WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER) AND SUBSIDIARIES

Consolidated Financial Statements
and
Independent Auditors' Report

As of and for the Years Ended
September 30, 2017 and 2016

Mt. Ascutney Hospital
and Health Center
Dartmouth-Hitchcock

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER)
AND SUBSIDIARIES

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As of and for the Years Ended September 30, 2017 and 2016

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TYLER, SIMMS & ST. SAUVEUR, CPAs, P.C.
Certified Public Accountants & Business Consultants

Independent Auditors' Report

To the Board of Trustees of
Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center)
and Subsidiaries:

We have audited the accompanying consolidated financial statements of Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center) (a nonprofit health care entity) and Subsidiaries (Organization), which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

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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 Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center) and Subsidiaries as of September 30, 2017 and 2016, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Tyler, Simms and St. Sauveur, CPAs, P.C.

Lebanon, New Hampshire
December 22, 2017

Registration No. 92-545

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER)
AND SUBSIDIARIES

Consolidated Balance Sheets

As of September 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 6,219,231	$ 3,882,473
Short-term investments	172,467	171,778
Patient accounts receivable, net	5,725,139	5,153,115
Current portion of pledges receivable, net	141,992	505,982
Other receivables, net	569,939	584,686
Inventories	478,194	549,408
Prepaid expenses	597,272	333,126
Total current assets	13,904,234	11,180,568
Assets whose use is limited or restricted		
Investments	16,319,196	14,516,809
Charitable remainder trust	196,436	199,252
Beneficial interest in perpetual trusts	1,659,614	1,631,675
Total assets whose use is limited or restricted	18,175,246	16,347,736
Property and equipment, net	18,878,717	19,448,553
Pledges receivable, less current portion shown above	64,541	145,855
Other assets	207,260	161,215
Total assets	$ 51,229,998	$ 47,283,927
Liabilities		
Current liabilities		
Line of credit	$ -	$ 1,550,000
Accounts payable and accrued expense	2,029,789	2,149,956
Construction payable	108,000	302,321
Accrued salaries and wages	2,005,703	1,317,465
Accrued earned time off	1,405,555	1,333,865
Other current liabilities	1,088,562	1,260,609
Estimated settlements with third-party payors	1,133,202	824,244
Current portion of long-term debt	57,100	57,100
Current portion of capital leases	186,708	79,877
Total current liabilities	8,014,619	8,875,437
Long-term debt, less current portion shown above	11,186,913	11,239,429
Capital leases, less current portion shown above	567,240	198,583
Post-retirement benefit obligation	5,687,334	7,195,882
Other liabilities	230,469	-
Total liabilities	25,686,575	27,509,331
Commitments and contingencies (See Notes)	-	-
Net assets		
Unrestricted	18,320,180	12,429,466
Temporarily restricted	1,345,233	1,495,059
Permanently restricted	5,878,010	5,850,071
Total net assets	25,543,423	19,774,596
Total liabilities and net assets	$ 51,229,998	$ 47,283,927

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

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER)
AND SUBSIDIARIES

Consolidated Statements of Operations

For the Years Ended September 30, 2017 and 2016

	2017	2016
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	$ 49,978,768	$ 47,703,906
Less provision for doubtful accounts	1,725,743	1,301,630
Net patient service revenue	48,253,025	46,402,276
Other operating revenue	4,971,531	4,632,733
Net assets released from restrictions used for operations	53,654	139,096
Total unrestricted revenues, gains and other support	53,278,210	51,174,105
Expenses		
Salaries and wages	24,767,436	24,116,414
Employee benefits	6,417,552	6,160,608
Purchased services	8,807,562	8,371,546
Supplies and expenses	7,772,361	7,960,150
Vermont provider tax	1,617,571	1,691,726
Interest	223,998	452,468
Depreciation	2,206,353	2,207,129
Total expenses	51,812,833	50,960,041
Income from operations	1,465,377	214,064
Nonoperating revenues (expenses)		
Net investment income	422,494	1,089,010
Contributions	202,678	209,319
Gain (loss) on sale of property and equipment	(47,465)	5,145
Loss on bond issuance costs	-	(12,195)
Change in fair value on interest rate swap	-	168,362
Endowment net assets released from restrictions used for operations	184,785	184,485
Other components of net periodic benefit cost	141,188	21,860
Total nonoperating revenues (expenses)	903,680	1,665,986
Excess of revenues, gains and other support over expenses and nonoperating revenues (expenses)	2,369,057	1,880,050
Unrealized gain (loss) on investments	721,144	(428,953)
Net assets released from restrictions used for acquisition of property and equipment	499,041	489,811
Transfer of net assets from Dartmouth Hitchcock-Health	1,315,000	-
Change in net assets to recognize funded status of post-retirement plans	986,472	(638,355)
Increase (decrease) in unrestricted net assets	$ 5,890,714	$ 1,302,553

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

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER)
AND SUBSIDIARIES
Consolidated Statements of Changes in Net Assets
For the Years Ended September 30, 2017 and 2016

	2017	2016
Unrestricted net assets		
Excess of revenues over expenses	$ 2,369,057	$ 1,880,050
Net assets released from restrictions for capital expenditures	499,041	489,811
Change in net assets to recognize funded status of pension plan	986,472	(638,355)
Change in market valuation on investments	721,144	(428,953)
Transfer of net assets from Dartmouth Hitchcock-Health	1,315,000	-
Change in unrestricted net assets	5,890,714	1,302,553
Temporarily restricted net assets		
Contributions	115,014	294,218
Unrealized depreciation in charitable remainder trust	(2,816)	(43,861)
Net assets released from restrictions used for operations	(238,439)	(323,582)
Net assets released from restrictions used for capital expenditures	(499,041)	(489,811)
Endowment investment income	182,515	646,438
Endowment change in market valuation on investments	292,941	(226,362)
Change in temporarily restricted net assets	(149,826)	(142,960)
Permanently restricted net assets		
Unrealized appreciation in beneficial interest in perpetual trusts	27,939	71,855
Change in permanently restricted net assets	27,939	71,855
Change in net assets	5,768,827	1,231,448
Net assets, beginning of year	19,774,596	18,543,148
Net assets, end of year	$ 25,543,423	$ 19,774,596

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

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER)
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 5,768,827	$ 1,231,448
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,206,353	2,207,129
Amortization reflected as interest	4,584	14,936
Provision for bad debts	1,725,743	1,301,630
Net change in unrealized (gain) loss on investments	(1,014,085)	655,315
Realized gain on investments, net	(479,716)	(1,481,266)
(Gain) loss on disposal or abandonment of equipment	47,465	(5,145)
Loss on bond issuance costs	-	12,195
Unrealized depreciation in charitable remainder trusts	2,816	43,861
Unrealized appreciation in beneficial interest in perpetual trusts	(27,939)	(71,855)
Unrealized gain on interest rate swap	-	(168,362)
Contributions restricted for capital expenditures	(555,476)	(233,052)
Provision for uncollectible pledges	9,797	8,366
Net present value allowance on pledges receivable	22,567	15,607
Change in net assets to recognize funded status of retirement plans	(986,472)	662,363
(Increase) decrease in the following assets:		
Patient accounts receivable, net	(2,297,767)	(990,353)
Inventories, prepaid expenses and other assets	(238,977)	(310,472)
Other accounts receivable	14,747	(41,859)
Increase (decrease) in the following liabilities:		
Accounts payable, accrued expenses and other liabilities	503,862	506,605
Due to third-party payors	308,958	(1,611,820)
Liability for pension benefits	(522,076)	(245,294)
Net cash provided by operating activities	4,493,211	1,499,977
Cash flows from investing activities		
Net decrease in pledges receivable	412,940	232,787
Purchases of property and equipment	(1,118,460)	(1,488,088)
Proceeds from sale of investments	130,945	154,826
Purchases of investments	(440,220)	(965,841)
Proceeds from charitable remainder trusts	-	82,692
Net cash used in investing activities	(1,014,795)	(1,983,624)

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

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER)
AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)

For the Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from financing activities		
Payments on interest rate swap	-	(76,312)
Contributions restricted for capital expenditures	555,476	233,052
Payments on line of credit	(1,550,000)	-
Advances on line of credit, net	-	400,000
Payments on long-term debt obligation	(57,100)	(11,104,249)
Proceeds from issuance of long-term debt	-	11,457,915
Payments on capital lease obligation	(90,034)	(76,403)
Net cash provided by (used in) financing activities	(1,141,658)	834,003
Net increase in cash and cash equivalents	2,336,758	350,356
Cash and cash equivalents, beginning of year	3,882,473	3,532,117
Cash and cash equivalents, end of year	$ 6,219,231	$ 3,882,473

Supplemental Disclosures of Cash Flow Information

	2017	2016
Interest paid	$ 219,414	$ 404,720

Supplemental Disclosures of Non-Cash Transactions

During 2017, the Organization entered into a capital lease agreement for equipment in the amount of $565,522.

