

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

**Southwestern Vermont Health Care  
Corporation**

September 30, 2021 and 2020

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Trustees  
Southwestern Vermont Health Care Corporation

We have audited the accompanying consolidated financial statements of Southwestern Vermont Health Care Corporation (“Corporation”) which comprise the consolidated balance sheet as of September 30, 2021, and the related consolidated statement of operations and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

**Management’s responsibility for the financial statements**

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

**Auditor’s responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Southwestern Vermont Health Care Corporation as of September 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of matter**

As discussed in Note 1 to the consolidated financial statements, during the year ended September 30, 2021, the Corporation adopted Accounting Standard Update 2016-02, *Leases*, as amended. Our opinion is not modified with respect to this matter.

**Supplementary information**

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating balance sheet information as of September 30, 2021 and the related consolidating statement of operations and changes in net assets information for the year then ended are 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. 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 audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other matter**

The consolidated financial statements of the Corporation as of and for the year ended September 30, 2020, were audited by other auditors. Those auditors expressed an unmodified opinion on those 2020 consolidated financial statements in their report dated December 18, 2020.



New York, New York  
December 23, 2021

**Southwestern Vermont Health Care Corporation**

**CONSOLIDATED BALANCE SHEETS**

**September 30,**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 18,881,904	\$ 24,694,045
Patient accounts receivable	15,240,417	14,068,917
Other receivables	2,970,592	2,190,249
Supplies	3,207,284	3,254,500
Prepaid expenses and other	3,455,208	1,864,802
Total current assets	43,755,405	46,072,513
<b>Assets limited as to use</b>		
Internally designated	100,117,214	86,767,585
Donor restricted	19,478,661	14,547,759
Total assets limited as to use	119,595,875	101,315,344
<b>Assets held for sale</b>	5,889,309	4,420,730
<b>Property and equipment, at cost</b>	172,302,054	172,059,821
Less accumulated depreciation	129,467,994	129,574,166
Property and equipment, net	42,834,060	42,485,655
<b>Operating lease assets</b>	1,089,009	-
<b>Finance lease assets</b>	3,470,388	-
<b>Other assets</b>		
Beneficial interest in perpetual trusts	2,745,840	2,434,113
Deferred compensation plan assets	2,626,136	2,859,906
Other	4,882,684	2,860,729
Total other assets	10,254,660	8,154,748
Total assets	\$ 226,888,706	\$ 202,448,990

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

**Southwestern Vermont Health Care Corporation**  
**CONSOLIDATED BALANCE SHEETS - CONTINUED**

**September 30,**

	<b>2021</b>	<b>2020</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current maturities of long-term debt	\$ 260,000	\$ 440,624
Current maturities of operating lease liability	318,517	-
Current maturities of finance lease liability	345,396	-
Accounts payable	6,817,969	7,713,936
Accrued expenses	24,850,881	12,386,381
Unearned revenue - provider relief funds	-	4,694,073
Medicare advances	7,467,105	3,517,000
Estimated amounts due to third-party payors	5,995,417	9,771,216
Estimated self-insurance costs	1,056,786	1,293,524
Accrued pension liabilities	2,953,780	-
Total current liabilities	50,065,851	39,816,754
<b>Long-term debt, net of current maturities</b>	6,226,344	10,283,235
<b>Operating lease liability, net of current maturities</b>	780,711	-
<b>Finance lease liability, net of current maturities</b>	3,846,975	-
<b>Medicare advances, net of current portion</b>	-	7,242,000
<b>Asset retirement obligations</b>	1,217,486	1,217,212
<b>Accrued pension liabilities</b>	-	10,723,478
<b>Deferred compensation, net of current portion</b>	2,839,989	2,853,162
<b>Interest rate swap agreement</b>	1,260,485	1,783,740
<b>Other liabilities</b>	1,640,526	2,261,648
Total liabilities	67,878,367	76,181,229
<b>Net assets</b>		
Without donor restrictions	134,315,707	105,944,480
With donor restrictions	24,694,632	20,323,281
Total net assets	159,010,339	126,267,761
Total liabilities and net assets	\$ 226,888,706	\$ 202,448,990

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**

**Years ended September 30,**

	<b>2021</b>	<b>2020</b>
<b>Net assets without donor restrictions</b>		
Revenue		
Patient service revenue	\$ 147,881,033	\$ 129,305,673
Fixed prospective patient revenue	31,018,104	27,050,585
Other	8,989,359	14,151,901
Provider relief funds	4,609,999	5,100,257
Net assets released from restrictions used for operations	910,779	853,408
Total revenue	193,409,274	176,461,824
Expenses		
Salaries and wages	59,173,029	54,560,485
Employee benefits	15,297,986	15,961,469
Purchased services	48,546,469	44,158,675
Supplies and other	56,341,064	51,272,529
Depreciation and amortization	6,834,499	6,815,309
Interest	743,755	760,677
Total expenses	186,936,802	173,529,144
Operating Income	6,472,472	2,932,680
Other items		
Investment return, net	12,563,840	4,847,685
Change in fair value of interest rate swap agreement	523,255	(322,414)
Contributions and grant revenue	1,657,760	862,320
Net periodic benefit plan income	2,499,690	2,093,070
Loss on pension settlement	(3,160,697)	-
Other	5,206	(28,171)
Total other items	14,089,054	7,452,490
Excess of revenues over expenses from continuing operations	20,561,526	10,385,170
Gain (loss) from discontinued operations	5,480,957	(5,033,366)
Excess of revenues over expenses	26,042,483	5,351,804

