# 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, 2020 and 2019

Mt. Ascutney Hospital
and Health Center
Dartmouth-Hitchcock

# 7WINDSOR HOSPITAL CORPORATION
# (d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER)
# AND SUBSIDIARIES
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As of and for the Years Ended September 30, 2020 and 2019

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

# Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center) (a nonprofit health care entity) and Subsidiaries (Organization), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *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.



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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center) and Subsidiaries as of September 30, 2020 and 2019, 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 consolidated financial statements, as of October 1, 2019, Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center) and Subsidiaries adopted Accounting Standards Update (ASU) 2016-02, *Leases*. The adoption of the standard resulted in right of use assets and obligations being recognized and additional footnote disclosure.

As discussed in Note 22 to the consolidated financial statements, in March 2020, the World Health Organization declared COVID-19 a pandemic. Given the uncertainty of the situation, the Organization cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on the Organization's business, results of operations, financial position and cash flows in the future. Our opinion is not modified with respect to these matters.

***Report on Supplementary Information***

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

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

Lebanon, New Hampshire
March 9, 2021

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, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 5,829,476 | $ 7,896,009 |
| Restricted cash | 107,153 | 107,572 |
| Short-term investments | 12,015,078 | 1,005,914 |
| Patient accounts receivable | 5,081,009 | 5,095,214 |
| Current portion of pledges receivable, net | 29,405 | 29,940 |
| Other receivables, net | 784,604 | 630,639 |
| Inventories | 421,301 | 386,754 |
| Prepaid expenses | 392,262 | 568,119 |
| Total current assets | 24,660,288 | 15,720,161 |
| Investments | | |
| Assets whose use is limited | 13,895,736 | 12,801,029 |
| Other investments for restricted activities | 6,347,921 | 6,154,160 |
| Charitable remainder trust | 231,738 | 207,254 |
| Beneficial interest in perpetual trusts | 1,717,308 | 1,644,136 |
| Total investments | 22,192,703 | 20,806,579 |
| Property and equipment, net | 18,368,952 | 19,744,606 |
| Right of use assets, net | 2,564,759 | - |
| Other assets | 444,678 | 350,938 |
| Total assets | $ 68,231,380 | $ 56,622,284 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued expense | $ 2,099,077 | $ 2,724,343 |
| Construction payable | 33,153 | 60,623 |
| Accrued salaries and wages | 3,001,967 | 2,163,198 |
| Accrued earned time off | 1,690,635 | 1,529,510 |
| Other current liabilities | 782,589 | 940,524 |
| Post-retirement benefit obligation | - | 6,959,486 |
| Estimated settlements with third-party payors | 10,191,588 | 2,974,040 |
| Current portion of long-term debt | 25,600 | 25,600 |
| Current portion of right of use obligations | 630,000 | - |
| Current portion of capital leases | - | 234,111 |
| Total current liabilities | 18,454,609 | 17,611,435 |
| Long-term debt, less current portion shown above | 17,723,879 | 11,144,882 |
| Right of use obligations, less current portion shown above | 1,961,307 | - |
| Capital leases, less current portion shown above | - | 545,123 |
| Post-retirement benefit obligation | 511,337 | 510,799 |
| Other liabilities | 217,770 | 220,244 |
| Total liabilities | 38,868,902 | 30,032,483 |
| Commitments and contingencies (See Notes) | - | - |
| **Net assets** | | |
| Without donor restrictions | 21,568,085 | 19,412,279 |
| With donor restrictions | | |
| Time or purpose | 1,858,689 | 1,314,990 |
| Perpetual | 5,935,704 | 5,862,532 |
| Total with donor restrictions | 7,794,393 | 7,177,522 |
| Total net assets | 29,362,478 | 26,589,801 |
| Total liabilities and net assets | $ 68,231,380 | $ 56,622,284 |

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, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **Revenues, gains and other support without donor restrictions** | | |
| Patient service revenue | $ 45,485,287 | $ 44,221,861 |
| Other operating revenue | 8,413,637 | 5,243,998 |
| Health care reform payments (OneCare Vermont) | 3,987,540 | 6,627,522 |
| Net assets released from restrictions used for operations | 80,669 | 38,921 |
| Total revenues, gains and other support without donor restrictions | 57,967,133 | 56,132,302 |
| **Expenses** | | |
| Salaries | 29,012,324 | 27,629,816 |
| Employee benefits | 6,717,545 | 6,968,398 |
| Medical supplies and medications | 3,907,031 | 4,018,919 |
| Purchased services and other | 14,759,472 | 14,774,882 |
| Depreciation and amortization | 2,660,992 | 2,503,314 |
| Interest | 323,241 | 231,937 |
| Total expenses | 57,380,605 | 56,127,266 |
| Income from operations | 586,528 | 5,036 |
| **Nonoperating revenues (expenses)** | | |
| Net investment income | 363,516 | 435,084 |
| Contributions | 225,340 | 329,455 |
| Loss on sale of property and equipment | (8,266) | (30,752) |
| Net assets released from restrictions used for operations | 200,950 | 195,815 |
| Other components of net periodic benefit income | 4,383,441 | 133,993 |
| Total nonoperating revenues (expenses) | 5,164,981 | 1,063,595 |
| Excess of revenues, gains and other support over expenses and nonoperating revenues (expenses) | 5,751,509 | 1,068,631 |
| **Unrealized gain on investments** | 536,685 | 53,392 |
| **Net assets released from restrictions used for acquisition of property and equipment** | 53,210 | 21,931 |
| **Transfer of net assets from Dartmouth-Hitchcock Health** | - | 133,265 |
| **Change in net assets to recognize funded status of post-retirement plans** | (4,263,648) | (3,240,994) |
| **Other changes in net assets** | 78,050 | - |
| **Increase (decrease) in net assets without donor restrictions** | $ 2,155,806 | $ (1,963,775) |

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, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **Net assets without donor restrictions** | | |
| Excess of revenues over expenses | $ 5,751,509 | $ 1,068,631 |
| Net assets released from restrictions for capital expenditures | 53,210 | 21,931 |
| Change in net assets to recognize funded status of pension plan | (4,263,648) | (3,240,994) |
| Change in market valuation on investments | 536,685 | 53,392 |
| Transfer of net assets from Dartmouth-Hitchcock Health | - | 133,265 |
| Other changes in net assets | 78,050 | - |
| Change in net assets without donor restrictions | 2,155,806 | (1,963,775) |
| **Net assets with donor restrictions** | | |
| Contributions | 228,454 | 105,773 |
| Unrealized appreciation (depreciation) in charitable remainder trust | 24,484 | (7,814) |
| Net assets released from restrictions used for operations | (281,619) | (234,736) |
| Net assets released from restrictions used for capital expenditures | (53,210) | (21,931) |
| Endowment investment income | 146,067 | 182,811 |
| Endowment change in market valuation on investments | 258,467 | 5,399 |
| Unrealized appreciation (depreciation) in beneficial interest in perpetual trusts | 73,172 | (28,820) |
| Reclassification of net assets | 221,056 | - |
| Change in net assets with donor restrictions | 616,871 | 682 |
| Change in net assets | 2,772,677 | (1,963,093) |
| **Net assets, beginning of year** | 26,589,801 | 28,552,894 |
| **Net assets, end of year** | $ 29,362,478 | $ 26,589,801 |