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

Organization

The Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center) (Hospital) is a Vermont not-for-profit corporation which provides facilities for twenty-five (25) critical access hospital beds and ten (10) rehabilitation beds in the Windsor, Vermont area.

Effective July 1, 2014, the Hospital became a subsidiary of Dartmouth-Hitchcock Health (D-HH). Dartmouth-Hitchcock Health is also the parent company of Mary Hitchcock Memorial Hospital (MHMH) and the Dartmouth-Hitchcock Clinic and was formed as an integrated health system designed to efficiently coordinate resources, expand access to specialized services and research and enhance the value and quality of care in communities throughout Vermont and New Hampshire. In accordance with Accounting Standards Update No. 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions*, the assets and liabilities of the Hospital were accounted for at fair value as of the date of the acquisition at the subsidiary level.

The Hospital is the sole corporate member of Historic Homes of Runnemede, Inc. (Historic Homes), which is a not-for-profit Vermont corporation operating in Windsor, Vermont. Historic Homes' activities include recreational, educational and residential care services for the aging. Additional programs such as transportation, nutrition, social services and life enrichment are provided.

The Hospital is the sole corporate member of Mt. Ascutney Hospital Community Health Foundation, Inc. (Foundation), which is a not-for-profit Vermont corporation operating in Windsor, Vermont. The Foundation provides health education and health promotion programs and services aimed at improving the health status of the Windsor community. On April 4, 2016, the Board of Trustees approved the transfer of Foundation to the Hospital in order to utilize the Hospital as the primary driver of community health and placing the Foundation on hold until a time that its structure is needed. All assets and liabilities of the Foundation were transferred to the Hospital at this time.

1. Summary of Significant Accounting Policies:

Principles of Consolidation – The consolidated financial statements include the accounts of the Hospital and its subsidiaries (collectively, the Organization). All significant intercompany balances have been eliminated in consolidation.

Basis of Presentation – Net assets are classified into permanently restricted, temporarily restricted and unrestricted net assets, when appropriate, to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified objectives.

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, all not-for-profit organizations are required to provide a balance sheet, a statement of operations and a statement of cash flows. The ASC requires reporting amounts for the Organization's total assets, liabilities and net assets in a balance sheet; reporting the change in its net assets in a statement of operations; and reporting the change in its cash and cash equivalents in a statement of cash flows.

1. Summary of Significant Accounting Policies (continued):

ASC 958 also requires net assets and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets—permanently restricted, temporarily restricted and unrestricted—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of changes in net assets.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include money market funds and highly liquid debt instruments with a maturity of less than one year when purchased. Cash and cash equivalents exclude assets whose use is limited by the Board of Trustees. The Organization maintains its cash in deposit accounts which, at times, may exceed federal depository insurance limits. Management believes credit risk related to these investments is minimal. The Organization has not experienced any losses in such accounts.

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

In evaluating the collectability of accounts receivable, the Hospital analyzes past results and identifies trends for each major payor source of revenue for the purposes of estimating the appropriate amounts of the allowance for doubtful accounts and the provision for doubtful accounts. Data in each major payor source are regularly reviewed to evaluate the adequacy of the allowance for doubtful accounts. Specifically, for receivables relating to services provided to patients having third-party coverage, an allowance for doubtful accounts and a corresponding provision for doubtful accounts are established at varying levels based on the age of the receivables and payor source. For receivables relating to self-pay patients, a provision for doubtful accounts is made in the period services are rendered based on experience indicating the inability or unwillingness of patients to pay amounts for which they are financially responsible. Actual write-offs are charged against the provision for doubtful accounts.

Inventories – Inventories are stated at the lower of cost (determined by the first-in, first-out method) or market.

Assets Limited as to Use and Investments – Assets limited as to use include donor-restricted investments, investments required to be maintained by the bond trustee and designated assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may, at its discretion, use for other purposes.

1. Summary of Significant Accounting Policies (continued):

The Organization records its investment securities at fair value. 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 as of the measurement date. Investment gains and income are reported as increases to unrestricted, temporarily or permanently restricted net assets depending on the existence or absence of donor restrictions.

Unrestricted investment income and gains and losses from all other investments are reported as nonoperating revenue. Unrealized gains and losses on investments are excluded from the excess of revenues, gains and other support over expenses and nonoperating revenue, and reported as an increase in net assets, except that declines that are considered other than temporary are reported within excess of revenues and gains over expenses.

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

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

Effective July 1, 2014, property and equipment was adjusted to fair value as described under Organization related to business combination transaction. Property and equipment acquisitions subsequent to this date are recorded at cost.

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

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

Bond Issuance Costs – The costs incurred to obtain financing for the Organization's construction programs are amortized over the repayment period of the bonds and are included in long-term debt, net of amortization on the balance sheets.

1. Summary of Significant Accounting Policies (continued):

Nonoperating Revenue – Activities, other than in connection with providing health care services, are considered to be nonoperating. Nonoperating revenue consist primarily of income on invested funds, other than temporary declines on investments and changes in the fair value on interest rate swaps.

Interest Rate Swaps – The Organization used interest rate swap contracts to eliminate the cash flow exposure of interest rate movements on variable-rate debt. The Organization had adopted FASB ASC 815, *Derivatives and Hedging*, to account for its interest rate swap contracts. The interest rate swaps qualified as cash flow hedges. The ineffective portion of the cash flow hedges have not been calculated, but is not considered material to the financial statements. The Hospital terminated the swap on September 1, 2016. Therefore, the change in fair value has been reported in non-operating revenue for 2016.

Excess of Revenues, Gains and Other Support Over Expenses and Nonoperating Revenues (Expenses) – The statements of operations includes excess of revenues, gains and other support over expenses and nonoperating revenues (expenses). Changes in unrestricted net assets, which are excluded from this measure, consistent with industry practice, include unrealized gains on investments, 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 changes in net assets to recognize funded status of pension plan.

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

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

Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity. Generally, income earned on permanently restricted net assets, including net realized appreciation (depreciation) on investments, is included in temporarily restricted net assets until appropriated by the Board. Appreciation (depreciation) on perpetual trusts is included within permanently restricted net assets.

Grant Revenue – Grant revenue is classified as unrestricted, as it is recognized as revenue in the period in which the expenses are incurred. Grant revenues are recorded in accordance with the provisions of the applicable award amounts. Deferred revenue represents unexpended grant monies under the terms of those agreements. Accordingly, the Organization is subject to the regulations and reporting requirements of the applicable governmental and grantor agencies.

1. Summary of Significant Accounting Policies (continued):

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

Donor-Restricted Gifts – Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions.

Income Taxes – The Organization's parent company and subsidiaries are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. However, the Organization is subject to federal income tax on any unrelated business taxable income.

ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*, addresses the accounting uncertainty of income taxes recognized in an enterprise's financial statements and prescribes a threshold of "more-likely-than-not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Subtopic 740-10 also provides guidance on measurement classification, interest and penalties and disclosure. The Organization has determined that the provisions of Subtopic 740-10 do not have a material effect on the Organization's financial statements. The Organization believes it is no longer subject to examinations for fiscal years prior to 2014.

Reclassifications – Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

Recent Accounting Pronouncement – In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, *Interest – Imputation of Interest*, Subtopic 835-30. The update simplifies the presentation of debt issuance costs and will require that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct reduction from the carrying amount of that debt liability, consistent with the handling of debt discounts. The update is effective for financial statements issued for fiscal years beginning after December 31, 2015, with early adoption permitted and requires that it be retrospectively applied. The Organization adopted ASU 2015-03 effective for fiscal year 2017. Unamortized bond closing costs of $136,421 have been reclassified from other assets to long-term debt in the 2016 consolidated balance sheet and bond amortization of $14,936 has been reclassified from depreciation to interest in the 2016 consolidated statement of operations.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows - Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update is effective for financial statements issued for fiscal years beginning after December 15, 2018, with early adoption permitted and requires that it be applied retrospectively. The Hospital has not elected early adoption of the provisions of ASU 2016-18.

1. Summary of Significant Accounting Policies (continued):

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities*. This ASU changes the current three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions; continues to allow the use of either the direct or indirect method of reporting the statement of cash flows; requires entities to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses; and eliminates the option to release donor-imposed restrictions on long-lived assets over the estimated useful life of the acquired asset. It also enhances the disclosures regarding: board designations, composition of net assets with donor restrictions, how a not-for-profit will meet its cash needs for general expenditures within one year of the balance sheet date, amounts of expenses by both their natural and functional classification, method used to allocate costs among program and support functions and underwater endowment funds. The update is effective for financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted and requires that it be applied retrospectively. The Hospital has not elected early adoption of the provisions of ASU 2016-14.