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**

**Years ended September 30,**

	<b>2021</b>	<b>2020</b>
<b>Net assets without donor restrictions</b>		
Excess of revenues over expenses (from previous page)	\$ 26,042,483	\$ 5,351,804
Other changes in net assets without donor restrictions:		
Grant received for acquisition of property and equipment	10,000	251,289
Net assets released from restriction used for purchase of property and equipment	91,680	694,394
Other changes in defined benefit pension obligation:		
Net loss arising during the period	(2,657,168)	(7,587,687)
Amortization of net loss included in net periodic pension cost	1,723,535	1,552,950
Recognition of loss on pension settlement	3,160,697	-
	28,371,227	262,750
Increase in net assets without donor restrictions		
	28,371,227	262,750
<b>Net assets with donor restrictions</b>		
Contributions received	4,863,269	4,186,524
Investment return, net	198,814	28,128
Change in beneficial interest perpetual trusts	311,727	103,998
Net assets released from restriction	(1,002,459)	(1,547,802)
	4,371,351	2,770,848
Increase in net assets with donor restrictions		
	4,371,351	2,770,848
<b>INCREASE IN NET ASSETS</b>	<b>32,742,578</b>	<b>3,033,598</b>
<b>Net assets, beginning of year</b>	<b>126,267,761</b>	<b>123,234,163</b>
<b>Net assets, end of year</b>	<b>\$ 159,010,339</b>	<b>\$ 126,267,761</b>

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



**Southwestern Vermont Health Care Corporation**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years ended September 30,**

	<b>2021</b>	<b>2020</b>
<b>Operating activities:</b>		
Increase in net assets	\$ 32,742,578	\$ 3,033,598
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Gain on sale of assets held for sale	(7,359,714)	-
Impairment on assets held for sale	-	3,869,531
Depreciation and amortization	6,834,499	6,815,309
Net realized and unrealized gains on investments	(11,536,675)	(1,865,755)
Change in fair value of interest rate swap agreement	(523,255)	322,414
Change in beneficial interest in perpetual trusts	(311,727)	(103,998)
Restricted contributions and investment income received	(5,062,083)	(4,229,950)
Grant received for acquisition of property and equipment	(10,000)	(251,289)
Other changes in defined benefit pension obligation	(2,398,537)	6,034,737
Changes in assets and liabilities:		
Patient accounts receivable	(1,171,500)	2,052,734
Estimated amounts due to third-party payors	(3,775,799)	7,595,717
Unearned revenue - provider relief funds	(4,607,646)	4,607,646
Medicare advances	(3,291,895)	10,759,000
Accounts payable and accrued expenses	11,482,106	(2,148,645)
Operating lease liability, net	10,219	-
Accrued pension liabilities	(5,371,161)	(7,371,830)
Other assets and liabilities	(4,241,342)	987,495
	1,408,068	30,106,714
<b>Investing activities:</b>		
Increase in assets limited as to use	(8,392,829)	(7,966,115)
Proceeds from sale of assets held for sale	9,800,000	-
Purchase of assets held for sale	(4,650,000)	-
Purchase of property and equipment	(10,551,860)	(5,624,452)
	(13,794,689)	(13,590,567)
<b>Financing activities:</b>		
Proceeds from restricted contributions and investment income	5,062,083	2,031,475
Proceeds from grant income	10,000	251,289
Proceeds from issuance of long-term debt	-	3,054,964
Principal payments on long-term debt	(250,000)	(3,440,513)
Finance lease liability	103,424	-
	4,925,507	1,897,215
	(7,461,114)	18,413,362
<b>(DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS</b>		
	38,787,955	20,374,593
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of year</b>		
	\$ 31,326,841	\$ 38,787,955
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year</b>	\$ 31,326,841	\$ 38,787,955

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

**Southwestern Vermont Health Care Corporation**

**CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED**

Years ended September 30,

	<b>2021</b>	<b>2020</b>
<b>Reconciliation of cash and cash equivalents to the consolidated balance sheets:</b>		
Cash and cash equivalents in current assets	\$ 18,881,904	\$ 24,694,045
Cash and cash equivalents in assets limited as to use	12,444,937	14,093,910
	<b>\$ 31,326,841</b>	<b>\$ 38,787,955</b>
<b>Supplemental cash flows information:</b>		
Interest paid	\$ 743,755	\$ 768,234
Change in accruals for property and equipment in accounts payable	\$ 454,754	\$ 583,861
<b>Discontinued operations:</b>		
Operating activities:		
Gain on sale of assets held for sale	\$ (7,359,714)	\$ -
Impairment on assets held for sale	-	3,869,531
Other changes in defined benefit pension obligation	(171,473)	-
Depreciation and amortization	692,356	808,910
	<b>\$ (6,838,831)</b>	<b>\$ 4,678,441</b>
Investing activities:		
Proceeds from sale of assets held for sale	\$ 9,800,000	\$ -

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

**Southwestern Vermont Health Care Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2021 and 2020**

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

***Nature of Operations***

Southwestern Vermont Health Care Corporation (SVHC) 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. 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.

Mount Anthony Housing Corporation (MAHC) is doing business as Centers for Living and Rehabilitation (CLR) and is a not-for-profit corporation organized for the purpose of developing, managing, and operating nursing homes.

Southwestern Vermont Health Care Foundation, Inc. (Foundation) is a not-for-profit corporation organized exclusively for charitable and educational purposes for SVHC, its successors, subsidiaries, and affiliates.

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 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 Medical, P.C.

SVHC Hoosick Falls (SVHCHF) includes Hoosick Falls Health Center, Inc., d/b/a The Center for Nursing and Rehabilitation at Hoosick Falls (CNR). CNR is a not-for-profit organization organized for the purpose of developing, managing, and operating nursing homes.

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 Auxiliary, Inc. (SVHCA) is a not-for-profit corporation organized for the purpose of serving and assisting SVHC and its subsidiaries in promoting the health and welfare of the community in accordance with SVMC's objectives and to conduct various philanthropic activities for SVMC.

During the year ended September 30, 2020, the Corporation entered into agreements for the sale of certain CLR and CNR assets, which are presented as held for sale in the accompanying consolidated financial statements. In June 2021, the final sale of CLR occurred and CLR is no longer included in assets held for sale at September 30, 2021. As part of the sale, the Corporation sold an 80% interest in CLR to unrelated

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

company. CLR and CNR operations are presented as discontinued operations within the consolidated financial statements (Note 22).

***Principles of Consolidation***

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

***Recently Adopted Accounting Pronouncement***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, as amended, which requires (1) most leases to be recognized on the balance sheet and (2) disclosure about leasing arrangements. The new standard was effective for fiscal years beginning after December 15, 2019. The new standard establishes a right of use ("lease assets") model that requires a lessee to recognize a lease asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of operations.

