

Consolidated Financial Statements,
Supplementary Information and Report
of Independent Certified Public
Accountants

**Southwestern Vermont Health Care
Corporation**

September 30, 2023 (Successor) and for the
period July 1, 2023 to September 30, 2023
(Successor) and October 1, 2022 through
June 30, 2023 (Predecessor)



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Southwestern Vermont Health Care Corporation

Report on the financial statements

Opinion

We have audited the consolidated financial statements of Southwestern Vermont Health Care Corporation (the Corporation), which comprise the consolidated balance sheets as of September 30, 2023 (Successor), and the related consolidated statements of operations and changes in net assets and cash flows for the period from July 1, 2023 to September 30, 2023 (Successor) and for the period October 1, 2022 to June 30, 2023 (Predecessor), and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of September 30, 2023 (Successor), and the results of its operations and its cash flows for the period from July 1, 2023 to September 30, 2023 (Successor) and for the period October 1, 2022 to June 30, 2023 (Predecessor) in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for purposes of additional analysis, rather than to present the financial position, results of operations, and cash flows of the individual entities, and are not a required part of the consolidated financial statements are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary 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 audits of the consolidated financial statements and certain additional procedures. These additional procedures included 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 US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
January 30, 2024

Southwestern Vermont Health Care Corporation

CONSOLIDATED BALANCE SHEET

September 30, 2023

(Successor)

ASSETS

Current assets

Cash and cash equivalents	\$ 9,690,051
Assets limited as to use - under debt agreement	2,151,036
Patient accounts receivable	18,407,650
Other receivables	3,867,879
Supplies	3,965,610
Prepaid expenses and other	<u>3,907,787</u>

Total current assets 41,990,013

Assets limited as to use

Internally designated	83,495,447
Donor restricted	<u>21,518,913</u>

105,014,360

Assets held for sale

5,370,274

Property and equipment, net

69,066,322

Operating lease assets

669,965

Finance lease assets, net

3,736,592

Other assets

Beneficial interest in perpetual trusts	2,516,905
Deferred compensation plan assets	2,293,278
Intangible assets	2,990,000
Other	<u>2,730,117</u>

10,530,300

Total assets

\$ 236,377,826

Continued on next page

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

Southwestern Vermont Health Care Corporation

CONSOLIDATED BALANCE SHEET - CONTINUED

September 30, 2023

(Successor)

LIABILITIES AND NET ASSETS

Current liabilities

Line of credit	\$	13,700,000
Current maturities of long-term debt		2,490,067
Current maturities of operating lease liability		123,621
Current maturities of finance lease liability		520,877
Accounts payable		11,938,720
Accrued expenses		21,241,162
Estimated amounts due to third-party payors		1,538,071
Estimated self-insurance costs		1,387,045
Deferred compensation		<u>1,478,243</u>

Total current liabilities 54,417,806

Long-term debt, net of current maturities 25,443,891

Operating lease liability, net of current maturities 563,604

Finance lease liability, net of current maturities 4,069,361

Asset retirement obligations 1,214,255

Deferred compensation, net of current portion 2,654,330

Other liabilities 1,388,846

Total liabilities 89,752,093

Net assets

Without donor restrictions		121,090,396
With donor restrictions		<u>25,535,337</u>

Total net assets 146,625,733

Total liabilities and net assets \$ 236,377,826

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

Southwestern Vermont Health Care Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

	Predecessor October 1, 2022 through June 30, 2023	Successor July 1, 2023 through September 30, 2023
Net assets without donor restrictions		
Revenue:		
Patient service revenue	\$ 118,447,140	\$ 39,654,182
Fixed prospective patient revenue	22,582,418	6,530,667
Other	8,671,600	4,107,418
Contributions and grant revenue	1,912,382	659,314
Net assets released from restrictions used for operations	844,810	311,718
Total revenue	152,458,350	51,263,299
Expenses:		
Salaries and wages	47,942,915	16,274,000
Employee benefits	14,358,816	4,104,394
Purchased services	66,986,363	23,371,839
Supplies and other	22,552,183	8,513,670
Depreciation and amortization	4,859,692	1,776,107
Interest	1,177,510	507,316
Total expenses	157,877,479	54,547,326
Operating loss	(5,419,129)	(3,284,027)
Other items:		
Business combination - fair value adjustment	-	5,923,612
Investment return, net	15,843,306	(4,266,097)
Other	11,870	(12,129)
Total other items	15,855,176	1,645,386
Excess of (deficiency in) revenues over expenses from continuing operations	10,436,047	(1,638,641)
Loss from discontinued operations	(2,787,879)	(1,036,466)
Excess of (deficiency in) revenues over expenses	7,648,168	(2,675,107)

Continued on next page

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

Southwestern Vermont Health Care Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS - CONTINUED

	Predecessor October 1, 2022 through June 30, 2023	Successor July 1, 2023 through September 30, 2023
Net assets without donor restrictions		
Excess of (deficiency in) revenues over expenses (from previous page)	\$ 7,648,168	\$ (2,675,107)
Other changes in net assets without donor restrictions:		
Net assets released from restriction used for purchase of property and equipment	4,415,021	-
Increase (decrease) in net assets without donor restrictions	12,063,189	(2,675,107)
Net assets with donor restrictions		
Contributions received	2,105,438	1,159,169
Investment return, net	47,727	(15,612)
Change in beneficial interest perpetual trusts	273,243	(50,352)
Net assets released from restriction	(5,259,831)	(311,718)
(Decrease) increase in net assets with donor restrictions	(2,833,423)	781,487
INCREASE (DECREASE) IN NET ASSETS	9,229,766	(1,893,620)
Net assets, beginning of period	139,289,587	148,519,353
Net assets, end of period	\$ 148,519,353	\$ 146,625,733

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

Southwestern Vermont Health Care Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Predecessor October 1, 2022 through June 30, 2023	Successor July 1, 2023 through September 30, 2023
Operating activities:		
Increase (decrease) in net assets	\$ 9,229,766	\$ (1,893,620)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Business combination - fair value adjustment	-	(5,923,612)
Depreciation and amortization	4,859,692	1,776,107
Net realized and unrealized gains on investments	(14,627,041)	4,556,962
Change in beneficial interest in perpetual trusts	(273,243)	50,352
Restricted contributions and investment income received	(2,153,164)	(1,143,558)
Changes in assets and liabilities:		
Patient accounts receivable	(1,805,144)	(1,290,097)
Estimated amounts due to third-party payors	2,190,503	(2,299,435)
Accounts payable and accrued expenses	(9,625,379)	12,383,432
Operating lease assets and liability, net	3,822	1,132
Other assets and liabilities	785,966	(140,066)
Net cash (used in) provided by operating activities	(11,414,222)	6,077,597
Investing activities:		
Change in assets limited as to use	17,296,784	2,170,033
Purchase of assets held for sale	(102,206)	(12,184)
Purchase of property and equipment	(14,432,113)	(5,123,581)
Net cash provided by (used in) investing activities	2,762,465	(2,965,732)
Financing activities:		
Proceeds from restricted contributions and investment income	2,153,164	1,143,558
Proceeds from line of credit	5,000,000	-
Payments on long-term debt	(4,191,565)	(229,302)
Deferred financing costs	21,397	7,132
Payments on finance lease liability	(511,384)	(137,539)
Net cash provided by financing activities	2,471,612	783,849
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,180,145)	3,895,714
Cash and cash equivalents, beginning of period	11,974,482	5,794,337
Cash and cash equivalents, end of period	\$ 5,794,337	\$ 9,690,051
Supplemental cash flows information:		
Interest paid	\$ 1,177,510	\$ 507,316
Change in accruals for property and equipment in accounts payable	\$ (3,320,383)	\$ 913,574
Discontinued operations:		
Operating activities:		
Depreciation and amortization	\$ 571,524	\$ 154,358

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

Southwestern Vermont Health Care Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023
(Successor)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

In November 2022, the Board of Trustees of the Corporation approved an affiliation and integration agreement (the Agreement) with Dartmouth-Hitchcock Health (DHH). Under the terms of the Agreement, the Corporation and DHH will integrate their governance structures, coordinate their financial activities, and consolidate administrative functions over time to the extent that efficiencies can be achieved. The Agreement became effective July 1, 2023, which had DHH as the sole corporate member of SVHC.