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, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ 2,772,677 | $ (1,963,093) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 2,358,289 | 2,503,314 |
| Amortization on right of use assets | 722,786 | - |
| Amortization reflected as interest | 4,597 | 4,585 |
| Payments on right of use lease obligations - operating | (406,902) | - |
| Provision for bad debts | 2,205,969 | 2,056,707 |
| Net change in unrealized gain on investments | (795,152) | (58,791) |
| Realized gain on investments, net | (419,945) | (471,888) |
| Loss on sale of property and equipment | 8,266 | 30,752 |
| Other components of net periodic benefit cost | (4,383,441) | (133,993) |
| Unrealized (appreciation) depreciation in charitable remainder trusts | (24,484) | 7,814 |
| Unrealized (appreciation) depreciation in beneficial interest in perpetual trusts | (73,172) | 28,820 |
| Contributions restricted for capital expenditures | (535) | (46,118) |
| Provision for uncollectible pledges | (1,352) | (650) |
| Net present value allowance on pledges receivable | - | (819) |
| Change in net assets to recognize funded status of retirement plans | 4,263,648 | 3,240,994 |
| (Increase) decrease in the following assets: | | |
| Patient accounts receivable, net | (2,191,764) | (1,335,455) |
| Inventories, prepaid expenses and other assets | 47,570 | (86,903) |
| Other receivables | (153,965) | (439,210) |
| Pledges receivable | 1,887 | 40,656 |
| Increase (decrease) in the following liabilities: | | |
| Accounts payable, accrued expenses and other liabilities | 186,749 | (750,910) |
| Estimated settlements with third-party payors | 7,217,548 | 1,577,645 |
| Liability for pension benefits | (6,839,155) | (210,000) |
| Net cash provided by operating activities | 4,500,119 | 3,993,457 |
| **Cash flows from investing activities** | | |
| Purchases of property and equipment | (1,745,447) | (2,543,773) |
| Proceeds from sale of property and equipment | 5,995 | 40,250 |
| Proceeds from sale of investments | 475,061 | 352,148 |
| Purchases of investments | (11,557,596) | (1,325,375) |
| Net cash used in investing activities | (12,821,987) | (3,476,750) |

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, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Contributions restricted for capital expenditures | 535 | 46,118 |
| Proceeds from long-term debt obligations | 6,600,000 | - |
| Payments on long-term debt obligations | (25,600) | (25,600) |
| Proceeds from capital lease | - | 472,546 |
| Payments on capital lease obligations | (30,683) | (260,922) |
| Payments on financing right of use obligations | (289,336) | - |
| Net cash provided by financing activities | 6,254,916 | 232,142 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (2,066,952) | 748,849 |
| Cash, cash equivalents and restricted cash, beginning of year | 8,003,581 | 7,254,732 |
| Cash, cash equivalents and restricted cash, end of year | $ 5,936,629 | $ 8,003,581 |
| Reconciliation of cash: | | |
| Cash and cash equivalents | $ 5,829,476 | $ 7,896,009 |
| Restricted cash | 107,153 | 107,572 |
| Total cash, cash equivalents and restricted cash shown in the statement of cash flows | $ 5,936,629 | $ 8,003,581 |

**Supplemental Disclosures of Cash Flow Information**

| | 2020 | 2019 |
|---|---|---|
| Interest paid | $ 229,099 | $ 233,044 |

**Supplemental Disclosures of Non-Cash Investing and Financing Activities**

During 2020, upon adoption of ASU 2016-02, the Organization removed equipment held under capital leases with a net book value of $670,501 and capital leases of $748,551, recognizing other change in net assets of $78,050.

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

## Organization

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

Effective July 1, 2014, the Hospital became a subsidiary of Dartmouth-Hitchcock Health (D-HH). 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 Runnemede, Inc. (Historic Homes), which is a not-for-profit Vermont corporation operating in Windsor, Vermont. Historic Homes' activities include recreational, educational and residential care services for the aging. Additional programs such as transportation, nutrition, social services and life enrichment are provided.

The Hospital is the sole corporate member of Mt. Ascutney Hospital Community Health Foundation, Inc. (Foundation), which is a not-for-profit Vermont corporation operating in Windsor, Vermont. The Foundation provides health education and health promotion programs and services aimed at improving the health status of the Windsor community. On April 4, 2016, the Board of Trustees approved the transfer of 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.

## 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.

Investments – Assets whose use is limited and other investments for restricted activities 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.

## 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.

## 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.

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.

Other Operating Revenue – The Organization recognizes other revenue which is not related to patient medical care but is central to the day-to-day operations of the Organization. Other revenue primarily consists of grant revenue, which 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. The Organization is subject to the regulations and reporting requirements of the applicable governmental and grantor agencies. Other revenue also includes the Department of Health and Human Services ("HHS") Coronavirus Aid, Relief, and Economic Securities Act ["CARES Act" Provider Relief Funds ("Provider Relief Funds")] operating agreements, cafeteria sales, 340B revenue, residential services and other support service revenue.

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.

## 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 2017.

Reclassifications – Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 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.

Change in Accounting Principle – In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). Under the new guidance, lessees are required to recognize the following for all leases (with the exception of leases with a term of 12 months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Leases are classified as either operating or finance. Operating leases result in straight-line expense in the statement of operations (similar to previous operating leases), while finance leases result in more expense being recognized in the earlier years of the lease term (similar to previous capital leases). The Organization adopted the new standard on October 1, 2019 using the modified retrospective approach. The Organization elected the transition method that allows for the application of the standard at the adoption date rather than at the beginning of the earliest comparative period presented in the consolidated financial statements. The Organization also elected available practical expedients (Note 13).

## 1. Summary of Significant Accounting Policies (continued):

Recent Accounting Pronouncements – In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This guidance allows an entity to choose, investment-by-investment, to report an equity investment that neither has a readily determinable fair value, nor qualifies for the practical expedient for fair value estimation using NAV, at its cost minus impairment (if any), plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issue. Impairment of such investments must be assessed qualitatively at each reporting period. Entities must disclose their financial assets and liabilities by measurement category and form of asset either on the face of the balance sheet or in the accompanying notes. The ASU is effective for annual reporting periods beginning after December 15, 2018 or fiscal year 2020 for the Organization. The standard has been adopted during the current fiscal year and no material impact was noted.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets; to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets; and certain additional disclosures for each category of contributed nonfinancial assets recognized including whether the nonfinancial assets were either monetized or utilized during the reporting period, the not-for-profit's policy about monetizing rather than utilizing, a description of any donor-imposed restrictions and a description of the valuation techniques and inputs used to arrive at a fair value measure. The ASU is effective for annual periods beginning after June 15, 2021, with early adoption permitted, and should be applied on a retrospective basis. The Organization has not elected early adoption of the provisions of ASU 2020-07 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.

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

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.

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. Sequestration was suspended during the pandemic. 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, 2016, which was settled during fiscal year 2020.

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.

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

The Hospital has entered into a Risk-Bearing Participant and Preferred Provider Agreement with OneCare Vermont 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.

A component of this agreement provides for participation in the All-Inclusive Population-Based Payment (AIPBP) program. The payment methodology within the AIPBP provides for fixed prospective payments (FPP). OneCare Vermont calculates these payments considering the attributed lives, periodically adjusted for death, change of address and change of provider as well as the Hospital service area and estimated total cost of care. During calendar year 2019, the Hospital participated in the Medicaid and Medicare AIPBP program and received FPP from both payers. In calendar year 2020, the Hospital withdrew from the Medicare AIPBP program and resumed receiving traditional fee-for-service payments from Medicare. They continued to receive FPP from Medicaid during calendar year 2020. During fiscal year 2019, the Hospital received traditional fee-for-service payments on services that should have been paid by the fixed payment. The Hospital reported liabilities of $362,000 and $1.1 million for September 30, 2020 and 2019, respectively, representing these aforementioned incorrectly processed claims by Medicare for OneCare attributed lives.