In March 2017, the FASB issued Accounting Standards Updated (ASU) 2017-07, *Compensation – Retirement Benefits*, to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The update requires the service cost component to be reported in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The update is effective for financial statements issued for fiscal years beginning after December 15, 2018 with early adoption permitted and requires that it be retrospectively applied. The Hospital has elected to early adopt the provisions of ASU 2017-07 due to its parent company early adopting the ASU. The other components of net periodic benefit cost of $(21,860) have been reclassified from employee benefits in the 2016 consolidated statement of operations.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, at the conclusion of a joint effort with the International Accounting Standards Board to create common revenue recognition guidance in accordance with accounting principles generally accepted in the United States of America and International Accounting Standards. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services, by allocating transaction price to identified performance obligations, and recognizing that revenue as performance obligations are satisfied. Qualitative and quantitative disclosures will be required to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The original standard was effective for fiscal years beginning after December 15, 2016; however, in July 2015, the FASB approved a one-year deferral of this standard, with a new effective date for fiscal years beginning after December 15, 2017 or fiscal year 2019 for the Organization. The Organization is evaluating the impact this will have on the consolidated financial statements.

2. Net Patient Service Revenue and Patient Accounts Receivable:

Net Patient Service Revenue – Net patient service revenue is reported net of contractual allowances and other discounts as follows for the years ended September 30:

	2017	2016
Gross patient service revenue		
Inpatient	$ 24,183,400	$ 24,008,792
Outpatient (including physician practices)	64,250,031	63,842,278
	88,433,431	87,851,070
Plus Medicaid disproportionate share hospital receipts	541,427	187,766
Less contractual allowances	38,262,680	39,719,670
Less charity care	733,410	615,260
Patient service revenue (net of contractual allowances and discounts)	49,978,768	47,703,906
Less provision for doubtful accounts	1,725,743	1,301,630
Net patient service revenue	$ 48,253,025	$ 46,402,276

Patient Accounts Receivable – Patient accounts receivable is stated net of estimated allowances for contractuals and allowances for doubtful accounts as of September 30:

	2017	2016
Patient accounts receivable	$ 11,824,922	$ 10,615,998
Less estimated allowance for contractual adjustments	3,725,790	3,292,336
Less estimated allowance for doubtful accounts	2,373,993	2,170,547
Patient accounts receivable, net	$ 5,725,139	$ 5,153,115

The Hospital's allowance for doubtful accounts fully reserves for self-pay patients at September 30, 2017 and 2016. The Hospital increased its estimate in the allowance for doubtful accounts relating to self-pay patients from $1,262,879 to $2,023,993 and decreased such estimate from $907,668 to $350,000 for doubtful accounts relating to third-party payors. In addition, the Hospital's self-pay write-offs net of recoveries increased from $1,259,393 for 2016 to $1,522,297 for 2017. Such increases and decreases resulted from changes in the collection amounts from self-pay patients and third-party payors.

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

Medicare – The Hospital is a Critical Access Hospital (CAH). As a CAH, the Hospital is reimbursed 101% of reasonable allowable cost for its inpatient acute, swing bed and outpatient services, provided to Medicare patients. The Hospital is reimbursed at tentative rates for cost reimbursable items with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. Final settlements have been determined for all years through September 30, 2013. Subsequent to year-end, the final settlement was determined for the year ended September 30, 2014.

2. Net Patient Service Revenue and Patient Accounts Receivable (continued):

The Hospital's rehabilitation unit is licensed as a rehabilitation distinct part unit and is paid under the inpatient rehabilitation facility prospective payment system rather than under the CAH allowable cost program.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at determined prospective rates. There is no retroactive settlement process for Medicaid.

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

Revenue from the Medicare and Medicaid programs accounted for approximately 57% and 11%, respectively, of the Hospital's gross patient revenue for the year ended 2017, and 51% and 14%, respectively, of the Hospital's gross patient revenue for the year ended 2016. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to net patient service revenue were made in order to recognize revised or new information obtained, subsequent to initial estimates. Those adjustments increased net patient service revenue approximately $508,000 in 2017 and decreased approximately $389,000 in 2016.

On March 1, 2013, certain provisions of the Federal Government's Budget Control Act of 2011 went into effect. Among these are mandatory payment reductions under the Medicare program known as sequestration. Under these provisions, Medicare reimbursement was reduced by two percent on all claims with dates-of-service or dates-of-discharge on or after April 1, 2013. The continuation of these payment cuts for an extended period of time will have an adverse effect on the operating results of the Hospital.

The Hospital recognizes patient service revenue relating to services rendered to patients having third-party payor coverage on the basis of contractual rates for such services. For services rendered to self-pay or uninsured patients, revenue is recognized on the basis of standard or negotiated discounted rates. At the time services are rendered to self-pay patients, a provision for uncollectible accounts is recorded based on experience and the effects of newly-identified circumstances and trends in pay rates. Patient service revenue, net of contractual allowances and discounts, but before the provision for uncollectible accounts, recognized during 2017 totaled $49,978,768, of which $48,793,775 was revenue from third-party payors and $1,184,993 was revenue from self-pay patients. Patient service revenue, net of contractual allowances and discounts, but before the provision for uncollectible accounts, recognized during 2016 totaled $47,703,906, of which $46,852,517 was revenue from third-party payors and $851,389 was revenue from self-pay patients.

3. Charity Care and Community Services:

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

The net cost of charity care provided was $608,000 and $517,000 in 2017 and 2016, respectively, based on the overall ratio of cost to charges from the most recent Medicare cost report.

In 2017, the Hospital provided 395 patients charity care assistance. In 2016, 401 patients received charity care. The largest portion of services provided on a charity basis for 2017 and 2016 was for emergency department services.

The determination of eligibility for community care is granted on a sliding fee basis. Patients with family income less than the 225% of the Department of Health and Human Services Income Poverty Guidelines shall not be responsible for the balance of their account for services rendered at the Organization. Those with family income at least equal to 226% but not exceeding 250% of the guidelines, shall be responsible for 25% of the remaining balance of their accounts. Those with family income at least equal to 251%, but not exceeding 275% of the guidelines, will be responsible for 50% of the remaining balance of their accounts. Those with family income at least equal to 276%, but not exceeding 300% of the guidelines, will be responsible for 75% of the remaining balance of their accounts.

4. Inventories:

The major classes of inventories consisted of the following as of September 30:

	2017	2016
Pharmacy	$ 310,686	$ 332,370
Operating room	71,373	99,618
Lab	42,547	47,198
Other	53,588	70,222
	$ 478,194	$ 549,408

5. Donor Restricted Endowment Net Assets:

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment net assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce long-term returns while assuming a moderate level of investment risk.

5. Donor Restricted Endowment Net Assets (continued):

Spending Policy

The Organization's policy is to appropriate for distribution each year 4 percent of its endowment net assets' rolling three year average market value.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a weighted ratio on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Uniform Prudent Management of Institutional Funds Act

On May 5, 2009, the Governor of Vermont signed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as regulation over the donor-restricted endowment funds. UPMIFA requires investment of donor restricted funds in a prudent and reasonable manner, and related fees and other costs be reasonable and appropriate. Under UPMIFA, subject to the intent of the donor, the Organization may appropriate for expenditure or accumulate in the fund what the Organization determines is prudent for the uses, benefits, purposes and duration for which the fund is established. The act further provides criteria to guide the Organization in its expenditure decisions. In general, the amount of original gift and any required accumulations by the donor are not expendable. However, the market value of the fund may fall below that amount depending on current financial conditions in the underlying investments.