The subsidiaries of the SVHC are:

- Southwestern Vermont Medical Center, Inc. (SVMC) is a not-for-profit, acute care hospital, which provides diagnostic and treatment services.
- Twin Rivers Medical, P.C. (Twin Rivers) is a New York not-for-profit corporation organized for the purpose of providing family practice and other specialty physician services. SVMC controls the operations of Twin Rivers.
- Northern Berkshire Medical, P.C. (NBM) is a Massachusetts not-for-profit corporation organized for the purpose of providing orthopedic practice and other specialty physician services. SVMC controls the operations of NBM.
- Southwestern Vermont Health Care Foundation, Inc. (the Foundation) is a not-for-profit corporation organized exclusively for charitable and educational purposes for SVHC, its Successors, subsidiaries, and affiliates.
- Mount Anthony Housing Corporation (MAHC) is a not-for-profit corporation organized for the purpose of developing, managing, and operating nursing homes. MAHC has a 20% interest in Centers for Living and Rehabilitation (CLR), which is recorded as investment in joint venture.
- Southwestern Vermont Health Care Enterprises (SVHCE) is a for-profit corporation organized for the purpose of providing family practice and other specialty physician services.
- Southwestern Vermont Health Care New York, LLC (SVHCNY) is a not-for-profit professional employment corporation organized for staffing purposes in addition to owning and leasing property for Twin Rivers.
- SVHC Hoosick Falls (SVHCHF) is a not-for-profit organization organized for the purpose of developing, managing, and operating a nursing home that includes Hoosick Falls Health Center, Inc., d/b/a The Center for Nursing and Rehabilitation at Hoosick Falls (CNR).
- SVHC Reality, Inc. is a not-for-profit corporation organized for the purpose of managing real estate to promote healthcare and community related services.

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2023
(Successor)

During the year ended September 30, 2020, the SVHCHF entered into an agreement for the sale of certain CNR assets, which is presented as held for sale in the accompanying consolidated financial statements. CNR and SVHC Realty Inc. operations are presented as discontinued operations within the consolidated financial statements (Note 22).

Business Combination - Predecessor and Successor Reporting

The business combination was accounted for using the acquisition method of accounting. DHH has chosen to push-down the fair value adjustment of \$5,923,612 related to the identifiable assets and liabilities, which consisted of land, buildings, equipment, and intangible assets of the Corporation. Accordingly, the consolidated financial statements are presented for two periods, Predecessor and Successor, which relate to the period before the consummation of the transaction (labeled "Predecessor" for the period October 1, 2022 through June 30, 2023) and the period after the transaction (labeled "Successor" for the period July 1, 2023 through September 30, 2023), to indicate the application of a different basis of accounting between the periods presented. Accordingly, the Corporation's financial information prior to the Date of the Business Combination is not comparable to its consolidated financial information subsequent to the Date of the Business Combination.

Principles of Consolidation

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

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in recording patient accounts receivable, fixed prospective patient revenue, and patient service revenue, estimated amounts due to third-party payors, the business combination fair value adjustment, the useful lives of property and equipment, estimated self-insurance costs, asset retirement obligations, imputed interest on leases, and the reported fair values of certain assets and liabilities. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, patient accounts receivable, assets limited as to use, beneficial interest in perpetual trust, accounts payable and accrued expenses, estimated amounts due to third-party payors, and long-term debt. The carrying amounts reported in the consolidated balance sheet for cash and cash equivalents, patient accounts receivable, assets limited as to use, beneficial interest in perpetual trust, accounts payable and accrued expenses, estimated amounts due to third-party payor, and long-term debt approximate fair value. Management's estimates of the fair value of other financial instruments are described elsewhere in the notes to the consolidated financial statements.

Cash and Cash Equivalents

The Corporation considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2023 (Successor) cash equivalents consisted primarily of money market sweep accounts with banks, which are not FDIC insured, but may be covered by separate agreements with

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

the financial institution. At September 30, 2023 (Successor), the Corporation held approximately \$8,725,000 in sweep products with one financial institution.

At September 30, 2023 (Successor) the Corporation's deposit accounts did not exceed federally insured limits.

Investments and Assets Limited as to Use

Investments in debt and equity securities are measured at fair value based on quoted market prices, if available, or estimated quoted market prices for similar securities. Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) have not been classified in the fair value hierarchy.

Investment income includes dividend and interest income, realized gains and losses and unrealized gains and losses on securities less investment management fees, and are included in investment return, net as a component of deficiency in revenues over expenses unless such earnings are subject to donor-imposed restrictions. Realized gains and losses for all investments are determined by the average cost method.

Assets limited as to use include (1) assets set aside by the Board of Trustees for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes, (2) under debt agreement and (3) assets restricted by donors.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is 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 in the consolidated financial statements.

Patient Accounts Receivable

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

Contract Assets

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

Supplies

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

Property and Equipment

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

Property and equipment acquisitions are stated at adjusted cost as a result of the business combination fair value adjustment, less accumulated depreciation and amortization. Depreciation and amortization are charged to expense on the straight-line basis over the estimated useful life of each asset.

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

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

Leases

The Corporation determines if an arrangement is a lease at inception of the contract. Lease assets represent the Corporation's right to use the underlying assets for the lease term and lease liabilities represent the Corporation's obligation to make lease payments arising from the leases. Lease assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Corporation uses an estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. The Corporation determines this rate based on information obtained from its bankers, its secured debt fair value and publicly available data for instruments with similar characteristics.

The Corporation's operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings, and other administrative offices, as well as medical and office equipment. Finance leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings, and other administrative offices, as well as medical equipment. The real estate lease agreements have initial terms ranging from 10 to 25 years, and equipment lease agreements typically have initial terms of 3 to 10 years. The Corporation does not record leases with an initial term of 12 months or less ("short-term leases") in its consolidated balance sheets.

The Corporation's real estate leases may include one or more options to renew, with renewals that typically can extend the lease term from five to ten years. The exercise of lease renewal options is at the Corporation's sole discretion. In general, the Corporation does not consider renewal options to be reasonably likely to be exercised; therefore, renewal options are generally not recognized as part of right of use assets and lease liabilities. The useful life of assets and leasehold improvements are determined by the remainder of the lease terms or expected useful life, whichever is lower.

Certain of the Corporation's lease agreements for real estate include payments based on actual common area maintenance expenses. These variable lease payments are recognized in other operating expenses, net, but are not included in the lease asset or liability balances. The Corporation's lease agreements do not contain any material residual value guarantees, restrictions or covenants.

Long-Lived Asset Impairment

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

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

No asset impairment was recognized during the periods October 1, 2022 through June 30, 2023 (Predecessor) and July 1, 2023 through September 30, 2023 (Successor).

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The Corporation records these costs as direct deductions from the related debt. Such costs are being amortized over the term of the respective debt and are included in depreciation and amortization expense in the consolidated statements of operations and changes in net assets.

Refund Liabilities

The consideration the Corporation has received from patients for which it does not expect to be entitled to is recorded as a refund liability and is included in accounts payable on the consolidated balance sheet.