Another component of the agreement relates to the maximum financial risk and where the 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. Related to the risk-sharing component of the agreement, the Hospital reserved approximately $123,000 and $929,000 as of September 30, 2020 and 2019, respectively for Medicare and Medicaid risk, combined. The 2019 risk was settled in December 2020. The liability for risk was eliminated for calendar year 2020, due to the National Health Emergency, caused by the pandemic for 2020. The maximum risk amount for the 2019 calendar year was projected to be $1.75 million. A participant in the program may not reach the maximum risk due to favorable performance. The change in risk reserves increased health care reform payments reported on the statements of operations by $967,000 in 2020 and had no impact in 2019.

### 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.

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

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 56% and 10%, respectively, of the Hospital's gross patient revenue for the year ended 2020, and 57% and 11%, respectively, of the Hospital's gross patient revenue for the year ended 2019. 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 patient service revenue were made in order to recognize revised or new information obtained, subsequent to initial estimates. Those adjustments decreased patient service revenue approximately $555,000 in 2020 and approximately $314,000 in 2019.

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. Sequestration was suspended during the pandemic.

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.

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:

| | 2020 | 2019 |
|---|---|---|
| Hospital | | |
| Medicare | $ 24,895,572 | $ 21,638,825 |
| Medicaid | 363,349 | 1,745,876 |
| Commercial | 19,207,897 | 20,615,543 |
| Self Pay | 1,018,469 | 221,617 |
| | 45,485,287 | 44,221,861 |
| Health care reform payments (OneCare Vermont) | | |
| Medicare | 2,725,816 | 5,884,105 |
| Medicaid | 1,262,953 | 790,943 |
| Commercial | (1,229) | (47,526) |
| | 3,987,540 | 6,627,522 |
| Other operating revenue | | |
| Hospital | 6,705,169 | 3,501,504 |
| Historic Homes | 1,789,137 | 1,781,415 |
| Total other | 8,494,306 | 5,282,919 |
| Total net operating revenues | $ 57,967,133 | $ 56,132,302 |

## 3. Charity Care and Community Services:

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

The net cost of charity care provided was $665,000 and $680,000 in 2020 and 2019, respectively, based on the overall ratio of cost to charges from the most recent Medicare cost report.

In 2020, the Hospital provided 157 patients charity care assistance. In 2019, 457 patients received charity care. The largest portion of services provided on a charity basis for 2020 and 2019 was for emergency department services.

The determination of eligibility for charity 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:

| | 2020 | 2019 |
|---|---|---|
| Pharmacy | $ 241,051 | $ 258,723 |
| Operating room | 100,004 | 60,044 |
| Other | 80,246 | 67,987 |
| | $ 421,301 | $ 386,754 |

## 5. Donor Restricted Endowment Net Assets:

Net assets include numerous funds established for a variety of purposes including both donor restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Vermont Uniform Prudent Management of Institutional Funds Acts (UPMIFA or Act) for donor-restricted endowment funds as requiring the preservation of the original value of gifts, as of the gift date, to donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The Organization's net assets with donor restrictions which are to be held in perpetuity consist of: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to be held in perpetuity, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. Collectively these amounts are referred to as the historic dollar value of the fund.

Net assets without donor restrictions include funds designated by the Board of Trustees. Net assets with donor restrictions that are temporary in nature, either restricted by time or purpose, include funds appropriated for expenditure pursuant to endowment and investment spending policies, certain expendable endowment gifts from donors, and any retained income and appreciation on donor-restricted endowment funds, which are restricted by the donor to a specific purpose or by law. When the restrictions on these funds have been met, the funds are reclassified to net assets without donor restrictions.

The Organization's policy is to appropriate for distribution each year 4% of its donor restricted endowment net assets' rolling three-year average market value to the extent accumulated gains and income are available.

The Organization's investment assets are held at D-HH. D-HH targets a diversified asset allocation that places emphasis on investments in domestic and international equities, fixed income, private equity and hedge fund strategies to achieve its long-term return objectives within prudent risk constraints. D-HH's Investment Committee reviews the policy portfolio asset allocations, exposures and risk profile on an ongoing basis.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Such market losses were not material as of September 30, 2020 and 2019.

## 5. Donor Restricted Endowment Net Assets (continued):

Endowment Net Asset Composition by Type of Fund as of September 30, 2020

| | Time or Purpose | Perpetual | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ 1,037,882 | $ 4,218,396 | $ 5,256,278 |
| Total funds | $ 1,037,882 | $ 4,218,396 | $ 5,256,278 |
| Endowment net assets, beginning of year | $ 834,299 | $ 4,218,396 | $ 5,052,695 |
| Investment return: | | | |
| Investment gain | 23,228 | - | 23,228 |
| Net appreciation (realized and unrealized) | 381,305 | - | 381,305 |
| Total investment return | 404,533 | - | 404,533 |
| Contributions | - | - | - |
| Appropriation of endowment assets for expenditure | (200,950) | - | (200,950) |
| Endowment net assets, end of year | 1,037,882 | 4,218,396 | $ 5,256,278 |
| Donor contributions restricted for health care services | 820,807 | | |
| Net assets with time or purpose donor restrictions | $ 1,858,689 | | |
| Beneficial interest in perpetual trusts | | 1,717,308 | |
| Net assets with perpetual donor restrictions | | $ 5,935,704 | |

Endowment Net Asset Composition by Type of Fund as of September 30, 2019

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

## 6. Pledges Receivable:

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

| | 2020 | 2019 |
|---|---|---|
| Pledges receivable – gross | $ 29,405 | $ 31,292 |
| Less: Net present value allowance | - | 739 |
| | 29,405 | 30,553 |
| Less: Allowance for doubtful accounts | - | 613 |
| | $ 29,405 | $ 29,940 |

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

Pledges receivable are due as follows:

| | 2020 | 2019 |
|---|---|---|
| Due in less than one year | $ 29,405 | $ 29,940 |

## 7. Other Receivables:

Other receivables consisted of the following at September 30:

| | 2020 | 2019 |
|---|---|---|
| Grants receivable | $ 475,021 | $ 376,964 |
| Resident receivable, net of allowance | 70,100 | 64,332 |
| Other | 239,483 | 189,343 |
| | $ 784,604 | $ 630,639 |

## 8. Investments:

The Hospital owns approximately 2.1% and 2.46% of the Dartmouth-Hitchcock Master Investment Program of Pooled Investment Accounts partnership as of September 30, 2020 and 2019, respectively. 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 $19,050,631 and $17,808,032 as of September 30, 2020 and 2019, respectively. The Hospital also directly owns cash that is classified as short-term investments on the consolidated balance sheet of $12,015,078 and $1,005,914 as of September 30, 2020 and 2019, respectively.

Historic Homes directly owns the investments in securities from the asset classes listed below in the amount of $1,193,226 and $1,147,157 as of September 30, 2020 and 2019, 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.

