

**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, 2019 and 2018



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

Table of Contents

As of and for the Years Ended September 30, 2019 and 2018

	<u>PAGE(S)</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Functional Expenses	6 – 7
Consolidated Statements of Cash Flows	8 – 9
Notes to Consolidated Financial Statements	10 – 43
SUPPLEMENTARY INFORMATION	
Consolidating Balance Sheets	44 – 47
Consolidating Statements of Operations	48 – 49



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, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, functional expenses 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center) and Subsidiaries as of September 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of September 30, 2019, Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center) and Subsidiaries adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs and direction for consistency about information provided about expenses and investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and disclosures related to net assets. Our opinion is not modified with respect to this matter.

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.



Lebanon, New Hampshire
February 3, 2020

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 7,896,009	\$ 7,135,250
Restricted cash	107,572	119,482
Short-term investments	1,005,914	174,261
Patient accounts receivable	5,095,214	5,816,466
Current portion of pledges receivable, net	29,940	41,948
Other receivables, net	1,290,606	851,396
Inventories	386,754	459,566
Prepaid expenses	568,119	495,638
Total current assets	<u>16,380,128</u>	<u>15,094,007</u>
Assets whose use is limited or restricted		
Investments	18,955,189	18,282,936
Charitable remainder trust	207,254	215,068
Beneficial interest in perpetual trusts	1,644,136	1,672,956
Total assets whose use is limited or restricted	<u>20,806,579</u>	<u>20,170,960</u>
Property and equipment, net	19,744,606	19,775,149
Pledges receivable, less current portion shown above	-	27,179
Other assets	350,938	263,704
Total assets	<u>\$ 57,282,251</u>	<u>\$ 55,330,999</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expense	\$ 2,724,343	\$ 3,427,931
Construction payable	60,623	259,332
Accrued salaries and wages	2,163,198	2,221,968
Accrued earned time off	1,529,510	1,463,568
Other current liabilities	1,600,491	1,436,050
Post-retirement benefit obligation	6,959,486	-
Estimated settlements with third-party payors	2,974,040	1,396,395
Current portion of long-term debt	25,600	25,600
Current portion of capital leases	234,111	194,616
Total current liabilities	<u>18,271,402</u>	<u>10,425,460</u>
Long-term debt, less current portion shown above	11,144,882	11,165,897
Capital leases, less current portion shown above	545,123	372,994
Post-retirement benefit obligation	510,799	4,573,284
Other liabilities	220,244	240,470
Total liabilities	<u>30,692,450</u>	<u>26,778,105</u>
Commitments and contingencies (See Notes)	-	-
Net assets		
Without donor restrictions	<u>19,412,279</u>	<u>21,376,054</u>
With donor restrictions		
Time or purpose	1,314,990	1,285,488
Perpetual	5,862,532	5,891,352
Total with donor restrictions	<u>7,177,522</u>	<u>7,176,840</u>
Total net assets	<u>26,589,801</u>	<u>28,552,894</u>
Total liabilities and net assets	<u>\$ 57,282,251</u>	<u>\$ 55,330,999</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues, gains and other support without donor restrictions		
Patient service revenue	\$ 44,221,861	\$ 50,075,938
Other operating revenue	5,239,125	4,989,087
Health care reform payments (OneCare Vermont)	6,627,522	732,703
Net assets released from restrictions used for operations	38,921	29,954
Total revenues, gains and other support without donor restrictions	<u>56,127,429</u>	<u>55,827,682</u>
Expenses		
Program	43,614,456	43,656,681
Management and general	12,218,496	10,838,359
Fundraising	289,606	324,024
Total expenses	<u>56,122,558</u>	<u>54,819,064</u>
Income (loss) from operations	<u>4,871</u>	<u>1,008,618</u>
Nonoperating revenues (expenses)		
Net investment income	435,249	554,990
Contributions	329,455	224,376
Gain (loss) on sale of property and equipment	(30,752)	7,378
Endowment net assets released from restrictions used for operations	195,815	187,437
Other components of net periodic benefit cost	133,993	185,694
Total nonoperating revenues (expenses)	<u>1,063,760</u>	<u>1,159,875</u>
Excess of revenues, gains and other support over expenses and nonoperating revenues (expenses)	1,068,631	2,168,493
Unrealized gain on investments	53,392	143,376
Net assets released from restrictions used for acquisition of property and equipment	21,931	40,616
Transfer of net assets from Dartmouth-Hitchcock Health	133,265	-
Change in net assets to recognize funded status of post-retirement plans	<u>(3,240,994)</u>	<u>496,356</u>
Increase (decrease) in net assets without donor restrictions	<u>\$ (1,963,775)</u>	<u>\$ 2,848,841</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions		
Excess of revenues over expenses	\$ 1,068,631	\$ 2,168,493
Net assets released from restrictions for capital expenditures	21,931	40,616
Change in net assets to recognize funded status of pension plan	(3,240,994)	496,356
Change in market valuation on investments	53,392	143,376
Transfer of net assets from Dartmouth-Hitchcock Health	133,265	-
Change in net assets without donor restrictions	<u>(1,963,775)</u>	<u>2,848,841</u>
Net assets with donor restrictions		
Contributions	105,773	96,641
Unrealized appreciation (depreciation) in charitable remainder trust	(7,814)	18,632
Net assets released from restrictions used for operations	(234,736)	(217,391)
Net assets released from restrictions used for capital expenditures	(21,931)	(40,616)
Endowment investment income	182,811	239,864
Endowment change in market valuation on investments	5,399	50,158
Unrealized appreciation (depreciation) in beneficial interest in perpetual trusts	(28,820)	13,342
Change in net assets with donor restrictions	<u>682</u>	<u>160,630</u>
Change in net assets	(1,963,093)	3,009,471
Net assets, beginning of year	<u>28,552,894</u>	<u>25,543,423</u>
Net assets, end of year	<u>\$ 26,589,801</u>	<u>\$ 28,552,894</u>

