,524</u>
	<u>53,498,238</u>	<u>55,959,119</u>
Other Assets		
Beneficial interest in perpetual trust	2,345,413	2,280,596
Deferred compensation plan assets	2,148,834	1,088,624
Other	<u>858,007</u>	<u>572,142</u>
	<u>5,352,254</u>	<u>3,941,362</u>
Total assets	<u><u>\$ 179,551,950</u></u>	<u><u>\$ 176,451,457</u></u>

Liabilities and Net Assets

	2019	2018
Current Liabilities		
Current maturities of long-term debt	\$ 463,792	\$ 1,190,617
Accounts payable	8,132,649	8,562,393
Accrued expenses	14,801,939	15,032,396
Estimated amounts due to third-party payers	2,175,499	1,489,168
Estimated self-insurance costs	1,344,955	1,025,776
Other	76,258	164,566
	<hr/>	<hr/>
Total current liabilities	26,995,092	27,464,916
Long-Term Debt	10,641,283	10,983,572
Asset Retirement Obligations	1,201,688	1,190,238
Accrued Pension Liabilities	12,060,571	7,564,224
Deferred Compensation	2,142,906	1,082,867
Interest Rate Swap Agreements	1,461,326	770,117
Other Liabilities	1,814,921	1,456,598
Total liabilities	<hr/> <u>56,317,787</u>	<hr/> <u>50,512,532</u>
Net Assets		
Without donor restrictions	105,681,730	109,732,710
With donor restrictions	17,552,433	16,206,215
	<hr/>	<hr/>
Total net assets	123,234,163	125,938,925
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 179,551,950</u>	<u>\$ 176,451,457</u>

Southwestern Vermont Health Care Corporation
Consolidated Statements of Operations
Years Ended September 30, 2019 and 2018

	2019	2018 (Adjusted - Note 1)
Revenues, Gains and Other Support Without Donor Restrictions		
Patient service revenue	\$ 160,662,498	\$ 174,162,121
Other	7,848,305	5,660,876
Fixed prospective revenue	23,775,895	5,254,620
Net assets released from restrictions used for operations	769,711	833,036
Total revenues, gains and other support without donor restrictions	193,056,409	185,910,653
Expenses and Losses		
Salaries and wages	63,803,075	60,846,202
Employee benefits	18,772,864	15,788,303
Purchased services	47,573,993	45,302,750
Supplies and other	54,469,790	52,698,709
Depreciation and amortization	7,625,925	7,377,635
Interest	676,742	691,988
Total expenses and losses	192,922,389	182,705,587
Operating Income	134,020	3,205,066
Other Income (Expense)		
Investment return, net	3,511,599	2,169,463
Change in fair value of interest rate swap agreements	(692,480)	481,554
Contributions and grant revenue	2,178,459	1,799,182
Contribution of The Center for Nursing and Rehabilitation at Hoosick Falls	-	1,135,620
Other	(284,312)	379,741
Total other income (expense)	4,713,266	5,965,560
Excess of Revenues Over Expenses	4,847,286	9,170,626
Net assets released from restriction used for purchase of property and equipment	331,870	32,000
Grant received for acquisition of property and equipment	737,604	2,173,289
Defined benefit pension costs		
Net gain (loss) arising during the period	(11,150,375)	1,792,074
Amortization of net loss included in net periodic pension cost	1,182,635	1,219,503
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ (4,050,980)	\$ 14,387,492

Southwestern Vermont Health Care Corporation
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions		
Excess of revenues over expenses	\$ 4,847,286	\$ 9,170,626
Grant received for acquisition of property and equipment	737,604	2,173,289
Net assets released from restriction used for purchase of property and equipment	331,870	32,000
Defined benefit pension costs		
Net gain (loss) arising during the period	(11,150,375)	1,792,074
Amortization of net loss included in net periodic pension cost	<u>1,182,635</u>	<u>1,219,503</u>
Increase (decrease) in net assets without donor restrictions	<u>(4,050,980)</u>	<u>14,387,492</u>
Net Assets With Donor Restrictions		
Contributions received	2,364,068	1,748,552
Change in interest in net assets of Hoosick Falls Health Center Foundation	(57,610)	12,310
Investment return, net	76,524	25,259
Contribution of The Center for Nursing and Rehabilitation at Hoosick Falls	-	185,946
Change in beneficial interest in trusts	64,817	60,218
Net assets released from restriction	<u>(1,101,581)</u>	<u>(865,036)</u>
Increase in net assets with donor restrictions	<u>1,346,218</u>	<u>1,167,249</u>
Change in Net Assets	(2,704,762)	15,554,741
Net Assets, Beginning of Year	<u>125,938,925</u>	<u>110,384,184</u>
Net Assets, End of Year	<u>\$ 123,234,163</u>	<u>\$ 125,938,925</u>

Southwestern Vermont Health Care Corporation
Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018 (Adjusted - Note 1)
Operating Activities		
Change in net assets	\$ (2,704,762)	\$ 15,554,741
Items not requiring (providing) operating cash flow		
Gain on sale of property and equipment	(21,807)	(1,163)
Contribution of CNR	-	(1,321,566)
Depreciation and amortization	7,625,925	7,372,802
Net gain on investments	(2,582,651)	(1,280,288)
Change in fair value of interest rate swap agreement	692,480	(481,554)
Change in beneficial interest in perpetual trusts	(64,817)	(60,218)
Restricted contributions and investment income received	(3,489,982)	(1,786,121)
Grant received for acquisition of property and equipment	(737,604)	(2,173,289)
Defined benefit pension costs	4,496,347	(6,931,145)
Changes in		
Patient accounts receivable	1,097,521	(520,040)
Estimated amounts due from and to third-party payers	686,331	109,740
Accounts payable and accrued expenses	407,615	(2,900,992)
Asset retirement obligations	11,450	14,773
Other assets and liabilities	622,683	(1,889,445)
Net cash provided by operating activities	6,038,729	3,706,235
Investing Activities		
Purchase of investments	(13,082,759)	(13,393,113)
Proceeds from sale of investments	10,538,301	12,037,254
Cash contributed from CNR	-	215,575
Purchase of property and equipment	(5,852,909)	(8,303,243)
Net cash used in investing activities	(8,397,367)	(9,443,527)
Financing Activities		
Proceeds from restricted contributions and investment income	1,874,985	1,469,498
Proceeds from grant income	1,844,604	1,365,076
Principal payments on long-term debt	(1,196,387)	(818,872)
Net cash provided by financing activities	2,523,202	2,015,702
Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	164,564	(3,721,590)
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, Beginning of Year	20,210,029	23,931,619
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, End of Year	\$ 20,374,593	\$ 20,210,029

Southwestern Vermont Health Care Corporation
Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Reconciliation of Cash and Cash Equivalents to the Consolidated Balance Sheets		
Cash and cash equivalents in current assets	\$ 11,314,225	\$ 10,664,727
Cash and cash equivalents in assets limited as to use	9,060,368	9,545,302
	\$ 20,374,593	\$ 20,210,029
 Supplemental Cash Flows Information		
Interest paid	\$ 677,031	\$ 695,408
Property and equipment in accounts payable	\$ 1,310,749	\$ 2,147,694
Assets acquired	\$ -	\$ 5,813,488
Liabilities assumed	\$ -	\$ 4,491,922

Southwestern Vermont Health Care Corporation
Notes to Consolidated Financial Statements
September 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Southwestern Vermont Health Care Corporation (SVHC) is a not-for-profit corporation organized under the laws of the State of Vermont for the purpose of serving as a parent organization for wholly owned or controlled subsidiary corporations. Activities performed by SVHC include managing investments and operating and managing buildings and equipment owned and leased by subsidiaries and other related entities. SVHC and its subsidiaries are providers of health services with facilities in and around the Bennington, Vermont, area. The subsidiaries of the Corporation are:

Southwestern Vermont Medical Center, Inc. (SVMC) is a not-for-profit, acute care hospital which provides diagnostic and treatment services.

Mount Anthony Housing Corporation (MAHC) is doing business as Centers for Living and Rehabilitation (CLR) and is a not-for-profit corporation organized for the purpose of developing, managing and operating nursing homes.

Southwestern Vermont Health Care Auxiliary, Inc. (SVHCA) is a not-for-profit corporation organized for the purpose of serving and assisting SVHC and its subsidiaries in promoting the health and welfare of the community in accordance with SVMC's objectives and to conduct various philanthropic activities for SVMC.

Southwestern Vermont Health Care Enterprises (SVHCE) is a for-profit corporation organized for the purpose of providing family practice and other specialty physician services.

Southwestern Vermont Health Care Foundation, Inc. (Foundation) is a not-for-profit corporation organized exclusively for charitable and educational purposes for SVHC, its successors, subsidiaries and affiliates.

Southwestern Vermont Health Care New York, LLC (SVHCNY) is a not-for-profit professional employment corporation organized for staffing purposes in addition to owning and leasing property for Twin Rivers Medical, P.C.

Twin Rivers Medical, P.C. (Twin Rivers) is a New York not-for-profit corporation organized for the purpose of providing family practice and other specialty physician services. SVMC controls the operations of Twin Rivers.

Northern Berkshire Medical, P.C. (NBM) is a Massachusetts not-for-profit corporation organized for the purpose of providing orthopedic practice and other specialty physician services. SVMC controls the operations of NBM.

Effective February 5, 2018, the Corporation acquired Hoosick Falls Health Center, Inc., d/b/a The Center for Nursing and Rehabilitation at Hoosick Falls (CNR). CNR is a not-for-profit organization organized for the purpose of developing, managing and operating nursing homes. See *Note 22* for further information. CNR is a controlled affiliate of SVHCNY.

