

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

Notes to Consolidated Financial Statements

As of and for the Years Ended September 30, 2018 and 2017

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

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

	<u>2018</u>	<u>2017</u>
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	1,101,743	1,073,727
Purchases of medical equipment	<u>571,213</u>	<u>585,887</u>
	<u>\$ 5,891,352</u>	<u>\$ 5,878,010</u>

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:

	<u>2018</u>	<u>2017</u>
Health care services	\$ 43,643,606	\$ 41,355,264
General and administrative	10,682,179	10,086,814
Fundraising	<u>307,585</u>	<u>235,327</u>
	<u>54,633,370</u>	<u>51,677,405</u>
Other components of net periodic benefit cost	<u>185,694</u>	<u>141,188</u>
Total operating expenses	<u>\$ 54,819,064</u>	<u>\$ 51,818,593</u>

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, 2018 and 2017, condo fees were approximately \$77,000 and \$72,000, respectively.

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.

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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 \$439,000 and \$667,000 for the years ended September 30, 2018 and 2017, respectively. As of September 30, 2018 and 2017, the amount payable to NEAH was approximately \$24,500 and \$27,000, 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 \$3,165,000 and \$3,215,000 for the years ended September 30, 2018 and 2017, 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 chief executive officer is employed by the Hospital as of January 2017. The Organization's current Chief Nursing Officer is employed by Dartmouth-Hitchcock Clinic and the Organization contracts for those services. As of September 30, 2018 and 2017, the amounts payable to Dartmouth-Hitchcock Clinic were approximately \$567,000 and \$544,000, respectively.

During the ordinary course of business, the Organization receives services from MHMH which totaled approximately \$348,000 and \$114,000 for the years ended September 30, 2018 and 2017, respectively. As of September 30, 2018 and 2017, the amount payable to MHMH was approximately \$47,000 and \$31,500, respectively.

The Organization pays interest to MHMH for the line of credit and note payable, which totaled approximately \$198,000 and \$209,000 for the years ended September 30, 2018 and 2017, 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.

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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 at September 30, 2018 and 2017.

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 \$125,000 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 \$125,000, 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 \$342,000 and \$295,000 as of September 30, 2018 and 2017, respectively. The total cost of the health insurance plan was approximately \$4,066,000 and \$3,219,000 for the years ended September 30, 2018 and 2017, 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 \$240,470 and \$230,469 for the years ended September 30, 2018 and 2017, 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.

Future minimum payments under these leases are as follows:

Years ending September 30,	
2019	\$ 584,820
2020	533,909
2021	462,426
2022	458,442
2023	472,195

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16. Commitments and Contingencies (continued):

Lease expense for the years ended September 30, 2018 and 2017 was approximately \$725,000 and \$719,000, 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:

	<u>2018</u>	<u>2017</u>
Medicare	51%	52%
Medicaid	9	7
Blue Cross	14	15
Other third-party payers	21	20
Patients	<u>5</u>	<u>6</u>
	<u>100%</u>	<u>100%</u>

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 4% match on salaries for the 2017 calendar plan year and had accrued \$959,091 at September 30, 2017 and will make up to a 4% match on salaries for the 2018 calendar plan year and has accrued \$1,007,076 at September 30, 2018.

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 2018 and 2017 were \$47,106 and \$43,556, respectively.

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18. Benefit Plans (continued):

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:

	<u>2018</u>	<u>2017</u>
Change in benefit obligation		
Projected benefit obligation, beginning of year	\$ 18,001,656	\$ 18,901,263
Service costs	150,000	150,000
Interest costs	715,599	738,511
Liability gain	(657,562)	(444,803)
Expenses paid	(170,263)	(172,142)
Settlements	(843,720)	-
Benefits paid	<u>(818,114)</u>	<u>(1,171,173)</u>
Projected benefit obligation at September 30	\$ <u>16,377,596</u>	\$ <u>18,001,656</u>
Accumulated benefit obligation	\$ <u>16,377,596</u>	\$ <u>18,001,656</u>
Change in plan assets		
Fair value of plan assets, beginning of year	\$ 12,314,322	\$ 11,705,381
Actual return on plan assets	692,981	1,244,800
Employer contributions	629,106	707,456
Expenses paid	(170,263)	(172,142)
Settlements	(843,720)	-
Benefits paid	<u>(818,114)</u>	<u>(1,171,173)</u>
Fair value of plan assets at September 30	\$ <u>11,804,312</u>	\$ <u>12,314,322</u>
Funded status at September 30, accrued liability	\$ <u>(4,573,284)</u>	\$ <u>(5,687,334)</u>
Actuarial loss not yet reflected in net periodic benefit cost and included in change in net assets	\$ <u>1,102,961</u>	\$ <u>1,709,423</u>