Net Assets With Donor Restrictions

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

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

Patient Service Revenue

Patient service revenue is recognized as the Corporation satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. The Corporation determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporations' policies, and implicit price concessions provided to uninsured patients.

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

Fixed Prospective Patient Revenue

The Corporation participates in the Vermont Medicaid Next Generation Accountable Care Organization (ACO) Pilot Program and has participation agreements with One Care Vermont for the Medicare Next Generation ACO, the Vermont Medicaid Next Generation ACO, MVP Healthcare, QHP Population Based ACO and the Commercial Blue Cross Blue Shield of Vermont (BCBS) ACO programs. The Medicare and Medicaid ACO programs provide for a monthly, per member payment received in advance of the services being performed and recognized as revenue in the month to which it relates. The BCBS program pays fee-for-service and provides for a reconciliation process at the end of the fiscal year. BCBS terminated the One Care contract at December 31, 2022. The revenues for the Medicare and Medicaid programs are recorded on the fixed prospective patient revenue line on the consolidated statements of operations. Revenues

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

recorded under these arrangements represent the fixed, agreed-upon amounts as a result of the Corporation's stand-ready performance obligation to provide health care services to qualified beneficiaries.

The Corporation recognizes its share of annual contract settlements as an increase or decrease to fixed prospective patient revenue. Medicaid, Medicare, MVP and Blue Cross Blue Shield fee-for-service payments continue for all other nonhospital providers in the ACO, for all providers who are not part of the ACO, and for all services that are not in the fixed prospective payment. The ACO is responsible for both the cost and the quality of care for each attributed member, regardless of individual member's utilization. The Corporation is subject to an annual contracted maximum risk corridor. In calendar year 2023 the maximum risk was a maximum potential gain or loss of \$2,831,921. As of September 30, 2023, (Successor) no gain or loss was recorded.

The Corporation also receives periodic interim payments through the ACO programs. Advanced payments of \$1,385,423 were received as of September 30, 2023 (Successor) and are included in estimated amounts due to third-party payors.

Charity Care

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

The Corporation's direct and indirect costs for services furnished under its charity care policy aggregated \$715,829 and \$204,634 for the periods October 1, 2022 through June 30, 2023 (Predecessor) and July 1, 2023 through September 30, 2023 (Successor), respectively.

Contributions

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

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

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

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

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

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

Government Grants

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

Income Taxes

SVHC, SVMC, Twin Rivers, NBM, the Foundation, MAHC, SVHCNY, SVHCHF, SVHCF, and SVHC Reality, Inc. have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. The Corporation is subject to tax on income unrelated to its exempt purpose unless that income is otherwise excluded by the Code. Each organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

SVHCE is a for profit entity and accounts for income taxes in accordance with income tax accounting guidance.

The Corporation follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The Corporation has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements at September 30, 2023 (Successor).

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

Self-Insurance

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

Excess of (Deficiency in) Revenues Over Expenses

The consolidated statements of operations includes excess of (deficiency in) revenues over expenses. Changes in net assets without donor restrictions, which are excluded from excess of (deficiency in) revenues over expenses, consistent with industry practice, grants received for acquisition of property and equipment, and net assets released from restriction used for the purchase of property and equipment.

NOTE 2 - IMPACT OF THE COVID-19 PANDEMIC

In March 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a pandemic, which started to and continues to spread throughout the United States of America. As a result of the COVID-19 pandemic, the Corporation experienced a decline in patient visits, admissions, and medical procedures performed. Elective medical procedures were suspended by state and local governments at varying time periods beginning in mid-March through late May 2020, contributing to a significant decline in patient service revenue due to COVID-19 when compared to historic and forecasted results, during that period. Additionally, in response to the pandemic, the Corporation incurred additional costs for personal protective equipment and other operating costs associated with ensuring employee and patient safety while operating during a pandemic. Since late May 2020, the Corporation has begun to see increases in its patient visits, admissions, and medical procedures. Management continues to actively monitor disease-related impacts on operating revenues and expenses. The public health emergency declaration related to the pandemic expired on May 11, 2023. While not anticipated at this time, however, it is impossible to determine with absolute certainty whether or not there could be a material impact on operations for the year ending September 30, 2024.

NOTE 3 - PATIENT SERVICE REVENUE

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

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

Performance Obligations

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

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

Transaction Price

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

Third-Party Payors

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

Medicare

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

Medicaid

Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member. The Corporation is reimbursed for certain services at

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

tentative rates with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicaid administrative contractor.

Other

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

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

Settlements with third-party payors for retroactive adjustments due to cost report or other audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the periods October 1, 2022 through June 30, 2023 (Predecessor) and July 1, 2023 through September 30, 2023 (Successor).

Patient and Uninsured Payors

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the periods October 1, 2022 through June 30, 2023 (Predecessor) and July 1, 2023 through September 30, 2023 (Successor) changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years were not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients.

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

Refund Liabilities

From time to time, the Corporation will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of September 30, 2023 (Successor) the Corporation has a liability for refunds to third-party payors and patients recorded of \$857,386, which are included in accounts payable on the consolidated balance sheet.

Revenue Composition

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

The composition of patient care service revenue by primary payor for the periods are as follows:

	Predecessor October 1, 2022 through June 30, 2023	Successor July 1, 2023 through September 30, 2023
Medicare	32%	30%
Medicaid	7%	6%
Blue Cross	32%	33%
Other third-party payors	28%	30%
Self-pay	1%	1%
	100%	100%

The composition of patient care service revenue based on lines of business for the periods are as follows:

	Predecessor October 1, 2022 through June 30, 2023	Successor July 1, 2023 through September 30, 2023
Hospital inpatient	26%	25%
Hospital outpatient	57%	57%
Physician services	17%	18%
	100%	100%

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
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Financing Component

The Corporation has elected the practical expedient for financing and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time the patient or a third-party payor pays for that service will be one year or less.

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

Contract Balances

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

Contract Costs

The Corporation has applied the practical expedient for contract costs and incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Corporation otherwise would have recognized is one year or less in duration.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Corporation grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. Receivables from patients and third-party payors at September 30, 2023 (Successor) is as follows:

Medicare	32%
Medicaid	13%
Blue Cross	8%
Other third-party payors	27%
Self-pay	20%
	<hr/>
	100%

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

NOTE 5 - INVESTMENTS AND INVESTMENT RETURN

Assets Limited as to Use

Assets limited as to use are comprised of the following at September 30, 2023 (Successor):

Cash and short-term investments	\$ 4,511,127
Brokered certificate of deposit	558,635
Fixed income mutual funds	44,828
Investment fund - Treasury Inflation Protected Securities (TIPS)	2,967,876
Investment fund - total return strategies	12,065,068
Investment fund - equity	31,772,917
Investment fund - fixed income	6,355,532
Equity securities	
Materials	41,472
Industrials	190,712
Communication services	162,489
Consumer discretionary	278,357
Consumer staples	99,055
Energy	88,697
Financial institutions	197,815
Health care	181,028
Utilities	19,593
Real estate investment trusts	330,847
Information technology	412,003
Foreign equity mutual funds	20,766,669
Domestic equity mutual funds	8,124,474
Balanced mutual funds	13,279
Government agency securities	1,600,865
Corporate obligations	<u>16,382,058</u>
	107,165,396
Less current portion of assets limited as to use	<u>2,151,036</u>
	<u><u>\$ 105,014,360</u></u>

Deferred Compensation Plan Assets

Deferred compensation plan assets are comprised of the following at September 30, 2023 (Successor):