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 Functional Expenses

For the Year Ended September 30, 2019 with Summarized Financial Information for the Year Ended September 30, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries and wages	\$ 22,839,060	\$ 4,631,818	\$ 138,649	\$ 27,609,527	\$ 25,847,004
Employee benefits	3,405,027	1,371,332	22,892	4,799,251	5,284,389
Payroll Taxes	1,331,495	533,158	8,883	1,873,536	1,779,611
Advertising	11,839	75,260	24,266	111,365	125,411
Occupancy	606,286	12,134	46	618,466	679,706
Office expenses	59,934	11,783	405	72,122	63,724
Information technology	115,054	195,198	8,147	318,399	445,481
Travel	51,256	29,083	1,369	81,708	67,251
Insurance	398,537	269,194	1,588	669,319	636,429
Minor equipment	145,755	75,410	600	221,765	157,407
Miscellaneous	77,472	130,783	17,038	225,293	236,535
Purchased services	4,770,212	297,770	-	5,067,982	5,505,993
Utilities	35,642	750,028	-	785,670	790,033
Dues	1,864,056	385,854	2,652	2,252,562	2,280,621
Food	119,044	317,514	467	437,025	416,464
Supplies	3,225,395	259,512	19,145	3,504,052	3,477,510
Education	132,237	28,845	1,516	162,598	148,373
Professional/consulting fees	2,326,443	2,026,824	28,420	4,381,687	4,221,773
Equipment rental	54,399	6,587	-	60,986	48,952
Interest expense	167,482	63,319	1,136	231,937	231,120
Depreciation and amortization	1,766,148	725,477	11,690	2,503,315	2,189,583
Total functional expenses	<u>43,502,773</u>	<u>12,196,883</u>	<u>288,909</u>	<u>55,988,565</u>	<u>54,633,370</u>
Other components of net periodic benefit cost	<u>111,683</u>	<u>21,613</u>	<u>697</u>	<u>133,993</u>	<u>185,694</u>
Total operating expenses	<u>\$ 43,614,456</u>	<u>\$ 12,218,496</u>	<u>\$ 289,606</u>	<u>\$ 56,122,558</u>	<u>3 54,819,064</u>

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 Functional Expenses

For the Year Ended September 30, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 21,335,723	\$ 4,364,053	\$ 147,228	\$ 25,847,004
Employee benefits	4,388,870	865,402	30,117	5,284,389
Payroll taxes	1,465,537	304,136	9,939	1,779,612
Advertising	11,811	84,422	29,178	125,411
Occupancy	656,571	23,103	32	679,706
Office expenses	51,450	11,478	796	63,724
Information technology	141,937	294,732	8,812	445,481
Travel	43,119	23,334	798	67,251
Insurance	408,795	225,960	1,674	636,429
Minor equipment	104,898	51,597	912	157,407
Miscellaneous	108,005	104,556	23,974	236,535
Purchased services	5,166,528	339,465	-	5,505,993
Utilities	34,900	755,133	-	790,033
Dues	1,875,622	402,554	2,445	2,280,621
Food	110,745	305,719	-	416,464
Supplies	3,228,031	229,049	20,430	3,477,510
Education	122,375	24,966	1,032	148,373
Professional/consulting fees	2,235,880	1,953,639	32,254	4,221,773
Equipment rental	44,559	4,392	-	48,951
Interest expense	192,383	37,397	1,340	231,120
Depreciation and amortization	1,794,418	383,147	12,018	2,189,583
Total functional expenses	<u>43,522,157</u>	<u>10,788,234</u>	<u>322,979</u>	<u>54,633,370</u>
Other components of net periodic benefit cost	134,524	50,125	1,045	185,694
Total operating expenses	<u>\$ 43,656,681</u>	<u>\$ 10,838,359</u>	<u>\$ 324,024</u>	<u>\$ 54,819,064</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (1,963,093)	\$ 3,009,471
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,503,314	2,189,583
Amortization reflected as interest	4,585	4,584
Provision for bad debts	2,056,707	1,541,879
Net change in unrealized gain on investments	(58,791)	(193,534)
Realized gain on investments, net	(471,888)	(636,971)
(Gain) loss on sale of property and equipment	30,752	(7,378)
Unrealized (appreciation) depreciation in charitable remainder trusts	7,814	(18,632)
Unrealized (appreciation) depreciation in beneficial interest in perpetual trusts	28,820	(13,342)
Contributions restricted for capital expenditures	(46,118)	(138,483)
Provision for uncollectible pledges	(650)	3,239
Net present value allowance on pledges receivable	(819)	3,631
Change in net assets to recognize funded status of retirement plans	3,240,994	(496,356)
(Increase) decrease in the following assets:		
Patient accounts receivable, net	(1,335,455)	(1,633,206)
Inventories, prepaid expenses and other assets	(86,903)	63,818
Other receivables	(439,210)	(281,457)
Pledges receivable	40,656	130,536
Increase (decrease) in the following liabilities:		
Accounts payable, accrued expenses and other liabilities	(750,910)	2,181,241
Estimated settlements with third-party payors	1,577,645	263,193
Liability for pension benefits	(343,993)	(617,694)
Net cash provided by operating activities	<u>3,993,457</u>	<u>5,354,122</u>
Cash flows from investing activities		
Purchases of property and equipment	(2,543,773)	(3,100,337)
Proceeds from sale of property and equipment	40,250	21,700
Proceeds from sale of investments	1,992,958	3,105,746
Purchases of investments	(2,966,185)	(4,240,775)
Net cash used in investing activities	<u>(3,476,750)</u>	<u>(4,213,666)</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities		
Contributions restricted for capital expenditures	46,118	138,483
Payments on long-term debt obligation	(25,600)	(57,100)
Proceeds from capital lease	472,546	-
Payments on capital lease obligation	(260,922)	(186,338)
Net cash provided by (used in) financing activities	<u>232,142</u>	<u>(104,955)</u>
Net increase in cash, cash equivalents and restricted cash	748,849	1,035,501
Cash, cash equivalents and restricted cash, beginning of year	<u>7,254,732</u>	<u>6,219,231</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 8,003,581</u>	<u>\$ 7,254,732</u>
Reconciliation of cash:		
Cash and cash equivalents	\$ 7,896,009	\$ 7,135,250
Restricted cash	<u>107,572</u>	<u>119,482</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 8,003,581</u>	<u>\$ 7,254,732</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Interest paid	<u>\$ 233,044</u>	<u>\$ 226,535</u>

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

Notes to Consolidated Financial Statements

As of and for the Years Ended September 30, 2019 and 2018

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). D-HH 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 Runnemedede, 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 the 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 net assets with donor restrictions and net assets without donor restrictions, 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.

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, 2019 and 2018

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 two classes of net assets—net assets with donor restrictions and net assets without donor restrictions—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.

Restricted Cash – The Organization classifies cash held on behalf of other not-for-profit organizations and residents of Historic Homes as restricted cash.

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 net realizable value.

Assets Limited as to Use and Investments – Assets limited as to use include donor-restricted investments 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.

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, 2019 and 2018

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 net assets depending on the existence or absence of donor restrictions.

Investment income without donor restrictions 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.

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.

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, 2019 and 2018

1. Summary of Significant Accounting Policies (continued):

Excess of Revenues, Gains and Other Support Over Expenses and Nonoperating Revenues (Expenses) – The statements of operations include 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, except for amounts received under the agreement with OneCare Vermont Accountable Care Organization, LLC. 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.

Net Assets With Donor Restrictions

Time or Purpose – 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, net assets with time or purpose donor restrictions are reclassified as net assets without donor restrictions 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.

Perpetual – Restricted by donors to be maintained by the Hospital in perpetuity. Generally, income earned on net assets with perpetual donor restrictions, including net realized appreciation (depreciation) on investments, is included in net assets with a time or purpose donor restriction until appropriated by the Board. Appreciation (depreciation) on perpetual trusts is included within net assets with perpetual donor restrictions.