The Corporation adopted the new standard on October 1, 2020 and elected the option to apply the transition requirements in the standard. Consequently, financial information will not be updated, and the disclosures required under the standard will not be provided for dates and periods before October 1, 2020.

The new standard provides a number of optional practical expedients in transition. The Corporation has elected the "package of practical expedients," which permits entities to not reassess conclusions prior to the implementation of the new standard about lease identification, lease classification and initial direct costs.

The most significant effects on the Corporation's consolidated financial statements relate to: (1) the recognition of new lease assets and lease liabilities on the consolidated balance sheet for existing real estate and equipment operating leases; and (2) providing significant new disclosures about leasing activities.

The impact on the October 1, 2020, consolidated balance sheet was the recognition of the operating lease assets and corresponding operating lease liabilities of \$1,079,167, based on the present value of the remaining minimum rental payments for existing operating leases.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. 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, useful lives of property, plant and equipment, estimated self-insurance costs, asset retirement obligations, accrued pension liabilities, the fair value of the interest rate swap agreements, imputed interest for leases, and the reported fair values of certain assets and liabilities. Actual results could differ from those estimates.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

***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, the fair value of the interest rate swap agreements, and long-term debt. The carrying amounts reported in the consolidated balance sheets 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 payors, the fair value of the interest rate swap agreements, 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, 2021 and 2020, cash equivalents consisted primarily of money market sweep accounts with banks, which are not FDIC insured, but may be covered by separate agreements with the financial institution. At September 30, 2021, the Corporation held approximately \$17,622,000 in sweep products with one financial institution.

At September 30, 2021, 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) and 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 excess of 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 and (2) 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.

## Southwestern Vermont Health Care Corporation

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

#### ***Contract Assets and Liabilities***

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 sheets.

Amounts received related to health care services that have not yet been provided to patients are contract liabilities. Medicare advanced payments were received under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act, see Note 2).

#### ***Supplies***

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

#### ***Property and Equipment***

Property and equipment acquisitions are stated at cost, 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. In 2020, assets under capital lease obligations and leasehold improvements were amortized over the shorter of the lease term or respective estimated useful lives.

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.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

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.

An asset impairment of \$3,869,531 was recognized during the year ended September 30, 2020, based on estimated proceeds from the sale of CNR assets, which is included in discontinued operations in the accompanying consolidated financial statements.

No asset impairment was recognized during the year ended September 30, 2021.

***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 statement 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.

***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, 2021 and 2020, the maximum guarantee on the outstanding loan was approximately \$1,350,000 for each year. At September 30, 2021 and 2020, the Corporation's recorded no liability under the guarantee agreement.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

***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 receives monthly fixed prospective payments for services provided by the hospital (and hospital-owned physician practices) participating in the Vermont Medicaid Next Generation Accountable Care Organization (ACO) Pilot Program. As of January 1, 2019, the same entities entered into participation agreements with One Care Vermont for the Medicare Next Generation ACO, the Vermont Medicaid Next Generation ACO, and the Commercial Blue Cross Blue Shield of Vermont (BCBB) ACO programs; all three programs encompass services provided by hospitals (and hospital-owned practices) participating in the ACO arrangement. The Medicare and Medicaid 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 BCBB program pays fee-for-service and provides for a reconciliation process at the end of the fiscal year. The revenues for the Medicare and Medicaid programs are recorded on the fixed prospective patient revenue line on the statement of operations. Revenues 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, 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. The maximum risk for calendar year 2021 and 2020 was no maximum potential gain or loss, due to a waiver during the COVID-19 public health emergency.



**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

The Corporation also receives periodic interim payments through the ACO programs. Advanced payments of approximately \$5,745,000 and \$4,634,000 were received as of September 30, 2021 and 2020, respectively, 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 approximately \$1,012,000 and \$1,103,000 for the years ended September 30, 2021 and 2020, 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

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.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

***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, MAHC, SVHCA, the Foundation, SVHCNY, Twin Rivers, NBM, and CNR 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 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, 2021 and 2020.

***Derivative Financial Instruments***

The Corporation recognizes all derivative financial instruments in the consolidated balance sheets at fair value. Management has determined that the interest rate swap agreement does not qualify as a hedge for financial reporting purposes. Consequently, the change in the fair value of the interest rate swap agreements is included in other items as a component of excess of revenues over expenses in the consolidated statements of operations and changes in net assets.

The interest rate swap agreements are used to manage interest rate exposures and to hedge the changes in cash flows on variable rate revenue bonds. Derivative financial instruments involve, to a varying degree, elements of market and credit risk. The market risk associated with these instruments resulting from interest rate movements is expected to offset the market risk of the liability being hedged.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

***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 Revenues Over Expenses***

The consolidated statements of operations include excess of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenues over expenses, consistent with industry practice, grants received for acquisition of property and equipment, net assets released from restriction used for the purchase of property and equipment, and other changes in defined benefit pension obligation.

***Pending Accounting Pronouncement***

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848), which provides practical expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments in this update apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued as a result of reference rate reform. These amendments are not applicable to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. ASU 2020-04 may be applied to contract modifications and hedging relationships through December 31, 2022. The Corporation will adopt this standard when LIBOR is discontinued or when contracts that reference LIBOR are renegotiated. The Corporation is currently evaluating the impact of this ASU on the consolidated financial statements and disclosures.

**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 for the year ended September 30, 2020. 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, however, volumes have not returned to pre-pandemic levels. Management is actively monitoring operating revenues and expenses and based on the continuing uncertainties of COVID-19, it is unable to determine if it will have a material impact on its operations for the year ending September 30, 2022.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

The Corporation received grant payments, which are considered nonexchange transactions, from the federal government distributed under the Coronavirus Aid, Recovery and Economic Security (CARES) Act. For the year ended September 30, 2020, the Corporation received payments totaling \$10,980,388. Amounts of \$4,609,999 and \$5,100,257, respectively, are included in revenue in the consolidated statements of operations and changes in net assets for the years ended September 30, 2021 and 2020. \$507,788 and \$762,344 was included in discontinued operations for the years ended September 30, 2021 and 2020, respectively (Note 25). Future grant payments are uncertain at this time.