Endowment Net Asset Composition by Type of Fund as of September 30, 2017

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 739,846	$ 4,218,396	$ 4,958,242
Total funds	$ 739,846	$ 4,218,396	$ 4,958,242
Endowment net assets, beginning of year	$ 449,175	$ 4,218,396	$ 4,667,571
Investment return:			
Investment gain	30,377	-	30,377
Net appreciation (realized and unrealized)	445,079	-	445,079
Total investment return	475,456	-	475,456
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(184,785)	-	(184,785)
Endowment net assets, end of year	739,846	4,218,396	$ 4,958,242
Donor contributions restricted for health care services	398,854		
Pledges and contributions restricted for capital improvements	206,533		
Temporarily restricted net assets	$ 1,345,233		
Beneficial interest in perpetual trusts		1,659,614	
Permanently restricted net assets		$ 5,878,010	

5. Donor Restricted Endowment Net Assets (continued):

Endowment Net Asset Composition by Type of Fund as of September 30, 2016

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 449,175	$ 4,218,396	$ 4,667,571
Total funds	$ 449,175	$ 4,218,396	$ 4,667,571
Endowment net assets, beginning of year	$ 213,584	4,218,396	$ 4,431,980
Investment return:			
Investment gain	93,814	-	93,814
Net appreciation (realized and unrealized)	326,262	-	326,262
Total investment return	420,076	-	420,076
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(184,485)	-	(184,485)
Endowment net assets, end of year	449,175	4,218,396	$ 4,667,571
Donor contributions restricted for health care services	394,047		
Pledges and contributions restricted for capital improvements	651,837		
Temporarily restricted net assets	$ 1,495,059		
Beneficial interest in perpetual trusts		1,631,675	
Permanently restricted net assets		$ 5,850,071	

6. Pledges Receivable:

The Organization's pledges receivable consist of unconditional promises receivable as follows:

	2017	2016
Pledges receivable – gross	$ 216,224	$ 693,892
Less: Net present value allowance	5,189	27,756
	211,035	666,136
Less: Allowance for doubtful accounts	4,502	14,299
	$ 206,533	$ 651,837

Pledges receivable were calculated at net present value using a rate of 2.40%.

Pledges receivable are due as follows:

	2017	2016
Due in less than one year	$ 141,992	$ 505,982
Due in one to five years	64,541	145,855
	$ 206,533	$ 651,837

7. Other Receivables:

Other receivables consisted of the following at September 30:

	2017	2016
Grants receivable	$ 396,745	$ 341,407
Resident receivable, net of allowance	23,779	45,140
Other	149,415	198,139
	$ 569,939	$ 584,686

8. Investments:

Investments are accounted for using either the fair value method or equity method of accounting, as appropriate on a case by case basis. The fair value method is used when debt securities or equity securities are traded on active markets and are valued at prices that are readily available in those markets. The equity method is used when investments are made in pooled/commingled investment funds that represent investments where shares or units are owned of pooled funds rather than the underlying securities in that fund. These pooled/commingled funds make underlying investments in securities from the asset classes listed below. All investments, whether the fair value or equity method of accounting is used, are reported at what the Organization believes to be the amount that the Organization would expect to receive if it liquidated its investments at the balance sheet date on a nondistressed basis.

All of the Organization's investments held in pooled/commingled investment funds are pooled/commingled with a portion of Mary Hitchcock Memorial Hospital's (MHMH) investments.

The following tables summarize the investments by the accounting method utilized, as of September 30, 2017 and 2016. Accounting standards require disclosure of additional information for those securities accounted for using the fair value method, as shown in Note 19.

8. Investments (continued):

	2017		
	Fair Value	Equity	Total
Cash and cash equivalents	$ 218,480	$ 149,278	$ 367,758
Mutual funds			
Bond	20,000	-	20,000
Fixed income	233,374	-	233,374
Total mutual funds	253,374	-	253,374
Exchange traded products			
Equities	280,361	-	280,361
Fixed income	178,076	-	178,076
Total exchange traded products	458,437	-	458,437
Equities			
Domestic	-	3,260,601	3,260,601
Emerging markets	-	945,334	945,334
International	-	2,473,790	2,473,790
Private	-	1,112,540	1,112,540
Industrials	40,005	-	40,005
Consumer discretionary	25,619	-	25,619
Consumer staples	22,480	-	22,480
Energy	20,921	-	20,921
Financials	30,551	-	30,551
Health care	36,916	-	36,916
Real estate	19,159	-	19,159
Utilities	12,413	-	12,413
Telecommunication services	10,693	-	10,693
Information technology	60,906	-	60,906
Total equities	279,663	7,792,265	8,071,928
Debt securities			
Domestic debt securities	-	2,714,678	2,714,678
Global debt securities	-	2,802,697	2,802,697
Total debt securities	-	5,517,375	5,517,375
Hedge funds	-	743,019	743,019
U.S. government securities	-	1,079,772	1,079,772
	$ 1,209,954	$ 15,281,709	$ 16,491,663

8. Investments (continued):

	2016		
	Fair Value	Equity	Total
Cash and cash equivalents	$ 200,040	$ 81,172	$ 281,212
Mutual funds			
Growth	258,315	-	258,315
Fixed income	218,729	-	218,729
Total mutual funds	477,044	-	477,044
Equities			
Domestic	3,219	2,955,659	2,958,878
Emerging markets	-	822,489	822,489
International	-	1,935,628	1,935,628
Private	-	977,982	977,982
Industrials	31,158	-	31,158
Consumer discretionary	25,677	-	25,677
Consumer staples	36,147	-	36,147
Energy	19,700	-	19,700
Financials	16,898	-	16,898
Health care	44,679	-	44,679
Real estate	17,020	-	17,020
Utilities	12,493	-	12,493
Telecommunication services	11,532	-	11,532
Information technology	57,956	-	57,956
Total equities	276,479	6,691,758	6,968,237
Debt securities			
Domestic debt securities	-	1,874,308	1,874,308
Global debt securities	-	2,806,592	2,806,592
Total debt securities	-	4,680,900	4,680,900
Hedge funds	-	1,399,063	1,399,063
U.S. government securities	-	882,131	882,131
	$ 953,563	$ 13,735,024	$ 14,688,587

9. Beneficial Interest in Trusts:

The Organization is the beneficiary of various trusts for which it is not the trustee, valued at $1,659,614 and $1,631,675 in irrevocable perpetual trusts and $196,436 and $199,252 in a charitable remainder trust at September 30, 2017 and 2016, respectively. The Organization has reflected as assets in the balance sheets the fair value of the underlying investments in the trusts. Adjustments to the irrevocable perpetual trusts to reflect changes in the fair value are reflected in the statement of changes in net assets as unrealized appreciation (depreciation) in beneficial interest in perpetual trusts as a change in permanently restricted net assets. Adjustments to the charitable remainder trust to reflect changes in the fair value are reflected in the statement of changes in net assets as unrealized appreciation (depreciation) in charitable remainder trust as a change in temporarily restricted net assets.

10. Property and Equipment:

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

	2017	2016
Buildings and improvements	$ 30,119,139	$ 30,445,145
Major moveable equipment	13,025,266	15,413,529
Land and land improvements	1,989,723	1,848,485
	45,134,128	47,707,159
Less accumulated depreciation	26,535,309	28,348,862
	18,598,819	19,358,297
Construction in progress	279,898	90,256
Total property and equipment	$ 18,878,717	$ 19,448,553

Construction in progress consisted of the following at September 30, 2017:

	Total Costs to Date	Estimated Total Project Costs	Estimated Date of Completion
Digital radiology conversion portable & ortho room	$ 70,820	71,000	Fall 2017
Transformer project	14,480	28,000	Winter 2018
Chilled water project	6,000	15,000	Spring 2018
DI, RO water system	25,441	48,000	Fall 2017
Cafeteria renovation	36,377	205,000	Winter 2018
Rehab pool renovation	16,000	150,000	Spring 2018
Physiatry outpatient fit-up and move	18,495	135,000	Winter 2018
Roof top units	9,728	300,000	Summer 2018
Boiler and pumps	4,050	262,000	Summer 2018
Nurse call system	7,750	300,000	Summer 2018
Digital signage	5,829	8,000	Fall 2017
Omnicell	21,000	40,000	Spring 2018
Meaningful use	19,800	50,000	Winter 2018
Generator and installation (Evarts House)	24,128	$ 50,000	Fall 2017
	$ 279,898		

11. Borrowings:

Line of Credit – The Organization entered into an agreement with a bank for a $2,000,000 line of credit. This line bore interest at The Wall Street Journal Prime Rate plus 0.25%. A fee equal to 0.125% of the unused portion of the loan was due quarterly. The line originally matured on May 31, 2016 and was extended through July 31, 2016. Effective July 1 2016, the Organization refinanced their line of credit with Mary Hitchcock Memorial Hospital and Dartmouth-Hitchcock Health in the amount of $2,000,000. This line bears interest at current LIBOR plus 55 basis points (1.78% as of September 30, 2017). The Organization has an outstanding balance under the lines of credit of $0 and $1,550,000 as of September 30, 2017 and 2016, respectively.