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.

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.

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, 2019 and 2018

1. Summary of Significant Accounting Policies (continued):

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 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, net assets with donor restrictions are reclassified as net assets without donor restrictions 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 2016.

Reclassifications – Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation.

Liquidity – Assets are presented in the accompanying consolidated balance sheets according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Functional Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of operations and in the consolidated statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Management expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs that require allocation are allocated on either a personnel-cost or square-footage basis, whichever is more reasonable for the cost.

Change in Accounting Principle – Effective September 30, 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the places in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

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, 2019 and 2018

1. Summary of Significant Accounting Policies (continued):

Net assets previously reported as temporarily and permanently restricted are now reported as net assets with donor restrictions. Likewise, net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

The accompanying 2018 financial statements have been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14. As a result, previously reported net assets without donor restrictions have been increased by \$69,127 and net assets with donor restrictions have been decreased by the same amount as of September 30, 2018. Contributions without donor restrictions decreased by \$32,768 and contributions with donor restrictions increased by the same amount for the year ended September 30, 2018. Additionally, net assets released from restrictions used for capital expenditures decreased by \$105,138 for the year ended September 30, 2018. These changes were the result of restrictions expiring due to acquired long-lived assets being placed into service prior to the year ended September 30, 2018 under the placed-in-service approach of reporting the expiration of donor-restrictions on gifts for the acquisition or construction of long-lived assets.

Recent Accounting Pronouncements – In May 2014, the FASB issued ASU 2014-09 – *Revenue from Contracts with Customers* (ASC 606) and in August 2015, the FASB amended the guidance to defer the effective date of this standard by one year. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted ASU 2014-09 effective October 1, 2018 under the modified retrospective method and has provided the new disclosures required post implementation. For example, patient accounts receivable are shown net of the allowance for doubtful accounts and net of the allowance for contractual allowance of approximately \$6,560,000 as of September 30, 2018 on the consolidated balance sheet. If an allowance for doubtful accounts had been presented as of September 30, 2019, it would have been approximately \$7,274,000. While the adoption of ASU 2014-09 has had a material effect on the presentation of revenues in the Organization's consolidated statements of operations and changes in net assets, and has had an impact on certain disclosures, it has not materially impacted the financial position, results of operations or cash flows. Refer to Note 2, Patient Service Revenue, Other Revenue and Patient Accounts Receivable, for further details.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments assist entities in: (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. Emphasis is made on assisting stakeholders in characterizing grants and similar contracts with resource providers as either exchange transactions or contributions and in determining whether a contribution is conditional when applying the guidance in Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*. The ASU was effective for the Organization on October 1, 2018 on a modified prospective basis and did not have a significant impact on the consolidated financial statements of the Organization.

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, 2019 and 2018

1. Summary of Significant Accounting Policies (continued):

In February 2016, the FASB issued ASU 2016-02, *Leases*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The update is effective for financial statements issued for fiscal years beginning after December 15, 2018, or fiscal year 2020 for the Organization, with early adoption permitted. The Organization has not elected early adoption of the provisions of ASU 2016-02 and is evaluating its impact.

2. Patient Service Revenue, Other Revenue and Patient Accounts Receivable:

The Organization reports patient service revenue at amounts that reflect the consideration to which it expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including managed care payers and government programs) and others; and they include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills patients and third-party payers several days after the services were performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied under contracts by providing healthcare services to patients.

The Organization determines performance obligations based on the nature of the services provided. Revenues for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected charges as this method provides a reasonable estimate of the transfer of services over the term of performance obligations based on inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services. For inpatient services, performance obligations are measured from admission to the point when there are no further services required for the patient, which is generally the time of discharge. For outpatient services and physician services, performance obligations are recognized at a point in time when the services are provided and no further patient services are deemed necessary.

Generally, the Organization's patient service performance obligations relate to contracts with a duration of less than one year. Therefore, the Organization has elected to apply the optional exemption provided in ASC 606-10-50-14a and, therefore, we are not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. This generally refers to inpatient services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Explicit Pricing Concessions

Established charges represent gross charges. They are not the same as actual pricing, and they generally do not reflect what a hospital is ultimately entitled to for services it provides. Therefore, they are not displayed in the Organization's consolidated statements of operations and changes in net assets.

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, 2019 and 2018

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

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%, less 2% for sequestration, 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, 2015. Subsequent to September 30, 2019, the final settlement was determined for the year ended September 30, 2016.

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.

Health Care Reform Payments (OneCare Vermont) – OneCare is an accountable care organization (ACO) working with Medicare, Vermont Medicaid, Commercial and Self-Funded insurance programs. It is comprised of an extensive network of physicians, hospitals and other providers. This payer ACO Model is a five-year agreement between the Centers for Medicare and Medicaid Services (CMS), the Green Mountain Care Board and the Secretary of the Agency of Human Services.

The Hospital has entered into a Risk-Bearing Participant and Preferred Provider Agreement with OneCare where the participants agree to share in the financial outcomes from their joint efforts in population management. This agreement is for the period October 1, 2018 to the earlier of when the provider is no longer participating in an ACO program or December 31, 2022. The Hospital had previously participated in an this ACO program in fiscal year 2018 for Vermont Medicaid only.

The Hospital receives a fixed payment based upon estimated attributable lives. These lives are periodically adjusted for death, change of address and change of provider. This payment takes into account the hospital service area, estimated total cost of care and attributable lives. The maximum financial risk and related risk formula varies by payer. The calculation of the maximum risk is complex and performed by OneCare Vermont, using estimates obtained from payers in prior periods, along with state-wide healthcare trends and objectives. The hospitals participating in the program have limited knowledge of all of the components of the calculation. The maximum risk for each payer incorporates an agreed-upon percentage of estimated total cost for the hospital service area. The Hospital has reserved approximately \$929,000 for the nine months, as of September 30, 2019, of the approximately \$1.75 million maximum risk amount for the calendar year agreement. In addition, the Hospital has reported a liability of \$1.1 million representing overpayments of processed claims by Medicare for OneCare attributed lives. During fiscal year 2019, the Hospital received traditional fee-for-service payments on services that should have been paid by the fixed payment. Since year end, Medicare has recouped most of the funds within that liability.

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, 2019 and 2018

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

Implicit Price Concessions

Generally, patients who are covered by third-party payer contracts are responsible for related co-pays, co-insurance and deductibles, which vary depending on the contractual obligations of patients. The Organization also provides services to uninsured patients and offers those patients a discount from standard charges. The Organization estimates the transaction price for patients with co-pays, co-insurance and deductibles and for those who are uninsured based on historical collection experience and current market conditions. The discount offered to uninsured patients reduces the transaction price at the time of billing. The uninsured and patient responsible accounts, net of discounts recorded, are further reduced through implicit price concessions based on historical collection trends for similar accounts and other known factors that impact the estimation process. Subsequent changes to the estimate of transaction price are generally recorded as adjustments to net patient service revenue in the period of change.