Net postretirement benefit cost for fiscal years 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Service costs	\$ <u>150,000</u>	\$ <u>150,000</u>
Interest costs	715,599	738,511
Recognized net actuarial loss	<u>(901,293)</u>	<u>(879,699)</u>
Other components of net periodic benefit cost	<u>(185,694)</u>	<u>(141,188)</u>
Total postretirement benefit cost	\$ <u>(35,694)</u>	\$ <u>(8,812)</u>

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18. Benefit Plans (continued):

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 \$3,629.

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

	<u>2018</u>	<u>2017</u>
Discount rate	4.20%	4.20%
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:

	<u>2018</u>	<u>2017</u>
Discount rate	4.20%	4.00%
Expected long-term return on plan assets	7.50%	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, 2018:

	<u>1% Point Decrease</u>	<u>1% Point Increase</u>
Service and interest costs	\$ 25,198	\$ 30,456
Postretirement benefit obligation	549,082	651,794

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:

<u>Asset Category</u>	<u>2018</u>	<u>2017</u>
Equity securities	56%	56%
Debt securities	43	43
Cash equivalents	0	0
Other	<u>1</u>	<u>1</u>
Total	<u>100%</u>	<u>100%</u>

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18. Benefit Plans (continued):

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 \$380,000 in fiscal year 2019.

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

Projected benefit payments	
2019	\$ 831,651
2020	895,103
2021	947,781
2022	994,773
2023	1,028,177
2024-2028	5,339,511

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:

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.

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19. Fair Value Measurements (continued):

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, 2018

	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	\$ 307,332	\$ -	\$ -	\$ 307,332
Mutual funds				
Bond	50,015	-	-	50,015
Fixed income	235,952	-	-	235,952
Total mutual funds	<u>285,967</u>	<u>-</u>	<u>-</u>	<u>285,967</u>
Exchange traded products				
Equities	314,777	-	-	314,777
Fixed income	146,049	-	-	146,049
Total exchange traded products	<u>460,826</u>	<u>-</u>	<u>-</u>	<u>460,826</u>
Equities				
Domestic	3,474,499	-	-	3,474,499
International	897,787	-	-	897,787
Industrials	35,772	-	-	35,772
Consumer discretionary	20,464	-	-	20,464
Consumer staples	21,815	-	-	21,815
Energy	34,161	-	-	34,161
Financials	47,318	-	-	47,318
Health care	41,922	-	-	41,922
Real estate	15,026	-	-	15,026
Utilities	12,066	-	-	12,066
Telecommunication services	5,944	-	-	5,944
Information technology	60,634	-	-	60,634
Total equities	<u>4,667,408</u>	<u>-</u>	<u>-</u>	<u>4,667,408</u>
Debt securities				
Global debt securities	808,936	239,745	-	1,048,681
Domestic debt securities	725,797	543,534	-	1,269,331
Total debt securities	<u>1,534,733</u>	<u>783,279</u>	<u>-</u>	<u>2,318,012</u>
U.S. Government securities	<u>1,385,647</u>	<u>-</u>	<u>-</u>	<u>1,385,647</u>
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	1,672,956	1,672,956
Charitable remainder trust	<u>-</u>	<u>-</u>	215,068	215,068
	<u>\$ 8,641,913</u>	<u>\$ 783,279</u>	<u>\$ 1,888,024</u>	<u>11,313,216</u>
Investments measured at net asset value				<u>9,032,005</u>
Total assets				<u>\$ 20,345,221</u>

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19. Fair Value Measurements (continued):