## 8. Investments (continued):

The following tables summarize the investments by asset classes, as of September 30, 2020 and 2019. Accounting standards require disclosure of additional information for the securities accounted for using the fair value method, as shown in Note 19.

| | 2020 | | |
|---|---|---|---|
| | Hospital Fair Value | Historic Homes Fair Value | Total |
| Cash and cash equivalents | $ 12,117,261 | $ 50,163 | $ 12,167,424 |
| Fixed income mutual funds | - | 338,733 | 338,733 |
| Exchange traded products | | | |
| Equities | - | 231,143 | 231,143 |
| Fixed income | - | 262,627 | 262,627 |
| Total exchange traded products | - | 493,770 | 493,770 |
| Equities | | | |
| Domestic | 5,765,513 | - | 5,765,513 |
| International | 3,569,434 | - | 3,569,434 |
| Industrials | - | 36,021 | 36,021 |
| Consumer discretionary | - | 42,466 | 42,466 |
| Consumer staples | - | 29,231 | 29,231 |
| Emerging markets | 655,648 | - | 655,648 |
| Energy | - | 8,512 | 8,512 |
| Financials | - | 39,369 | 39,369 |
| Health care | - | 47,598 | 47,598 |
| Private | 2,132,299 | - | 2,132,299 |
| Real estate | - | 17,108 | 17,108 |
| Utilities | - | 22,253 | 22,253 |
| Telecommunication services | - | 16,713 | 16,713 |
| Material | - | 12,105 | 12,105 |
| Information technology | - | 39,184 | 39,184 |
| Total equities | 12,122,894 | 310,560 | 12,433,454 |
| Debt securities | | | |
| Domestic debt securities | 3,036,917 | - | 3,036,917 |
| Global debt securities | 1,691,881 | - | 1,691,881 |
| Total debt securities | 4,728,798 | - | 4,728,798 |
| U.S. government securities | 1,156,520 | - | 1,156,520 |
| Hedge Funds | 940,036 | - | 940,036 |
| Total investments | $ 31,065,509 | $ 1,193,226 | $ 32,258,735 |

## 8. Investments (continued):

| | 2019 | | |
|---|---|---|---|
| | Hospital Fair Value | Historic Homes Fair Value | Total |
| Cash and cash equivalents | $ 1,132,460 | $ 45,427 | $ 1,177,887 |
| 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 | 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 |
| Materials | - | 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 |

## 9. Beneficial Interest in Trusts:

The Organization is the beneficiary of various trusts for which it is not the trustee, valued at $1,717,308 and $1,644,136 in irrevocable perpetual trusts and $231,738 and $207,254 in a charitable remainder trust at September 30, 2020 and 2019, 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:

| | 2020 | 2019 |
|---|---|---|
| Buildings and improvements | $ 32,443,291 | $ 32,449,329 |
| Major moveable equipment | 14,491,105 | 14,695,137 |
| Land and land improvements | 2,151,940 | 2,129,265 |
| | 49,086,336 | 49,273,731 |
| Less accumulated depreciation | 30,829,809 | 29,758,466 |
| | 18,256,527 | 19,515,265 |
| Construction in progress | 112,425 | 229,341 |
| Total property and equipment | $ 18,368,952 | $ 19,744,606 |

Construction in progress consisted of the following at September 30, 2020:

| | Total Costs to Date | Estimated Total Project Costs | Estimated Date of Completion |
|---|---|---|---|
| Supplemental Filtration | $ 17,820 | $ 17,820 | Fall 2020 |
| Hospital Pharmacy DDC | 7,750 | 13,125 | Fall 2020 |
| Integrated Wander Detection System | 51,156 | 112,500 | Dec 2020 |
| Painting and rot repair | 35,699 | 46,000 | Fall 2020 |
| | $ 112,425 | | |

## 11. Estimated Settlements with Third-Party Payors:

Estimated settlements with third-party payors are as follows as of September 30:

| | 2020 | 2019 |
|---|---|---|
| Estimated settlements and reserves - Medicare | $ 1,147,740 | $ 926,038 |
| OneCare Vermont reserve | 585,075 | 2,048,002 |
| Medicare Accelerated and Advance Payment Program | 5,735,916 | - |
| Provider Relief Funds | 2,722,857 | - |
| Total estimated settlements with third-party payors | $ 10,191,588 | $ 2,974,040 |

Provider Relief Funds are a conditional contribution and therefore a refundable advance, until the conditions have been substantially met or explicitly waived.

See Note 22 COVID-19 regarding Medicare Accelerated and Advance Payment Program and for additional information regarding Provider Relief Funds.

## 12. 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, 2020 and 2019.

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

| | 2020 | 2019 |
|---|---|---|
| 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 |
| Note payable to Mary Hitchcock Memorial Hospital and Dartmouth-Hitchcock Health due in semiannual interest payments from July 2020 through January 2038, with an interest rate of 4.18%. In July 2038, $6,737,940 is due, including principal of $6,600,000 and interest at 4.18%. | 6,600,000 | - |
| Non-interest bearing mortgage with the Town of Windsor, Vermont; collateralized by property and equipment. Annual principal payments of $21,600 through 2022. | 43,200 | 64,800 |

## 12. Borrowings (continued):

| | 2020 | 2019 |
|---|---|---|
| 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. | 48,000 | 52,000 |
| | 17,867,550 | 11,293,150 |
| Less current portion | 25,600 | 25,600 |
| Less unamortized bond closing costs | 118,071 | 122,668 |
| Long-term debt, net of current portion | $ 17,723,879 | $ 11,144,882 |

Maturities on long-term debt for fiscal years subsequent to September 30, 2020 are as follows:

| | |
|---|---|
| 2021 (included in current liabilities) | $ 25,600 |
| 2022 | 25,600 |
| 2023 | 4,000 |
| 2024 | 4,000 |
| 2025 | 4,000 |
| Thereafter | 17,804,350 |
| | $ 17,867,550 |

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, Alice Peck Day Memorial Hospital 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. The DHOG is also subject to certain annual covenants under the Master Trust Indenture, the more restrictive is the Annual Debt Service Coverage Ratio (1.10x).

Capital Leases – The Hospital entered into capital leases for certain equipment. The cost of the assets under capital lease as of September 30, 2019 was $1,528,115. Accumulated amortization on assets under capital lease at September 30, 2019 was $848,192, and the total depreciation expense on the leases was $269,548 for 2019. These leases are now accounted for under right of use obligations effective October 1, 2019 following the adoption of ASU 2016-02.

## 13. Lease Commitments:

In February 2016, the FASB issued ASU 2016-02 (Topic 842), *Leases*. Topic 842 supersedes the lease requirements in Accounting Standards Codification Topic 840, *Leases*. Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. Leases will be classified as either finance or operating. The Organization adopted Topic 842 effective October 1, 2019.

The Organization applied Topic 842 to all leases as of October 1, 2019 with comparative periods continuing to be reported under Topic 840. The Organization has elected the practical expedient package to not reassess at adoption: (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. The Organization has also elected the policy exemption that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

The Organization determines if an arrangement is or contains a lease at inception of the contract. Right-of-use assets represent our right to use the underlying assets for the lease term and our lease liabilities represent our obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate noted within the contract. If not readily available, the Organization uses the estimated incremental borrowing rate, which is derived using a collateralized borrowing rate for the same currency and term as the associated lease. A right-of-use asset and lease liability is not recognized for leases with an initial term of 12 months or less and we recognize lease expense for these leases on a straight-line basis over the lease term within lease and rental expense.

The Organization's operating leases are for real estate and equipment. The Organization's real estate lease agreement has an initial term of 12 years. This real estate lease includes two options to renew, with renewals that can extend the lease term 5 years each. The exercise of lease renewal options is at our sole discretion. When determining the lease term, the Organization included options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

On adoption, the Organization recognized lease liabilities and right-of-use assets of $2,744,949.

The components of lease expense for the year ended September 30, 2020 are as follows:

| | | |
|---|---|---|
| Operating lease cost | $ | 469,489 |
| Variable and short term lease cost (a) | | 230,433 |
| Total lease and rental expense | $ | 699,922 |
| Finance lease cost: | | |
| Amortization of property under finance lease | $ | 302,703 |
| Interest on debt of property under finance lease | | 33,563 |
| Total finance lease cost | $ | 336,266 |

(a) Includes equipment, month-to-month and leases with a maturity of less than 12 months.