Long-Term Debt – Long-term debt consisted of the following at September 30:

	2017	2016
Note payable to Mary Hitchcock Memorial Hospital and Dartmouth Hitchcock Health due in semiannual interest payments from July 2016 through February 2042, with an interest rate of 1.78%. Beginning in February 2042, semi-annual principal payments through February 2046 ranging from $2,085,000 to $2,305,000.	$ 10,970,000	$ 10,970,000
Non-interest bearing mortgage with the Town of Windsor, Vermont; collateralized by property and equipment. Annual principal payments of $21,600 through 2022.	108,000	129,600
Interest-free note payable to Vermont Housing and Conservation Board (VHCB), no monthly payments, entire principal due June 2029; collateralized by land and building.	206,350	206,350
Interest-free note payable to VHCB, entire principal due June 2034; collateralized by land and buildings.	60,000	64,000
Interest free note payable to Town of Windsor, due in annual principal installments of $31,500 from September 2014 through 2018; collateralized by land and buildings.	31,500	63,000
	11,375,850	11,432,950
Less current portion	57,100	57,100
Less unamortized bond closing costs	131,837	136,421
Long-term debt, net of current portion	$ 11,186,913	$ 11,239,429

11. Borrowings (continued):

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

2018 (included in current liabilities)	$	57,100
2019		25,600
2020		25,600
2021		25,600
2022		25,600
Thereafter		11,216,350
	$	11,375,850

The Organization is a member of the Dartmouth-Hitchcock Obligated Group (DHOG). MHMH established the DHOG in 1993 for the original purpose of issuing bonds financed through New Hampshire Health and Education Facilities Authority (NHHEFA). Other members of DHOG include MHMH, Dartmouth-Hitchcock Clinic, The Cheshire Medical Center and New London Hospital Association. Dartmouth Hitchcock Health is designated as the obligated group agent.

Revenue bonds issued by members of the DHOG are administered through notes registered in the name of the Bond Trustee and in accordance with the terms of a Master Trust Indenture. The Master Trust Indenture contains provisions permitting the addition, withdrawal, or consolidation of members of the DHOG under certain conditions. The notes constitute a joint and several obligation of the members of the DHOG (and any future members of the DHOG) and are equally and ratably collateralized by a pledge of the members' gross receipts. The Organization’s note payable to MHMH and Dartmouth Hitchcock Health was issued by NHHEFA through the DHOG. The Organization does not expect to pay any additional amounts on behalf of its co-obligors.

Capital Leases – The Hospital entered into capital leases for certain equipment. The terms of all three leases are for five years with two leases expiring during 2020 and the third expiring during 2022. The cost of the assets under capital lease as of September 30, 2017 and 2016 was $1,040,740 and $471,860, respectively. Accumulated amortization on assets under capital lease at September 30, 2017 and 2016 was $332,974 and $222,278, respectively, and the total depreciation expense on the leases was $110,696 and $91,942 for 2017 and 2016, respectively.

The following is a schedule, by year, of the future minimum lease payments under capital leases as of September 30:

2018	$	214,895
2019		215,075
2020		154,847
2021		125,435
2022		114,981
Total minimum lease payments		825,233
Less: Amount representing interest		71,285
Present value of minimum lease payments		753,948
Less: Current portion		186,708
Long-term capital lease obligations	$	567,240

12. Net Asset Composition:

The Organization's net assets were comprised of the following as of September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Detail of net assets:				
Operating	$ 4,234,657	$ 202,418	$ -	$ 4,437,075
Other receivables, net	569,939	206,533	-	776,472
Property and equipment, net	18,878,717	-	-	18,878,717
Other long-term assets	207,260	-	-	207,260
Investments	11,360,954	739,846	4,218,396	16,319,196
Charitable remainder trust	-	196,436	-	196,436
Beneficial interest in perpetual interest	-	-	1,659,614	1,659,614
Long-term debt	(11,244,013)	-	-	(11,244,013)
Post-retirement benefit obligation	(5,687,334)	-	-	(5,687,334)
Total net assets	$ 18,320,180	$ 1,345,233	$ 5,878,010	$ 25,543,423

The Organization's net assets were comprised of the following as of September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Detail of net assets:				
Operating	$ 878,185	$ 194,795	$ -	$ 1,072,980
Other receivables, net	584,686	651,837	-	1,236,523
Property and equipment, net	19,448,553	-	-	19,448,553
Other long-term assets	161,215	-	-	161,215
Investments	9,849,238	449,175	4,218,396	14,516,809
Charitable remainder trust	-	199,252	-	199,252
Beneficial interest in perpetual interest	-	-	1,631,675	1,631,675
Long-term debt	(11,296,529)	-	-	(11,296,529)
Post-retirement benefit obligation	(7,195,882)	-	-	(7,195,882)
Total net assets	$ 12,429,466	$ 1,495,059	$ 5,850,071	$ 19,774,596

13. Temporarily and Permanently Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes at September 30:

	2017	2016
Health care services	$ 398,854	$ 394,047
Pledges and gifts for capital improvements	206,533	651,837
Endowment accumulated earnings	739,846	449,175
	$ 1,345,233	$ 1,495,059

13. Temporarily and Permanently Restricted Net Assets (continued):

Permanently restricted net assets are available for the following purposes at September 30:

	2017	2016
Investments to be held in perpetuity, the income from which is expendable for		
Health care services	$ 4,130,714	$ 4,130,714
Health care services to the indigent	86,365	86,365
Alcohol/drug rehabilitation programs	1,317	1,317
Interest in perpetual trust, the income from which is expendable for		
Health care services	1,073,727	1,032,071
Purchases of medical equipment	585,887	599,604
	$ 5,878,010	$ 5,850,071

14. Functional Expenses:

The Organization provides general health care services to resident within its geographic location. Expenses related to providing these services are as follows:

	2017	2016
Health care services	$ 41,351,069	$ 40,508,142
General and administrative	10,085,275	10,185,029
Fundraising	235,301	245,010
	51,671,645	50,938,181
Other components of net periodic benefit cost	141,188	21,860
Total operating expenses	$ 51,812,833	$ 50,960,041

15. Related Party Transactions:

Mount Ascutney Professional Center Owners Association – The Mount Ascutney Professional Center Owners Association (Association) is a Vermont C-Corporation Organization. The Organization owns 12 of the 13 units in the Association and leases the remaining unit. There are three members on the Board, two of which are employees of the Organization. The Organization pays all condo fees during the year. For the years ended September 30, 2017 and 2016, condo fees were approximately $72,000.

Dartmouth Hitchcock Related Organizations – Effective July 1, 2014, D-HH became the sole corporate member of the Organization through an affiliation agreement. The new affiliation is intended to strengthen the clinical services offered by the Organization, continue to improve population health in the region and reduce overall healthcare spending.

15. Related Party Transactions (continued):

During the ordinary course of business, the Organization receives services from New England Alliance for Health (NEAH), an LLC owned and managed by MHMH, which totaled approximately $667,000 and $540,000 for the years ended September 30, 2017 and 2016, respectively. As of September 30, 2017 and 2016, the amount payable to NEAH was approximately $27,000 and $0, respectively.

Through NEAH, the Organization is provided professional and general liability insurance on a claims-made basis through Hamden Assurance Risk Retention Group, Inc. (RRG), a VT captive insurance company. RRG reinsures the majority of this risk to Hamden Assurance Company Limited (HAC), a captive insurance company domiciled in Bermuda and to a variety of commercial reinsurers. Dartmouth Hitchcock has ownership interests in both HAC and RRG.

The Organization contracts with Dartmouth-Hitchcock Clinic for management advisory services and other services in the ordinary course of business, which totaled approximately $3,215,000 and $2,791,000 for the years ended September 30, 2017 and 2016, respectively. The Organization's former and interim chief executive officers were employed by Dartmouth-Hitchcock Clinic and the Organization contracted for those services. The Organization's current Chief Nursing Officer is employed by Dartmouth-Hitchcock Clinic and the Organization contracts for those services. As of September 30, 2017 and 2016, the amounts payable to Dartmouth-Hitchcock Clinic were approximately $544,000 and $760,000, respectively.

During the ordinary course of business, the Organization receives services from MHMH which totaled approximately $114,000 and $79,000 for the years ended September 30, 2017 and 2016, respectively. As of September 30, 2017 and 2016, the amount payable to MHMH was approximately $31,500 and $10,500, respectively.

The Organization pays interest to MHMH for the line of credit and note payable, which totaled approximately $209,000 and $73,000 for the years ended September 30, 2017 and 2016, respectively.

During 2017, Dartmouth-Hitchcock Health transferred $1,315,000 of unrestricted net assets to the Organization in the form of cash to help support the Organization.

16. Commitments and Contingencies:

Litigation – The health care industry is subject to numerous laws and regulations of federal, state and local governments. Government activity is ongoing with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. Management believes that the Hospital is in substantial compliance with current laws and regulations.

16. Commitments and Contingencies (continued):

Investment Risk – The Organization invests in a combination of investment vehicles. Investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investments in the near term could materially affect the amounts reported in the statements of financial position.