Fair Value Measurements at September 30, 2018

	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	\$ 172,201	\$ -	\$ -	\$ 172,201
Equity mutual funds				
Real estate	357,176	-	-	357,176
Small cap	822,061	-	-	822,061
Emerging markets	320,621	-	-	320,621
Growth	3,807,968	-	-	3,807,968
Foreign stock	1,160,809	-	-	1,160,809
Total equity mutual funds	<u>6,468,635</u>	<u>-</u>	<u>-</u>	<u>6,468,635</u>
Fixed income mutual funds				
Emerging markets	428,292	-	-	428,292
U.S. fixed income	3,031,489	-	-	3,031,489
Global	829,125	-	-	829,125
Total fixed income mutual funds	<u>4,288,906</u>	<u>-</u>	<u>-</u>	<u>4,288,906</u>
U.S. Treasury obligations	<u>400,859</u>	<u>-</u>	<u>-</u>	<u>400,859</u>
U.S. Government agencies	<u>149,299</u>	<u>-</u>	<u>-</u>	<u>149,299</u>
Corporate and Foreign bonds	<u>324,412</u>	<u>-</u>	<u>-</u>	<u>324,412</u>
Total investments held by				

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19. Fair Value Measurements (continued):

Fair Value Measurements at September 30, 2017

	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	\$ 364,666	\$ -	\$ -	\$ 364,666
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	2,944,690	-	-	2,944,690
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	3,224,353	-	-	3,224,353
Debt securities				
Global debt securities	665,956	212,954	-	878,910
Domestic debt securities	1,424,097	485,162	-	1,909,259
Total debt securities	2,090,053	698,116	-	2,788,169
U.S. Government securities	1,094,518	-	-	1,094,518
Beneficial interest in perpetual trusts	-	-	1,659,614	1,659,614
Charitable remainder trust	-	-	196,436	196,436
	\$ 7,485,401	\$ 698,116	\$ 1,856,050	10,039,567

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19. Fair Value Measurements (continued):

Fair Value Measurements at September 30, 2017

Investments measured at net asset value				<u>8,308,146</u>
Total assets				<u>\$ 18,347,713</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
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	<u>6,818,809</u>	<u>-</u>	<u>-</u>	<u>6,818,809</u>
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	<u>4,440,871</u>	<u>-</u>	<u>-</u>	<u>4,440,871</u>
U.S. Treasury obligations	<u>442,969</u>	<u>-</u>	<u>-</u>	<u>442,969</u>
U.S. Government agencies	<u>110,705</u>	<u>-</u>	<u>-</u>	<u>110,705</u>

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.

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19. Fair Value Measurements (continued):

The following table summarizes Level 3 instruments measured at fair value on a recurring basis as of September 30, 2018:

	Beneficial Interest in Perpetual <u>Trusts</u>	Charitable Remainder <u>Trust</u>
Balance at September 30, 2017	\$ 1,659,614	\$ 196,436
Unrealized appreciation	<u>13,342</u>	<u>18,632</u>
Balance at September 30, 2018	<u>\$ 1,672,956</u>	<u>\$ 215,068</u>

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

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

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.

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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, 2018 and 2017, the Hospital recorded meaningful use revenue from the Medicaid and Medicare EHR programs for \$290,689 and \$10,000, respectively. Revenue from the programs is included in other operating revenue.

21. OneCare Vermont:

The Hospital entered into an agreement with OneCare Vermont Accountable Care Organization, LLC to participate in the Vermont Medicaid Next Generation Model effective January 1, 2018 through December 31, 2021. The agreement can be extended for additional one-year terms. This is an alternative payment and population health management program with Medicaid. Under the program, the Hospital receives fixed monthly payments to provide care for their number of attributable lives, but per the agreement, the Hospital is still required to submit actual patient service claims. Therefore, the revenue associated with the actual patient services is included in gross patient service revenue and contractual allowances for the year ended September 30, 2018. To the extent patient service claims have not yet been processed to inform the Hospital the patient is covered under this program, there are patient accounts receivable included on the consolidated balance sheet as of September 30, 2018.

As the actual payments received under the agreement are from a risk-based contract, the actual earned payments are reported separately from patient service revenue and was \$732,703 and \$0 for the years ended September 30, 2018 and 2017, respectively.

Included in estimated settlements with third-party payors on the consolidated balance sheets is an estimated settlement for the program of \$55,750 and \$0 as of September 30, 2018 and 2017, respectively.