The CARES Act also provided for an expansion of the Medicare Accelerated and Advance Payment Program for patient services. Under the program, the Corporation received \$10,759,000 in April 2020, and recorded these payments in Medicare Advances in the consolidated balance sheet at September 30, 2020. The recoupment period began in April 2021 and amounts billed to Medicare for services provided are offset against the advanced payments received until the advance is fully recouped by the Medicare program. During the year ended September 30, 2021, Medicare recouped \$3,291,895, which resulted in \$7,467,105 included in Medicare Advances in the consolidated balance sheet at September 30, 2021. The Corporation will have until September 2022, to offset future claims against the advance. If the advance has not been entirely offset by claims at the end of this period, the Corporation will be required to repay the remaining amount.

The Corporation received the following amounts through the state of Vermont during the year ended September 30, 2020 and are included in other revenues in the consolidated statement of operations and changes in net assets:

- 1) Grant of \$6,457,919 from the Health Care Provider Stabilization Grant Program.
- 2) Grant of \$706,051 from the Medicaid retainer funding program.
- 3) Grant of \$728,400 from the Hazard Pay program.

Blue Cross Advance

The Corporation received an advance from Blue Cross of \$1,900,000, which was included in amounts due to third-party payors at September 30, 2020. This advance was repaid in full in December 2020.

Paycheck Protection Program

The Corporation obtained two loans through a bank for the Small Business Administration Paycheck Protection Program (the Program). The loans were designed to provide a direct incentive for small businesses to keep their workers on payroll and could be used to pay for mortgage interest, rent, utilities, worker protection costs related to the effect of the COVID-19 pandemic.

The first loan to MAHC in the amount of \$1,866,712 was received on April 22, 2020, at a fixed rate of 1.00%, maturing April 22, 2022.

The second loan to CNR in the amount of \$1,178,252 was received on April 23, 2020, at a fixed rate of 1.00%, maturing April 23, 2022.

These Program loans were repaid in full before September 30, 2020.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**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.

***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.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

***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 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 years ended September 30, 2021 and 2020.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

***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 years ended September 30, 2021 and 2020, 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 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, 2021 and 2020, the Corporation has a liability for refunds to third-party payors and patients recorded of approximately \$289,000 and \$301,000, respectively, which are included in accounts payable on the consolidated balance sheets.

***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 years ended September 30, is as follows:

	2021	2020
Medicare	32%	31%
Medicaid	7%	7%
Blue Cross	31%	31%
Other third-party payors	29%	30%
Self-pay	1%	1%
	<u>100%</u>	<u>100%</u>

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

The composition of patient care service revenue based on lines of business for the years ended September 30, are as follows:

	<u>2021</u>	<u>2020</u>
Hospital inpatient	25%	22%
Hospital outpatient	57%	61%
Physician services	<u>18%</u>	<u>17%</u>
	<u>100%</u>	<u>100%</u>

***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, are as follows:

	<u>2021</u>	<u>2020</u>
Medicare	30%	30%
Medicaid	7%	16%
Blue Cross	13%	16%
Other third-party payors	31%	25%
Self-pay	<u>19%</u>	<u>13%</u>
	<u>100%</u>	<u>100%</u>



**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**NOTE 5 - INVESTMENTS AND INVESTMENT RETURN**

***Assets Limited as to Use***

<u>Assets limited as to use as of September 30 include:</u>	<u>2021</u>	<u>2020</u>
Cash and short-term investments	\$ 2,852,349	\$ 5,640,524
Brokered certificate of deposit	558,633	-
Fixed income mutual funds	50,846	298,668
Investment fund - total return strategies	15,616,026	13,652,632
Investment fund - fixed income	7,347,873	16,894,897
Investment fund - equity	32,055,862	13,361,020
Investment fund - defensive equity	-	8,686,323
Investment fund - Treasury Inflation Protected Securities (TIPS)	2,223,719	4,100,826
Limited partnership	-	4,105,562
Equity securities		
Materials	60,327	48,630
Industrials	196,487	124,618
Communication services	166,442	37,168
Consumer discretionary	242,274	234,188
Consumer staples	96,099	116,728
Energy	38,649	29,555
Financial institutions	297,546	180,701
Health care	292,126	294,877
Utilities	38,632	44,776
Real estate investment trusts	21,669	12,638
Information technology	455,892	503,439
Foreign equity mutual funds	24,588,815	16,160,998
Domestic equity mutual funds	10,000,934	12,613,860
Balanced mutual funds	17,850	100,601
Government agency securities	2,202,912	2,117,435
Corporate obligations	20,173,911	1,954,680
	<u>\$ 119,595,875</u>	<u>\$ 101,315,344</u>

***Deferred Compensation Plan Assets***

Deferred compensation plan assets are comprised of at September 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 436,656	\$ 449,116
Equity mutual funds	3,117,594	2,222,623
Fixed income mutual funds	194,202	188,167
	<u>3,748,452</u>	<u>2,859,906</u>
Less current portion in other prepaid expenses and other	1,122,316	-
	<u>\$ 2,626,136</u>	<u>\$ 2,859,906</u>

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**Investment Return**

Total investment return comprised of the following for the years ended September 30:

	2021	2020
Interest and dividend income	\$ 1,225,979	\$ 3,010,058
Net realized gains on investments	10,251,899	921,118
Change unrealized gains and losses on investments	1,284,776	944,637
	\$ 12,762,654	\$ 4,875,813

Total investment return is reflected in the consolidated statements of operations and changes in net assets as follows for the years ended September 30:

	2021	2020
Net assets without donor restrictions – other items		
Investment return, net	\$ 12,563,840	\$ 4,847,685
Net assets with donor restrictions	198,814	28,128
	\$ 12,762,654	\$ 4,875,813

**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:

	2021	2020	Redemption Frequency	Redemption Notice Period
Investment fund (A)	\$ 2,223,719	\$ 4,100,826	Daily	2-day written notice
Investment fund (B)	15,616,026	13,652,632	Monthly	30-day written notice
Investment fund (C)	32,055,862	13,361,020	Daily	Daily
Investment fund (D)	-	8,686,323	Monthly	5-day written notice
Limited partnership (E)	-	4,105,562	Monthly	15-day written notice
Investment fund (F)	7,347,873	16,894,897	Daily	Daily
	\$ 57,243,480	\$ 60,801,260		

- A. This category includes investments in Treasury Inflation-Protected Securities (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 designed to provide a defensive equity exposure that is expected to provide favorable risk adjusted performance relative to the S&P 500 index over the long term, and is

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

expected to produce the strongest relative performance when the S&P 500 index is experiencing negative returns.