Workers' Compensation – The Organization's high deductible workers' compensation plan ended June 1, 2010 and had accrued liabilities of approximately $0 and $81,500 at September 30, 2017 and 2016, respectively.

Self-Insurance – During 2012, the Hospital established a self-insured health care plan for substantially all of its employees. The Hospital has obtained reinsurance coverage to limit the Hospital's exposure associated with the plan individually of $100,000 and the aggregate limit is determined by the greater of $2,600,000, or a multiplication of the enrollment and the single and family factors assigned to the aggregate stop loss. Additionally, Dartmouth Hitchcock covers costs at the individual level that are greater than $100,000, up to a maximum of $750,000. The accompanying financial statements include an accrual for management's estimate of claims incurred, but not reported, of approximately $295,000 and $195,000 as of September 30, 2017 and 2016, respectively. The total cost of the health insurance plan was approximately $3,219,000 and $3,311,000 for the years ended September 30, 2017 and 2016, respectively.

Professional Liability Insurance and Litigation – The Hospital carries malpractice insurance coverage under a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. The Hospital intends to renew its coverage on a claims-made basis and has no reason to believe that it may be prevented from renewing such coverage. The Hospital is subject to complaints, claims and litigation due to potential claims which arise in the normal course of business. U.S. generally accepted accounting principles requires the Hospital to accrue the ultimate cost of malpractice claims when the incident that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset. The Hospital has evaluated its exposure to losses arising from potential claims and has accrued an additional $230,469 and $0 for the years ended September 30, 2017 and 2016, respectively, which is included in other liabilities on the consolidated balance sheet.

The Organization is involved in litigation and investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these investigations are within insurance coverage limits and those matters will be resolved without a material adverse effect on the Organization's future financial position or results from operations. Management has not recorded any liabilities related to these investigations.

Operating Leases – The Organization has leases for medical care space and has various leases for medical and office equipment with original terms through December 2026.

16. Commitments and Contingencies (continued):

Future minimum payments under these leases are as follows:

Years ending September 30,	
2018	$ 587,664
2019	400,139
2020	390,332
2021	386,865
2022	369,528

Lease expense for the years ended September 30, 2017 and 2016 was approximately $719,000 and $773,000, respectively.

17. Concentrations of Credit Risk:

The Organization grants credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of accounts receivable from patients and third-party payors, exclusive of estimated settlements, was as follows as of September 30:

	2017	2016
Medicare	52%	38%
Medicaid	7	8
Blue Cross	15	18
Other third-party payers	20	18
Patients	6	18
	100%	100%

The Organization maintains its cash in bank deposits which may at times exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant risk on cash and cash equivalents.

18. Benefit Plans:

403(b) Savings Plan – The Organization has a 403(b) savings plan under which eligible employees may contribute a percentage of their annual salaries to the savings plan. The Organization may make discretionary matching contributions as well as discretionary contributions. The Organization made a 2% match on salaries for the 2016 calendar plan year and had accrued $469,398 at September 30, 2016 and will make up to a 4% match on salaries for the 2017 calendar plan year and has accrued $959,091 at September 30, 2017.

18. Benefit Plans (continued):

Defined Benefit Pension Plan and Retiree Medical Plan – The Board of Trustees voted to curtail benefits under the defined benefit plan, effective December 31, 2012. All benefits for active employees became fully vested at that time. The projected benefit obligation at September 30, 2013 has been adjusted to reflect a curtailment gain of $1,785,782, which is primarily due to the elimination of deferred losses. There are no immediate plans to fund a full payoff of the benefit obligation; however, the Hospital is proceeding in reducing the obligation with other strategies.

In addition to providing pension benefits, the Organization provides health care benefits for retired employees and their spouses. The Organization has not funded the health care plan other than to pay current benefits. Retirees are required to make partial contributions if they choose to participate and if they elect to have their dependents covered. The Organization's contributions made in 2017 and 2016 were $43,556 and $34,494, respectively.

The following tables set forth the funded status of the plans and the amounts recognized in the Organization's financial statements as of and for the years ended September 30:

	2017	2016
Change in benefit obligation		
Projected benefit obligation, beginning of year	$ 18,901,263	$ 18,171,169
Service costs	150,000	-
Interest costs	738,511	843,236
Liability gain (loss)	(444,803)	1,085,258
Expenses paid	(172,142)	(182,646)
Curtailment	-	-
Benefits paid	(1,171,173)	(1,015,754)
Projected benefit obligation at September 30	$ 18,001,656	$ 18,901,263
Accumulated benefit obligation	$ 18,001,656	$ 18,901,263
Change in plan assets		
Fair value of plan assets, beginning of year	$ 11,705,381	$ 11,392,356
Actual return on plan assets	1,244,800	1,148,930
Employer contributions	707,456	362,494
Expenses paid	(172,142)	(182,645)
Benefits paid	(1,171,173)	(1,015,754)
Fair value of plan assets at September 30	$ 12,314,322	$ 11,705,381
Funded status at September 30, accrued liability	$ (5,687,334)	$ (7,195,882)
Actuarial loss not yet reflected in net periodic benefit cost and included in change in net assets	$ 1,709,423	$ 2,519,328

18. Benefit Plans (continued):

Net postretirement benefit cost for fiscal years 2017 and 2016 consisted of the following:

	2017	2016
Service costs	$ 150,000	$ -
Interest costs	738,511	843,236
Recognized net actuarial loss	(879,699)	(865,096)
Other components of net periodic benefit cost	(141,188)	(21,860)
Total postretirement benefit cost	$ (8,812)	$ (21,860)

The prior service costs and net loss for the plans that are expected to be amortized from unrestricted net assets in net postretirement benefit cost over the next fiscal year are $25,590.

The weighted average assumptions used in the measurement of the Hospital's benefit obligation at September 30 are shown in the following table:

	2017	2016
Discount rate	4.20%	4.00%
Rate of compensation increase	-	-

The weighted average assumption used in the measurement of the Hospital's net periodic postretirement cost for the years ended September 30 are shown in the following table:

	2017	2016
Discount rate	4.00%	4.90%
Expected long-term return on plan assets	7.75%	7.75%
Rate of compensation increase	-	-

The Organization considers various factors in estimating the expected long-term rate of return on plan assets. Among the factors considered are the historical long-term returns on plan assets, the current and expected allocation of plan assets, input from actuaries and investment consultants and long-term inflation assumptions. The expected allocation of plan assets is based on a diversified portfolio consisting of domestic and international equity and fixed income securities.

The health care costs have been based on health care coverage for plan retirees. A 1% point change in health care cost trends would have the following effects as of September 30, 2017:

	1% Point Decrease	1% Point Increase
Service and interest costs	$ 19,273	$ 24,380
Postretirement benefit obligation	638,083	766,427

18. Benefit Plans (continued):

Plan Assets – Under the policy of the Organization, the pension assets are invested conservatively with the intent of providing a predictable stream of funding to the plan. The Organization invests in life insurance annuities, equity mutual funds, bond mutual funds and money market investments to achieve its long-term return objectives within limited risk constraints. Actual returns in any year may vary from budgeted amounts due to market fluctuations. The Organization's postretirement plan asset allocations at September 30 are as follows:

Asset Category	2017	2016
Equity securities	56%	56%
Debt securities	43	44
Cash equivalents	0	0
Other	1	0
Total	100%	100%

Cash Flows – The Organization funds the Plan annually by making a contribution of at least the minimum amount required by applicable regulations and as recommended by the Plan's actuary. However, the Organization may also fund the Plan in excess of the minimum required amount. The Organization expects to contribute approximately $582,000 in fiscal year 2018.

Cash contributions in subsequent years will depend on a number of factors including performance of Plan assets.

Projected benefit payments	
2018	$ 892,079
2019	964,090
2020	1,014,062
2021	1,054,337
2022	1,087,555
2023-2027	5,732,321

Risks – The Plan 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 changes could materially affect the amounts reported.

19. Fair Value Measurements:

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

19. Fair Value Measurements (continued):

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

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

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

Assets and liabilities measured at fair value on a recurring basis are summarized below. Fair values were primarily determined using market and income approaches.