22. Subsequent Events:

The Organization has reviewed events occurring after September 30, 2018 through _____, 2018, 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, _____, 2018, 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, 2018

	<u>Mt. Ascutey Hospital and Health Center</u>	<u>Historic Homes of Runnemedede, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 7,053,318	\$ 81,932	\$ -	\$ 7,135,250
Restricted cash	116,888	2,594	-	119,482
Short-term investments	174,261	-	-	174,261
Patient accounts receivable, net	5,816,466	-	-	5,816,466
Current portion of pledges receivable, net	41,948	-	-	41,948
Other receivables, net	811,062	52,910	(12,576)	851,396
Inventories	459,566	-	-	459,566
Prepaid expenses	472,047	23,591	-	495,638
Total current assets	<u>14,945,556</u>	<u>161,027</u>	<u>(12,576)</u>	<u>15,094,007</u>
Assets whose use is limited or restricted				
Investments	17,206,629	1,076,307	-	18,282,936
Charitable remainder trust	215,068	-	-	215,068
Beneficial interest in perpetual trusts	1,672,956	-	-	1,672,956
Total assets whose use is limited or restricted	<u>19,094,653</u>	<u>1,076,307</u>	<u>-</u>	<u>20,170,960</u>
Property and equipment, net	18,085,242	1,689,907	-	19,775,149
Pledges receivable, less current portion shown above	27,179	-	-	27,179
Other assets	2,692,351	-	(2,428,647)	263,704
Total assets	<u>\$ 54,844,981</u>	<u>\$ 2,927,241</u>	<u>\$ (2,441,223)</u>	<u>\$ 55,330,999</u>

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, 2018

	<u>Mt. Ascutney Hospital and Health Center</u>	<u>Historic Homes of Runnemedede, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Liabilities				
Current liabilities				
Accounts payable and accrued expense	\$ 3,342,226	\$ 98,281	\$ (12,576)	\$ 3,427,931
Construction payable	259,332	-	-	259,332
Accrued salaries and wages	2,172,810	49,158	-	2,221,968
Accrued earned time off	1,463,568	-	-	1,463,568
Other current liabilities	1,433,645	2,405	-	1,436,050
Estimated settlements with third-party payors	1,396,395	-	-	1,396,395
Current portion of long-term debt	-	25,600	-	25,600
Current portion of capital leases	194,616	-	-	194,616
Total current liabilities	<u>10,262,592</u>	<u>175,444</u>	<u>(12,576)</u>	<u>10,425,460</u>
Long-term debt, less current portion shown above	10,842,747	323,150	-	11,165,897
Capital leases, less current portion shown above	372,994	-	-	372,994
Post-retirement benefit obligation	4,573,284	-	-	4,573,284
Other liabilities	240,470	-	-	240,470
Total liabilities	<u>26,292,087</u>	<u>498,594</u>	<u>(12,576)</u>	<u>26,778,105</u>
Net assets				
Unrestricted	21,306,927	2,428,647	(2,428,647)	21,306,927
Temporarily restricted	1,354,615	-	-	1,354,615
Permanently restricted	5,891,352	-	-	5,891,352
Total net assets	<u>28,552,894</u>	<u>2,428,647</u>	<u>(2,428,647)</u>	<u>28,552,894</u>
Total liabilities and net assets	<u>\$ 54,844,981</u>	<u>\$ 2,927,241</u>	<u>\$ (2,441,223)</u>	<u>\$ 55,330,999</u>

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

Consolidating Balance Sheets – Assets

As of September 30, 2017

	<u>Mt. Ascutney Hospital and Health Center</u>	<u>Historic Homes of Runnemedo, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 5,978,940	\$ 120,671	\$ -	\$ 6,099,611
Restricted cash	115,957	3,663	-	119,620
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	<u>13,754,317</u>	<u>164,030</u>	<u>(14,113)</u>	<u>13,904,234</u>
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	<u>17,137,759</u>	<u>1,037,487</u>	<u>-</u>	<u>18,175,246</u>
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	<u>\$ 50,695,886</u>	<u>\$ 2,945,024</u>	<u>\$ (2,410,912)</u>	<u>\$ 51,229,998</u>

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

	<u>Mt. Ascutney Hospital and Health Center</u>	<u>Historic Homes of Runnemedede, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
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	<u>7,829,257</u>	<u>199,475</u>	<u>(14,113)</u>	<u>8,014,619</u>
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	<u>25,152,463</u>	<u>548,225</u>	<u>(14,113)</u>	<u>25,686,575</u>
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	<u>25,543,423</u>	<u>2,396,799</u>	<u>(2,396,799)</u>	<u>25,543,423</u>
Total liabilities and net assets	<u>\$ 50,695,886</u>	<u>\$ 2,945,024</u>	<u>\$ (2,410,912)</u>	<u>\$ 51,229,998</u>