Cash and cash equivalents	\$ 756,600
Equity mutual funds	2,838,454
Fixed income mutual funds	<u>176,467</u>
	3,771,521
Less current portion in other prepaid expenses and other	<u>1,478,243</u>
	<u><u>\$ 2,293,278</u></u>

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

Investment Return

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

	Predecessor October 1, 2022 through June 30, 2023	Successor July 1, 2023 through September 30, 2023
Net assets without donor restrictions - other items		
Investment return, net	\$ 15,843,306	\$ (4,266,097)
Net assets with donor restrictions	47,724	(15,612)
	\$ 15,891,030	\$ (4,281,709)

Total investment return comprised of the following for the periods as follows:

	Predecessor October 1, 2022 through June 30, 2023	Successor July 1, 2023 through September 30, 2023
Interest and dividend income	\$ 1,263,989	\$ 275,253
Net realized gains on investments	1,517,669	13,330
Change in unrealized gains and losses on investments	13,109,372	(4,570,292)
	\$ 15,891,030	\$ (4,281,709)

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2023 (Successor):

Land and land improvements	\$ 11,120,002
Buildings and leasehold improvements	12,604,162
Equipment	18,593,175
Construction in progress	26,794,457
	69,111,796
Less accumulated depreciation	45,474
	\$ 69,066,322

Construction in progress, comprises various construction costs related to healthcare facilities modernization. The estimated remaining cost to complete these projects is \$6,150,000, with anticipated completion dates through the summer of 2024.

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

NOTE 7 – INTANGIBLE ASSETS

As a result of the business combination with DHH, the Corporation recognized intangible assets related to the Corporation's certificate of need which ensures that new health care facilities and services are developed in Vermont, and the Corporation's trade name which provides sales appeal and enables customers to easily identify health care services as needed. The following is the intangible assets at September 30, 2023 (Successor):

		Remaining estimated life
Trade name	\$ 2,200,000	4.75
Certificate of need	900,000	Indefinite
	3,100,000	
Less accumulated amortization	(110,000)	
	\$ 2,990,000	

Future amortization of the trade name is \$440,000 per year from 2024 through 2027 and \$330,000 in 2028. There were no impairment losses recorded related to intangible assets for the period July 1, 2023 through September 30, 2023 (Successor).

NOTE 8 - CONDITIONAL CONTRIBUTIONS

The Corporation has received a \$5,000,000 conditional promise to give which is not recognized as of September 30, 2023 (Successor) as the criteria for receiving the funds has not been met.

NOTE 9 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

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

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

NOTE 10 - PROFESSIONAL LIABILITY

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

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

The Corporation is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without a material adverse effect on the Corporation's financial position or results of operations.

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

NOTE 11 - LINES OF CREDIT

The Corporation has a revolving demand line of credit providing borrowings up to \$20,000,000, due January 31, 2025. Payments of interest only are due monthly at a rate of Secured Overnight Financing Rate plus applicable margin of 1.62%. The interest rate was 6.95% at September 30, 2023 (Successor). This line of credit is secured by substantially all of the Corporation's assets. At September 30, 2023 (Successor), the balance outstanding was \$13,700,000.

NOTE 12 - LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2023 (Successor):

Hospital bonds Series 2021 A (A)	\$ 5,773,333
Hospital bonds Series 2021 B (A)	21,727,000
Taxable term loan (B)	157,900
Town of Bennington Bond (C)	<u>511,088</u>
	28,169,321
Less current maturities	2,490,067
Less unamortized debt issuance costs	<u>235,363</u>
	<u><u>\$ 25,443,891</u></u>

A. In December 2021, the Corporation entered into an agreement with the Vermont Educational and Health Building Financing Agency to issue \$28,027,000 of Hospital Revenue Bonds (Southwestern Vermont Medical Center Project) Series 2021 A and B, values of each Series initially were \$6,300,000 and \$21,727,000, respectively, bear interest at a fixed rate of 2.75% and 2.68%, respectively. Monthly principal payments ranging from \$23,333 to a final payment of \$3,052,083 on Series A bonds began January 1, 2022 and fully mature December 1, 2031. Monthly principal payments of \$227,000 on Series B bonds begin January 1, 2024, and fully mature December 1, 2031. The bonds are secured by the gross revenues of SVMC, SVHC, Twin Rivers, NBO, and the Foundation (the Obligated Group).

The 2021 Series A Bonds were used to repay in full the 2008 Series A Bonds. The Series B bonds were issued for purposes of renovation and expansion of the SVMC Emergency Department and fund other capital needs.

B. In December 2021, the Corporation entered into an agreement with a bank for a Taxable Loan in the amount of \$1,273,000. This loan bears interest rate of 2% and matured and was paid in full in

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

December 2023. The loan is secured by the gross revenues of the Obligated Group. Proceeds from this loan were used for the termination and settlement of the Corporation's interest rate swap agreement.

The indenture agreement requires the Obligated Group to comply with certain restrictive covenants including maintaining a historical debt-service coverage and days cash on hand requirement. At September 30, 2023, the Obligated Group has complied with all financial covenants in the loan agreements.

- C. On March 30, 2023, SVHC Realty assumed the remainder of an agreement originally between Southern Vermont College Inc. and the Town of Bennington to repay monies used to upgrade the Town water system that included upgrades to buildings on the former Southern Vermont College campus. The balance assumed was \$511,088 and the loan bears interest at a fixed rate of 3.00%. Payment of principal and interest is deferred until March 1, 2025, at which time annual yearly payments will be required. The loan fully matures on March 1, 2039.

Aggregate annual maturities and sinking fund requirements of long-term debt at September 30, 2023 (Successor), are:

2024		\$ 2,490,067
2025		3,052,320
2026		3,067,778
2027		3,079,095
2028		3,094,606
Thereafter		<u>13,385,456</u>
		<u>\$ 28,169,321</u>

NOTE 13 - LEASES

The following table presents the components of lease expense and their classification for the periods as follows:

Component of Lease Balances	Classification in Consolidated Statements of Operations and Changes in Net Assets	Predecessor October 1, 2022 through June 30, 2023	Successor July 1, 2023 through September 30, 2023
Operating lease expense	Supplies and other	\$ 229,829	\$ 82,762
Finance lease expense			
Amortization of leased assets	Depreciation and amortization	606,829	200,948
Interest on lease liabilities	Interest	<u>375,379</u>	<u>122,404</u>
		<u>982,207</u>	<u>323,352</u>
		<u>\$ 1,212,037</u>	<u>\$ 406,114</u>

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

The weighted-average lease terms and discount rates for operating and finance leases at September 30, 2023 (Successor) is as follows:

Weighted-average remaining lease term (years)	
Operating leases	5.2 years
Finance leases	6.11 years
Weighted-average discount rate	
Operating leases	2.50%
Finance leases	4.28%

Cash flow related to leases for the periods is as follows:

	Predecessor October 1, 2022 through June 30, 2023	Successor July 1, 2023 through September 30, 2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash outflows relating to operating leases	\$ 229,829	\$ 82,762
Financing cash outflows relating to finance leases	\$ 847,640	\$ 299,064

The future minimum rental commitments for all noncancelable operating and finance leases as of September 30, 2023 (Successor) are as follows:

<u>Years Ending September 30,</u>	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2024	\$ 136,927	\$ 1,005,947	\$ 1,112,135
2025	138,683	932,813	1,040,758
2026	140,497	957,163	1,066,922
2027	93,907	808,227	881,640
2028	62,562	686,253	748,815
Thereafter	163,961	4,657,105	4,821,067
	736,537	9,047,508	9,671,337
Less: imputed interest	49,312	4,457,270	4,506,582
	<u>\$ 687,225</u>	<u>\$ 4,590,238</u>	<u>\$ 5,164,755</u>