Southwestern Vermont Health Care Corporation

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Principles of Consolidation

The consolidated financial statements include the accounts of SVHC and its controlled entities, SVMC, MAHC, SVHCA, SVHCE, the Foundation, SVHCNY, Twin Rivers, NBM and SVHCHF (collectively, the “Corporation”). All significant intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated 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

The Corporation considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2019 and 2018, cash equivalents consisted primarily of money market sweep accounts with banks, which are not FDIC insured, but may be covered by separate agreements with the financial institution. At September 30, 2019, the Corporation held approximately \$11,193,000 in sweep products with one financial institution.

At September 30, 2019, the Corporation’s deposit accounts exceeded federally insured limits by approximately \$254,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. The investment in equity investee is reported on the equity method of accounting. Other investments are valued at the lower of cost or fair value.

Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of operations and changes in net assets as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Southwestern Vermont Health Care Corporation
Notes to Consolidated Financial Statements
September 30, 2019 and 2018

Assets Limited as to Use

Assets limited as to use include (1) assets set aside by the Board of Trustees for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes and (2) assets restricted by donors.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. As a service to the patient, the Corporation bills third-party payers directly and bills the patient when the patient's responsibility for copays, coinsurance and deductibles is determined. Patient accounts receivable are due in full when billed.

Contract Assets

Amounts related to health care services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract assets consist primarily of health care services provided to patients who are still receiving inpatient care in the Corporation at the end of the year. Contract assets are included in patient accounts receivable on the consolidated balance sheets.

Supplies

Supply inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and land improvements	20 – 50 years
Leasehold improvements	5 – 25 years
Equipment	1 – 20 years

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Notes to Consolidated Financial Statements
September 30, 2019 and 2018

Long-Lived Asset Impairment

The Corporation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended September 30, 2019 and 2018.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The Corporation records these costs as direct deductions from the related debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Refund Liabilities

The consideration the Corporation has received from patients for which it does not expect to be entitled to is recorded as a refund liability.

Guarantee

The Corporation guarantees certain third-party debt of an unconsolidated affiliated organization. The guarantee term shall continue in effect until all guaranteed obligations are fully and finally paid, performed and discharged, which is anticipated to be November 2020. Should the Corporation be obligated to perform under the guarantee agreement, the Corporation may seek reimbursement from each guarantor, a portion, of the debt of this unconsolidated affiliated organization of amounts expended under the guarantee.

At September 30, 2019 and 2018, the maximum guarantee on the outstanding loan was approximately \$1,350,000 and \$0, respectively. At September 30, 2019 and 2018, the Corporation's recorded liability under the guarantee agreement was \$0.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by the Corporation has been limited by donors to a specific time period or purpose or have been restricted by donors to be maintained by the Corporation in perpetuity.

Patient Service Revenue

Patient service revenue is recognized as the Corporation satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. The Corporation determines the transaction price based on standard

Southwestern Vermont Health Care Corporation

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Corporations' policies and implicit price concessions provided to uninsured patients.

The Corporation determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payer groups. The Corporation determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payers.

Fixed Prospective Revenue

Beginning January 1, 2018, the Corporation began to receive monthly fixed prospective payments for services provided by the hospital (and hospital-owned practices) participating in the Vermont Medicaid Next Generation Accountable Care Organization ("ACO") Pilot Program. As of January 1, 2019, the same entities entered into participation agreements with OCV for the Medicare Next Generation ACO, the Vermont Medicaid Next Generation ACO, and the Commercial Blue Cross Blue Shield of Vermont ("BCBS") ACO programs; all three programs encompass services provided by hospitals (and hospital-owned practices) participating in the ACO arrangement. The Medicare and Medicaid programs provide for a monthly, per member payment received in advance of the services being performed and recognized as revenue in the month to which it relates. The BCBS program pays fee for service and provides for a reconciliation process at the end of the fiscal year. The revenues for the Medicare and Medicaid programs are recorded on the fixed prospective payment line on the statement of operations. Revenues recorded under these arrangements represent the fixed, agreed-upon amounts as a result of the Corporation's stand-ready performance obligation to provide health care services to qualified beneficiaries. Fee-for-service payments continue for all other non-hospital providers in the ACO, for all providers who are not a part of the ACO, and for all services that are not included in the fixed prospective payment. The ACO is responsible for both the cost and quality of care for each attributed member. This is true whether that person uses little or no care or whether they require services consistently throughout the year.

The Corporation recognizes its share of annual contract settlements as an increase or decrease to fixed prospective revenue. Medicaid, Medicare and Blue Cross Blue Shield fee-for-service payments continue for all other nonhospital providers in the ACO, for all providers who are not part of the ACO, and for all services that are not in the fixed prospective payment. The ACO is responsible for both the cost and the quality of care for each attributed member, regardless of individual member's utilization. The Corporation is subject to an annual contracted maximum risk corridor. The maximum risk for calendar year 2019 and 2018 was a maximum potential gain or loss of \$1,915,000 and \$550,000, respectively. As of September 30, 2019 and 2018, the Corporation has recorded a liability of \$1,405,000 and \$412,000, respectively, which is recorded within estimated amounts due to third-party payers on the consolidated balance sheets.

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Notes to Consolidated Financial Statements
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Charity Care

The Corporation provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as patient service revenue.

The Corporation's direct and indirect costs for services furnished under its charity care policy aggregated approximately \$851,000 and \$795,000 in 2019 and 2018, respectively.

Contributions

Contributions are provided to the Corporation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Corporation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

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Notes to Consolidated Financial Statements
September 30, 2019 and 2018

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied when the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Professional Liability Claims

The Corporation recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 8*.

Government Grants

Support funded by grants is recognized as the Corporation performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as the result of such audit, adjustments could be required.

Income Taxes

SVHC, SVMC, MAHC, SVHCA, the Foundation, SVHCNY, Twin Rivers, NBM and CNR have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, these entities are subject to federal income tax on any unrelated business taxable income.

SVHCE accounts for income taxes in accordance with income tax accounting guidance (ASC Topic 740, *Income Taxes*).

Self-Insurance

The Corporation records estimated liabilities for self-insurance costs for employee health insurance and workers' compensation insurance. These liabilities include an estimate of the ultimate costs for both reported claims and claims incurred but not reported. The Corporation has purchased insurance that limits its exposure for individual health claims that exceed \$250,000, up to an aggregate of \$1,000,000, which is contingent upon individual health claims reaching 125 percent of annual projected claims. The Corporation has also purchased insurance for workers' compensation claims that exceed \$200,000 up to an aggregate of \$800,000, annually.

Southwestern Vermont Health Care Corporation
Notes to Consolidated Financial Statements
September 30, 2019 and 2018

Excess of Revenues Over Expenses

The consolidated statements of operations include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include permanent transfers to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets) and defined benefit pension plan changes.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Changes in Accounting Principles

ASU 2016-14, Not-for-Profit Entities (Topic 958)

In 2019, the Corporation, adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Balance Sheet

The balance sheet distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Operations

Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the balance sheet.

Expenses are reported by both nature and function in one location.

This change had no impact on previously reported total change in net assets.

Southwestern Vermont Health Care Corporation
Notes to Consolidated Financial Statements
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ASU 2014-09, Revenue from Contracts with Customers (Topic 606)

On October 1, 2018, the Corporation adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using a full-retrospective method of adoption to all contracts with customers (patients) at October 1, 2017. The core guidance in Topic 606 is to recognize revenue to depict the transfer of promised goods or services to customers or patients in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services. The amount to which the Corporation expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing patient services to its patients. Adoption of Topic 606 resulted in changes in presentation of the financial statements and related disclosures in the notes to the consolidated financial statements. Because contracts are generally completed within a year, the Corporation used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the year ending September 30, 2018. Prior to the adoption of Topic 606, the majority of the provision for uncollectible accounts related to patients without insurance, as well as patient responsibility balances for copays, coinsurance and deductibles for patients with insurance. Under Topic 606, the estimated amounts due from patients for which the Corporation does not expect to be entitled or collect from the patients are considered implicit price concessions and excluded from the Corporation's estimation of the transaction price or revenue recorded.

	September 30, 2018		
	As Previously Reported	As Adjusted	Adoption Impact
Combined Statements of Operations			
Operating revenues			
Patient service revenue (net of contractual discounts and allowances)	\$ 180,313,420	\$ -	\$ (180,313,420)
Provision for uncollectible accounts	<u>(6,151,299)</u>	<u>-</u>	<u>6,151,299</u>
Net patient service revenue less provision for uncollectible accounts	<u>\$ 174,162,121</u>		<u>\$ (174,162,121)</u>
Patient service revenue		<u>\$ 174,162,121</u>	<u>\$ 174,162,121</u>

The adoption had no impact on operating income, overall change in net assets or net cash provided by operating activities.

ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash

During the year ended September 30, 2019, the Corporation adopted the Financial Accounting Standards Board Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (a consensus of the FASB Emerging Issues Task Force), (ASU 2016-18), on a retrospective basis. This ASU is intended to remove diversity in practice of restricted cash within the statements of cash flows. The Corporation, which presents cash and cash equivalents with restrictions in multiple line items on the consolidated balance sheets, will now report these items as cash and cash equivalents for the consolidated statements of cash flows, and will disclose the location of its cash and cash equivalents to reconcile the two statements for each period presented.

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Adoption of ASU 2016-14 resulted in the following changes on the consolidated statement of cash flows to the Corporation's consolidated financial statements.