WINDSOR HOSPITAL CORPORATION
(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER) AND SUBSIDIARIES
Consolidating Statement of Operations
For the Year Ended September 30, 2018

	Mt. Ascutney Hospital and Health Center	Historic Homes of Runnemedede, Inc.	Eliminations	Consolidated
Unrestricted revenues, gains and other support				
Patient service revenue (net of contractual allowances and discounts)	\$ 51,617,817	\$ -	\$ -	\$ 51,617,817
Less provision for doubtful accounts	1,541,879	-	-	1,541,879
Net patient service revenue	<u>50,075,938</u>	<u>-</u>	<u>-</u>	<u>50,075,938</u>
Other operating revenue	3,655,509	1,520,400	(186,822)	4,989,087
One Care Vermont	732,703	-	-	732,703
Net assets released from restrictions used for operations	29,954	-	-	29,954
Total unrestricted revenues, gains and other support	<u>54,494,104</u>	<u>1,520,400</u>	<u>(186,822)</u>	<u>55,827,682</u>
Expenses				
Salaries and wages	25,103,785	743,219	-	25,847,004
Employee benefits	7,242,147	188,796	(35,918)	7,395,025
Purchased services	9,712,926	150,809	(135,970)	9,727,765
Supplies and expenses	7,324,212	356,325	(14,934)	7,665,603
Vermont provider tax	1,762,965	-	-	1,762,965
Interest	231,119	-	-	231,119
Depreciation	2,072,075	117,508	-	2,189,583
Total expenses	<u>53,449,229</u>	<u>1,556,657</u>	<u>(186,822)</u>	<u>54,819,064</u>
Income (loss) from operations	<u>1,044,875</u>	<u>(36,257)</u>	<u>-</u>	<u>1,008,618</u>
Nonoperating revenue (expense)				
Net investment income	523,627	31,363	-	554,990
Contributions	252,994	4,150	-	257,144
Gain on sale of property and equipment	7,378	-	-	7,378
Endowment net assets released from restrictions used for operations	187,437	-	-	187,437
Other components of net periodic benefit cost	185,694	-	-	185,694
Total nonoperating revenue	<u>1,157,130</u>	<u>35,513</u>	<u>-</u>	<u>1,192,643</u>
Excess of revenues, gains, and other support over (under) expenses and nonoperating revenue	2,202,005	(744)	-	2,201,261
Unrealized gain on investments	110,784	32,592	-	143,376
Net assets released from restrictions used for acquisition of property and equipment	145,754	-	-	145,754
Equity in income of subsidiaries	31,848	-	(31,848)	-
Change in net assets to recognize funded status of post-retirement plans	496,356	-	-	496,356
Increase in unrestricted net assets	<u>\$ 2,986,747</u>	<u>\$ 31,848</u>	<u>\$ (31,848)</u>	<u>\$ 2,986,747</u>

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

	<u>Mt. Ascutey Hospital and Health Center</u>	<u>Historic Homes of Runnemedede, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
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	<u>48,253,025</u>	<u>-</u>	<u>-</u>	<u>48,253,025</u>
Other operating revenue	3,559,549	1,570,493	(152,751)	4,977,291
Net assets released from restrictions used for operations	53,654	-	-	53,654
Total unrestricted revenues, gains and other support	<u>51,866,228</u>	<u>1,570,493</u>	<u>(152,751)</u>	<u>53,283,970</u>
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	7,432,214	348,951	(3,044)	7,778,121
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	<u>50,428,380</u>	<u>1,542,964</u>	<u>(152,751)</u>	<u>51,818,593</u>
Income from operations	<u>1,437,848</u>	<u>27,529</u>	<u>-</u>	<u>1,465,377</u>
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	<u>863,411</u>	<u>40,269</u>	<u>-</u>	<u>903,680</u>
Excess of revenue, gains and other support over (under) expenses and nonoperating revenue and before discontinued operations	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	<u>\$ 5,890,714</u>	<u>\$ 110,609</u>	<u>\$ (110,609)</u>	<u>\$ 5,890,714</u>