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, are restricted for the following purposes or periods at September 30, 2023 (Successor):

Subject to expenditure for specified purpose:	
Health care services	\$ 11,963,903
Other	<u>16,740</u>
	11,980,643
Subject to the passage of time:	
Promises to give restricted by donors and which are not available for expenditure until due	1,526,895
Endowments:	
Subject to appropriation and expenditure when a specified event occurs:	
Endowment requiring income to be added to the original gift if income is not spent within one year	4,759
Subject to spending policy or appropriation:	
Investments to be held in perpetuity, the income is expendable for general purposes	6,727,913
Investments to be held in perpetuity, the income is restricted to be spent only for the donor's intended purpose of healthcare services and other	2,712,528
Not subject to spending policy or appropriation:	
Beneficial interest in perpetual trust	<u>2,457,330</u>
	11,902,528
Not subject to spending policy or appropriation:	
Beneficial interest in assets held by others	<u>125,269</u>
	<u><u>\$ 25,535,337</u></u>

During the periods October 1, 2022 through June 30, 2023 (Predecessor) and July 1, 2023 through September 30, 2023 (Successor), net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes in the amounts of \$844,810 and \$311,718, respectively. During the period October 1, 2022 through June 30, 2023 net assets of \$4,415,021 (Predecessor), were released to purchase equipment.

NOTE 15 - ENDOWMENT

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

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
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Additionally, in accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Corporation and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from investment income and appreciation or depreciation of investments
- Other resources of the Corporation
- Investment policies of the Corporation

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

Changes in endowment net assets with donor restrictions for the periods are as follows:

	Predecessor October 1, 2022 through June 30, 2023	Successor July 1, 2023 through September 30, 2023
Endowment net assets, beginning of period	\$ 11,656,148	\$ 11,854,730
Investment return and net appreciation	391,299	94,184
Contributions and reclassifications	3,824	923
Appropriation of endowment assets for expenditure	(196,551)	(47,309)
Endowment net assets, end of period	\$ 11,854,730	\$ 11,902,528

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

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

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

NOTE 16 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of September 30, 2023 (Successor) comprise the following:

Cash and cash equivalents	\$ 9,690,051
Patient accounts receivable	18,407,650
Other receivables	3,867,879
Assets limited as to use - internally designated	<u>83,495,447</u>
	115,461,027
Available line of credit (Note 11)	<u>6,300,000</u>
	<u><u>\$ 121,761,027</u></u>

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

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 17 - FUNCTIONAL EXPENSES

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

	October 1, 2022 through June 30, 2023 (Predecessor)			
	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 37,827,732	\$ 9,660,943	\$ 454,240	\$ 47,942,915
Employee benefits	11,749,875	2,426,821	182,119	14,358,816
Purchases services	49,046,007	16,840,289	1,100,067	66,986,363
Supplies and other	21,925,442	444,893	181,848	22,552,183
Depreciation and amortization	4,380,119	479,224	350	4,859,692
Interest	1,090,475	87,035	-	1,177,510
	<u>\$ 126,019,650</u>	<u>\$ 29,939,205</u>	<u>\$ 1,918,624</u>	<u>\$ 157,877,479</u>

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

	July 1, 2023 through September 30, 2023 (Successor)			
	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 12,904,081	\$ 3,223,065	\$ 146,854	\$ 16,274,000
Employee benefits	3,363,006	687,923	53,464	4,104,394
Purchases services	17,718,088	5,204,368	449,383	23,371,839
Supplies and other	8,299,667	136,697	77,306	8,513,670
Depreciation and amortization	1,612,207	163,783	117	1,776,107
Interest	466,181	41,135	-	507,316
	\$ 44,363,321	\$ 9,456,971	\$ 727,124	\$ 54,547,326

NOTE 18 - PENSION PLANS

Defined Contribution Pension Plan

The Corporation has a defined contribution 403(b) pension plan covering substantially all employees. The Corporation matches the first 3% of employee compensation plus 50% of employee contributions between 3% and 5%. The Corporation also provides a 2.5% salary contribution to a select group of employees within the Corporation. Defined contribution pension expense for the periods October 1, 2022 through June 30, 2023 (Predecessor) and July 1, 2023 through September 30, 2023 (Successor) was \$1,472,267 and \$692,733, respectively.

Deferred Compensation Plans

SVHC funds a deferred compensation plan for the benefit of certain employees. Plan assets are classified as other assets and a corresponding deferred compensation liability. The deferred compensation expense for the periods October 1, 2022 through June 30, 2023 (Predecessor) and July 1, 2023 through September 30, 2023 (Successor) were \$431,137 and \$95,736, respectively.

NOTE 19 - ASSET RETIREMENT OBLIGATION

The Corporation's conditional asset retirement obligations (ARO) primarily relate to asbestos contained in buildings that the Corporation owns. Environmental regulations exist that require the Corporation to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. A liability of \$1,214,255, has been recognized for all significant known areas containing an ARO at September 30, 2023 (Successor).

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

NOTE 20 - RELATED PARTIES AND SIGNIFICANT AGREEMENTS

Dartmouth-Hitchcock Health

The Corporation reimburses DHH for certain professional medical services under the Agreement. For the periods October 1, 2022 through June 30, 2023 (Predecessor) and July 1, 2023 through September 30,

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

2023 (Successor), the Corporation recognized expense of approximately \$29,081,000 and \$10,216,000, respectively, to DHH for professional medical services included in purchase services in the consolidated statements of operations and changes in net assets. The Corporation owed DHH approximately \$13,398,000 at September 30, 2023 (Successor), recorded as accrued expenses on the consolidated balance sheet.

Guarantee

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

At September 30, 2023 (Successor), the maximum guarantee on the outstanding loan was approximately \$1,395,000 and the Corporation recorded no liability under the guarantee agreement.

NOTE 21 - DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheet measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023 (Successor):

	Total	Fair Value Measurements Using			Investment Measured at NAV ^(A)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Investments:					
Equities, equity mutual funds and balanced funds	\$ 30,906,490	\$ 30,906,490	\$ -	\$ -	\$ -
Fixed income securities and mutual funds	18,027,751	44,828	17,982,923	-	-
Alternative Investments:					
Investment fund - total return strategies	12,065,068	-	-	-	12,065,068
Investment fund - fixed income	6,355,532	-	-	-	6,355,532
Investment fund - equity	31,772,917	-	-	-	31,772,917
Investment fund - Treasury Inflation Protected Securities (TIPS)	2,967,876	-	-	-	2,967,876
Deferred compensation plan assets (equity and fixed income mutual funds)	3,014,921	3,014,921	-	-	-
	105,110,555	33,966,239	17,982,923	-	53,161,393
Beneficial interest in perpetual trust	2,516,905	-	-	2,516,905	-
Cash and cash equivalents	15,516,413	15,516,413	-	-	-
	<u>\$ 123,143,873</u>	<u>\$ 49,482,652</u>	<u>\$ 17,982,923</u>	<u>\$ 2,516,905</u>	<u>\$ 53,161,393</u>

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

Net unrealized gains/(losses) on the Level 3 assets were \$114,181 and \$108,711 for the periods October 1, 2022 through June 30, 2023 (Predecessor) and July 1, 2023 through September 30, 2023 (Successor), respectively.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the periods October 1, 2022 through June 30, 2023 (Predecessor) and July 1, 2023 through September 30, 2023 (Successor).