	September 30, 2018		
	As Previously Reported	As Adjusted	Adoption Impact
Consolidated Statements of Cash Flows			
Purchase of investments	\$ (19,264,378)	\$ (13,393,113)	\$ (5,871,265)
Proceeds from sale of investments	18,241,090	12,037,254	6,203,836
Net cash used in investing activities	(9,110,956)	(9,443,527)	332,571
Increase (decrease) in cash and cash equivalents	(3,389,019)	(3,721,590)	332,571
Cash and cash equivalents, beginning of year	14,053,746	23,931,619	(9,877,873)
Cash and cash equivalents, end of year	10,664,727	20,210,029	(9,545,302)

Clarifying Contributions Received and Contributions Made

In 2019, the Corporation adopted ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* using a modified prospective basis to all agreements not completed as of October 1, 2018, or entered into after October 1, 2018. ASU 2018-08 clarifies existing guidance on determining whether a transfer of assets (or the reduction, settlement or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how the Corporation determines whether a resource provider (including a foundation, a government agency or other) is receiving commensurate value in return for the resources transferred, and whether contributions are conditional or unconditional.

Adoption of ASU 2018-08 had no impact on 2019 or the previously reported 2018 consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. These reclassifications had no effect on the change in net assets.

Revisions

The 2018 consolidated statement of operations has been revised for classification of certain operating expenses. The immaterial revision increased purchased services by \$1,148,212 and decreased supplies and other by the same amount. There was no effect to total operating expenses or on the change in net assets as a result of this revision.

The 2018 *Note 18* to the consolidated financial statements has been revised for disclosure of related party costs. The immaterial revision increased amounts previously disclosed as incurred under the professional services agreement from \$27,525,000 to \$29,145,000. There was no effect on the consolidated financial statements or on the change in net assets as a result of this revision.

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Note 2: Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Corporation bills the patients and third-party payers several days after the services are performed or the patient is discharged from the facility and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Corporation receiving inpatient acute care services or patients receiving services in its outpatient centers or in their homes (home care). The Corporation measures the performance obligation from inpatient admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Corporation does not believe it is required to provide additional goods related to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Transaction Price

The Corporation determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Corporation's policy and implicit price concessions provided to uninsured patients. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Corporation determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

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Third-Party Payers

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

Medicare. Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates. The Corporation is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare administrative contractor. SVMC is designated as a Sole Community Hospital and a Rural Referral Center by CMS.

Medicaid. Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member. The Corporation is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicaid administrative contractor.

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Corporation. In addition, the contracts the Corporation has with commercial payers also provide for retroactive audit and review of claims.

Settlements with third-party payers for retroactive adjustments due to cost report or other audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and

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investigations. Adjustments arising from a change in the transaction price were not significant in 2019 and 2018.

Patient and Uninsured Payers

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended September 30, 2019 and 2018, changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years were not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients.

Patients who meet the Corporation's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Refund Liabilities

From time to time the Corporation will receive overpayments of patient balances from third-party payers or patients resulting in amounts owed back to either the patients or third-party payers. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of September 30, 2019 and 2018, the Corporation has a liability for refunds to third-party payers and patients recorded of approximately \$131,000 and \$132,000, respectively, and is included in accounts payable on the consolidated balance sheets.

Revenue Composition

The Corporation has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payers and service line.

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The composition of patient care service revenue by primary payer for the years ended September 30, 2019 and 2018, respectively, is as follows:

	2019	2018
Medicare	\$ 56,215,174	\$ 69,424,302
Medicaid	21,339,896	22,697,814
Blue Cross	42,520,609	45,265,737
Other third-party payers	38,287,673	35,332,935
Self-pay	2,299,146	1,441,333
	<u>\$ 160,662,498</u>	<u>\$ 174,162,121</u>

The composition of patient care service revenue based on lines of business for the years ended September 30, 2019 and 2018, respectively, are as follows:

	2019	2018
Hospital inpatient	\$ 30,383,818	\$ 36,495,174
Hospital outpatient	81,761,685	90,527,302
Physician services	30,529,422	31,465,239
Skilled nursing	17,987,573	15,674,406
	<u>\$ 160,662,498</u>	<u>\$ 174,162,121</u>

Financing Component

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time the patient or a third-party payer pays for that service will be one year or less.

However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

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Contract Balances

Contract assets consist primarily of health care services provided to patients who are still receiving inpatient care in the Hospital at the end of the year. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities represent the Hospital's obligation to provide services to patients when consideration has already been received from the patient or a third-party payer.

Patient Accounts Receivable

The following table provides information about the Health System's patient accounts receivable:

	2019	2018
Accounts receivable, beginning of period	\$ 17,219,172	\$ 15,825,444
Accounts receivable, end of period	16,121,651	17,219,172

Contract Costs

The Corporation has applied the practical expedient provided by FASB ASC 340-40-25-4 and incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Corporation otherwise would have recognized is one year or less in duration.

Note 3: Concentration of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at September 30, 2019 and 2018, is:

	2019	2018
Medicare	22%	36%
Medicaid	12%	10%
Blue Cross	16%	15%
Other third-party payers	27%	23%
Self-pay	23%	16%
	<u>100%</u>	<u>100%</u>

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Note 4: Investments and Investment Return

Assets Limited as to Use

Assets limited as to use include:

	<u>2019</u>	<u>2018</u>
Cash and short-term investments	\$ 953,478	\$ 1,773,855
Brokered certificate of deposit	374,290	815,561
Fixed income mutual funds	529,954	458,143
Investment fund – total return strategies	11,514,992	11,029,485
Investment fund – fixed income	10,271,999	5,502,075
Investment fund – equity	10,356,826	4,381,459
Investment fund – defensive equity	9,001,793	8,823,879
Investment fund – global absolute return strategies	-	8,052,213
Limited partnership	6,085,773	8,405,464
Equity securities		
Materials	45,765	40,101
Industrials	119,888	161,367
Communication services	18,772	-
Consumer discretionary	184,388	223,323
Consumer staples	85,908	72,549
Energy	57,973	91,649
Financial institutions	166,521	217,838
Health care	214,971	265,881
Utilities	42,359	25,308
Real estate investment trusts	12,044	-
Telecom	-	5,170
Information technology	351,861	425,651
Foreign equity mutual funds	13,775,398	16,218,565
Domestic equity mutual funds	11,464,927	7,271,951
Government agency securities	1,719,329	832,099
Corporate obligations	2,060,601	2,007,611
Balanced mutual funds	93,866	91,936
Investment fund - Treasury Inflation Protected Securities (TIPS)	6,946,256	4,614,624
	<u>\$ 86,449,932</u>	<u>\$ 81,807,757</u>

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Deferred Compensation Plan Assets

	2019	2018
Cash and cash equivalents	\$ 25,348	\$ 41,282
Equity mutual funds	2,036,270	952,674
Fixed income mutual funds	87,216	94,668
	\$ 2,148,834	\$ 1,088,624

Investment Return

Total investment return is comprised of the following:

	2019	2018
Interest and dividend income	\$ 1,005,472	\$ 914,434
Net realized and unrealized gains on investments	(287,470)	897,566
Change in fair value of investments accounted for in accordance with Topic 825	2,870,121	382,722
	\$ 3,588,123	\$ 2,194,722

Total investment return is reflected in the consolidated statements of operations and changes in net assets as follows:

	2019	2018
Net assets without donor restrictions		
Other nonoperating income	\$ 3,511,599	\$ 2,169,463
Net assets with donor restrictions	76,524	25,259
	\$ 3,588,123	\$ 2,194,722

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Alternative Investments

The fair value of alternative investments that have been estimated using the net asset value per share as a practical expedient consist of the following at September 30:

	2019	2018	Unfunded	Redemption	Redemption Notice
	Fair Value	Fair Value	Commitments	Frequency	Period
Investment fund (A)	\$ 6,946,256	\$ 4,614,624	\$ -	Daily	2-day written notice
Investment fund (B)	11,514,992	11,029,485	-	Monthly	30-day written notice
Investment fund (C)	10,356,826	4,381,459	-	Daily	Daily
Investment fund (D)	9,001,793	8,823,879	-	Monthly	5-day written notice
Limited partnership (E)	6,085,773	8,405,464	-	Monthly	15-day written notice
Investment fund (F)	-	8,052,213	-	Monthly	5-day written notice
Investment fund (G)	10,271,999	5,502,075	-	Daily	Daily

- (A) This category includes investments in Treasury Inflation-Protected Securities (TIPS).
- (B) This category includes investments managed on a total return basis, and is an unconstrained, nonbenchmark oriented investment fund. The funds' composite portfolio includes investments in fixed income corporate obligations, U.S. government and agency fixed income securities and investments in other funds. The fund also invests in convertible preferred stock, warrants, future contracts, forward currency contracts and other investment vehicles.
- (C) This category includes investments in equity securities designed to track with the S&P 500 index.
- (D) This category includes investments designed to provide a defensive equity exposure that is expected to provide favorable risk adjusted performance relative to the S&P 500 index over the long term, and is expected to produce the strongest relative performance when the S&P 500 index is experiencing negative returns.
- (E) This category includes a hedge fund used by the Corporation to diversify risk.
- (F) This category includes investments managed on a global return basis, and is a U.S. 1-month London Interbank Bid Rate oriented investment fund, seeking to outperform the benchmark by 5 percent per annum. The funds' composite portfolio includes investments in equity, fixed income including exchange traded funds, other securities and pooled investment vehicles.
- (G) This category includes investments in other collective investment funds with the objective of approximating performance of the Bloomberg Barclays U.S. Government Bond Index on the long term.