## 13. Lease Commitments (continued):

Supplemental cash flow information related to leases for the year ended September 30, 2020 are as follows:

| | | |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ | 456,308 |
| Operating cash flows from finance leases | | 33,563 |
| Financing cash flows from finance leases | | 289,336 |
| | $ | 779,207 |

Supplemental balance sheet information related to leases as of September 30, 2020 are as follows:

| | | |
|---|---|---|
| Operating leases | | |
| Right of use assets-operating leases | $ | 1,937,145 |
| Accumulated amortization | | (420,083) |
| Right of use assets-operating leases, net | $ | 1,517,062 |
| Current portion of right of use obligations | $ | 329,739 |
| Long-term right of use obligation, excluding current portion | | 1,210,843 |
| Total operating lease liabilities | $ | 1,540,582 |
| Finance leases | | |
| Right of use assets-finance leases | $ | 1,350,400 |
| Accumulated amortization | | (302,703) |
| Right of use assets-finance leases, net | $ | 1,047,697 |
| Current portion of right of use obligations | $ | 300,261 |
| Long-term right of use obligation, excluding current portion | | 750,464 |
| Total finance lease liabilities | $ | 1,050,725 |
| Weighted average remaining lease term, years | | |
| Operating leases | | 4.37 |
| Finance leases | | 4.10 |
| Weighted average discount rate | | |
| Operating leases | | 2.25% |
| Finance leases | | 2.51% |

## 13. Lease Commitments (continued):

Included in the $1,350,400 of right of use assets obtained in exchange for finance lease obligations is $542,596 of a new financing lease entered into during the year ended September 30, 2020.

Future maturities of lease liabilities as of September 30, 2020 are as follows:

| | Operating Leases | Finance Leases |
|---|---|---|
| Year ending September 30: | | |
| 2021 | $ 361,133 | $ 320,063 |
| 2022 | 360,274 | 309,610 |
| 2023 | 366,818 | 194,628 |
| 2024 | 374,839 | 118,119 |
| 2025 | 158,062 | 92,616 |
| Later years | - | 54,026 |
| Total lease payments | 1,621,126 | 1,089,062 |
| Less: imputed interest | 80,544 | 38,337 |
| Total lease payments | $ 1,540,582 | $ 1,050,725 |

## 14. Net Assets With Donor Restrictions:

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

| | 2020 | 2019 |
|---|---|---|
| Health care services | $ 820,808 | $ 480,692 |
| Endowment accumulated earnings | 1,037,881 | 834,298 |
| | $ 1,858,689 | $ 1,314,990 |

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

| | 2020 | 2019 |
|---|---|---|
| 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 | 1,146,896 | 1,078,218 |
| Purchases of medical equipment | 570,412 | 565,918 |
| | $ 5,935,704 | $ 5,862,532 |
| Total net assets with donor restrictions | $ 7,794,393 | $ 7,177,522 |

## 15. Related Party Transactions:

Mt. Ascutney Professional Center Owners Association – The Mt 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, 2020 and 2019, condo fees were approximately $92,000 and $86,000, 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 $430,000 and $424,000 for the years ended September 30, 2020 and 2019, respectively. As of September 30, 2020 and 2019, the amount payable to NEAH was approximately $0 and $24,000, respectively.

Through NEAH, the Organization is provided professional and general liability insurance on a claims-made basis through Hamden Assurance Risk Retention Group, Inc. (RRG), a Vermont 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 $3,097,000 and $2,991,000 for the years ended September 30, 2020 and 2019, 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, 2020 and 2019, the amounts payable to Dartmouth-Hitchcock Clinic were approximately $643,000 and $567,000, respectively.

During the ordinary course of business, the Organization receives services from MHMH which totaled approximately $249,000 and $275,000 for the years ended September 30, 2020 and 2019, respectively. As of September 30, 2020 and 2019, the amount payables to MHMH was approximately $50,000 and $49,000, respectively.

The Organization pays interest to MHMH for the line of credit and notes payable, which totaled approximately $242,000 and $198,000 for the years ended September 30, 2020 and 2019, respectively. As of September 30, 2020 and 2019, the accrued interest due to MHMH was approximately $125,000 and $32,000, respectively.

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.

## 16. Commitments and Contingencies:

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

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.

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 $317,000 and $315,000 as of September 30, 2020 and 2019, respectively. The total cost of the health insurance plan was approximately $3,020,000 and $3,740,000 for the years ended September 30, 2020 and 2019, 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 $217,770 and $220,244 for the years ended September 30, 2020 and 2019, 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. Lease expense for the year ended September 30, 2019 was approximately $725,000. These leases are accounted for as right of use assets and obligations effective October 1, 2019 after the adoption of ASU 2016-02.

## 17. Concentrations of Credit Risk:

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

| | 2020 | 2019 |
|---|---|---|
| Medicare | 48% | 49% |
| Medicaid | 6 | 12 |
| Blue Cross | 15 | 14 |
| Other third-party payers | 23 | 20 |
| Patients | 8 | 5 |
| | 100% | 100% |

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

## 18. Benefit Plans:

403(b) Savings Plan – The Organization has a 403(b) savings plan under which eligible employees may contribute a percentage of their annual salaries to the savings plan. The Organization may make discretionary matching contributions as well as discretionary contributions. The Organization made a 3% match on salaries for the 2019 calendar plan year and had accrued $803,675 at September 30, 2019 and will make up to a 4% match on salaries for the 2020 calendar plan year and has accrued $981,804 at September 30, 2020.

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. On November 25, 2019, the IRS notified the Organization that their request for terminating the plan was approved. During 2020, the Organization borrowed $6,600,000 from D-HH in order to fund the purchase of annuities and lump sum payments for the impacted employees, officially terminating the defined benefit plan.

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 2020 and 2019 were $32,143 and $44,490, respectively.

## 18. Benefit Plans (continued):

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

| | 2020 | 2019 |
|---|---|---|
| Change in benefit obligation | | |
| Projected benefit obligation, beginning of year | $ 19,305,899 | $ 16,377,596 |
| Service costs | - | 170,000 |
| Interest costs | 348,700 | 733,218 |
| Liability (gain) or loss | (382,088) | 3,252,131 |
| Expenses paid | - | (168,129) |
| Settlements | (18,088,389) | - |
| Benefits paid | (672,785) | (1,058,917) |
| Projected benefit obligation at September 30 | $ 511,337 | $ 19,305,899 |
| Accumulated benefit obligation | $ 511,337 | $ 19,305,899 |
| Change in plan assets | | |
| Fair value of plan assets, beginning of year | $ 11,835,614 | $ 11,804,312 |
| Actual return on plan assets | 181,625 | 735,944 |
| Employer contributions | 6,743,935 | 522,404 |
| Expenses paid | - | (168,129) |
| Settlements | (18,088,389) | - |
| Benefits paid | (672,785) | (1,058,917) |
| Fair value of plan assets at September 30 | $ - | $ 11,835,614 |
| Funded status at September 30, accrued liability | $ (511,337) | $ (7,470,285) |
| Actuarial loss not yet reflected in net periodic benefit income and included in change in net assets | $ 48,558 | $ 4,558,166 |

Net postretirement benefit (income) cost for fiscal years 2020 and 2019 consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Service costs | $ - | $ 170,000 |
| Interest costs | 348,700 | 733,218 |
| Recognized gain | (4,732,141) | (867,211) |
| Other components of net periodic benefit income | (4,383,441) | (133,993) |
| Total postretirement benefit (income) cost | $ (4,383,441) | $ 36,007 |

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 $0.