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

Cash Equivalents, Investments, and Deferred Compensation Plan Assets

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

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the fair values of the underlying assets of the trusts. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Alternative Investments

The fair value of alternative investments that have been estimated using the NAV per share as a practical expedient consist of the following at September 30, 2023 (Successor):

		Redemption Frequency	Redemption Notice Period
Investment fund (A)	\$ 2,967,876	Daily	2-day written notice
Investment fund (B)	12,065,068	Monthly	30-day written notice
Investment fund (C)	31,772,917	Daily	Daily
Investment fund (D)	6,355,532	Daily	Daily
	\$ 53,161,393		

- A. This category includes investments in TIPS.
- B. This category includes investments managed on a total return basis, and is an unconstrained, non-benchmark oriented investment fund. The funds' composite portfolio includes investments in fixed income corporate obligations, U.S. government and agency fixed income securities, and investments in other funds. The fund also invests in convertible preferred stock, warrants, future contracts, forward currency contracts, and other investment vehicles.
- C. This category includes investments in equity securities designed to track with the S&P 500 index.
- D. This category includes investments in other collective investment funds with the objective of approximating performance of the Bloomberg Barclays U.S. Government Bond Index on the long term.

There are no unfunded commitments on the above alternative investments at September 30, 2023 (Successor).

Southwestern Vermont Health Care Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**September 30, 2023
(Successor)**

NOTE 22 - DISCONTINUED OPERATIONS

Major classes of line items constituting loss of discontinued operations consisted of the following for the periods as follows:

	Predecessor October 1, 2022 through June 30, 2023	Successor July 1, 2023 through September 30, 2023
Revenues		
Patient service revenue	\$ 3,596,268	\$ 1,179,802
Other	361,199	56,880
Total revenues	3,957,467	1,236,682
Expenses		
Salaries and wages	2,637,018	701,080
Employee benefits	569,443	174,519
Purchased services	2,609,848	1,118,055
Supplies and other	319,388	119,642
Depreciation and amortization	571,524	154,358
Interest	41,949	6,427
Total expenses	6,749,170	2,274,081
Operating loss	(2,791,703)	(1,037,399)
Other items		
Contributions and grant revenue	3,824	933
Loss on discontinued operations	\$ (2,787,879)	\$ (1,036,466)

Assets included as held for sale consisted of CNR property and equipment and SVHC Realty property and equipment as of September 30, 2023 (Successor).

NOTE 23 - SUBSEQUENT EVENTS

The Corporation evaluated its September 30, 2023 (Successor) consolidated financial statements for subsequent events through January 30, 2024, the date the consolidated financial statements were available to be issued. The Corporation is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

Southwestern Vermont Health Care Corporation
CONSOLIDATING SCHEDULE - BALANCE SHEET INFORMATION
September 30, 2023
(Successor)

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Obligated Group Eliminations	Obligated Group Total	MAHC	SVHCE	SVHCNY	SVHC Hoosick Falls/CNR	SVHC Reality	Eliminations	Consolidated
ASSETS														
Current assets														
Cash and cash equivalents	\$ 136,628	\$ 8,896,871	\$ 140,751	\$ 56,794	\$ 58,980	\$ -	\$ 9,290,024	\$ 127,785	\$ -	\$ 29,130	\$ 243,112	\$ -	\$ -	\$ 9,690,051
Assets limited as to use - under debt agreement	-	2,151,036	-	-	-	-	2,151,036	-	-	-	-	-	-	2,151,036
Patient accounts receivable	-	17,671,010	-	50,042	26,223	-	17,747,275	-	-	-	660,375	-	-	18,407,650
Other receivables	3,300	2,175,616	369,911	-	4,000	-	2,552,827	1,111,914	-	-	203,138	-	-	3,867,679
Supplies	-	3,965,610	-	-	-	-	3,965,610	-	-	-	-	-	-	3,965,610
Prepaid expenses and other	17,789	3,638,379	42,379	-	16,721	-	3,715,268	-	-	-	192,519	-	-	3,907,787
Total current assets	157,717	38,498,522	553,041	106,836	105,924	-	39,422,040	1,239,699	-	29,130	1,299,144	-	-	41,990,013
Assets limited as to use														
Internally designated	60,342,389	17,609,611	762,750	-	-	-	78,714,750	4,780,697	-	-	1,260,889	-	(1,260,889)	83,495,447
Donor restricted	-	99,282	21,419,631	-	-	-	21,518,913	-	-	-	-	-	-	21,518,913
	60,342,389	17,708,893	22,182,381	-	-	-	100,233,663	4,780,697	-	-	1,260,889	-	(1,260,889)	105,014,360
Assets held for sale														
	-	-	-	-	-	-	-	-	-	-	632,600	4,737,674	-	5,370,274
Property and equipment, net														
	6,458,598	62,106,995	3,498	223,247	273,984	-	69,066,322	-	-	-	-	-	-	69,066,322
Operating lease assets														
	-	512,848	-	157,117	-	-	669,965	-	-	-	-	-	-	669,965
Finance lease assets, net														
	-	2,886,592	-	-	-	-	2,886,592	-	-	850,000	-	-	-	3,736,592
Due from affiliates														
	10,057,259	3,810,888	-	-	-	(2,776,684)	11,091,463	-	-	68,553	-	-	(11,160,016)	-
Other assets														
Beneficial interest in perpetual trusts	-	-	2,457,330	-	-	-	2,457,330	-	-	-	59,575	-	-	2,516,905
Deferred compensation plan assets	2,186,334	106,944	-	-	-	-	2,293,278	-	-	-	-	-	-	2,293,278
Intangible assets	2,990,000	-	-	-	-	-	2,990,000	-	-	-	-	-	-	2,990,000
Other	58,533	10,693	1,163,197	4,000	-	-	1,236,423	840,000	588,000	-	65,694	-	-	2,730,117
	5,234,867	117,637	3,620,527	4,000	-	-	8,977,031	840,000	588,000	-	125,269	-	-	10,530,300
Total assets	\$ 82,250,830	\$ 125,642,375	\$ 26,359,447	\$ 491,200	\$ 379,908	\$ (2,776,684)	\$ 232,347,076	\$ 6,860,396	\$ 588,000	\$ 947,683	\$ 3,317,902	\$ 4,737,674	\$ (12,420,905)	\$ 236,377,826

Southwestern Vermont Health Care Corporation
CONSOLIDATING SCHEDULE - BALANCE SHEET INFORMATION - CONTINUED
September 30, 2023
(Successor)