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Note 5: Property and Equipment

Property and equipment consists of the following at September 30, 2019 and 2018:

	2019	2018
Land and land improvements	\$ 5,547,603	\$ 5,262,639
Buildings and leasehold improvements	71,507,028	71,358,392
Equipment	107,201,417	103,210,824
Construction in progress	1,851,716	1,348,788
	<u>186,107,764</u>	<u>181,180,643</u>
Less accumulated depreciation	<u>132,609,526</u>	<u>125,221,524</u>
Property and equipment, net	<u><u>\$ 53,498,238</u></u>	<u><u>\$ 55,959,119</u></u>

Construction in progress at September 30, 2019, comprises various construction costs related to healthcare facilities modernization. The estimated remaining cost to complete these projects is \$4,122,000, with anticipated completion dates ranging from fall 2019 to spring 2020.

Note 6: Conditional Contributions

The Corporation has received a conditional promise to give for \$5,000,000 in 2018, that is not recognized in the consolidated financial statements at September 30, 2019 or 2018, as the criteria for receiving the funds has not yet been met.

Note 7: Beneficial Interest in Perpetual Trusts

The Corporation has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Corporation; however, the Corporation will never receive the assets of the trusts.

At the date the Corporation receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statements of changes in net assets. A beneficial interest in perpetual trust is recorded in the consolidated balance sheets at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the consolidated balance sheets, with trust distributions and changes in fair value recognized in the consolidated statements of operations and changes in net assets.

The estimated value of the expected future cash flows is \$2,345,413 and \$2,280,596, which represents the fair value of the trust assets at September 30, 2019 and 2018, respectively. The income from these trusts for 2019 and 2018 was approximately \$107,000 and \$112,000, respectively.

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Note 8: Professional Liability

MAHC, SVMC, SVHCE, SVHC, Twin Rivers, NBM and CNR purchase medical malpractice insurance under a claims-made policy on a fixed premium basis. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. The Corporation also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.

Based upon the Corporation's claims experience, an accrual has been made for the Corporation's estimated medical malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy. It is reasonably possible that this estimate could change materially in the near term.

Note 9: Line of Credit

During 2019, the Corporation obtained a revolving demand line of credit, with TD Banknorth, N.A., which provides borrowings up to \$5,000,000, due August 31, 2020. Payments of interest only are due monthly at a rate of the one-month LIBOR plus 1.5 percent, within a minimum interest rate of 2.5 percent. The interest rate at September 30, 2019, was 3.52 percent. This line of credit is secured by substantially all of the Corporation's assets. At September 30, 2019, the balance outstanding on the line of credit was \$0.

Note 10: Long-Term Debt

	2019	2018
Hospital revenue bonds (A)	\$ 7,050,000	\$ 7,285,000
Note payable (B)	-	475,000
Facility revenue bonds, Series 1999A (C)	-	238,900
Capital lease obligations (D)	952,448	977,014
Capital lease obligations (E)	1,773,710	1,827,873
Capital lease obligations (F)	1,411,239	1,457,056
	<u>11,187,397</u>	<u>12,260,843</u>
Less current maturities	463,792	1,190,617
Less unamortized debt issuance costs	82,322	86,654
	<u>\$ 10,641,283</u>	<u>\$ 10,983,572</u>

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- (A) In March 2008, SVMC entered into an agreement with the Vermont Educational and Health Building Financing Agency (VEHBFA) to issue \$8,865,000 of Hospital Revenue Bonds (Southwestern Vermont Medical Center Project) Series 2008A. The bonds bear interest at variable rates based on the daily rate, 1.77 percent and 1.61 percent at September 30, 2019 and 2018, respectively, and mature in various amounts beginning October 1, 2010, through October 1, 2038. The bonds are secured by the gross revenues of SVMC and SVHC (the “Obligated Group”). Unamortized debt issuance costs were \$82,322 and \$86,654 at September 30, 2019 and 2018, respectively.

The indenture agreement requires the Obligated Group to comply with certain restrictive covenants including maintaining a historical debt-service coverage and days cash on hand requirement.

SVHC maintains a letter-of-credit facility that permits the trustee to draw an amount up to the principal amount outstanding should the bonds not be remarketed and become due. The letter of credit, which expires on March 31, 2022, can be used to pay principal and interest on the 2008 bonds. Amounts drawn under the letter of credit will bear an interest rate of prime plus 2 percent. Scheduled maturities do not change if the letter of credit is drawn upon. The letter of credit is renewable, subject to trustee approval, throughout the term of the Series 2008A Bonds.

- (B) A nonrevolving line-of-credit agreement between the Dormitory Authority of the State of New York (DASNY) and CNR. The interest rate on the outstanding balance is 1 percent. The line of credit is secured by certain property. Principal payments of \$5,000 were due monthly through July 2018, at which time the remaining payment was due. CNR did not make the required full payment of principal on July 1, 2018, but continued to make monthly payments of \$5,000. This amount was paid in full during 2019 with grant proceeds received from the State of New York.
- (C) Rensselaer County Industrial Development Agency (IDA) Civic Facility Revenues Bonds Series 1999A, with variable monthly principal payments and an interest rate equal to that of the prime rate. The bonds are collateralized by certain property and equipment and all other rights and interest of CNR. The agreement requires that CNR maintain certain restrictive covenants. This amount was paid in full during 2019 with grant proceeds received from the State of New York.
- (D) During 2013, the Corporation sold a medical office building to a real estate management company and entered into a capital lease agreement for continued use of the property. This transaction is accounted for as a sale-leaseback arrangement. The lease term is through November 2032, and requires initial annual payments of \$127,187, with an increase of 3.5 percent each year. The sale of the property resulted in a gain that is accounted for as deferred revenue to be amortized and recognized over the lease term. The balance of the deferred revenue recorded as other long-term liabilities at September 30, 2019 and 2018, was \$521,918 and \$561,413, respectively. Approximately \$39,000 was recognized during 2019 and 2018.

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- (E) Various capital lease agreements, which require monthly payments at various interest rates. Agreements are due through 2040, secured by property and equipment.
- (F) During 2018, the Corporation sold a medical office building to a real estate management company and entered into a capital lease agreement for continued use of the property. This transaction is accounted for as a sale-leaseback arrangement. The lease term is through September 2032, and requires initial annual payments of \$200,655, with an increase of 2.75 percent each year. The sale of the property did not result in any gain or loss, therefore, there is no deferred or recognized revenue or expense recorded for the year ended September 30, 2019.

Property and equipment include the following property under capital leases:

	2019	2018
Property and equipment	\$ 9,212,293	\$ 9,089,353
Less accumulated depreciation	<u>5,591,280</u>	<u>5,231,734</u>
	<u>\$ 3,621,013</u>	<u>\$ 3,857,619</u>

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at September 30, 2019, are:

	Long-Term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2020	\$ 240,000	\$ 656,110
2021	250,000	617,452
2022	260,000	605,857
2023	270,000	607,062
2024	280,000	613,056
Thereafter	<u>5,750,000</u>	<u>7,222,948</u>
	<u>\$ 7,050,000</u>	10,322,485
Less amount representing interest		<u>6,185,088</u>
Present value of future minimum lease payments		4,137,397
Less current maturities		<u>223,792</u>
Noncurrent portion		<u>\$ 3,913,605</u>

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Note 11: Interest Rate Swap Agreements

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Corporation entered into an interest rate swap agreement for a portion of its floating rate debt. The agreement provides for the Corporation to receive interest from the counterparty at 68 percent of LIBOR and to pay interest to the counterparty at a fixed rate of 3.167 percent on notional amounts of \$7,050,000 and \$7,285,000 at September 30, 2019 and 2018, respectively. Under the agreement, the Corporation pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, CNR entered into an interest rate swap agreement for a portion of its floating rate debt. The agreement provides for CNR to receive interest from the counterparty at the prime rate and to pay interest to the counterparty at a fixed rate of 6.48 percent on notional amounts of \$0 and \$238,900 at September 30, 2019 and 2018, respectively. Under the agreement, the Corporation pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. This swap agreement was terminated during 2019.

Management has not designated the interest rate swap agreements as a hedging instrument. As a result, the agreement is recorded at fair value with subsequent changes in fair value included in excess of revenues over expenses. The fair value of the swaps at September 30, 2019 and 2018, were \$(1,461,326) and \$(770,117), respectively, and is recorded in long-term liabilities. The change recognized as a component of excess of revenues over expenses at September 30, 2019 and 2018, was \$(692,480) and \$481,554, respectively. Synthetic interest expense related to the swap recognized as a component of excess of revenues over expenses was \$109,244 and \$148,964 for the years ended September 30, 2019 and 2018, respectively.

Note 12: Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018, are restricted for the following purposes or periods:

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	2019	2018
Subject to expenditure for specified purpose		
Health care services	\$ 4,586,502	\$ 3,844,937
Other	26,796	22,261
	<u>4,613,298</u>	<u>3,867,198</u>
Subject to the passage of time		
Promises to give restricted by donors and which are not available for expenditure until due	<u>1,148,798</u>	<u>694,518</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Endowment requiring income to be added to the original gift if income is not spent within one year	77,106	11,783
Subject to spending policy or appropriation		
Investments to be held in perpetuity, the income is expendable for general purposes	6,727,913	6,727,913
Investments to be held in perpetuity, the income is restricted to be spent only for the donor's intended purpose of healthcare services and other	2,615,233	2,493,798
Not subject to spending policy or appropriation		
Beneficial interest in perpetual trust	<u>2,287,426</u>	<u>2,280,595</u>
Total endowments	<u>11,707,678</u>	<u>11,514,089</u>
Not subject to spending policy or appropriation		
Beneficial interest in assets held by others	<u>82,659</u>	<u>130,410</u>
	<u>\$ 17,552,433</u>	<u>\$ 16,206,215</u>

During 2019 and 2018, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes in the amounts of \$769,711 and \$833,036, respectively. During 2019 and 2018, net assets of \$331,870 and \$32,000, respectively, were released to purchase equipment.