Fair Value Measurements at September 30, 2017

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash and cash equivalents	$ 218,480	$ -	$ -	$ 218,480
Mutual funds				
Bond	20,000	-	-	20,000
Fixed income	233,374	-	-	233,374
Total mutual funds	253,374	-	-	253,374
Exchange traded products				
Equities	280,361	-	-	280,361
Fixed income	178,076	-	-	178,076
Total exchange traded products	458,437	-	-	458,437
Industrials	40,005	-	-	40,005
Consumer discretionary	25,619	-	-	25,619
Consumer staples	22,480	-	-	22,480
Energy	20,921	-	-	20,921
Financials	30,551	-	-	30,551
Health care	36,916	-	-	36,916
Real estate	19,159	-	-	19,159
Utilities	12,413	-	-	12,413
Telecommunication services	10,693	-	-	10,693
Information technology	60,906	-	-	60,906
Total equities	279,663	-	-	279,663
Beneficial interest in perpetual trusts	-	-	1,659,614	1,659,614
Charitable remainder trust	-	-	196,436	196,436
	$ 1,209,954	$ -	$ 1,856,050	$ 3,066,004

19. Fair Value Measurements (continued):

Fair Value Measurements at September 30, 2017

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments held by defined benefit pension plan:				
Cash and cash equivalents	$ 148,898	$ -	$ -	$ 148,898
Equity mutual funds				
Real estate	370,689	-	-	370,689
Small cap	887,449	-	-	887,449
Emerging markets	381,558	-	-	381,558
Growth	4,248,063	-	-	4,248,063
Foreign stock	931,050	-	-	931,050
Total equity mutual funds	6,818,809	-	-	6,818,809
Fixed income mutual funds				
Emerging markets	470,223	-	-	470,223
U.S. fixed income	3,143,385	-	-	3,143,385
Global	827,263	-	-	827,263
Total fixed income mutual funds	4,440,871	-	-	4,440,871
U.S. Treasury obligations	442,969	-	-	442,969
U.S. Government agencies	110,705	-	-	110,705
Corporate and Foreign bonds	352,070	-	-	352,070
Total investments held by defined benefit pension plan	$ 12,314,322	$ -	$ -	$ 12,314,322

19. Fair Value Measurements (continued):

Fair Value Measurements at September 30, 2016

	Fair Value Measurements at September 30, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash and cash equivalents	$ 200,040	$ -	$ -	$ 200,040
Mutual funds				
Growth	258,315	-	-	258,315
Fixed income	218,729	-	-	218,729
Total mutual funds	477,044	-	-	477,044
Equities				
Domestic	3,219	-	-	3,219
Industrials	31,158	-	-	31,158
Consumer discretionary	25,677	-	-	25,677
Consumer staples	36,147	-	-	36,147
Energy	19,700	-	-	19,700
Financials	16,898	-	-	16,898
Health care	44,679	-	-	44,679
Real estate	17,020	-	-	17,020
Utilities	12,493	-	-	12,493
Telecommunication services	11,532	-	-	11,532
Information technology	57,956	-	-	57,956
Total equities	276,479	-	-	276,479
Beneficial interest in perpetual trusts	-	-	1,631,675	1,631,675
Charitable remainder trust	-	-	199,252	199,252
	$ 953,563	$ -	$ 1,830,927	$ 2,784,490

19. Fair Value Measurements (continued):

Fair Value Measurements at September 30, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments held by defined benefit pension plan:				
Cash and cash equivalents	$ 43,982	$ -	$ -	$ 43,982
Equity mutual funds				
Real estate	361,193	-	-	361,193
Emerging markets	378,832	-	-	378,832
Growth	5,213,713	-	-	5,213,713
Foreign stock	568,263	-	-	568,263
Total equity mutual funds	6,522,001	-	-	6,522,001
Fixed income mutual funds				
Emerging markets	425,705	-	-	425,705
U.S. fixed income	3,860,640	-	-	3,860,640
Global	853,053	-	-	853,053
Total fixed income mutual funds	5,139,398	-	-	5,139,398
Total investments held by defined benefit pension plan	$ 11,705,381	$ -	$ -	$ 11,705,381

Except for the investments accounted for using the equity method of accounting, the Organization's other financial instruments consist of cash and cash equivalents, trade accounts receivable and payable, estimated third-party payor settlements and long-term debt. The carrying values of these financial instruments approximate their fair values.

19. Fair Value Measurements (continued):

The following table summarizes Level 3 instruments measured at fair value on a recurring basis as of September 30, 2017:

	Beneficial Interest in Perpetual Trusts	Charitable Remainder Trust
Balance at September 30, 2016	$ 1,631,675	$ 199,252
Unrealized appreciation	27,939	22,527
Net assets released from restrictions used for operations	-	(25,343)
Balance at September 30, 2017	$ 1,659,614	$ 196,436

The following table summarizes Level 3 instruments measured at fair value on a recurring basis as of September 30, 2016:

	Beneficial Interest in Perpetual Trusts	Charitable Remainder Trust
Balance at September 30, 2015	$ 1,559,820	$ 325,805
Unrealized appreciation (depreciation)	71,855	(43,861)
Net assets released from restrictions used for operations	-	(82,692)
Balance at September 30, 2016	$ 1,631,675	$ 199,252

The fair value of Level 2 assets is primarily based on quoted market prices of underlying assets, comparable securities, interest rates, and credit risk. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Level 3 investments are valued using discounted cash flow methodologies.

20. Meaningful Use Revenues:

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The criteria for meaningful use was staged in three steps from fiscal year 2013 through 2016. The meaningful use attestation is subject to audit by CMS in future years. As part of this process, a final settlement amount for the incentive payments could be established that differs from the initial calculation, and could result in return of a portion or all of the incentive payments received by the Hospital.

20. Meaningful Use Revenues (continued):

The Medicaid program will provide incentive payments to hospitals and eligible professionals as they adopt, implement, upgrade or demonstrate meaningful use in the first year of participation and demonstrate meaningful use for up to five remaining participation years.

For the years ended September 30, 2017 and 2016, the Hospital recorded meaningful use revenue from the Medicaid and Medicare EHR programs for $10,000 and $95,388, respectively. Revenue from the programs is included in other operating revenue.

21. Subsequent Events:

The Organization has reviewed events occurring after September 30, 2017 through December 22, 2017, the date management accepted the final draft of the financial statements and made them available to be issued. The Organization has not reviewed events occurring after the report date, December 22, 2017, for their potential impact on the information contained in these consolidated financial statements.

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER) AND SUBSIDIARIES
Consolidating Balance Sheets – Assets
As of September 30, 2017

	Mt. Ascutney Hospital and Health Center	Historic Homes of Runnemede, Inc.	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	$ 6,094,897	$ 124,334	$ -	$ 6,219,231
Short-term investments	172,467	-	-	172,467
Patient accounts receivable, net	5,725,139	-	-	5,725,139
Current portion of pledges receivable, net	141,992	-	-	141,992
Other receivables, net	560,273	23,779	(14,113)	569,939
Inventories	478,194	-	-	478,194
Prepaid expenses	581,355	15,917	-	597,272
Total current assets	13,754,317	164,030	(14,113)	13,904,234
Assets whose use is limited or restricted				
Investments	15,281,709	1,037,487	-	16,319,196
Charitable remainder trust	196,436	-	-	196,436
Beneficial interest in perpetual trusts	1,659,614	-	-	1,659,614
Total assets whose use is limited or restricted	17,137,759	1,037,487	-	18,175,246
Property and equipment, net	17,135,210	1,743,507	-	18,878,717
Pledges receivable, less current portion shown above	64,541	-	-	64,541
Other assets	2,604,059	-	(2,396,799)	207,260
Total assets	$ 50,695,886	$ 2,945,024	$ (2,410,912)	$ 51,229,998

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER) AND SUBSIDIARIES
Consolidating Balance Sheets – Liabilities and Net Assets
As of September 30, 2017

	Mt. Ascutney Hospital and Health Center	Historic Homes of Runnemede, Inc.	Eliminations	Consolidated
Liabilities				
Current liabilities				
Accounts payable and accrued expense	$ 1,947,935	$ 95,967	$ (14,113)	$ 2,029,789
Construction payable	108,000	-	-	108,000
Accrued salaries and wages	1,961,700	44,003	-	2,005,703
Accrued earned time off	1,405,555	-	-	1,405,555
Other current liabilities	1,086,157	2,405	-	1,088,562
Estimated settlements with third-party payors	1,133,202	-	-	1,133,202
Current portion of long-term debt	-	57,100	-	57,100
Current portion of capital leases	186,708	-	-	186,708
Total current liabilities	7,829,257	199,475	(14,113)	8,014,619
Long-term debt, less current portion shown above	10,838,163	348,750	-	11,186,913
Capital leases, less current portion shown above	567,240	-	-	567,240
Post-retirement benefit obligation	5,687,334	-	-	5,687,334
Other liabilities	230,469	-	-	230,469
Total liabilities	25,152,463	548,225	(14,113)	25,686,575
Net assets				
Unrestricted	18,320,180	2,396,799	(2,396,799)	18,320,180
Temporarily restricted	1,345,233	-	-	1,345,233
Permanently restricted	5,878,010	-	-	5,878,010
Total net assets	25,543,423	2,396,799	(2,396,799)	25,543,423
Total liabilities and net assets	$ 50,695,886	$ 2,945,024	$ (2,410,912)	$ 51,229,998