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Obligated Group Eliminations	Obligated Group Total	MAHC	SVHCE	SVHCNY	SVHC Hoosick Falls/CNR	SVHC Reality	Eliminations	Consolidated
LIABILITIES AND NET ASSETS														
Current liabilities														
Line of credit	\$ -	\$ 13,700,000	\$ -	\$ -	\$ -	\$ -	\$ 13,700,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,700,000
Current maturities of long-term debt	-	2,490,067	-	-	-	-	2,490,067	-	-	-	-	-	-	2,490,067
Current maturities of operating lease liability	-	76,055	-	47,566	-	-	123,621	-	-	-	-	-	-	123,621
Current maturities of finance lease liability	-	451,198	-	-	-	-	451,198	-	-	69,679	-	-	-	520,877
Accounts payable	67,370	11,317,612	704	-	54,461	-	11,440,347	9,096	-	-	489,277	-	-	11,938,720
Accrued expenses	997	18,816,428	26,634	12,561	20,000	-	18,876,620	11,097	-	66,767	2,233,757	52,921	-	21,241,162
Estimated amounts due to third-party payors	-	1,375,654	-	-	-	-	1,375,654	-	-	-	162,417	-	-	1,538,071
Estimated self-insurance costs	-	1,323,703	-	4,509	-	-	1,328,212	-	-	18,112	40,721	-	-	1,387,045
Deferred compensation	-	1,478,243	-	-	-	-	1,478,243	-	-	-	-	-	-	1,478,243
Total current liabilities	68,367	51,029,160	27,338	64,636	74,461	-	51,263,962	20,193	-	154,558	2,926,172	52,921	-	54,417,806
Long-term debt, net of current maturities	-	24,932,803	-	-	-	-	24,932,803	-	-	-	-	511,088	-	25,443,891
Operating lease liability, net of current maturities	-	452,103	-	111,501	-	-	563,604	-	-	-	-	-	-	563,604
Finance lease liability, net of current maturities	-	2,950,754	-	-	-	-	2,950,754	-	-	1,118,607	-	-	-	4,069,361
Asset retirement obligations	-	1,214,255	-	-	-	-	1,214,255	-	-	-	-	-	-	1,214,255
Deferred compensation, net of current portion	2,177,601	476,729	-	-	-	-	2,654,330	-	-	-	-	-	-	2,654,330
Due to affiliates	264,012	-	220,367	916,020	1,444,839	(2,776,684)	68,554	3,495	917,107	111,711	9,394,509	664,640	(11,160,016)	-
Other liabilities	384,941	-	1,023,905	-	-	-	1,388,846	-	-	-	-	-	-	1,388,846
Total liabilities	2,874,921	81,055,804	1,271,610	1,092,157	1,519,300	(2,776,684)	85,037,108	23,688	917,107	1,384,876	12,320,681	1,228,649	(11,160,016)	89,752,093
Net assets														
Without donor restrictions	79,375,909	44,586,571	(322,232)	(600,957)	(1,139,392)	-	121,899,899	6,836,708	(329,107)	(437,193)	(9,253,316)	3,509,025	(1,135,620)	121,090,396
With donor restrictions	-	-	25,410,069	-	-	-	25,410,069	-	-	-	250,537	-	(125,269)	25,535,337
Total net assets	79,375,909	44,586,571	25,087,837	(600,957)	(1,139,392)	-	147,309,968	6,836,708	(329,107)	(437,193)	(9,002,779)	3,509,025	(1,260,889)	146,625,733
Total liabilities and net assets	\$ 82,250,830	\$ 125,642,375	\$ 26,359,447	\$ 491,200	\$ 379,908	\$ (2,776,684)	\$ 232,347,076	\$ 6,860,396	\$ 588,000	\$ 947,683	\$ 3,317,902	\$ 4,737,674	\$ (12,420,905)	\$ 236,377,826

Southwestern Vermont Health Care Corporation

CONSOLIDATING SCHEDULE - STATEMENT OF OPERATIONS INFORMATION

Period October 1, 2022 to June 30, 2023
(Predecessor)

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Group Eliminations	Group Total	MAHC	SVHCE	SVHCNY	SVHC Hoosick Falls/CNR	SVHC Realty	Eliminations	Consolidated
Net assets without donor restrictions														
Revenue														
Patient service revenue	\$ -	\$ 116,564,769	\$ -	\$ 567,085	\$ 1,240,754	\$ -	\$ 118,372,608	\$ 74,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,447,140
Fixed prospective patient revenue	-	22,582,418	-	-	-	-	22,582,418	-	-	-	-	-	-	22,582,418
Other	1,683,329	8,478,843	-	30,888	233,857	(1,756,875)	8,670,042	1,558	-	1,188,840	-	-	(1,188,840)	8,671,600
Contributions and grant revenue	-	205,102	862,925	-	-	844,355	1,912,382	-	-	-	-	-	-	1,912,382
Net assets released from restrictions used for operations	-	-	844,810	-	-	-	844,810	-	-	-	-	-	-	844,810
Total revenue	1,683,329	147,831,132	1,707,735	597,973	1,474,611	(912,520)	152,382,260	76,090	-	1,188,840	-	-	(1,188,840)	152,458,350
Expenses														
Salaries and wages	228,315	46,403,196	452,786	168,658	-	-	47,252,955	-	-	689,960	-	-	-	47,942,915
Employee benefits	49,115	13,946,830	100,729	48,518	-	-	14,145,192	338	-	213,286	-	-	-	14,358,816
Purchased services	875,139	64,059,816	1,100,067	575,421	2,457,201	(912,520)	68,155,124	7,671	300	12,108	-	-	(1,188,840)	68,986,363
Supplies and other	10,205	21,978,266	181,799	70,243	209,663	-	22,449,576	-	-	102,607	-	-	-	22,552,183
Depreciation and amortization	273,984	4,457,876	350	28,407	24,075	-	4,784,692	-	-	75,000	-	-	-	4,859,692
Interest	-	1,051,689	-	-	-	-	1,051,689	-	-	125,821	-	-	-	1,177,510
Total expenses	1,436,758	151,897,673	1,835,731	891,247	2,690,339	(912,520)	157,839,228	8,009	300	1,218,782	-	-	(1,188,840)	157,877,479
Operating income (loss)	246,571	(4,066,541)	(127,996)	(293,274)	(1,215,728)	-	(5,456,968)	68,081	(300)	(29,942)	-	-	-	(5,419,129)
Other items														
Investment return, net	10,200,445	1,264,634	3,502,155	-	-	-	14,967,234	876,072	-	-	-	-	-	15,843,306
Other	-	11,870	-	-	-	-	11,870	-	-	-	-	-	-	11,870
	10,200,445	1,276,504	3,502,155	-	-	-	14,979,104	876,072	-	-	-	-	-	15,855,176
Excess of (deficiency in) revenues over expenses from continuing operations	10,447,016	(2,790,037)	3,374,159	(293,274)	(1,215,728)	-	9,522,136	944,153	(300)	(29,942)	-	-	-	10,436,047
Loss from discontinued operations	-	-	-	-	-	-	-	-	-	-	(2,173,925)	(613,954)	-	(2,787,879)
Excess of (deficiency in) revenues over expenses	\$ 10,447,016	\$ (2,790,037)	\$ 3,374,159	\$ (293,274)	\$ (1,215,728)	\$ -	\$ 9,522,136	\$ 944,153	\$ (300)	\$ (29,942)	\$ (2,173,925)	\$ (613,954)	\$ -	\$ 7,648,168

Southwestern Vermont Health Care Corporation

CONSOLIDATING SCHEDULE - STATEMENT OF CHANGES IN NET ASSETS INFORMATION

Period October 1, 2022 to June 30, 2023
(Predecessor)

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Obligated Group Eliminations	Obligated Group Total	MAHC	SVHCE	SVHCNY	SVHC Hoosick Falls/ CNR	SVHC Realty	Eliminations	Consolidated
Net assets without donor restrictions														
Excess of (deficiency in) revenues over expenses (from previous page)	\$ 10,447,016	\$ (2,790,037)	\$ 3,374,159	\$ (293,274)	\$ (1,215,728)	\$ -	\$ 9,522,136	\$ 944,153	\$ (300)	\$ (29,942)	\$ (2,173,925)	\$ (613,954)	\$ -	\$ 7,648,168
Net assets released from restriction used for purchase of property and equipment	-	4,415,017	-	-	-	-	4,415,017	4	-	-	-	-	-	4,415,021
Transfer (to) from affiliates, net	-	592,623	-	609,027	1,681,692	-	2,883,342	(3,000,004)	1	116,661	-	-	-	-
Increase (decrease) in net assets without donor restrictions	10,447,016	2,217,603	3,374,159	315,753	465,964	-	16,820,495	(2,055,847)	(299)	86,719	(2,173,925)	(613,954)	-	12,063,189
Net assets with donor restrictions														
Contributions received	-	-	2,105,438	-	-	-	2,105,438	-	-	-	-	-	-	2,105,438
Investment return, net	-	3	47,724	-	-	-	47,727	-	-	-	-	-	-	47,727
Change in beneficial interest in perpetual trusts	-	-	291,974	-	-	-	291,974	-	-	-	(18,731)	-	-	273,243
Net assets released from restriction	-	(3)	(5,259,828)	-	-	-	(5,259,831)	-	-	-	-	-	-	(5,259,831)
Decrease in net assets with donor restriction	-	-	(2,814,692)	-	-	-	(2,814,692)	-	-	-	(18,731)	-	-	(2,833,423)
INCREASE (DECREASE) IN NET ASSETS	10,447,016	2,217,603	559,467	315,753	465,964	-	14,005,803	(2,055,847)	(299)	86,719	(2,192,656)	(613,954)	-	9,229,766
Net assets, beginning of period	65,683,122	45,996,309	24,778,772	(807,751)	(1,188,391)	-	134,462,051	8,561,487	(328,808)	(514,234)	(7,242,005)	4,351,086	-	139,289,587
Net assets, end of period	\$ 76,130,138	\$ 48,213,912	\$ 25,338,239	\$ (491,998)	\$ (722,427)	\$ -	\$ 148,467,854	\$ 6,505,640	\$ (329,107)	\$ (427,515)	\$ (9,434,661)	\$ 3,737,132	\$ -	\$ 148,519,353