The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on collection history with similar patients. Although outcomes vary, the Organization's policy is to attempt to collect amounts due from patients, including co-pays, co-insurance and deductibles due from insurance at the time of service while complying with all federal and state statutes and regulations, including but not limited to, the Emergency Medical Treatment and Active Labor Act (EMTALA).

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 2019, and 57% and 12%, respectively, of the Hospital's gross patient revenue for the year ended 2018. 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 \$348,000 in 2019 and increased approximately \$508,000 in 2018.

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.

Net operating revenues for the Hospital's operations consist primarily of patient service revenues, principally for patients covered by Medicare, Medicaid, managed care and other health plans as well as patients covered under the Hospital's uninsured discount and charity care programs.

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, 2019 and 2018

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

According to ASC 606, the Organization must disclose sources of net operating revenues presented at the net transaction price for the years ended September 30:

	<u>2019</u>	<u>2018</u>
Hospital		
Medicare	\$ 21,638,825	\$ 27,172,044
Medicaid	1,745,876	2,494,385
Commercial	20,615,543	20,263,696
Self Pay	221,617	145,813
	<u>44,221,861</u>	<u>50,075,938</u>
Health care reform payments (OneCare Vermont)		
Medicare	5,884,105	-
Medicaid	790,943	732,703
Commercial	(47,526)	-
	<u>6,627,522</u>	<u>732,703</u>
Other operating revenue		
Hospital	3,496,796	3,498,641
Historic Homes	1,781,250	1,520,400
Total other	<u>5,278,046</u>	<u>5,019,041</u>
Total net operating revenues	<u>\$ 56,127,429</u>	<u>\$ 55,827,682</u>

Patient Accounts Receivable

The principal components of patient accounts receivable are as follows as of September 30:

	<u>2019</u>	<u>2018</u>
Patient accounts receivable	\$ 5,095,214	\$ 12,376,517
Less estimated allowance for contractual adjustments	-	4,102,565
Less estimated allowance for doubtful accounts	<u>-</u>	<u>2,457,486</u>
Patient accounts receivable, net	<u>\$ 5,095,214</u>	<u>\$ 5,816,466</u>

3. Charity Care and Community Services:

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 2019 totaled \$44,431,826 of which \$43,138,848 was revenue from third-party payors and \$1,292,978 was revenue from self-pay patients. Patient service revenue, net of contractual allowances and discounts, but before the provision for uncollectible accounts, recognized during 2018 totaled \$51,617,817, of which \$50,489,999 was revenue from third-party payors and \$1,127,818 was revenue from self-pay patients.

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, 2019 and 2018

3. Charity Care and Community Services (continued):

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 \$680,000 and \$785,000 in 2019 and 2018, respectively, based on the overall ratio of cost to charges from the most recent Medicare cost report.

In 2019, the Hospital provided 457 patients charity care assistance. In 2018, 437 patients received charity care. The largest portion of services provided on a charity basis for 2019 and 2018 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:

	<u>2019</u>	<u>2018</u>
Pharmacy	\$ 258,723	\$ 272,130
Operating room	60,044	77,880
Lab	-	50,245
Other	<u>67,987</u>	<u>59,311</u>
	<u>\$ 386,754</u>	<u>\$ 459,566</u>

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.

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, 2019 and 2018

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, 2019

	<u>Time or Purpose</u>	<u>Perpetual</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 834,299	\$ 4,218,396	\$ 5,052,695
Total funds	<u>\$ 834,299</u>	<u>\$ 4,218,396</u>	<u>\$ 5,052,695</u>
Endowment net assets, beginning of year	<u>\$ 841,903</u>	<u>\$ 4,218,396</u>	<u>\$ 5,060,299</u>
Investment return:			
Investment gain	38,296	-	38,296
Net appreciation (realized and unrealized)	<u>149,915</u>	<u>-</u>	<u>149,915</u>
Total investment return	<u>188,211</u>	<u>-</u>	<u>188,211</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>(195,815)</u>	<u>-</u>	<u>(195,815)</u>
Endowment net assets, end of year	834,299	4,218,396	<u>\$ 5,052,695</u>
Donor contributions restricted for health care services	<u>480,691</u>		
Net assets with time or purpose donor restrictions	<u>\$ 1,314,990</u>		
Beneficial interest in perpetual trusts		<u>1,644,136</u>	
Net assets with perpetual donor restrictions		<u>\$ 5,862,532</u>	

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, 2019 and 2018

5. Donor Restricted Endowment Net Assets (continued):

Endowment Net Asset Composition by Type of Fund as of September 30, 2018

	Time or Purpose	Perpetual	Total
Donor-restricted endowment funds	\$ 841,903	\$ 4,218,396	\$ 5,060,299
Total funds	<u>\$ 841,903</u>	<u>\$ 4,218,396</u>	<u>\$ 5,060,299</u>
Endowment net assets, beginning of year	\$ 739,846	4,218,396	\$ 4,958,242
Investment return:			
Investment gain	43,778	-	43,778
Net appreciation (realized and unrealized)	245,716	-	245,716
Total investment return	<u>289,494</u>	<u>-</u>	<u>289,494</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>(187,437)</u>	<u>-</u>	<u>(187,437)</u>
Endowment net assets, end of year	841,903	4,218,396	\$ 5,060,299
Donor contributions restricted for health care services	443,585		
Net assets with time or purpose donor restrictions	<u>\$ 1,285,488</u>		
Beneficial interest in perpetual trusts		1,672,956	
Net assets with perpetual donor restrictions		<u>\$ 5,891,352</u>	

6. Pledges Receivable:

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

	<u>2019</u>	<u>2018</u>
Pledges receivable – gross	\$ 31,292	\$ 71,948
Less: Net present value allowance	<u>739</u>	<u>1,558</u>
	30,553	70,390
Less: Allowance for doubtful accounts	<u>613</u>	<u>1,263</u>
	<u>\$ 29,940</u>	<u>\$ 69,127</u>

Pledges receivable were calculated at net present value using a rate of 2.21%.

Pledges receivable are due as follows:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 29,940	\$ 41,948
Due in one to five years	<u>-</u>	<u>27,179</u>
	<u>\$ 29,940</u>	<u>\$ 69,127</u>

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, 2019 and 2018

7. Other Receivables:

Other receivables consisted of the following at September 30:

	<u>2019</u>	<u>2018</u>
Grants receivable	\$ 1,036,931	\$ 623,180
Resident receivable, net of allowance	64,332	52,910
Other	<u>189,343</u>	<u>175,306</u>
	<u>\$ 1,290,606</u>	<u>\$ 851,396</u>

8. Investments:

The Hospital owns approximately 2.46% of the Dartmouth-Hitchcock Master Investment Program of Pooled Investment Accounts partnership. This is a pooled/commingled investment fund 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 and totaled \$17,808,032 and \$17,206,629 as of September 30, 2019 and 2018, respectively. The Hospital also directly owns cash that is classified as short-term investments on the consolidated balance sheet of \$1,005,914 and \$174,261 as of September 30, 2019 and 2018, respectively.