- E. This category includes a hedge fund used by the Corporation to diversify risk.
- F. 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, 2021.

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30:

	2021	2020
Land and land improvements	\$ 5,663,901	\$ 5,597,817
Buildings and leasehold improvements	62,682,079	62,675,597
Equipment	101,649,657	102,683,033
Construction in progress	2,306,417	1,103,374
	172,302,054	172,059,821
Less accumulated depreciation	129,467,994	129,574,166
	<b>\$ 42,834,060</b>	<b>\$ 42,485,655</b>

Construction in progress at September 30, 2021, comprises various construction costs related to healthcare facilities modernization. The estimated remaining cost to complete these projects is \$24,330,000, with anticipated completion dates ranging from fall 2021 to spring 2024.

During the year ended September 30, 2021, the Corporation purchased nearby properties for \$4,650,000. Management is actively searching for a buyer of the properties and as a result the amount is included in assets held for sale in the September 30, 2021 consolidated balance sheet.

**NOTE 7 - CONDITIONAL CONTRIBUTIONS**

The Corporation has received the following conditional promises to give and conditional grants at September 30:

	2021	2020
Conditional contribution, not recognized as criteria for receiving the funds has not been met	\$ 5,000,000	\$ 5,000,000
Conditional grants, Provider Relief Funds (Note 2)	-	4,609,999
	<b>\$ 5,000,000</b>	<b>\$ 9,609,999</b>

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**NOTE 8 - 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 statements of changes in net assets. A beneficial interest in perpetual trust is recorded in the consolidated balance sheets 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 sheets, with trust distributions and changes in fair value recognized in the consolidated statements of operations and changes in net assets.

The estimated value of the expected future cash flows is \$2,745,840 and \$2,434,113, which represents the fair value of the trust assets at September 30, 2021 and 2020, respectively.

**NOTE 9 - PROFESSIONAL LIABILITY**

MAHC, SVMC, SVHCE, SVHC, Twin Rivers, NBM, 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.

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 10 - LINES OF CREDIT**

The Corporation obtained a revolving demand line of credit providing borrowings up to \$5,000,000, due August 31, 2023. Payments of interest only are due monthly at a rate of the one-month LIBOR plus 1.5%. The minimum rate on the line of credit is 2.5%. The interest rate was 2.5% at September 30, 2021 and 2020. This line of credit is secured by substantially all of the Corporation's assets. At September 30, 2021 and 2020, there was no balance outstanding on the line of credit.

The Corporation obtained another a revolving demand line of credit providing borrowings up to \$15,000,000, due April 13, 2022. Payments of interest only are due monthly at a rate of the one-month LIBOR plus 1.75%. The minimum rate of the line of credit is 2.75%. The interest rate at was 2.75% at September 30, 2021 and 2020. This line of credit is secured by substantially all of the Corporation's assets. At September 30, 2021 and 2020, there was no balance outstanding on the line of credit.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**NOTE 11 - LONG-TERM DEBT**

Long-term debt consists of the following for the years ended September 30:

	2021	2020
Hospital revenue bonds (A)	\$ 6,560,000	\$ 6,810,000
Note payable (B)	-	10,000
Capital lease obligations (C)	-	925,887
Capital lease obligations (D)	-	1,693,860
Capital lease obligations (E)	-	1,362,101
	6,560,000	10,801,848
Less current maturities	260,000	440,624
Less unamortized debt issuance costs	73,656	77,989
	\$ 6,226,344	\$ 10,283,235

- A. In March 2008, the Corporation entered into an agreement with the Vermont Educational and Health Building Financing Agency (VEHBFA) to issue \$8,865,000 of Hospital Revenue Bonds (Southwestern Vermont Medical Center Project) Series 2008A. The bonds bear interest at variable rates based on the daily rate, 0.06% and 0.08% at September 30, 2021 and 2020, respectively, and mature in various amounts through October 1, 2038. The bonds are secured by the gross revenues of SVMC, SVHC, Twin Rivers, NBO, and Foundation (the Obligated Group).

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, 2021 and 2020, the Obligated Group has complied with all financial covenants in the loan agreement.

The Obligated Group maintains a letter-of-credit facility that permits the trustee to draw an amount up to the principal amount outstanding should the bonds not be remarketed and become due. The letter of credit, which expires on March 31, 2022, can be used to pay principal and interest on the 2008 bonds. Amounts drawn under the letter of credit will bear an interest rate of prime plus 2%. Scheduled maturities do not change if the letter of credit is drawn upon. The letter of credit is renewable, subject to trustee approval, throughout the term of the Series 2008A Bonds.

- B. Due October 2020; payable \$10,000 at the due date plus annual interest at 2.75%, the loan is an Economic Injury Disaster Loan (EIDL) received in conjunction with the COVID-19 pandemic and CARES Act programs. The EIDL loan was paid in full in October 2020.
- C. During 2013, the Corporation sold a medical office building to a real estate management company and entered into a capital lease agreement for continued use of the property. This transaction is accounted for as a sale-leaseback arrangement. The lease term was through November 2032, and required initial annual payments of \$127,187, with an increase of 3.5% each year.
- D. Various capital lease agreements, which required monthly payments at various interest rates. Agreements were due through 2040, secured by property and equipment.
- E. During 2018, the Corporation sold a medical office building to a real estate management company and entered into a capital lease agreement for continued use of the property. This transaction is accounted for as a sale-leaseback arrangement. The lease term was through September 2032, and required initial annual payments of \$200,655, with an increase of 2.75% each year.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

All capital leases are recorded as finance lease liabilities as of October 1, 2020, in accordance with ASU No. 2016-02, *Leases*, as amended.