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Note 13: Endowment

The Corporation's governing body is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the Corporation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Corporation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Corporation
7. Investment policies of the Corporation

The Corporation's endowment consists of approximately 50 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the years ended September 30, 2019 and 2018, were:

	2019	2018
	With Donor	With Donor
	Restrictions	Restrictions
	<hr/>	<hr/>
Endowment net assets, beginning of year	\$ 11,514,089	\$ 11,387,116
Investment return and net appreciation	99,582	92,590
Contributions and reclassifications	121,435	217,810
Appropriation of endowment assets for expenditure	<u>(27,428)</u>	<u>(183,427)</u>
Endowment net assets, end of year	<u><u>\$ 11,707,678</u></u>	<u><u>\$ 11,514,089</u></u>

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The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Under the Corporation's policies, the primary investment goal is growth in the endowment accounts. The Corporation expects its endowment funds to provide an average rate of return that exceeds benchmark returns indicated for various asset classes. Actual returns in any given year may vary.

To satisfy its long-term rate of return objectives, the Corporation relies on a strategy in which investment returns are achieved through both current yield and capital appreciation (both realized and unrealized). The Corporation invests in a variety of securities to achieve its long-term return objectives within prudent risk constraints.

Note 14: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2019 and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets at year end		
Cash and cash equivalents	\$ 11,314,225	\$ 10,664,727
Deferred compensation plan assets	2,148,834	1,088,624
Patient accounts receivable	16,121,651	17,219,172
Other receivables	1,578,902	1,805,669
Beneficial interest in perpetual trust	2,345,413	2,280,596
Assets limited as to use	86,449,932	81,807,757
Total financial assets	<u>119,958,957</u>	<u>114,866,545</u>
Less amounts not available to be used within one year		
Donor restricted	14,070,623	13,250,863
Deferred compensation plan assets	2,148,834	1,088,624
Beneficial interest in perpetual trust	<u>2,345,413</u>	<u>2,280,596</u>
Financial assets not available to be used within one year	<u>18,564,870</u>	<u>16,620,083</u>
Financial assets available to meet general expenditures within one year	<u>\$101,394,087</u>	<u>\$ 98,246,462</u>

The Corporation has certain Board-designated assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year.

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The Corporation has other assets limited to use for donor-restricted purposes. These assets limited to use, are not available for general expenditure within the next year.

The Corporation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help management unanticipated liquidity needs, the Corporation has a committed line of credit described in *Note 9*, which it could draw upon.

Note 15: Functional Expenses

The Corporation provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services, general and administrative and fundraising functional expense classifications based on the direct assignment, expenses and other methods. The following schedule presents the natural classification of expenses by function as follows:

	2019			
	Health Care Services	General and Administrative	Fundraising	Total
Expenses				
Salaries and wages	\$ 52,070,275	\$ 11,071,473	\$ 661,327	\$ 63,803,075
Employee benefits	15,320,985	3,257,292	194,587	18,772,864
Purchased services	45,298,384	1,727,775	547,834	47,573,993
Supplies and other	47,040,002	6,282,836	1,146,952	54,469,790
Depreciation	6,534,125	1,091,334	466	7,625,925
Interest	651,556	25,186	-	676,742
	<u>651,556</u>	<u>25,186</u>	<u>-</u>	<u>676,742</u>
Total expenses	<u>\$ 166,915,327</u>	<u>\$ 23,455,896</u>	<u>\$ 2,551,166</u>	<u>\$ 192,922,389</u>

	2018			
	Health Care Services	General and Administrative	Fundraising	Total
Expenses				
Salaries and wages	\$ 49,173,601	\$ 10,766,964	\$ 905,637	\$ 60,846,202
Employee benefits	12,759,510	2,793,799	234,994	15,788,303
Purchased services	42,217,731	2,568,505	516,514	45,302,750
Supplies and other	44,825,388	6,592,104	1,281,217	52,698,709
Depreciation and amortization	6,303,758	1,073,411	466	7,377,635
Interest	686,953	5,035	-	691,988
	<u>686,953</u>	<u>5,035</u>	<u>-</u>	<u>691,988</u>
Total expenses	<u>\$ 155,966,941</u>	<u>\$ 23,799,818</u>	<u>\$ 2,938,828</u>	<u>\$ 182,705,587</u>

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Note 16: Pension Plans

Defined Benefit Pension Plan

The Corporation participates in a defined benefit pension plan covering all employees who meet the eligibility requirements. The Corporation's funding policy is to make the maximum annual contribution allowable by applicable regulations, plus such amounts as the Corporation may deem to be appropriate from time to time. The Corporation expects to contribute \$4,775,000 to the plan in 2020. The plan was frozen effective September 30, 2009.

For the years ended September 30, 2019 and 2018, the Corporation adopted the mortality tables and mortality improvement projection scales that were released subsequent to year end by the Society of Actuaries, which provide updated projections on the life expectancy of participants.

The Corporation uses a September 30 measurement date for the plan. Information about the plan's funded status follows:

	<u>2019</u>	<u>2018</u>
Change in benefit obligations		
Beginning of the year	\$ 106,400,414	\$ 113,626,296
Interest cost	4,359,032	4,146,029
Actuarial (gain) loss	16,503,255	(7,198,214)
Benefits paid	<u>(4,616,300)</u>	<u>(4,173,697)</u>
End of the year	<u>122,646,401</u>	<u>106,400,414</u>
Change in fair value of plan assets		
Beginning of the year	98,836,190	99,130,927
Actual return on plan assets	11,865,940	928,960
Employer contributions	4,500,000	2,950,000
Benefits paid	<u>(4,616,300)</u>	<u>(4,173,697)</u>
End of the year	<u>110,585,830</u>	<u>98,836,190</u>
Funded status at the end of the year (noncurrent liability)	<u>\$ (12,060,571)</u>	<u>\$ (7,564,224)</u>

The accumulated benefit obligation was \$122,646,401 and \$106,400,414 for 2019 and 2018, respectively.

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Other significant balances and costs are:

	2019	2018
Employer contributions	\$ 4,500,000	\$ 2,950,000
Benefits paid	4,616,300	4,173,697
Benefit income recorded in excess of revenues over expenses	(971,034)	(1,319,568)

Amounts recognized in net assets without donor restrictions and not yet recognized as components of net periodic benefit cost consist of a net actuarial loss of \$51,119,415 and \$41,152,035 at September 30, 2019 and 2018, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2019	2018
Projected benefit obligation	\$ 122,646,400	\$ 106,400,414
Accumulated benefit obligation	122,646,400	106,400,414
Fair value of plan assets	110,585,830	98,836,190
Components of net periodic benefit cost		
Interest cost	\$ 4,359,032	\$ 4,146,029
Expected return on plan assets	(6,512,701)	(6,685,100)
Amortization of net loss	<u>1,182,635</u>	<u>1,219,503</u>
Net periodic benefit cost	<u>\$ (971,034)</u>	<u>\$ (1,319,568)</u>

The following amounts have been recognized in the consolidated statements of operations and changes in net assets for the years ended September 30, 2019 and 2018:

	2019	2018
Amounts arising during the period		
Net gain (loss)	\$ (11,150,375)	\$ 1,792,074
Amounts reclassified as components of net periodic benefit cost of the period		
Net loss	1,182,635	1,219,503

The estimated net loss that will be amortized from net assets without donor restriction into net periodic benefit cost over the next fiscal year is \$1,552,949.

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Significant assumptions include:

	2019	2018
Weighted average assumptions used to determine benefit obligations		
Discount rate	3.07%	4.19%
Rate of compensation increase	-	-
Weighted average assumptions used to determine benefit costs		
Discount rate	4.19%	3.72%
Expected return on plan assets	6.75%	6.75%
Rate of compensation increase	-	-

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of September 30, 2019:

2020		\$	5,038,241
2021			5,317,894
2022			5,570,319
2023			5,836,041
2024			6,008,994
2025 – 2029			33,110,519

The Corporation has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

The primary objectives of the Corporation's investment policy are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions, achieve asset returns that are competitive with like institutions employing similar investment strategies and meet expected future benefits. The investment policy is periodically reviewed by the Corporation and a third-party fiduciary. The target asset allocation percentages for 2019 and 2018 are as follows:

	2019	2018
Cash and cash equivalents	0.0%	0.0%
Equity mutual funds	18.0%	15.0%
Fixed income mutual funds	12.5%	10.0%
Other	69.5%	75.0%
	100%	100%

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Defined Benefit Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include commingled cash equivalents and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3. The Level 3 securities include an investment fund. Significant inputs and valuation techniques used in measuring Level 3 fair values include inputs developed using estimates and assumptions which reflect market participants' perspective.