Southwestern Vermont Health Care Corporation
CONSOLIDATING SCHEDULE - STATEMENT OF OPERATIONS INFORMATION
 Period July 1, 2023 to September 30, 2023
 (Successor)

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Group Eliminations	Group Total	MAHC	SVHCE	SVHCNY	SVHC Hoosick Falls/CNR	SVHC Reality	Eliminations	Consolidated
Net assets without donor restrictions														
Revenue														
Patient service revenue	\$ -	\$ 39,023,894	\$ -	\$ 216,906	\$ 408,457	\$ -	\$ 39,649,257	\$ 4,925	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,654,182
Fixed prospective patient revenue	-	6,530,667	-	-	-	-	6,530,667	-	-	-	-	-	-	6,530,667
Other	541,826	3,556,564	(2)	(1,436)	38,348	(540,176)	3,595,124	512,294	-	352,208	-	-	(352,208)	4,107,418
Contributions and grant revenue	-	96,513	251,412	-	-	311,389	659,314	-	-	-	-	-	-	659,314
Net assets released from restrictions used for operations	-	-	311,718	-	-	-	311,718	-	-	-	-	-	-	311,718
Total revenue	541,826	49,207,638	563,128	215,470	446,805	(228,787)	50,746,080	517,219	-	352,208	-	-	(352,208)	51,263,299
Expenses														
Salaries and wages	74,595	15,784,686	148,308	48,917	-	-	16,056,506	-	-	217,494	-	-	-	16,274,000
Employee benefits	20,589	4,008,430	33,473	5,781	-	-	4,068,273	-	-	36,121	-	-	-	4,104,394
Purchased services	317,126	22,148,453	449,383	249,073	778,316	(228,787)	23,713,564	2,251	-	8,232	-	-	(352,208)	23,371,839
Supplies and other	157	8,317,578	77,282	11,191	73,282	-	8,479,490	-	-	34,180	-	-	-	8,513,670
Depreciation and amortization	203,771	1,525,580	117	9,469	12,170	-	1,751,107	-	-	25,000	-	-	-	1,776,107
Interest	-	466,456	-	-	-	-	466,456	-	-	40,860	-	-	-	507,316
Total expenses	616,238	52,251,183	708,563	324,431	863,768	(228,787)	54,535,396	2,251	-	361,887	-	-	(352,208)	54,547,326
Operating income (loss)	(74,412)	(3,043,545)	(145,435)	(108,961)	(416,963)	-	(3,789,316)	514,968	-	(9,679)	-	-	-	(3,284,027)
Other items														
Business combination - fair value adjustment	5,923,612	-	-	-	-	-	5,923,612	-	-	-	-	-	-	5,923,612
Investment return, net	(2,601,409)	(573,679)	(907,109)	-	-	-	(4,082,197)	(183,900)	-	-	-	-	-	(4,266,097)
Other	(2,020)	(10,109)	-	-	-	-	(12,129)	-	-	-	-	-	-	(12,129)
	3,320,183	(583,788)	(907,109)	-	-	-	1,829,286	(183,900)	-	-	-	-	-	1,645,386
(Deficiency in) excess of revenues over expenses from continuing operations	3,245,771	(3,627,333)	(1,052,544)	(108,961)	(416,963)	-	(1,960,030)	331,068	-	(9,679)	-	-	-	(1,638,641)
Loss from discontinued operations	-	-	-	-	-	-	-	-	-	-	(808,359)	(228,107)	-	(1,036,466)
(Deficiency in) excess of revenues over expenses	\$ 3,245,771	\$ (3,627,333)	\$ (1,052,544)	\$ (108,961)	\$ (416,963)	\$ -	\$ (1,960,030)	\$ 331,068	\$ -	\$ (9,679)	\$ (808,359)	\$ (228,107)	\$ -	\$ (2,675,107)

Southwestern Vermont Health Care Corporation

CONSOLIDATING SCHEDULE - STATEMENT OF CHANGES IN NET ASSETS INFORMATION

Period July 1, 2023 to September 30, 2023
(Successor)

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Obligated Group Eliminations	Obligated Group Total	MAHC	SVHCE	SVHCNY	SVHC Hoosick Falls/ CNR	SVHC Realty	Eliminations	Consolidated
Net assets without donor restrictions														
(Deficiency in) excess of revenues over expenses (from previous page)	\$ 3,245,771	\$ (3,627,333)	\$ (1,052,544)	\$ (108,061)	\$ (416,963)	\$ -	\$ (1,960,030)	\$ 331,068	\$ -	\$ (9,679)	\$ (808,359)	\$ (228,107)	\$ -	\$ (2,675,107)
Net assets released from restriction used for purchase of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer (to) from affiliates, net	-	(3)	2	2	(2)	-	(1)	-	-	1	-	-	-	-
(Decrease) increase in net assets without donor restrictions	3,245,771	(3,627,336)	(1,052,542)	(108,959)	(416,965)	-	(1,960,031)	331,068	-	(9,678)	(808,359)	(228,107)	-	(2,675,107)
Net assets with donor restrictions														
Contributions received	-	-	1,159,169	-	-	-	1,159,169	-	-	-	-	-	-	1,159,169
Investment return, net	-	-	5,036	-	-	-	5,036	-	-	-	(20,648)	-	-	(15,612)
Change in beneficial interest in perpetual trusts	-	-	(50,352)	-	-	-	(50,352)	-	-	-	-	-	-	(50,352)
Net assets released from restriction	-	(5)	(311,713)	-	-	-	(311,718)	-	-	-	-	-	-	(311,718)
Increase in net assets with donor restriction	-	(5)	802,140	-	-	-	802,135	-	-	-	(20,648)	-	-	781,487
(DECREASE) INCREASE IN NET ASSETS	3,245,771	(3,627,341)	(250,402)	(108,959)	(416,965)	-	(1,157,896)	331,068	-	(9,678)	(829,007)	(228,107)	-	(1,893,620)
Net assets, beginning of period	76,130,138	48,213,912	25,338,239	(491,998)	(722,427)	-	148,467,864	6,505,640	(329,107)	(427,515)	(9,434,661)	3,737,132	-	148,519,353
Net assets, end of period	\$ 79,375,909	\$ 44,586,571	\$ 25,087,837	\$ (600,957)	\$ (1,139,392)	\$ -	\$ 147,309,968	\$ 6,836,708	\$ (329,107)	\$ (437,193)	\$ (10,263,668)	\$ 3,509,025	\$ -	\$ 146,625,733