Property and equipment include the following property under capital leases at September 30, 2020:

Property and equipment	\$ 9,296,498
Less accumulated amortization	<u>5,923,209</u>
	<u>\$ 3,373,289</u>

Aggregate annual maturities and sinking fund requirements of long-term debt at September 30, 2021, are:

2022	\$ 260,000
2023	270,000
2024	280,000
2025	290,000
2026	300,000
Thereafter	<u>5,160,000</u>
	<u>\$ 6,560,000</u>

In December 2021, the Corporation entered into an agreement with the Vermont Educational and Health Building Financing Agency (VEHBFA) to issue \$28,027,000 of Revenue and Refunding Bonds (Southern Vermont Medical Center Project) 2021 Series A (Series A) and 2021 Series B (Series B). The 2021 Series A Bonds in the amount of \$6,300,000 were used to repay in full the existing Series 2008 A bonds. The 2021 Series B bonds in the amount of \$21,727,000 were issued for purposes of renovation/expansion of the SVMC Emergency Department and fund other capital needs. These bonds were funded by a direct placement from a financial institution. In addition, The same financial institution also provided a \$1,273,000 taxable loan (the Taxable Loan) for the termination and settlement of the Corporation's interest rate swap agreement (Note 12) associated with a portion of its refinanced floating rate debt. Interest rates on Series A, Series B, and the Taxable Loan are fixed at 2.68%, 2.75%, and 2.00%, respectively. Interest and principal are payable monthly, with the terms of the 2021 Series A and B at through December 2031, while the Taxable Loan through December 2023.

**NOTE 12 - INTEREST RATE SWAP AGREEMENT**

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Corporation entered into an interest rate swap agreement for a portion of its floating rate debt. The agreement provides for the Corporation to receive interest from the counterparty at 68% of LIBOR and to pay interest to the counterparty at a fixed rate of 3.17% on notional amounts of \$6,560,000 and \$6,810,000 at September 30, 2021 and 2020, respectively. Under the agreement, the Corporation pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

Management has not designated the interest rate swap agreement as a hedging instrument. As a result, the agreement is recorded at fair value with subsequent changes in fair value included in excess of revenues over expenses. The fair value of the swaps at September 30, 2021 and 2020, were \$1,260,485 and \$1,783,740, respectively, and is recorded in long-term liabilities. The change recognized as a component of excess of revenues over expenses in other items for the years ended September 30, 2021 and 2020, was \$523,255 and \$(322,414), respectively.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**NOTE 13 - LEASES**

The following table presents the components of the Corporation's lease assets and liabilities related to leases and their classification as of September 30:

Component of Lease Balances	Classification in Consolidated Balance Sheet	2021
<b>Assets</b>		
Operating lease assets	Operating lease assets	\$ 1,089,009
Finance lease assets	Finance lease assets	<u>3,470,388</u>
Total leased assets		<u>4,559,397</u>
<b>Liabilities</b>		
Operating lease liabilities		
Current	Current operating lease liability	318,517
Long-term	Operating lease liability	<u>780,711</u>
		<u>1,099,228</u>
Finance lease liabilities		
Current	Current finance lease liability	345,396
Long-term	Finance lease liability	<u>3,846,975</u>
		<u>4,192,371</u>
		<u>\$ 5,291,599</u>

The following table presents the components of lease expense and their classification in the consolidated statement of operations and changes in net assets for the year ended September 30:

Component of Lease Balances	Classification in Consolidated Statement of Operations and Changes in Net Assets	2021
Operating lease expense	Supplies and other	\$ 348,647
Finance lease expense		
Amortization of leased assets	Depreciation and amortization	465,555
Interest on lease liabilities	Interest	<u>468,980</u>
		<u>934,534</u>
		<u>\$ 1,283,182</u>

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

The weighted-average lease terms and discount rates for operating and finance leases at September 30, 2021 is as follows:

Weighted-average remaining lease term (years)		
Operating leases		6.51 years
Finance leases		5.52 years
Weighted-average discount rate		
Operating leases		2.50%
Finance leases		12.99%

Cash flow related to leases for the year ended September 30, 2021 is as follows:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash outflows relating to operating leases	\$	338,430
Financing cash outflows relating to finance leases	\$	819,475

The future minimum rental commitments for all noncancelable operating and finance leases as of September 30, 2021 are as follows:

<u>Years Ending September 30,</u>	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2022	\$ 342,372	\$ 809,518	\$ 1,151,890
2023	253,563	801,344	1,054,907
2024	107,332	668,663	775,995
2025	109,123	612,569	721,692
2026	110,972	636,919	747,891
Thereafter	258,243	5,973,231	6,231,474
	<u>1,181,605</u>	<u>9,502,244</u>	<u>10,683,849</u>
Less: imputed interest	<u>82,377</u>	<u>5,309,873</u>	<u>5,392,252</u>
	<u>\$ 1,099,228</u>	<u>\$ 4,192,371</u>	<u>\$ 5,291,597</u>

Prior to the adoption of ASU 842, *Leases*, as amended, rent expense for operating lease agreements for the year ended September 30, 2020 totaled \$261,753.