The fair values of the Corporation's pension plan assets at September 30, 2019 and 2018, by asset class are as follows:

	2019				
	Fair Value Measurements Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)
Cash equivalents	\$ 814,050	\$ 814,050	\$ -	\$ -	\$ -
Investments					
Investment funds – equity	43,369,075	-	-	-	43,369,075
Equity mutual funds	4,121,397	4,121,397	-	-	-
Bond mutual funds	14,749,871	14,749,871	-	-	-
International equity mutual funds	14,241,109	14,241,109	-	-	-
Investment funds – fixed income	11,663,054	-	-	-	11,663,054
Investment fund – defensive equity	6,242,504	-	-	-	6,242,504
Limited partnership	8,680,030	-	-	-	8,680,030
Investment fund – total return strategies	6,704,740	-	-	-	6,704,740
Investment fund – global return strategies	-	-	-	-	-
Total	\$ 110,585,830	\$ 33,926,427	\$ -	\$ -	\$ 76,659,403

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	2018				
	Fair Value Measurements Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)
Cash equivalents	\$ 438,941	\$ 438,941	\$ -	\$ -	\$ -
Investments					
Investment funds – equity	27,355,513	-	-	-	27,355,513
Equity mutual funds	3,170,752	3,170,752	-	-	-
Bond mutual funds	8,459,741	8,459,741	-	-	-
International equity mutual funds	12,055,507	12,055,507	-	-	-
Investment funds – fixed income	10,587,486	-	-	-	10,587,486
Investment fund – defensive equity	4,961,958	-	-	-	4,961,958
Limited partnership	12,370,862	-	-	-	12,370,862
Investment fund – total return strategies	7,891,722	-	-	-	7,891,722
Investment fund – global return strategies	11,543,708	-	-	-	11,543,708
Total	\$ 98,836,190	\$ 24,124,941	\$ -	\$ -	\$ 74,711,249

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

Defined Contribution Pension Plan

The Corporation has a defined contribution 403(b) pension plan covering substantially all employees. The Corporation matches the first 3 percent of employee compensation plus 50 percent of employee contributions between 3 percent and 5 percent. The Corporation also provides a 2.5 percent salary contribution to a select group of employees within the Corporation. Defined contribution pension expense for 2019 and 2018 was approximately \$2,020,000 and \$1,600,000, respectively, for this plan.

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Deferred Compensation Plans

SVHC funds a deferred compensation plan for the benefit of certain physicians and senior executives. The trust account assets are classified as other assets and a corresponding deferred compensation obligation is recorded in the amount of \$1,155,364 and \$1,082,867 at September 30, 2019 and 2018, respectively.

SVMC also funds a deferred compensation plan for the benefit of certain employees. A deferred compensation obligation is recorded in the amount of \$1,248,507 and \$840,907 at September 30, 2019 and 2018, respectively. The funded status of this plan at September 30, 2019 and 2018, was \$987,542 and \$0, respectively.

Note 17: Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The Corporation's conditional asset retirement obligations primarily relate to asbestos contained in buildings that the Corporation owns. Environmental regulations exist that require the Corporation to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. A liability of \$1,201,688 and \$1,190,238 has been recognized for all significant known areas containing an ARO at September 30, 2019 and 2018, respectively.

However, there remains a liability that has not been recognized in the accompanying consolidated financial statements because the range of time over which the Corporation may settle is unknown and cannot be reasonably determined. The Corporation will recognize a liability when sufficient information is available to reasonably estimate fair value.

Note 18: Related Parties and Significant Agreements

Dartmouth-Hitchcock Health

Effective July 1, 2012, the Corporation and Dartmouth-Hitchcock Health (DHH) entered into an Affiliation Agreement, and the first common project under this Agreement is the integration of the professional medical services of the Corporation and DHH. The Corporation reimburses DHH for certain professional medical services under a Professional Services Agreement. During 2019 and 2018, the Corporation recognized expense of approximately \$30,701,000 and \$29,145,000, respectively, to DHH for professional medical services. Under this arrangement, the Corporation continues to provide the physician clinic services as well as bill and collect for these services, and DHH is reimbursed for providing the professional medical staff in accordance with the terms of the Professional Services Agreement. The Corporation has amounts owed to DHH of approximately \$7,673,000 and \$6,840,000 at September 30, 2019 and 2018, respectively, recorded as accrued expenses on the consolidated balance sheets.

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United Health Alliance

SVHC is a member of the United Health Alliance (UHA), a corporation organized for the purpose of providing for health care delivery under a managed care system in and around the Bennington, Vermont, area. SVMC leases space to UHA, provides payroll services and administers employee benefits for UHA. During 2019 and 2018, SVMC charged UHA approximately \$1,228,000 and \$1,140,000, respectively, for these services. SVMC has other receivables from UHA of approximately \$102,000 and \$97,000 at September 30, 2019 and 2018, respectively.

UHA charges SVMC for services provided under a hospital service agreement. The total amount charged for these services was approximately \$0 and \$10,000 for 2019 and 2018, respectively.

UHA charges Twin Rivers for services provided under a service agreement. The total amount charged for these services was approximately \$44,000 and \$45,000 for the years ended September 30, 2019 and 2018, respectively.

SVHC pays dues to UHA for continued participation in the managed care system. The total amount charged for these services was approximately \$106,000 and \$107,000 for 2019 and 2018, respectively.

Note 19: Disclosures About Fair Value of Assets and Liabilities

Fair value 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 measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019 and 2018:

	Fair Value Measurements Using				Investments Measured at NAV ^(A)
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
September 30, 2019					
Assets					
Investments					
Equities, equity mutual funds and balanced funds	\$ 26,634,642	\$ 26,634,642	\$ -	\$ -	\$ -
Fixed income securities and mutual funds	4,684,173	529,954	4,154,219	-	-
Alternative investments					
Investment fund – total return strategies	11,514,992	-	-	-	11,514,992
Investment fund – global return strategies	-	-	-	-	-
Investment fund – fixed income	10,271,999	-	-	-	10,271,999
Investment fund – equity	10,356,826	-	-	-	10,356,826
Investment fund – defensive equity	9,001,793	-	-	-	9,001,793
Limited partnership	6,085,773	-	-	-	6,085,773
Investment fund – Treasury Inflation Protected Securities (TIPS)	6,946,256	-	-	-	6,946,256
Deferred compensation plan assets (equity and fixed income mutual funds)	2,148,834	2,148,834	-	-	-
Total investments	<u>87,645,288</u>	<u>29,313,430</u>	<u>4,154,219</u>	<u>-</u>	<u>54,177,639</u>
Beneficial interest in perpetual trust	2,345,413	-	2,345,413	-	-
Cash equivalents	953,478	953,478	-	-	-
Total assets	<u>\$ 90,944,179</u>	<u>\$ 30,266,908</u>	<u>\$ 6,499,632</u>	<u>\$ -</u>	<u>\$ 54,177,639</u>
Liabilities					
Interest rate swap agreement	<u>\$ (1,461,326)</u>	<u>\$ -</u>	<u>\$ (1,461,326)</u>	<u>\$ -</u>	<u>\$ -</u>

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	Fair Value Measurements Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)
September 30, 2018					
Assets					
Equities, equity mutual funds and balanced funds	\$ 25,111,290	\$ 25,111,290	\$ -	\$ -	\$ -
Fixed income securities and mutual funds	4,113,413	458,143	3,655,270	-	-
Alternative investments					
Investment fund – total return strategies	11,029,485	-	-	-	11,029,485
Investment fund – global return strategies	8,052,213	-	-	-	8,052,213
Investment fund – fixed income	5,502,075	-	-	-	5,502,075
Investment fund – equity	4,381,459	-	-	-	4,381,459
Investment fund – defensive equity	8,823,879	-	-	-	8,823,879
Limited partnership	8,405,464	-	-	-	8,405,464
Investment fund – Treasury Inflation Protected Securities (TIPS)	4,614,624	-	-	-	4,614,624
Deferred compensation plan assets (equity and fixed income mutual funds)	1,088,621	1,088,621	-	-	-
Total investments	<u>81,122,523</u>	<u>26,658,054</u>	<u>3,655,270</u>	<u>-</u>	<u>50,809,199</u>
Beneficial interest in perpetual trust	2,280,596	-	2,280,596	-	-
Cash equivalents	<u>1,773,855</u>	<u>1,773,855</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 85,176,974</u>	<u>\$ 28,431,909</u>	<u>\$ 5,935,866</u>	<u>-</u>	<u>\$ 50,809,199</u>
Liabilities					
Interest rate swap agreements	<u>\$ (4,703,909)</u>	<u>\$ -</u>	<u>\$ (4,703,909)</u>	<u>\$ -</u>	<u>\$ -</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the consolidated balance sheets.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2019.

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Cash Equivalents, Investments and Deferred Compensation Plan Assets

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Interest Rate Swap Agreement

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Note 20: Fair Value Option

As permitted by Topic 825, the Corporation has elected to measure the investment funds and limited partnerships, included in assets limited as to use, at fair value. Management has elected the fair value option for these items because it more accurately reflects the portfolio returns and financial position of the Corporation. Total investment funds and limited partnerships at September 30, 2019 and 2018, are \$54,177,639 and \$50,809,199, respectively.

See *Note 19* for additional disclosures regarding fair value of the consolidated balance sheet line items listed in the preceding paragraph.

Note 21: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 1* and *2*.

Southwestern Vermont Health Care Corporation

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Electronic Health Records Incentive Program

Payments under the program are contingent upon audit determinations by the fiscal intermediary. If issues arise during the audit, it is reasonably possible that events could occur that would change the estimated payment, materially, in the near term.

Self-Insurance Costs

Estimates related to the accrual for self-insured liabilities are described in *Note 1*.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *8*.

Litigation

In the normal course of business, the Corporation is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Corporation's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts.

The Corporation evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Asset Retirement Obligation

As discussed in *Note 17*, the Corporation has recorded a liability for its conditional asset retirement obligations related to asbestos abatement. It is reasonably possible that events could occur that would materially change this estimated liability.

Pension Benefit Obligations

The Corporation has a defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Investments

The Corporation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Southwestern Vermont Health Care Corporation
Notes to Consolidated Financial Statements
September 30, 2019 and 2018

Admitting Physicians

The Corporation is served by a group of admitting physicians whose patients comprise the majority of the Corporation's patient service revenue.