Historic Homes directly owns the investments in securities from the asset classes listed below in the amount of \$1,147,157 and \$1,076,307 as of September 30, 2019 and 2018, respectively.

Investments are accounted for using the fair value method of accounting and 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.

The following tables summarize the investments by asset classes, as of September 30, 2019 and 2018. Accounting standards require disclosure of additional information for the securities accounted for using the fair value method, as shown in Note 18.

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, 2019 and 2018

8. Investments (continued):

	2019		Total
	Hospital Fair Value	Historic Homes Fair Value	
Cash and cash equivalents	\$ 1,132,460	\$ 45,427	\$ 1,177,887
Fixed income mutual funds	-	255,264	255,264
Exchange traded products			
Equities	-	275,830	275,830
Fixed income	-	253,807	253,807
Total exchange traded products	-	529,637	529,637
Equities			
Domestic	4,374,919	-	4,374,919
International	3,398,176	-	3,398,176
Industrials	-	25,566	25,566
Consumer discretionary	-	35,276	35,276
Consumer staples	-	23,293	23,293
Emerging Markets	585,886	-	585,886
Energy	-	25,093	25,093
Financials	-	52,881	52,881
Health care	-	42,746	42,746
Private	1,851,823	-	1,851,823
Real estate	-	16,475	16,475
Utilities	-	21,614	21,614
Telecommunication services	-	14,594	14,594
Material	-	10,708	10,708
Information technology	-	48,583	48,583
Total equities	10,210,804	316,829	10,527,633
Debt securities			
Domestic debt securities	3,539,692	-	3,539,692
Global debt securities	1,884,252	-	1,884,252
Total debt securities	5,423,944	-	5,423,944
U.S. government securities	1,225,376	-	1,225,376
Hedge Funds	821,362	-	821,362
Total investments	\$ 18,813,946	\$ 1,147,157	\$ 19,961,103

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, 2019 and 2018

8. Investments (continued):

	2018		Total
	Hospital Fair Value	Historic Homes Fair Value	
Cash and cash equivalents	\$ 278,052	\$ 29,280	\$ 307,332
Mutual funds			
Bond	-	50,015	50,015
Fixed income	-	235,952	235,952
Total mutual funds	-	285,967	285,967
Exchange traded products			
Equities	-	314,777	314,777
Fixed income	-	146,049	146,049
Total exchange traded products	-	460,826	460,826
Equities			
Domestic	3,926,418	5,112	3,931,530
International	2,784,928	-	2,784,928
Industrials	-	35,772	35,772
Consumer discretionary	-	20,464	20,464
Consumer staples	-	21,815	21,815
Emerging markets	603,265	-	603,265
Energy	-	34,161	34,161
Financials	-	47,318	47,318
Health care	-	41,922	41,922
Private	1,586,087	-	1,586,087
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	8,900,698	300,234	9,200,932
Debt securities			
Domestic debt securities	2,825,807	-	2,825,807
Global debt securities	3,132,609	-	3,132,609
Total debt securities	5,958,416	-	5,958,416
U.S. government securities	1,385,647	-	1,385,647
Hedge funds	858,077	-	858,077
Total investments	\$ 17,380,890	\$ 1,076,307	\$ 18,457,197

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, 2019 and 2018

9. Beneficial Interest in Trusts:

The Organization is the beneficiary of various trusts for which it is not the trustee, valued at \$1,644,136 and \$1,672,956 in irrevocable perpetual trusts and \$207,254 and \$215,068 in a charitable remainder trust at September 30, 2019 and 2018, 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 net assets with donor restrictions. 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 net assets with donor restrictions.

10. Property and Equipment:

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

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 32,449,329	\$ 30,846,978
Major moveable equipment	14,695,137	14,504,419
Land and land improvements	<u>2,129,265</u>	<u>2,107,294</u>
	49,273,731	47,458,691
Less accumulated depreciation	<u>29,758,466</u>	<u>28,360,035</u>
	19,515,265	19,098,656
Construction in progress	<u>229,341</u>	<u>676,493</u>
Total property and equipment	<u>\$ 19,744,606</u>	<u>\$ 19,775,149</u>

Construction in progress consisted of the following at September 30, 2019:

	<u>Total Costs</u> <u>to Date</u>	<u>Estimated</u> <u>Total Project</u> <u>Costs</u>	<u>Estimated</u> <u>Date of</u> <u>Completion</u>
CIP Project Phase 2 Nurse Call	\$ 121,246	\$ 140,000	Spring 2020
CIP Project Parking Lot Lights	13,026	22,676	October 2019
CIP Project Stoughton Renovations	9,736	27,000	Spring 2020
Roll of Carpet	5,033	9,480	Unknown
Patient Monitoring System	<u>80,300</u>	100,000	Spring 2020
	<u>\$ 229,341</u>		

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, 2019 and 2018

11. Borrowings:

Line of Credit – The Organization entered into an agreement 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. The Organization has an outstanding balance under the line of credit of \$0 as of September 30, 2019 and 2018.

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

	<u>2019</u>	<u>2018</u>
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.	64,800	86,400
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.	<u>52,000</u>	<u>56,000</u>
	11,293,150	11,318,750
Less current portion	25,600	25,600
Less unamortized bond closing costs	<u>122,668</u>	<u>127,253</u>
Long-term debt, net of current portion	\$ <u>11,144,882</u>	\$ <u>11,165,897</u>

Maturities on long-term debt for fiscal years subsequent to September 30, 2019 are as follows:

2020 (included in current liabilities)	\$ 25,600
2021	25,600
2022	25,600
2023	4,000
2024	4,000
Thereafter	<u>11,208,350</u>
	\$ <u>11,293,150</u>

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, 2019 and 2018

11. Borrowings (continued):

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, 2019 and 2018 was \$1,528,115 and \$1,040,740, respectively. Accumulated amortization on assets under capital lease at September 30, 2019 and 2018 was \$848,192 and \$538,378, respectively, and the total depreciation expense on the leases was \$269,548 and \$205,404 for 2019 and 2018, respectively.