**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	2021	2020
Subject to expenditure for specified purpose		
Health care services	\$ 10,005,836	\$ 5,104,661
Other	31,535	29,141
	10,037,372	5,133,802
Subject to the passage of time		
Promises to give restricted by donors and which are not available for expenditure until due	2,473,054	3,341,791
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	304,996	80,016
Subject to spending policy or appropriation		
Investments to be held in perpetuity, the income is expendable for general purposes	6,727,913	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	2,621,182	2,619,438
Not subject to spending policy or appropriation		
Beneficial interest in perpetual trust	2,367,442	2,337,662
	12,021,533	11,765,029
Not subject to spending policy or appropriation		
Beneficial interest in assets held by others	162,674	82,659
	<b>\$ 24,694,632</b>	<b>\$ 20,323,281</b>

During 2021 and 2020, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes in the amounts of \$910,779 and \$853,408, respectively. During 2021 and 2020, net assets of \$91,680 and \$694,394, respectively, 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, 2021 and 2020**

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 U.S. 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 years ended September 30, were:

	2021	2020
Endowment net assets, beginning of year	\$ 11,765,029	\$ 11,707,678
Investment return and net appreciation	1,091,480	112,349
Contributions and reclassifications	1,744	-
Appropriation of endowment assets for expenditure	(836,720)	(54,998)
Endowment net assets, end of year	\$ 12,021,533	\$ 11,765,029

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.

**NOTE 16 - LIQUIDITY AND AVAILABILITY**

As of September 30, 2021 and 2020, the adjusted working capital was \$93,806,768 and \$93,023,344, respectively, and the adjusted average days of cash on hand was 241 and 244 days, respectively, both of which include internally designated assets limited as to use.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

Financial assets available for general expenditure within one year of September 30, 2021 and 2020, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 18,881,904	\$ 24,694,045
Patient accounts receivable	15,240,727	14,068,917
Other receivables	2,970,592	2,190,249
Assets limited as to use - internally designated	100,117,214	86,767,585
	\$ 137,210,437	\$ 127,720,796

The Corporation has certain board-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. To help manage unanticipated liquidity needs, the Corporation has two committed lines of credit described in Note 10, which it could draw upon.

**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, for the year ended September 30:

Expenses	2021			
	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 45,139,449	\$ 13,490,744	\$ 542,836	\$ 59,173,029
Employee benefits	11,669,889	3,487,758	140,338	15,297,986
Purchases services	47,393,394	935,496	217,579	48,546,469
Supplies and other	41,689,652	13,476,374	1,175,039	56,341,064
Depreciation and amortization	5,914,079	919,525	895	6,834,499
Interest	713,235	30,521	-	743,755
	\$ 152,519,698	\$ 32,340,417	\$ 2,076,687	\$ 186,936,802

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

Expenses	2020			
	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 41,224,575	\$ 12,757,306	\$ 578,604	\$ 54,560,485
Employee benefits	12,082,690	3,710,491	168,288	15,961,469
Purchases services	43,556,818	889,129	276,939	44,158,675
Supplies and other	35,047,698	14,549,144	1,111,478	51,276,529
Depreciation and amortization	5,806,827	1,008,014	466	6,815,309
Interest	726,012	34,665	-	760,677
	\$ 138,444,620	\$ 32,948,749	\$ 2,135,775	\$ 173,529,144

**NOTE 18 - PENSION PLAN**

***Defined Benefit Pension Plan***

The Corporation participates in a defined benefit pension plan (the plan) covering all employees who meet the eligibility requirements. The plan was frozen effective September 30, 2009. The Corporation's funding policy is to make the maximum annual contribution allowable by applicable regulations, plus such amounts as the Corporation may deem to be appropriate from time to time. The Corporation expects to make the required contribution of \$1,600,000 to the plan in 2022.

On December 31, 2020, the Corporation offered a lump sum window to the participants in the plan, and as a result a settlement loss of \$3,332,170 was recognized.

In March 2021, the Corporation approved the termination of the defined benefit pension plan. The Corporation will offer lump-sum cash payments to plan participants in exchange for their rights to receive specified pension benefits or the purchase of nonparticipating annuity contracts to cover vested benefits. The termination of the plan is expected to occur during the year ending September 30, 2022.

For the years ended September 30, 2021 and 2020, the Corporation adopted the mortality tables and mortality improvement projection scales that were released subsequent to year end by the Society of Actuaries, which provide updated projections on the life expectancy of participants.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

The Corporation uses a September 30 measurement date for the plan. Information about the plan's funded status follows:

	September 30,	
	2021	2020
Change in projected benefit obligations:		
Beginning of the year	\$ 129,991,575	\$ 122,646,401
Interest cost	2,894,485	3,688,492
Actuarial loss	(2,595,779)	8,795,359
Benefits paid	(5,372,401)	(5,138,676)
Settlements	(8,062,712)	-
	116,855,168	129,991,575
Change in fair value of plan assets		
Beginning of the year	119,268,097	110,585,830
Actual return on plan assets	2,068,404	8,645,943
Employer contributions	6,000,000	5,175,000
Benefits paid	(5,372,401)	(5,138,676)
Settlements	(8,062,712)	-
	113,901,388	119,268,097
Funded status at the end of the year	\$ (2,953,780)	\$ (10,723,478)

The accumulated benefit obligation was \$116,855,168 and \$129,991,575 at September 30, 2021 and 2020, respectively.

Amounts recognized in net assets without donor restrictions and not yet recognized as components of net periodic benefit cost consist of a net actuarial loss of \$54,760,601 and \$57,159,138 at September 30, 2021 and 2020, respectively.

	Year Ended September 30,	
	2021	2020
Components of net periodic benefit cost (income)		
Interest cost	\$ 2,894,485	\$ 3,688,492
Expected return on plan assets	(7,321,351)	(7,443,256)
Amortization of net loss	1,723,535	1,552,949
	(2,703,331)	(2,201,815)
Recognition of loss on settlement	3,332,170	-
Net periodic benefit cost (income)	\$ 628,839	\$ (2,201,815)

The portion of net periodic benefit cost (income) recognized as discontinued operations was (\$32,168) and (\$108,745) in 2021 and 2020, respectively.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

The following amounts have been recognized in other changes in defined benefit pension obligation in other changes in net assets without donor restrictions for the years ended September 30:

	2021	2020
Amounts arising during the period		
Net actuarial loss	\$ (2,657,168)	\$ (7,587,687)
Amounts reclassified as components of net periodic benefit cost (income) of the period		
Loss on settlement	3,332,170	-
Amortization of net actuarial loss	1,723,535	1,552,950

The portion of other changes in defined benefit obligation recognized as discontinued operations was \$171,473 in 2021.