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER) AND SUBSIDIARIES
Consolidating Balance Sheets – Assets

As of September 30, 2016

	Mt. Ascutney Hospital and Health Center	Historic Homes of Runnemede, Inc.	Mt. Ascutney Community Health Foundation, Inc.	Eliminations	Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 3,472,557	$ 409,916	$ -	$ -	$ 3,882,473
Short-term investments	171,778	-	-	-	171,778
Patient accounts receivable, net	5,153,115	-	-	-	5,153,115
Current portion of pledges receivable, net	505,982	-	-	-	505,982
Other receivables, net	556,828	45,140	-	(17,282)	584,686
Inventories	549,408	-	-	-	549,408
Prepaid expenses	325,675	7,451	-	-	333,126
Total current assets	10,735,343	462,507	-	(17,282)	11,180,568
Assets whose use is limited or restricted					
Investments	13,735,024	781,785	-	-	14,516,809
Charitable remainder trust	199,252	-	-	-	199,252
Beneficial interest in perpetual trusts	1,631,675	-	-	-	1,631,675
Total assets whose use is limited or restricted	15,565,951	781,785	-	-	16,347,736
Property and equipment, net	17,732,576	1,715,977	-	-	19,448,553
Pledges receivable, less current portion shown above	145,855	-	-	-	145,855
Other assets	2,447,405	-	-	(2,286,190)	161,215
Total assets	$ 46,627,130	$ 2,960,269	$ -	$ (2,303,472)	$ 47,283,927

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER) AND SUBSIDIARIES
Consolidating Balance Sheets – Liabilities and Net Assets
As of September 30, 2016

	Mt. Ascutney Hospital and Health Center	Historic Homes of Runnemede, Inc.	Mt. Ascutney Community Health Foundation, Inc.	Eliminations	Consolidated
Liabilities					
Current liabilities					
Line of credit	$ 1,550,000	$ -	$ -	$ -	$ 1,550,000
Accounts payable and accrued expense	2,033,268	133,970	-	(17,282)	2,149,956
Construction payable	275,460	26,861	-	-	302,321
Accrued salaries and wages	1,275,822	41,643	-	-	1,317,465
Accrued earned time off	1,333,865	-	-	-	1,333,865
Other current liabilities	1,251,954	8,655	-	-	1,260,609
Estimated settlements with third-party payors	824,244	-	-	-	824,244
Current portion of long-term debt	-	57,100	-	-	57,100
Current portion of capital leases	79,877	-	-	-	79,877
Total current liabilities	8,624,490	268,229	-	(17,282)	8,875,437
Long-term debt, less current portion shown above	10,833,579	405,850	-	-	11,239,429
Capital leases, less current portion shown above	198,583	-	-		198,583
Post-retirement benefit obligation	7,195,882	-	-	-	7,195,882
Total liabilities	26,852,534	674,079	-	(17,282)	27,509,331
Net assets					
Unrestricted	12,429,466	2,286,190	-	(2,286,190)	12,429,466
Temporarily restricted	1,495,059	-	-	-	1,495,059
Permanently restricted	5,850,071	-	-	-	5,850,071
Total net assets	19,774,596	2,286,190	-	(2,286,190)	19,774,596
Total liabilities and net assets	$ 46,627,130	$ 2,960,269	$ -	$ (2,303,472)	$ 47,283,927

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER) AND SUBSIDIARIES
Consolidating Statement of Operations
For the Year Ended September 30, 2017

	Mt. Ascutney Hospital and Health Center	Historic Homes of Runnemede, Inc.	Eliminations	Consolidated
Unrestricted revenues, gains and other support				
Patient service revenue (net of contractual allowances and discounts)	$ 49,978,768	$ -	$ -	$ 49,978,768
Less provision for doubtful accounts	1,725,743	-	-	1,725,743
Net patient service revenue	48,253,025	-	-	48,253,025
Other operating revenue	3,553,789	1,570,493	(152,751)	4,971,531
Net assets released from restrictions used for operations	53,654	-	-	53,654
Total unrestricted revenues, gains and other support	51,860,468	1,570,493	(152,751)	53,278,210
Expenses				
Salaries and wages	24,032,701	734,735	-	24,767,436
Employee benefits	6,257,323	194,953	(34,724)	6,417,552
Purchased services	8,764,326	158,219	(114,983)	8,807,562
Supplies and expenses	7,426,454	348,951	(3,044)	7,772,361
Vermont provider tax	1,617,571	-	-	1,617,571
Interest	223,998	-	-	223,998
Depreciation	2,100,247	106,106	-	2,206,353
Total expenses	50,422,620	1,542,964	(152,751)	51,812,833
Income from operations	1,437,848	27,529	-	1,465,377
Nonoperating revenue (expense)				
Net investment income	392,515	29,979	-	422,494
Contributions	192,388	10,290		202,678
Loss on sale of property and equipment	(47,465)	-	-	(47,465)
Endowment net assets released from restrictions used for operations	184,785	-	-	184,785
Other components of net periodic benefit cost	141,188	-	-	141,188
Total nonoperating revenue	863,411	40,269	-	903,680
Excess of revenues, gains, and other support over expenses and nonoperating revenue	2,301,259	67,798	-	2,369,057
Unrealized gain on investments	678,333	42,811	-	721,144
Net assets released from restrictions used for acquisition of property and equipment	499,041	-	-	499,041
Equity in income of subsidiaries	110,609	-	(110,609)	-
Transfer of net assets from Dartmouth Hitchcock-Health	1,315,000	-	-	1,315,000
Change in net assets to recognize funded status of post-retirement plans	986,472	-	-	986,472
Increase in unrestricted net assets	$ 5,890,714	$ 110,609	$ (110,609)	$ 5,890,714

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER) AND SUBSIDIARIES
Consolidating Statement of Operations
For the Year Ended September 30, 2016

	Mt. Ascutney Hospital and Health Center	Historic Homes of Runnemede, Inc.	Mt. Ascutney Community Health Foundation, Inc.	Eliminations	Consolidated
Unrestricted revenues, gains and other support					
Patient service revenue (net of contractual allowances and discounts)	$ 47,703,906	$ -	$ -	$ -	$ 47,703,906
Less provision for doubtful accounts	1,301,630	-	-	-	1,301,630
Net patient service revenue	46,402,276	-	-	-	46,402,276
Other operating revenue	3,192,113	1,590,572	-	(149,952)	4,632,733
Net assets released from restrictions used for operations	139,096	-	-	-	139,096
Total unrestricted revenues, gains and other support	49,733,485	1,590,572	-	(149,952)	51,174,105
Expenses					
Salaries and wages	23,420,674	695,740	-	-	24,116,414
Employee benefits	6,005,607	187,076	-	(32,075)	6,160,608
Purchased services	8,338,213	144,927	68	(111,662)	8,371,546
Supplies and expenses	7,612,150	354,215	-	(6,215)	7,960,150
Vermont provider tax	1,691,726	-	-	-	1,691,726
Interest	452,468	-	-	-	452,468
Depreciation	2,110,044	97,085	-	-	2,207,129
Total expenses	49,630,882	1,479,043	68	(149,952)	50,960,041
Income from operations	102,603	111,529	(68)	-	214,064
Nonoperating revenue (expense)					
Net investment income	1,067,700	21,257	53	-	1,089,010
Contributions	198,277	11,042	-	-	209,319
Gain on sale of property and equipment	5,006	139	-	-	5,145
Loss on bond issuance costs	(12,195)	-	-	-	(12,195)
Change in fair value on interest rate swap	168,362	-	-	-	168,362
Endowment net assets released from restrictions used for operations	184,485	-	-	-	184,485
Other components of net periodic benefit cost	21,860	-	-	-	21,860
Total nonoperating revenue	1,633,495	32,438	53	-	1,665,986
Excess of revenue, gains and other support over (under) expenses and nonoperating revenue and before discontinued operations	1,736,098	143,967	(15)	-	1,880,050
Unrealized gain (loss) on investments	(458,526)	29,573	-	-	(428,953)
Net assets released from restrictions used for acquisition of property and equipment	489,811	-	-	-	489,811
Equity in income of subsidiaries	173,525	-	-	(173,525)	-
Transfer of net assets	-	-	(66,862)	66,862	-
Change in net assets to recognize funded status of post-retirement plans	(638,355)	-	-	-	(638,355)
Increase (decrease) in unrestricted net assets	$ 1,302,553	$ 173,540	$ (66,877)	$ (106,663)	$ 1,302,553