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

2020	\$	258,364
2021		227,447
2022		216,994
2023		102,012
2024		<u>25,501</u>
Total minimum lease payments		830,318
Less: Amount representing interest		<u>51,084</u>
Present value of minimum lease payments		779,234
Less: Current portion		<u>234,111</u>
Long-term capital lease obligations	\$	<u><u>545,123</u></u>

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, 2019 and 2018

12. Net Asset Composition:

The Organization's net assets were comprised of the following as of September 30, 2019:

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction		Total
		Time or Purpose	Perpetual	
Detail of net assets:				
Operating	\$ 2,253,602	\$ 273,438	\$ -	\$ 2,527,040
Other receivables, net	1,290,606	-	-	1,290,606
Property and equipment, net	19,744,606	-	-	19,744,606
Other long-term assets	350,938	-	-	350,938
Investments	13,902,495	834,298	4,218,396	18,955,189
Charitable remainder trust	-	207,254	-	207,254
Beneficial interest in perpetual interest	-	-	1,644,136	1,644,136
Long-term debt	(11,170,482)	-	-	(11,170,482)
Post-retirement benefit obligation	(6,959,486)	-	-	(6,959,486)
Total net assets	\$ 19,412,279	\$ 1,314,990	\$ 5,862,532	\$ 26,589,801

The Organization's net assets were comprised of the following as of September 30, 2018:

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction		Total
		Time or Purpose	Perpetual	
Detail of net assets:				
Operating	\$ 3,027,948	\$ 228,517	\$ -	\$ 3,256,465
Other receivables, net	851,396	-	-	851,396
Property and equipment, net	19,775,149	-	-	19,775,149
Other long-term assets	263,704	-	-	263,704
Investments	13,222,638	841,903	4,218,396	18,282,937
Charitable remainder trust	-	215,068	-	215,068
Beneficial interest in perpetual interest	-	-	1,672,956	1,672,956
Long-term debt	(11,191,497)	-	-	(11,191,497)
Post-retirement benefit obligation	(4,573,284)	-	-	(4,573,284)
Total net assets	\$ 21,376,054	\$ 1,285,488	\$ 5,891,352	\$ 28,552,894

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, 2019 and 2018

13. Net Assets With Donor Restrictions:

Net assets with a purpose or time restriction are available for the following purposes at September 30:

	<u>2019</u>	<u>2018</u>
Health care services	\$ 480,692	\$ 443,585
Endowment accumulated earnings	<u>834,298</u>	<u>841,903</u>
	\$ <u>1,314,990</u>	\$ <u>1,285,488</u>

Net assets to be held in perpetuity are available for the following purposes at September 30:

	<u>2019</u>	<u>2018</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	1,078,218	1,101,743
Purchases of medical equipment	<u>565,918</u>	<u>571,213</u>
	\$ <u>5,862,532</u>	\$ <u>5,891,352</u>
Total net assets with donor restrictions	\$ <u>7,177,522</u>	\$ <u>7,176,840</u>

14. Related Party Transactions:

Mount Ascutney Professional Center Owners Association – The Mount Ascutney Professional Center Owners Association (Association) is a Vermont C-Corporation Organization. In March 2019, the Hospital acquired the last of the 13 units formerly not owned by the Hospital. The Organization is considering dissolution of the Association. Through March 2019, there were two members on the Association’s Board, one of which is an employee of the Organization. The Association did not have a Board after March 2019. The Organization pays all condo fees during the year. For the years ended September 30, 2019 and 2018, condo fees were approximately \$86,000 and \$77,000, 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.

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 \$424,000 and \$439,000 for the years ended September 30, 2019 and 2018, respectively. As of September 30, 2019 and 2018, the amount payable to NEAH was approximately \$24,000 and \$24,500, respectively.

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, 2019 and 2018

14. Related Party Transactions (continued):

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 clinical, and other services in the ordinary course of business, which totaled approximately \$2,991,000 and \$3,165,000 for the years ended September 30, 2019 and 2018, respectively. The Organization's current Chief Nursing Officer is employed by Dartmouth-Hitchcock Clinic and the Organization contracts for those services. As of September 30, 2019 and 2018, the amounts payable to Dartmouth-Hitchcock Clinic were approximately \$567,000.

During the ordinary course of business, the Organization receives services from MHMH which totaled approximately \$275,000 and \$348,000 for the years ended September 30, 2019 and 2018, respectively. As of September 30, 2019 and 2018, the amount payable to MHMH was approximately \$49,000 and \$47,000, respectively.

The Organization pays interest to MHMH for the line of credit and note payable, which totaled approximately \$198,000 for the years ended September 30, 2019 and 2018.

During 2019, D-HH transferred \$133,265 of net assets without donor restrictions to the Organization in the form of cash to reimburse the Organization for employee bonuses.

15. 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.

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, 2019 and 2018.

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, 2019 and 2018

15. Commitments and Contingencies (continued):

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 \$315,000 and \$342,000 as of September 30, 2019 and 2018, respectively. The total cost of the health insurance plan was approximately \$3,740,000 and \$4,066,000 for the years ended September 30, 2019 and 2018, 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 \$220,244 and \$240,470 for the years ended September 30, 2019 and 2018, 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,	
2020	\$ 500,519
2021	432,125
2022	445,089
2023	458,442
2024	472,195

Lease expense for the years ended September 30, 2019 and 2018 was approximately \$725,000.

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, 2019 and 2018

16. 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>2019</u>	<u>2018</u>
Medicare	49%	51%
Medicaid	12	9
Blue Cross	14	14
Other third-party payers	20	21
Patients	<u>5</u>	<u>5</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.

17. 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 2018 calendar plan year and had accrued \$1,007,076 at September 30, 2018 and will make up to a 3% match on salaries for the 2019 calendar plan year and has accrued \$803,675 at September 30, 2019.

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. On April 1, 2019, the Board of Trustees voted to terminate the defined benefit plan. The Organization will borrow funds from D-HH in order to fund the purchase of annuities or lump sum payments for the impacted employees. The estimate for the loan from D-HH is \$7.5 million. On November 25, 2019, the IRS notified the Organization that their request for terminating the plan was approved. Management is working with consultants to complete the next phase of the plan to terminate.

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 2019 and 2018 were \$44,490 and \$47,106, respectively.

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, 2019 and 2018

17. 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>2019</u>	<u>2018</u>
Change in benefit obligation		
Projected benefit obligation, beginning of year	\$ 16,377,596	\$ 18,001,656
Service costs	170,000	150,000
Interest costs	733,218	715,599
Liability (gain) or loss	3,252,131	(657,562)
Expenses paid	(168,129)	(170,263)
Settlements	-	(843,720)
Benefits paid	<u>(1,058,917)</u>	<u>(818,114)</u>
Projected benefit obligation at September 30	\$ <u>19,305,899</u>	\$ <u>16,377,596</u>
Accumulated benefit obligation	\$ <u>19,305,899</u>	\$ <u>16,377,596</u>
Change in plan assets		
Fair value of plan assets, beginning of year	\$ 11,804,312	\$ 12,314,322
Actual return on plan assets	735,944	692,981
Employer contributions	522,404	629,106
Expenses paid	(168,129)	(170,263)
Settlements	-	(843,720)
Benefits paid	<u>(1,058,917)</u>	<u>(818,114)</u>
Fair value of plan assets at September 30	\$ <u>11,835,614</u>	\$ <u>11,804,312</u>
Funded status at September 30, accrued liability	\$ <u>(7,470,285)</u>	\$ <u>(4,573,284)</u>
Actuarial loss not yet reflected in net periodic benefit cost and included in change in net assets	\$ <u>4,558,166</u>	\$ <u>1,102,961</u>
Net postretirement benefit cost for fiscal years 2019 and 2018 consisted of the following:		
	<u>2019</u>	<u>2018</u>
Service costs	\$ <u>170,000</u>	\$ <u>150,000</u>
Interest costs	733,218	715,599
Recognized net actuarial loss	<u>(867,211)</u>	<u>(901,293)</u>
Other components of net periodic benefit cost	<u>(133,993)</u>	<u>(185,694)</u>
Total postretirement benefit cost	\$ <u>36,007</u>	\$ <u>(35,694)</u>

The prior service costs and net loss for the plans that are expected to be amortized from net assets without donor restrictions in net postretirement benefit cost over the next fiscal year are \$120,336.