## 18. 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:

| | 2020 | 2019 |
|---|---|---|
| Discount rate | 3.00% | 3.10% |
| 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:

| | 2020 | 2019 |
|---|---|---|
| Discount rate | 3.30% | 4.60% |
| Expected long-term return on plan assets | - | 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, 2020:

| | 1% Point Decrease | 1% Point Increase |
|---|---|---|
| Service and interest costs | $ 14,887 | $ 17,970 |
| Postretirement benefit obligation | 468,764 | 559,802 |

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

| Asset Category | 2020 | 2019 |
|---|---|---|
| Equity securities | 0% | 0% |
| Debt securities | 0 | 0 |
| Fixed income | 0 | 99 |
| Other | 0 | 1 |
| Total | 0% | 100% |

Cash Flows – The Organization funds the Plan annually by making a contribution of at least the minimum amount required by applicable regulations and as recommended by the Plan's actuary. However, the Organization may also fund the Plan in excess of the minimum required amount.

## 18. Benefit Plans (continued):

| | | |
|---|---|---|
| Projected benefit payments | | |
| 2021 | $ | 33,454 |
| 2022 | | 34,318 |
| 2023 | | 35,035 |
| 2024 | | 35,458 |
| 2025 | | 35,566 |
| 2026-2030 | | 171,680 |

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

## 19. Fair Value Measurements:

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

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

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

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

## 19. Fair Value Measurements (continued):

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

Fair Value Measurements at September 30, 2020

| | 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 | $ 12,065,239 | $ - | $ - | $ 12,065,239 |
| Mutual funds | | | | |
| Fixed income | 338,733 | - | - | 338,733 |
| Total mutual funds | 338,733 | - | - | 338,733 |
| Exchange traded products | | | | |
| Equities | 231,143 | - | - | 231,143 |
| Fixed income | 262,627 | - | - | 262,627 |
| Total exchange traded products | 493,770 | - | - | 493,770 |
| Equities | | | | |
| Industrials | 36,021 | - | - | 36,021 |
| Consumer discretionary | 42,466 | - | - | 42,466 |
| Consumer staples | 29,231 | - | - | 29,231 |
| Energy | 8,512 | - | - | 8,512 |
| Financials | 39,369 | - | - | 39,369 |
| Health care | 47,598 | - | - | 47,598 |
| Real estate | 17,108 | - | - | 17,108 |
| Utilities | 22,253 | - | - | 22,253 |
| Telecommunication services | 16,713 | - | - | 16,713 |
| Materials | 12,105 | - | - | 12,105 |
| Information technology | 39,184 | - | - | 39,184 |
| Total equities | 310,560 | - | - | 310,560 |
| Beneficial interest in perpetual trusts | - | - | 1,717,308 | 1,717,308 |
| Charitable remainder trust | - | - | 231,738 | 231,738 |
| | $ 13,208,302 | $ - | $ 1,949,046 | 15,157,348 |
| Investments measured at net asset value | | | | 19,050,433 |
| Total assets | | | | $ 34,207,781 |

## 19. 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 |
|---|---|---|---|---|
| Assets: | | | | |
| Cash and cash equivalents | $ 1,051,341 | $ - | $ - | $ 1,051,341 |
| 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 | | | | |
| 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 | 316,829 | - | - | 316,829 |
| Beneficial interest in perpetual trusts | - | - | 1,644,136 | 1,644,136 |
| Charitable remainder trust | - | - | 207,254 | 207,254 |
| | $ 2,153,071 | $ - | $ 1,851,390 | 4,004,461 |
| Investments measured at net asset value | | | | 17,808,032 |
| Total assets | | | | $ 21,812,493 |
| Investments held by defined benefit pension plan: | | | | |
| Cash and cash equivalents | $ 118,276 | $ - | $ - | $ 118,276 |
| Fixed income mutual funds | 11,717,238 | - | - | 11,717,238 |
| Total investments held by defined benefit pension plan | $ 11,835,514 | $ - | $ - | $ 11,835,514 |

## 19. Fair Value Measurements (continued):

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.

The following table summarizes Level 3 instruments measured at fair value on a recurring basis as of September 30, 2020:

| | Beneficial Interest in Perpetual Trusts | Charitable Remainder Trust |
|---|---|---|
| Balance at September 30, 2019 | $ 1,644,136 | $ 207,254 |
| Unrealized appreciation | 73,172 | 24,484 |
| Balance at September 30, 2020 | $ 1,717,308 | $ 231,738 |

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

| | Beneficial Interest in Perpetual Trusts | Charitable Remainder Trust |
|---|---|---|
| Balance at September 30, 2018 | $ 1,672,956 | $ 215,068 |
| Unrealized depreciation | (28,820) | (7,814) |
| Balance at September 30, 2019 | $ 1,644,136 | $ 207,254 |

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

## 20. Functional Expenses:

Operating expenses are presented by functional classification in accordance with the overall service missions of the Organization. Each functional classification displays all expenses related to the underlying operations by natural classification. Salaries, employee benefits, medical supplies and medications, and purchased services and other expenses are generally considered variable and are allocated to the mission that best aligns to the type of service provided. Interest expense is allocated based on usage of debt-financed space. Depreciation and amortization is allocated based on square footage and specific identification of equipment used by department.

## 20. Functional Expenses (continued):

Operating expenses of the Organization by functional and natural basis are as follows for the year ended September 30, 2020:

| | Program | Management and General | Fundraising | Total |
|---|---|---|---|---|
| **Operating expenses** | | | | |
| Salaries | $ 23,833,882 | $ 5,117,561 | $ 60,881 | $ 29,012,324 |
| Employee benefits | 5,510,685 | 1,190,946 | 15,914 | 6,717,545 |
| Medical supplies and medications | 3,381,367 | 523,110 | 2,554 | 3,907,031 |
| Purchased services and other | 10,650,144 | 4,062,487 | 46,841 | 14,759,472 |
| Depreciation and amortization | 2,148,664 | 506,741 | 5,587 | 2,660,992 |
| Interest | 267,030 | 55,500 | 711 | 323,241 |
| Total operating expenses | $ 45,791,772 | $ 11,456,345 | $ 132,488 | $ 57,380,605 |
| **Non-operating income** | | | | |
| Employee benefits | $ 3,621,160 | $ 752,637 | $ 9,644 | $ 4,383,441 |
| Total non-operating income | $ 3,621,160 | $ 752,637 | $ 9,644 | $ 4,383,441 |

Operating expenses of the Organization by functional and natural basis are as follows for the year ended September 30, 2019:

| | Program | Management and General | Fundraising | Total |
|---|---|---|---|---|
| **Operating expenses** | | | | |
| Salaries | $ 22,859,350 | $ 4,631,818 | $ 138,648 | $ 27,629,816 |
| Employee benefits | 5,062,165 | 1,873,671 | 32,562 | 6,968,398 |
| Medical supplies and medications | 3,410,093 | 588,809 | 20,017 | 4,018,919 |
| Purchased services and other | 10,436,631 | 4,254,125 | 84,126 | 14,774,882 |
| Depreciation and amortization | 1,766,147 | 725,477 | 11,690 | 2,503,314 |
| Interest | 167,482 | 63,319 | 1,136 | 231,937 |
| Total operating expenses | $ 43,701,868 | $ 12,137,219 | $ 288,179 | $ 56,127,266 |
| **Non-operating income** | | | | |
| Employee benefits | $ 111,683 | $ 21,613 | $ 697 | $ 133,993 |
| Total non-operating income | $ 111,683 | $ 21,613 | $ 697 | $ 133,993 |

## 21. 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 12).

The following reflects the Organization's financial assets as of September 30, 2020 and 2019, reduced by amounts not available for general use:

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 5,829,476 | $ 7,896,009 |
| Restricted cash | 107,153 | 107,572 |
| Short-term investments | 12,015,078 | 1,005,914 |
| Patient accounts receivable, net | 5,081,009 | 5,095,214 |
| Pledges receivable, net | 29,405 | 29,940 |
| Other receivables, net | 784,604 | 630,639 |
| Assets whose use is limited | 13,895,736 | 12,801,029 |
| Other investments for restricted activities | 6,347,921 | 6,154,160 |
| Charitable remainder trust | 231,738 | 207,254 |
| Beneficial interest in perpetual trusts | 1,717,308 | 1,644,136 |
| Total financial assets as of September 30 | 46,039,428 | 35,571,867 |
| Less amounts not available to be used within one year, due to: | | |
| Restricted cash | (107,153) | (107,572) |
| Net assets with donor restrictions | (7,794,393) | (7,177,522) |
| | (7,901,546) | (7,285,094) |
| Financial assets available to meet general expenditures within one year | $ 38,137,882 | $ 28,286,773 |

## 22. COVID-19:

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic and the United States federal government declared COVID-19 a national emergency. The Organization quickly developed and implemented an emergency response to the situation to ensure the safety of its patients and staff. A key decision was made to postpone elective and non-urgent care in mid-March. Several factors drove that decision, including efforts to reduce the spread of COVID-19; conservation of personal protective equipment ("PPE"), which was and remains in critically short supply worldwide; and at the urging of the CDC and U.S. Surgeon General who in March urged all hospitals to reduce the number of elective procedures and visits.

**22. COVID–19 (continued):**

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") to provide economic assistance to a wide array of industries to ease the financial impact of COVID-19. As part of the CARES Act, the Centers for Medicare and Medicaid Services ("CMS") expanded its Accelerated and Advance Payment Program which allows participants to receive expedited payments during periods of national emergencies.

As of September 30, 2020, the Organization has received approximately $10,992,000 in governmental assistance including funding under the CARES Act. This includes approximately $5,256,000, of which approximately $2,533,000 has been recognized, of stimulus revenue recorded as a component of other operating revenue in the consolidated statements of operations and changes in net assets as a result of satisfying the conditions of general and targeted grant funding under the Provider Relief Fund established by the CARES Act. The Organization recognized revenue related to the CARES Act provider relief funding based on information contained in laws and regulations, as well as interpretations issued by the HHS, governing the funding that was publicly available subsequent to September 30, 2020. The remaining approximately $2,723,000 is reported as a component of estimated third-party settlements in the consolidated balance sheet as of September 30, 2020. Subsequent to September 30, 2020, in October 2020, December 2020 and January 2021, HHS issued a Post-Payment Notice of Reporting Requirements (PPNRR) which established the reporting criteria for providers which received Provider Relief Funds under the CARES Act. The PPNRR also provided guidance related to the determination of lost revenues and COVID-19 related expenses under the terms and conditions of the Provider Relief Funds received by the Organization. Due to the nature and extent of the guidance that existed as of September 30, 2020, the issuance of the PPNRR is a substantial change from the initial guidance that the Corporation operated under. The guidance provided in the PPNRR is advisory in nature, and subject to change, and it is unknown at the report date what impact this and future guidance will have on Provider Relief Funds and revenue recognition. Amounts recognized as other operating income for the year ended September 30, 2020 are subject to change and those changes could be material. The funds are also subject to future audits and potential adjustment and certain amounts may need to be repaid to the government.

The Organization recorded approximately $5,736,000 attributable to the Medicare Accelerated and Advance Payment Program representing working capital financing to be repaid through the provision of future services. These funds are recorded as a contract liability as a payment received before performing services. This amount is reported as a component of estimated third-party settlements in the consolidated balance sheet as of September 30, 2020.

The Organization has also taken advantage of additional Federal and State programs including the Front-Line Employees Hazard Pay Grant Program and FEMA funding to help offset some of the incremental costs being incurred to provide comprehensive and safe care during the pandemic.

## 23. Subsequent Events:

The Organization has reviewed events occurring after September 30, 2020 through March 9, 2021, the date the board of trustees accepted the final draft of the financial statements and made them available to be issued. Aside from the item noted below, the Organization does not believe that any events requiring recognition or disclosure have occurred between the period of September 30, 2020 and the report date, March 9, 2021. The Organization has not reviewed events occurring after the report date, March 9, 2021, for their potential impact on the information contained in these consolidated financial statements.

As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact operations; however, the related financial impact and duration cannot be reasonably estimated at this time.

## WINDSOR HOSPITAL CORPORATION
## (d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER) AND SUBSIDIARIES
**Consolidating Balance Sheets – Assets**
As of September 30, 2020

| | Mt. Ascutney Hospital and Health Center | Historic Homes of Runnemede, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | $ 5,617,794 | $ 211,682 | $ - | $ 5,829,476 |
| Restricted cash | 102,907 | 4,246 | - | 107,153 |
| Short-term investments | 12,015,078 | - | - | 12,015,078 |
| Patient accounts receivable, net | 5,081,009 | - | - | 5,081,009 |
| Current portion of pledges receivable, net | 29,405 | - | - | 29,405 |
| Other receivables, net | 725,034 | 70,100 | (10,530) | 784,604 |
| Inventories | 421,301 | - | - | 421,301 |
| Prepaid expenses | 384,861 | 7,401 | - | 392,262 |
| Total current assets | 24,377,389 | 293,429 | (10,530) | 24,660,288 |
| Investments | | | | |
| Assets whose use is limited | 12,702,512 | 1,193,224 | - | 13,895,736 |
| Other investments for restricted activities | 6,347,921 | - | - | 6,347,921 |
| Charitable remainder trust | 231,738 | - | - | 231,738 |
| Beneficial interest in perpetual trusts | 1,717,308 | - | - | 1,717,308 |
| Total investments | 20,999,479 | 1,193,224 | - | 22,192,703 |
| Property and equipment, net | 16,761,354 | 1,607,598 | - | 18,368,952 |
| Right of use assets, net | 2,564,759 | - | - | 2,564,759 |
| Other assets | 3,103,446 | - | (2,658,768) | 444,678 |
| Total assets | $ 67,806,427 | $ 3,094,251 | $ (2,669,298) | $ 68,231,380 |

## 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, 2020

| | Mt. Ascutney Hospital and Health Center | Historic Homes of Runnemede, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued expense | $ 2,044,065 | $ 65,542 | $ (10,530) | $ 2,099,077 |
| Construction payable | 17,820 | 15,333 | - | 33,153 |
| Accrued salaries and wages | 2,947,314 | 54,653 | - | 3,001,967 |
| Accrued earned time off | 1,690,635 | - | - | 1,690,635 |
| Other current liabilities | 780,184 | 2,405 | - | 782,589 |
| Estimated settlements with third-party payors | 10,191,588 | - | - | 10,191,588 |
| Current portion of long-term debt | - | 25,600 | - | 25,600 |
| Current portion of right of use obligations | 630,000 | - | - | 630,000 |
| Total current liabilities | 18,301,606 | 163,533 | (10,530) | 18,454,609 |
| Long-term debt, less current portion shown above | 17,451,929 | 271,950 | - | 17,723,879 |
| Right of use obligations, less current portion shown above | 1,961,307 | - | - | 1,961,307 |
| Post-retirement benefit obligation | 511,337 | - | - | 511,337 |
| Other liabilities | 217,770 | - | - | 217,770 |
| Total liabilities | 38,443,949 | 435,483 | (10,530) | 38,868,902 |
| **Net assets** | | | | |
| Without donor restrictions | 21,568,085 | 2,658,768 | (2,658,768) | 21,568,085 |
| With donor restrictions | | | | |
| Time or purpose | 1,858,689 | - | - | 1,858,689 |
| Perpetual | 5,935,704 | - | - | 5,935,704 |
| Total with donor restrictions | 7,794,393 | - | - | 7,794,393 |
| Total net assets | 29,362,478 | 2,658,768 | (2,658,768) | 29,362,478 |
| Total liabilities and net assets | $ 67,806,427 | $ 3,094,251 | $ (2,669,298) | $ 68,231,380 |