Note 22: Acquisition

On February 5, 2018, the Corporation acquired The Center for Nursing and Rehabilitation at Hoosick Falls (CNR), (the "Acquiree") a not-for-profit skilled nursing facility that provides long-term care services in the Hoosick Falls and Rensselaer County communities. The Corporation expects the acquisition will allow it to provide more comprehensive health care services in its current service area and achieve cost savings through elimination of certain duplicative administrative and other functions. The acquisition was accomplished by Southwestern Vermont Healthcare New York, LLC (SVHCNY), becoming the sole member of the Acquiree, and no consideration was or will be transferred for the acquisition.

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

**Recognized Amounts of Identifiable Assets
Acquired and Liabilities Assumed**

Current assets	\$	1,382,258
Property and equipment		3,902,149
Long-term investments		67,846
Other assets		461,235
		5,813,488
Total assets		5,813,488
Current liabilities		2,017,564
Related party liabilities		1,440,530
Long-term debt		1,033,828
		4,491,922
Total liabilities		4,491,922
Total identifiable net assets – contribution received	\$	1,321,566

Southwestern Vermont Health Care Corporation
Notes to Consolidated Financial Statements
September 30, 2019 and 2018

Accordingly, an implied contribution to the Corporation from CNR was recorded. The implied contribution of \$1,321,566 was reflected within the consolidated financial statements at September 30, 2018, is as follows:

Net assets without donor restrictions	\$	1,135,620
Net assets with donor restrictions		185,946
		\$ 1,321,566

Acquired current assets include patient accounts receivable recorded at their estimated fair value of \$873,688. The amount due for these patient accounts receivable, net of contractual allowances and the portion thereof estimated to be uncollectible was \$1,254,781 and \$381,093, respectively, at the acquisition date.

CNR contributed revenues of \$3,700,456 and a deficiency of revenues over expenses of \$1,664,219 and changes in net assets of \$521,380 to the Corporation for the period from the acquisition date through September 30, 2018. The following unaudited pro forma summary presents consolidated information of the Corporation as if the acquisition had occurred on October 1, 2017, or October 1, 2016:

	Pro Forma Year Ended September 30, 2018	Pro Forma Year Ended September 30, 2017
Revenue	\$ 191,522,872	\$ 191,522,872
Excess of revenues over expenses	10,422,178	10,422,178
Change in		
Net assets without donor restrictions (deficit)	15,639,044	15,639,044
Net assets with donor restrictions	1,353,205	1,353,205

Note 23: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards.

Southwestern Vermont Health Care Corporation
Notes to Consolidated Financial Statements
September 30, 2019 and 2018

The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual and interim periods beginning after December 15, 2018. The Corporation is evaluating the impact the standard will have on the consolidated financial statements.

Accounting for Financial Instruments – Credit Losses

The Financial Accounting Standards Board amended its standards related to the accounting for credit losses on financial instruments. This amendment introduces new guidance for accounting for credit losses on instruments including trade receivables and finance receivables. The new standard is effective for annual and interim periods beginning after December 15, 2019. The Corporation is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Note 24: Subsequent Events

Subsequent events have been evaluated through December 20, 2019, which is the date the consolidated financials were issued.

On October 23, 2019, the Corporation signed a nonbinding letter of intent with Allaire Health Services, LLC to sell an interest of 75 percent of its interest in Mount Anthony Health Care Corporation, d/b/a Centers for Living and Rehabilitation (CLR), and Hoosick Falls Health Center, Inc., (d/b/a Center for Nursing and Rehabilitation (CNR)). The closing of the proposed transaction is conditioned upon the negotiation and execution of a mutually satisfactory definitive agreement and subject to reasonable and customary due diligence and regulatory approvals.

Supplementary Information

Southwestern Vermont Health Care Corporation
Consolidating Schedule – Balance Sheet Information
September 30, 2019

Assets

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Obligated Group Eliminations	Obligated Group Total	MAHC	SVHCA	SVHCE	SVHCNY	SVHC Hoosick Falls	Eliminations	Consolidated
Current Assets														
Cash and cash equivalents	\$ 72,866	\$ 10,308,114	\$ 77,198	\$ 40,566	\$ 107,686	\$ -	\$ 10,606,430	\$ 328,879	\$ 112,769	\$ -	\$ 80,220	\$ 185,927	\$ -	\$ 11,314,225
Patient accounts receivable	-	13,685,518	-	55,844	123,009	-	13,864,371	1,455,094	-	-	-	802,186	-	16,121,651
Other receivables	150,587	992,573	441,792	-	-	(133,460)	1,451,492	-	12,691	-	-	114,719	-	1,578,902
Supplies	-	3,054,260	-	-	-	-	3,054,260	33,021	-	-	-	18,633	-	3,105,914
Prepaid expenses and other	5,958	1,885,096	2,682	5,284	16,721	-	1,915,741	26,239	-	-	20,654	168,200	-	2,130,834
Total current assets	229,411	29,925,561	521,672	101,694	247,416	(133,460)	30,892,294	1,843,233	125,460	-	100,874	1,289,665	-	34,251,526
Assets Limited As To Use														
Internally designated	65,450,543	7,393,359	6,928,766	-	-	(7,393,359)	72,379,309	883,417	-	-	-	-	(883,417)	72,379,309
Externally restricted	-	99,388	13,971,235	-	-	-	14,070,623	-	-	-	-	-	-	14,070,623
	65,450,543	7,492,747	20,900,001	-	-	(7,393,359)	86,449,932	883,417	-	-	-	-	(883,417)	86,449,932
Property and Equipment, At Cost														
Land and land improvements	1,348,174	3,443,855	-	12,925	11,105	-	4,816,059	542,361	-	-	-	189,183	-	5,547,603
Buildings and leasehold improvements	12,278,375	45,905,406	-	373,740	-	-	58,557,521	7,829,184	-	1,100	1,500,000	3,619,223	-	71,507,028
Equipment	1,227,594	99,308,294	6,997	326,845	352,967	-	101,222,697	2,971,652	11,912	62,093	-	2,933,063	-	107,201,417
Construction in progress	2,728	1,848,988	-	-	-	-	1,851,716	-	-	-	-	-	-	1,851,716
	14,856,871	150,506,543	6,997	713,510	364,072	-	166,447,993	11,343,197	11,912	63,193	1,500,000	6,741,469	-	186,107,764
Less accumulated depreciation	10,061,510	112,799,050	1,633	215,667	109,136	-	123,186,996	8,486,604	11,912	62,282	250,000	611,732	-	132,609,526
	4,795,361	37,707,493	5,364	497,843	254,936	-	43,260,997	2,856,593	-	911	1,250,000	6,129,737	-	53,498,238
Due from Affiliates	1,223,399	9,559,463	103,060	-	100	(5,676,750)	5,209,272	20,518	170,021	-	178,724	-	(5,578,535)	-
Other Assets														
Beneficial interest in perpetual trust	-	-	2,287,426	-	-	-	2,287,426	-	-	-	-	57,987	-	2,345,413
Deferred compensation plan assets	1,161,292	987,542	-	-	-	-	2,148,834	-	-	-	-	-	-	2,148,834
Other	57,283	-	714,065	4,000	-	-	775,348	-	-	-	-	82,659	-	858,007
	1,218,575	987,542	3,001,491	4,000	-	-	5,211,608	-	-	-	-	140,646	-	5,352,254
Total assets	\$ 72,917,289	\$ 85,672,806	\$ 24,531,588	\$ 603,537	\$ 502,452	\$ (13,203,569)	\$ 171,024,103	\$ 5,603,761	\$ 295,481	\$ 911	\$ 1,529,598	\$ 7,560,048	\$ (6,461,952)	\$ 179,551,950

Southwestern Vermont Health Care Corporation

Consolidating Schedule – Balance Sheet Information

September 30, 2019

Liabilities and Net Assets

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Obligated Group Eliminations	Obligated Group Total	MAHC	SVHCA	SVHCE	SVHCNY	SVHC Hoosick Falls	Eliminations	Consolidated
Current Liabilities														
Current maturities of long-term debt	\$ -	\$ 412,043	\$ -	\$ -	\$ -	\$ -	\$ 412,043	\$ -	\$ -	\$ -	\$ 49,138	\$ 2,611	\$ -	\$ 463,792
Accounts payable	116,472	7,543,763	17,673	6,746	13,747	(133,460)	7,564,941	328,699	-	-	-	239,009	-	8,132,649
Accrued expenses	47,011	13,210,716	69,328	28,769	-	-	13,355,824	707,826	8,575	-	96,981	632,733	-	14,801,939
Estimated amounts due to third-party payers	-	2,068,135	-	-	-	-	2,068,135	-	-	-	-	107,364	-	2,175,499
Estimated self-insurance costs	-	1,125,571	-	5,144	-	-	1,130,715	138,851	-	-	13,254	62,135	-	1,344,955
Other	-	10,719	-	-	-	-	10,719	60,815	4,470	254	-	-	-	76,258
Total current liabilities	163,483	24,370,947	87,001	40,659	13,747	(133,460)	24,542,377	1,236,191	13,045	254	159,373	1,043,852	-	26,995,092
Long-Term Debt	-	9,277,545	-	-	-	-	9,277,545	-	-	-	1,362,101	1,637	-	10,641,283
Asset Retirement Obligations	-	1,201,688	-	-	-	-	1,201,688	-	-	-	-	-	-	1,201,688
Accrued Pension Liabilities	170,864	11,269,032	-	-	-	-	11,439,896	620,675	-	-	-	-	-	12,060,571
Deferred Compensation	1,155,364	987,542	-	-	-	-	2,142,906	-	-	-	-	-	-	2,142,906
Due To Affiliates	9,858,548	-	586,436	904,347	1,720,778	(13,070,109)	-	1,050,230	3,965	327,635	297,880	4,782,242	(6,461,952)	-
Interest Rate Swap Agreements	-	1,461,326	-	-	-	-	1,461,326	-	-	-	-	-	-	1,461,326
Other Liabilities	526,754	1,248,507	39,617	-	-	-	1,814,878	-	43	-	-	-	-	1,814,921
Total liabilities	11,875,013	49,816,587	713,054	945,006	1,734,525	(13,203,569)	51,880,616	2,907,096	17,053	327,889	1,819,354	5,827,731	(6,461,952)	56,317,787
Net Assets														
Without donor restrictions	61,042,276	35,856,219	6,406,747	(341,469)	(1,232,073)	-	101,731,700	2,696,665	278,428	(326,978)	(289,756)	1,591,671	-	105,681,730
With donor restrictions	-	-	17,411,787	-	-	-	17,411,787	-	-	-	-	140,646	-	17,552,433
Total net assets	61,042,276	35,856,219	23,818,534	(341,469)	(1,232,073)	-	119,143,487	2,696,665	278,428	(326,978)	(289,756)	1,732,317	-	123,234,163
Total liabilities and net assets	\$ 72,917,289	\$ 85,672,806	\$ 24,531,588	\$ 603,537	\$ 502,452	\$ (13,203,569)	\$ 171,024,103	\$ 5,603,761	\$ 295,481	\$ 911	\$ 1,529,598	\$ 7,560,048	\$ (6,461,952)	\$ 179,551,950