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, 2019 and 2018

17. Benefit Plans (continued):

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

	<u>2019</u>	<u>2018</u>
Discount rate	3.10%	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>2019</u>	<u>2018</u>
Discount rate	4.60%	4.20%
Expected long-term return on plan assets	7.50%	7.50%
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, 2019:

	<u>1% Point Decrease</u>	<u>1% Point Increase</u>
Service and interest costs	\$ 24,237	\$ 25,198
Postretirement benefit obligation	467,159	549,082

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>2019</u>	<u>2018</u>
Equity securities	0%	56%
Debt securities	0	43
Fixed Income	99	0
Other	<u>1</u>	<u>1</u>
Total	<u>100%</u>	<u>100%</u>

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 \$6,959,000 in fiscal year 2020 due to termination of the plan.

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, 2019 and 2018

17. Benefit Plans (continued):

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

Projected benefit payments	
2020	\$ 18,795,000
2021	-
2022	-
2023	-
2024	-
2025-2029	-

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.

18. 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.

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, 2019 and 2018

18. 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, 2019

	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	\$ 1,177,921	\$ -	\$ -	\$ 1,177,921
Mutual funds				
Fixed income	255,264	-	-	255,264
Total mutual funds	255,264	-	-	255,264
Exchange traded products				
Equities	275,830	-	-	275,830
Fixed income	253,807	-	-	253,807
Total exchange traded products	529,637	-	-	529,637
Equities				
Domestic	3,787,562	-	-	3,787,562
International	1,588,272	-	-	1,588,272
Industrials	25,566	-	-	25,566
Consumer discretionary	35,276	-	-	35,276
Consumer staples	23,293	-	-	23,293
Energy	25,093	-	-	25,093
Financials	52,881	-	-	52,881
Health care	42,746	-	-	42,746
Real estate	16,475	-	-	16,475
Utilities	21,614	-	-	21,614
Telecommunication services	14,594	-	-	14,594
Materials	10,708	-	-	10,708
Information technology	48,583	-	-	48,583
Total equities	5,692,663	-	-	5,692,663
Debt securities				
Global debt securities	682,916	-	-	682,916
Domestic debt securities	701,205	1,029,157	-	1,730,362
Total debt securities	1,384,121	1,029,157	-	2,413,278
U.S. Government securities	1,225,376	-	-	1,225,376
Beneficial interest in perpetual trusts	-	-	1,644,137	1,644,137
Charitable remainder trust	-	-	207,254	207,254
	\$ 10,264,982	\$ 1,029,157	\$ 1,851,391	13,145,530
Investments measured at net asset value				8,666,962
Total assets				\$ 21,812,492

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, 2019 and 2018

18. Fair Value Measurements (continued):

Fair Value Measurements at September 30, 2019

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Investments held by defined benefit pension plan:				
Cash and cash equivalents	\$ 118,276	\$ -	\$ -	\$ 118,276
U.S. fixed income mutual funds	<u>11,717,238</u>	<u>-</u>	<u>-</u>	<u>11,717,238</u>
Total investments held by defined benefit pension plan	<u>\$ 11,835,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,835,514</u>

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, 2019 and 2018

18. 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
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	<u>1,672,956</u>
Charitable remainder trust	<u>-</u>	<u>-</u>	215,068	<u>215,068</u>
	<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>

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, 2019 and 2018

18. 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 defined benefit pension plan	<u>\$ 11,804,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,804,312</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.

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, 2019 and 2018

18. Fair Value Measurements (continued):

The following table summarizes Level 3 instruments measured at fair value on a recurring basis as of September 30, 2019:

	Beneficial Interest in Perpetual <u>Trusts</u>	Charitable Remainder <u>Trust</u>
Balance at September 30, 2018	\$ 1,672,956	\$ 215,068
Unrealized appreciation	<u>(28,820)</u>	<u>(7,814)</u>
Balance at September 30, 2019	<u>\$ 1,644,136</u>	<u>\$ 207,254</u>

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 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.

19. 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.

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, 2019 and 2018

19. 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, 2019 and 2018, the Hospital recorded meaningful use revenue from the Medicaid and Medicare EHR programs for \$32,299 and \$290,689, respectively. Revenue from the programs is included in other operating revenue.

20. Liquidity:

Operating liquidity comes from patient revenues, and contributions. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Hospital monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash.

Financial assets are considered unavailable when not convertible to cash within one year or are subject to donor-imposed use or time restrictions other than for general operations within one year. The Organization also has a \$2,000,000 line of credit, which it could draw upon in the event of an anticipated liquidity need (see Note 11).

The following reflects the Organization's financial assets as of September 30, 2019 and 2018, reduced by amounts not available for general use:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 7,896,009	\$ 7,135,250
Restricted cash	107,572	119,482
Short-term investments	1,005,914	174,261
Patient accounts receivable, net	5,095,214	5,816,466
Pledges receivable, net	29,940	69,127
Other receivables, net	1,290,606	851,396
Investments	18,955,189	18,282,936
Charitable remainder trust	207,254	215,068
Beneficial interest in perpetual trusts	1,644,136	1,672,956
Total financial assets as of September 30	<u>36,231,834</u>	<u>34,336,942</u>
Less amounts not available to be used within one year, due to:		
Restricted cash	(107,572)	(119,482)
Net assets with donor restrictions	<u>(7,177,522)</u>	<u>(7,176,840)</u>
	<u>(7,285,094)</u>	<u>(7,296,322)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 28,946,740</u>	<u>\$ 27,040,620</u>

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, 2019 and 2018

21. Subsequent Events:

The Organization has reviewed events occurring after September 30, 2019 through February 3, 2020, 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, February 3, 2020, 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, 2019