**WINDSOR HOSPITAL CORPORATION**
**(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER) AND SUBSIDIARIES**
**Consolidating Balance Sheets – Assets**
As of September 30, 2019

| | Mt. Ascutney Hospital and Health Center | Historic Homes of Runnemede, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|
| **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 | 595,915 | 64,332 | (29,608) | 630,639 |
| Inventories | 386,754 | - | - | 386,754 |
| Prepaid expenses | 558,925 | 9,194 | - | 568,119 |
| Total current assets | 15,441,718 | 308,051 | (29,608) | 15,720,161 |
| Investments | | | | |
| Assets whose use is limited | 11,653,872 | 1,147,157 | - | 12,801,029 |
| Other investments for restricted activities | 6,154,160 | - | - | 6,154,160 |
| Charitable remainder trust | 207,254 | - | - | 207,254 |
| Beneficial interest in perpetual trusts | 1,644,136 | - | - | 1,644,136 |
| Total investments | 19,659,422 | 1,147,157 | - | 20,806,579 |
| 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 | $ 56,131,986 | $ 3,083,059 | $ (2,592,761) | $ 56,622,284 |

**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

| | Mt. Ascutney Hospital and Health Center | Historic Homes of Runnemede, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|
| **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 | 938,119 | 2,405 | - | 940,524 |
| 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 | 17,418,687 | 222,356 | (29,608) | 17,611,435 |
| 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 | 29,542,185 | 519,906 | (29,608) | 30,032,483 |
| **Net assets** | | | | |
| Without donor restrictions | 19,412,279 | 2,563,153 | (2,563,153) | 19,412,279 |
| With donor restrictions | | | | |
| Time or purpose | 1,314,990 | - | - | 1,314,990 |
| Perpetual | 5,862,532 | - | - | 5,862,532 |
| Total with donor restrictions | 7,177,522 | - | - | 7,177,522 |
| Total net assets | 26,589,801 | 2,563,153 | (2,563,153) | 26,589,801 |
| Total liabilities and net assets | $ 56,131,986 | $ 3,083,059 | $ (2,592,761) | $ 56,622,284 |

**WINDSOR HOSPITAL CORPORATION**
**(d/b/a MT. ASCUTNEY HOSPITAL AND HEALTH CENTER) AND SUBSIDIARIES**
**Consolidating Statement of Operations**
For the Year Ended September 30, 2020

| | Mt. Ascutney Hospital and Health Center | Historic Homes of Runnemede, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|
| **Revenues, gains and other support without donor restrictions** | | | | |
| Patient service revenue | $ 45,485,287 | $ - | $ - | $ 45,485,287 |
| Other operating revenue | 6,796,880 | 1,789,137 | (172,380) | 8,413,637 |
| Health care reform payments (OneCare Vermont) | 3,987,540 | - | - | 3,987,540 |
| Net assets released from restrictions used for operations | 80,669 | - | - | 80,669 |
| Total revenues, gains and other support without donor restrictions | 56,350,376 | 1,789,137 | (172,380) | 57,967,133 |
| **Expenses** | | | | |
| Salaries | 28,179,931 | 832,393 | - | 29,012,324 |
| Employee benefits | 6,546,682 | 203,663 | (32,800) | 6,717,545 |
| Medical supplies & medications | 3,744,477 | 166,579 | (4,025) | 3,907,031 |
| Purchased services and other | 14,478,413 | 416,614 | (135,555) | 14,759,472 |
| Depreciation and amortization | 2,539,322 | 121,670 | - | 2,660,992 |
| Interest | 323,241 | - | - | 323,241 |
| Total expenses | 55,812,066 | 1,740,919 | (172,380) | 57,380,605 |
| Income from operations | 538,310 | 48,218 | - | 586,528 |
| **Nonoperating revenue (expense)** | | | | |
| Net investment income | 317,112 | 46,404 | - | 363,516 |
| Contributions | 222,765 | 2,575 | | 225,340 |
| Loss on sale of property and equipment | (7,020) | (1,246) | - | (8,266) |
| Net assets released from restrictions used for operations | 200,950 | - | - | 200,950 |
| Other components of net periodic benefit income | 4,383,441 | - | - | 4,383,441 |
| Total nonoperating revenue | 5,117,248 | 47,733 | - | 5,164,981 |
| Excess of revenues, gains, and other support over (under) expenses and nonoperating revenue | 5,655,558 | 95,951 | - | 5,751,509 |
| **Unrealized gain (loss) on investments** | 537,021 | (336) | - | 536,685 |
| **Net assets released from restrictions used for acquisition of property and equipment** | 53,210 | - | - | 53,210 |
| **Equity in income of subsidiaries** | 95,615 | - | (95,615) | - |
| **Change in net assets to recognize funded status of post-retirement plans** | (4,263,648) | - | - | (4,263,648) |
| **Other changes in net assets** | 78,050 | - | - | 78,050 |
| **Increase in net assets without donor restrictions** | $ 2,155,806 | $ 95,615 | $ (95,615) | $ 2,155,806 |

**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 Runnemede, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|
| **Revenues, gains and other support without donor restrictions** | | | | |
| Patient service revenue | $ 44,221,861 | $ - | $ - | $ 44,221,861 |
| Health care reform payments (OneCare Vermont) | 6,627,522 | - | - | 6,627,522 |
| Other operating revenue | 3,635,507 | 1,781,415 | (172,924) | 5,243,998 |
| Net assets released from restrictions used for operations | 38,921 | - | - | 38,921 |
| Total revenues, gains and other support without donor restrictions | 54,523,811 | 1,781,415 | (172,924) | 56,132,302 |
| **Expenses** | | | | |
| Salaries | 26,789,145 | 840,671 | - | 27,629,816 |
| Employee benefits | 6,801,204 | 205,071 | (37,877) | 6,968,398 |
| Medical supplies & medications | 3,861,298 | 165,178 | (7,557) | 4,018,919 |
| Purchased services and other | 14,497,450 | 404,922 | (127,490) | 14,774,882 |
| Depreciation and amortization | 2,385,662 | 117,652 | - | 2,503,314 |
| Interest | 231,937 | - | - | 231,937 |
| Total expenses | 54,566,696 | 1,733,494 | (172,924) | 56,127,266 |
| Income (loss) from operations | (42,885) | 47,921 | - | 5,036 |
| **Nonoperating revenue (expense)** | | | | |
| Net investment income | 405,327 | 29,757 | - | 435,084 |
| Contributions | 321,584 | 7,871 | - | 329,455 |
| Loss on sale of property and equipment | (30,541) | (211) | - | (30,752) |
| Net assets released from restrictions used for operations | 195,815 | - | - | 195,815 |
| Other components of net periodic benefit income | 133,993 | - | - | 133,993 |
| Total nonoperating revenue | 1,026,178 | 37,417 | - | 1,063,595 |
| Excess of revenue, 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** | (3,240,994) | - | - | (3,240,994) |
| **Increase (decrease) in net assets without donor restrictions** | $ (1,963,775) | $ 134,506 | $ (134,506) | $ (1,963,775) |