Southwestern Vermont Health Care Corporation

Consolidating Schedule – Statement of Operations Information

Year Ended September 30, 2019

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Obligated Group Eliminations	Obligated Group Total	MAHC	SVHCA	SVHCE	SVHCNY	SVHC Hoosick Falls	Eliminations	Consolidated
Revenues, Gains and Other Support Without Donor Restrictions														
Patient service revenue	\$ -	\$ 140,176,675	\$ -	\$ 817,839	\$ 1,718,822	\$ (10,017)	\$ 142,703,319	\$ 11,634,412	\$ -	\$ -	\$ -	\$ 6,371,773	\$ (47,006)	\$ 160,662,498
Fixed prospective revenue	-	23,775,895	-	-	-	-	23,775,895	-	-	-	-	-	-	23,775,895
Other	1,994,736	7,408,573	17,250	29,753	11,377	(1,863,085)	7,598,604	46,194	259,865	-	1,320,271	69,797	(1,446,426)	7,848,305
Net assets released from restrictions used for operations	-	-	769,711	-	-	-	769,711	-	-	-	-	-	-	769,711
Total revenues, gains and other support without donor restriction	1,994,736	171,361,143	786,961	847,592	1,730,199	(1,873,102)	174,847,529	11,680,606	259,865	-	1,320,271	6,441,570	(1,493,432)	193,056,409
Expenses and Losses														
Salaries and wages	267,933	50,382,743	591,024	306,046	-	-	51,547,746	6,933,774	69,539	-	733,534	4,518,482	-	63,803,075
Employee benefits	(48,715)	15,116,488	200,214	88,685	-	-	15,356,672	2,026,443	31,578	-	221,034	1,137,137	-	18,772,864
Purchased services	-	43,216,147	424,926	619,351	2,282,013	-	46,542,437	1,372,583	97,290	1,664	-	690,246	(1,130,227)	47,573,993
Supplies and other	1,009,375	50,407,858	963,163	175,214	585,598	(2,484,290)	50,656,918	2,169,526	174,988	301	159,397	1,672,065	(363,405)	54,469,790
Depreciation and amortization	497,586	6,155,235	466	86,690	44,235	-	6,784,212	327,081	-	73	100,000	414,559	-	7,625,925
Interest	-	499,630	-	-	-	-	499,630	-	-	-	160,366	16,746	-	676,742
Total expenses and losses	1,726,179	165,778,101	2,179,793	1,275,986	2,911,846	(2,484,290)	171,387,615	12,829,407	373,395	2,038	1,374,331	8,449,235	(1,493,632)	192,922,389
Operating Income (Loss)	268,557	5,583,042	(1,392,832)	(428,394)	(1,181,647)	611,188	3,459,914	(1,148,801)	(113,530)	(2,038)	(54,060)	(2,007,665)	200	134,020
Other Income (Expense)														
Investment return	2,218,653	443,196	760,011	-	-	-	3,421,860	63,876	10,417	-	34	15,412	-	3,511,599
Change in fair value of interest rate swap agreements	-	(693,635)	-	-	-	-	(693,635)	-	-	-	-	1,155	-	(692,480)
Contributions and grant revenue	-	643,104	923,409	-	16,600	(611,188)	971,925	1,956	4,303	-	-	1,200,475	(200)	2,178,459
Other	(302,615)	20,648	-	-	-	-	(281,967)	-	(2,345)	-	-	-	-	(284,312)
Total other income (expense)	1,916,038	413,313	1,683,420	-	16,600	(611,188)	3,418,183	65,832	12,375	-	34	1,217,042	(200)	4,713,266
Excess (Deficiency) of Revenues Over Expenses	2,184,595	5,996,355	290,588	(428,394)	(1,165,047)	-	6,878,097	(1,082,969)	(101,155)	(2,038)	(54,026)	(790,623)	-	4,847,286
Net assets released from restriction used for purchase of property and equipment	-	-	331,870	-	-	-	331,870	-	-	-	-	-	-	331,870
Grant received for acquisition of property and equipment	-	-	-	-	-	-	-	-	-	-	-	737,604	-	737,604
Defined benefit pension costs														
Net gain arising during the period	(157,965)	(10,418,595)	-	-	-	-	(10,576,560)	(573,815)	-	-	-	-	-	(11,150,375)
Amortization of net loss included in net periodic pension cost	16,755	1,105,018	-	-	-	-	1,121,773	60,862	-	-	-	-	-	1,182,635
Transfer (to) from affiliates, net	-	299,370	(331,870)	-	7,500	-	(25,000)	25,000	-	-	-	-	-	-
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ 2,043,385	\$ (3,017,852)	\$ 290,588	\$ (428,394)	\$ (1,157,547)	\$ -	\$ (2,269,820)	\$ (1,570,922)	\$ (101,155)	\$ (2,038)	\$ (54,026)	\$ (53,019)	\$ -	\$ (4,050,980)

Southwestern Vermont Health Care Corporation
Consolidating Schedule – Statement of Changes in Net Assets Information
Year Ended September 30, 2019

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Obligated Group Eliminations	Obligated Group Total	MAHC	SVHCA	SVHCE	SVHCNY	SVHC Hoosick Falls	Eliminations	Consolidated
Net Assets Without Donor Restrictions														
Excess (deficiency) of revenues over expenses	\$ 2,184,595	\$ 5,996,355	\$ 290,588	\$ (428,394)	\$ (1,165,047)	\$ -	\$ 6,878,097	\$ (1,082,969)	\$ (101,155)	\$ (2,038)	\$ (54,026)	\$ (790,623)	\$ -	\$ 4,847,286
Net assets released from restriction used for purchase of property and equipment	-	-	331,870	-	-	-	331,870	-	-	-	-	-	-	331,870
Grant income for acquisition of property and equipment	-	-	-	-	-	-	-	-	-	-	-	737,604	-	737,604
Defined benefit pension costs														
Net loss arising during the period	(157,965)	(10,418,595)	-	-	-	-	(10,576,560)	(573,815)	-	-	-	-	-	(11,150,375)
Amortization of net loss included in net periodic pension cost	16,755	1,105,018	-	-	-	-	1,121,773	60,862	-	-	-	-	-	1,182,635
Transfer (to) from affiliates, net	-	299,370	(331,870)	-	7,500	-	(25,000)	25,000	-	-	-	-	-	-
Increase (decrease) in net assets without donor restrictions	2,043,385	(3,017,852)	290,588	(428,394)	(1,157,547)	-	(2,269,820)	(1,570,922)	(101,155)	(2,038)	(54,026)	(53,019)	-	(4,050,980)
Net Assets With Donor Restrictions														
Change in interest in net assets of Hoosick Falls Health Center Foundation	-	-	-	-	-	-	-	-	-	-	-	(57,610)	-	(57,610)
Contributions received	-	-	2,364,068	-	-	-	2,364,068	-	-	-	-	-	-	2,364,068
Investment return	-	-	76,524	-	-	-	76,524	-	-	-	-	-	-	76,524
Change in beneficial interest in trusts	-	-	64,817	-	-	-	64,817	-	-	-	-	-	-	64,817
Net assets released from restriction	-	-	(1,101,581)	-	-	-	(1,101,581)	-	-	-	-	-	-	(1,101,581)
Increase in net assets with donor restrictions	-	-	1,403,828	-	-	-	1,403,828	-	-	-	-	(57,610)	-	1,346,218
Change in Net Assets	2,043,385	(3,017,852)	1,694,416	(428,394)	(1,157,547)	-	(865,992)	(1,570,922)	(101,155)	(2,038)	(54,026)	(110,629)	-	(2,704,762)
Net Assets, Beginning of Year	58,998,891	38,874,071	22,124,118	86,925	(74,526)	-	120,009,479	4,267,587	379,583	(324,940)	(235,730)	1,842,946	-	125,938,925
Net Assets, End of Year	\$ 61,042,276	\$ 35,856,219	\$ 23,818,534	\$ (341,469)	\$ (1,232,073)	\$ -	\$ 119,143,487	\$ 2,696,665	\$ 278,428	\$ (326,978)	\$ (289,756)	\$ 1,732,317	\$ -	\$ 123,234,163