	<u>Mt. Ascutney 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	\$ 7,666,117	\$ 229,892	\$ -	\$ 7,896,009
Restricted cash	102,939	4,633	-	107,572
Short-term investments	1,005,914	-	-	1,005,914
Patient accounts receivable, net	5,095,214	-	-	5,095,214
Current portion of pledges receivable, net	29,940	-	-	29,940
Other receivables, net	1,255,882	64,332	(29,608)	1,290,606
Inventories	386,754	-	-	386,754
Prepaid expenses	558,925	9,194	-	568,119
Total current assets	<u>16,101,685</u>	<u>308,051</u>	<u>(29,608)</u>	<u>16,380,128</u>
Assets whose use is limited or restricted				
Investments	17,808,032	1,147,157	-	18,955,189
Charitable remainder trust	207,254	-	-	207,254
Beneficial interest in perpetual trusts	1,644,136	-	-	1,644,136
Total assets whose use is limited or restricted	<u>19,659,422</u>	<u>1,147,157</u>	<u>-</u>	<u>20,806,579</u>
Property and equipment, net	18,116,755	1,627,851	-	19,744,606
Pledges receivable, less current portion shown above	-	-	-	-
Other assets	2,914,091	-	(2,563,153)	350,938
Total assets	<u>\$ 56,791,953</u>	<u>\$ 3,083,059</u>	<u>\$ (2,592,761)</u>	<u>\$ 57,282,251</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, 2019

	<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	\$ 2,625,133	\$ 128,818	\$ (29,608)	\$ 2,724,343
Construction payable	60,623	-	-	60,623
Accrued salaries and wages	2,097,665	65,533	-	2,163,198
Accrued earned time off	1,529,510	-	-	1,529,510
Other current liabilities	1,598,086	2,405	-	1,600,491
Post-retirement benefit obligation	6,959,486	-	-	6,959,486
Estimated settlements with third-party payors	2,974,040	-	-	2,974,040
Current portion of long-term debt	-	25,600	-	25,600
Current portion of capital leases	234,111	-	-	234,111
Total current liabilities	<u>18,078,654</u>	<u>222,356</u>	<u>(29,608)</u>	<u>18,271,402</u>
Long-term debt, less current portion shown above	10,847,332	297,550	-	11,144,882
Capital leases, less current portion shown above	545,123	-	-	545,123
Post-retirement benefit obligation	510,799	-	-	510,799
Other liabilities	220,244	-	-	220,244
Total liabilities	<u>30,202,152</u>	<u>519,906</u>	<u>(29,608)</u>	<u>30,692,450</u>
Net assets				
Without donor restrictions	<u>19,412,279</u>	<u>2,563,153</u>	<u>(2,563,153)</u>	<u>19,412,279</u>
With donor restrictions				
Time or purpose	1,314,990	-	-	1,314,990
Perpetual	5,862,532	-	-	5,862,532
Total with donor restrictions	<u>7,177,522</u>	<u>-</u>	<u>-</u>	<u>7,177,522</u>
Total net assets	<u>26,589,801</u>	<u>2,563,153</u>	<u>(2,563,153)</u>	<u>26,589,801</u>
Total liabilities and net assets	<u>\$ 56,791,953</u>	<u>\$ 3,083,059</u>	<u>\$ (2,592,761)</u>	<u>\$ 57,282,251</u>

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. Ascutney 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				
Without donor restrictions	<u>21,376,054</u>	<u>2,428,647</u>	<u>(2,428,647)</u>	<u>21,376,054</u>
With donor restrictions				
Time or purpose	1,285,488	-	-	1,285,488
Perpetual	5,891,352	-	-	5,891,352
Total with donor restrictions	<u>7,176,840</u>	<u>-</u>	<u>-</u>	<u>7,176,840</u>
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 Statement of Operations
For the Year Ended September 30, 2019

	Mt. Ascutney Hospital and Health Center	Historic Homes of Runnemedede, Inc.	Eliminations	Consolidated
Revenues, gains and other support without donor restrictions				
Patient service revenue	\$ 44,221,861	\$ -	\$ -	\$ 44,221,861
Other operating revenue	3,630,799	1,781,250	(172,924)	5,239,125
Health care reform payments (OneCare Vermont)	6,627,522	-	-	6,627,522
Net assets released from restrictions used for operations	38,921	-	-	38,921
Total revenues, gains and other support without donor restrictions	<u>54,519,103</u>	<u>1,781,250</u>	<u>(172,924)</u>	<u>56,127,429</u>
Expenses				
Program	42,863,462	759,677	(8,682)	43,614,456
Management and general	11,408,920	973,817	(164,242)	12,218,496
Fundraising	289,606	-	-	289,606
Total expenses	<u>54,561,988</u>	<u>1,733,494</u>	<u>(172,924)</u>	<u>56,122,558</u>
Income (loss) from operations	<u>(42,885)</u>	<u>47,756</u>	<u>-</u>	<u>4,871</u>
Nonoperating revenue (expense)				
Net investment income	405,327	29,922	-	435,249
Contributions	321,584	7,871	-	329,455
Loss on sale of property and equipment	(30,541)	(211)	-	(30,752)
Endowment net assets released from restrictions used for operations	195,815	-	-	195,815
Other components of net periodic benefit cost	133,993	-	-	133,993
Total nonoperating revenue	<u>1,026,178</u>	<u>37,582</u>	<u>-</u>	<u>1,063,760</u>
Excess of revenues, gains, and other support over (under) expenses and nonoperating revenue	983,293	85,338	-	1,068,631
Unrealized gain on investments	12,297	41,095	-	53,392
Net assets released from restrictions used for acquisition of property and equipment	21,931	-	-	21,931
Equity in income of subsidiaries	134,506	-	(134,506)	-
Transfer of net assets from Dartmouth Hitchcock-Health	125,192	8,073	-	133,265
Change in net assets to recognize funded status of post-retirement plans	<u>(3,240,994)</u>	<u>-</u>	<u>-</u>	<u>(3,240,994)</u>
Increase (decrease) in net assets without donor restrictions	<u>\$ (1,963,775)</u>	<u>\$ 134,506</u>	<u>\$ (134,506)</u>	<u>\$ (1,963,775)</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.	<u>Eliminations</u>	<u>Consolidated</u>
Revenues, gains and other support without donor restrictions				
Patient service revenue	\$ 50,075,938	\$ -	\$ -	\$ 50,075,938
Health care reform payments (OneCare Vermont)	732,703	-	-	732,703
Other operating revenue	3,655,509	1,520,400	(186,822)	4,989,087
Net assets released from restrictions used for operations	29,954	-	-	29,954
Total revenues, gains and other support without donor restrictions	<u>54,494,104</u>	<u>1,520,400</u>	<u>(186,822)</u>	<u>55,827,682</u>
Expenses				
Program	42,929,020	733,623	(5,962)	43,656,681
Management and general	10,196,185	823,034	(180,860)	10,838,359
Fundraising	324,024	-	-	324,024
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	220,226	4,150	-	224,376
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>1,124,362</u>	<u>35,513</u>	<u>-</u>	<u>1,159,875</u>
Excess of revenue, gains and other support over (under) expenses and nonoperating revenue	2,169,237	(744)	-	2,168,493
Unrealized gain on investments	110,784	32,592	-	143,376
Net assets released from restrictions used for acquisition of property and equipment	40,616	-	-	40,616
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 net assets without donor restrictions	<u>\$ 2,848,841</u>	<u>\$ 31,848</u>	<u>\$ (31,848)</u>	<u>\$ 2,848,841</u>