The estimated net loss that will be amortized from net assets without donor restriction into net periodic benefit cost over the next fiscal year is \$2,163,167.

Significant assumptions include:

	2021	2020
Weighted-average assumptions used to determine benefit obligations		
Discount rate	2.71%	2.50%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit costs		
Discount rate	2.50%	3.07%
Expected return on plan assets	6.25%	6.75%
Rate of compensation increase	N/A	N/A

The discount rate used at the time of the settlement was 2.36% to determine the settlement loss.

Benefit payments are expected to be paid from the plan in the year ending September 30, 2022 of approximately \$117,000,000.

The Corporation has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations, and recent changes in long-term interest rates based on publicly available information.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

The primary objectives of the Corporation's investment policy are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions, achieve asset returns that are competitive with like institutions employing similar investment strategies, and meet expected future benefits. The investment policy is periodically reviewed by the Corporation and a third-party fiduciary. The target asset allocation percentages for 2021 and 2020 are as follows:

Cash and cash equivalents	-%
Equity mutual funds	15.0%
Fixed income mutual funds	10.0%
Alternative investments and other mutual funds	75.0%
	100.0%

**Defined Benefit Pension Plan Assets**

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include commingled cash equivalents and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3. The Level 3 securities include an investment fund. Significant inputs and valuation techniques used in measuring Level 3 fair values include inputs developed using estimates and assumptions which reflect market participants' perspective.

The fair values of the Corporation's pension plan assets at September 30, by asset class are as follows:

	Total	2021 Fair Value Measurements Using			Investment Measured at NAV <sup>(A)</sup>
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash equivalents	\$ 3,317,951	\$ 3,317,951	\$ -	\$ -	\$ -
Investments					
Bond mutual funds	54,144,056	54,144,056	-	-	-
Investment funds - fixed income	17,377,821	-	-	-	17,377,821
Investment fund - defensive equity	39,061,560	-	-	-	39,061,560
Total	\$ 113,901,388	\$ 57,462,007	\$ -	\$ -	\$ 56,439,381

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

	2020 Fair Value Measurements Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investment Measured at NAV <sup>(A)</sup>
Cash equivalents	\$ 1,538,454	\$ 1,538,454	\$ -	\$ -	\$ -
Investments					
Investment funds -					
equity	47,569,922	-	-	-	47,569,922
Equity mutual funds	3,843,604	3,843,604	-	-	-
Bond mutual funds	17,113,488	17,113,488	-	-	-
International equity					
mutual funds	15,143,339	15,143,339	-	-	-
Investment funds -					
fixed income	11,727,780	-	-	-	11,727,780
Investment fund -					
defensive equity	6,459,732	-	-	-	6,459,732
Limited partnership	7,196,753	-	-	-	7,196,753
Investment fund -					
total return					
strategies	8,675,026	-	-	-	8,675,026
	<u>8,675,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,675,026</u>
Total	<u>\$ 119,268,098</u>	<u>\$ 37,638,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,629,213</u>

<sup>(A)</sup> 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 fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

**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 years ended September 30, 2021 and 2020 was approximately \$2,177,000 and \$2,028,000, 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 years ended September 30, 2021 and 2020 were \$492,228 and \$386,284, 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 \$1,217,486 and \$1,217,212 has been recognized for all significant known areas containing an ARO at September 30, 2021 and 2020, respectively.



**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

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***

Effective July 1, 2012, the Corporation and Dartmouth-Hitchcock Health (DHH) entered into an Affiliation Agreement, and the first common project under this agreement is the integration of the professional medical services of the Corporation and DHH. The Corporation reimburses DHH for certain professional medical services under a Professional Services Agreement. For the years ended September 30, 2021 and 2020, the Corporation recognized expense of approximately \$34,515,000 and \$31,507,000, respectively, to DHH for professional medical services included in purchase services in the consolidated statement of operations and changes in net assets. Under this agreement, the Corporation continues to provide the physician clinic services as well as bill and collect for these services, and DHH is reimbursed for providing the professional medical staff in accordance with the terms of the Professional Services Agreement. The Corporation owed DHH approximately \$11,661,000 and \$2,656,000 at September 30, 2021 and 2020, respectively, recorded as accrued expenses on the consolidated balance sheets.

**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, 2021 and 2020**

**Recurring Measurements**

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets 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:

2021	Total	Fair Value Measurements Using			Investment Measured at NAV <sup>(A)</sup>
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets</b>					
<b>Investments</b>					
Equities, equity mutual funds and balanced funds	\$ 36,513,744	\$ 36,513,744	\$ -	\$ -	\$ -
Fixed income securities and mutual funds	22,427,669	50,846	22,376,823	-	-
Alternative investments					
Investment fund - total return strategies	15,616,026	-	-	-	15,616,026
Investment fund - fixed income	7,347,873	-	-	-	7,347,873
Investment fund - equity	32,055,862	-	-	-	32,055,862
Investment fund - defensive equity	-	-	-	-	-
Limited partnership	-	-	-	-	-
Investment fund - Treasury Inflation Protected Securities (TIPS)	2,223,719	-	-	-	2,223,719
Deferred compensation plan assets (equity and fixed income mutual funds)	2,626,136	2,626,136	-	-	-
<b>Total investments</b>	<b>118,811,029</b>	<b>39,190,726</b>	<b>22,376,823</b>	<b>-</b>	<b>57,243,480</b>
Beneficial interest in perpetual trust	2,745,840	-	-	2,745,840	-
Cash equivalents	3,410,982	3,410,982	-	-	-
<b>Total assets</b>	<b>\$ 124,967,851</b>	<b>\$ 42,601,708</b>	<b>\$ 22,376,823</b>	<b>\$ 2,745,840</b>	<b>\$ 57,243,480</b>
<b>Liabilities</b>					
Interest rate swap agreement	\$ (1,260,485)	\$ -	\$ (1,260,485)	\$ -	\$ -

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

2020	Total	Fair Value Measurements Using			Investment Measured at NAV <sup>(A)</sup>
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets</b>					
<b>Investments</b>					
Equities, equity mutual funds, and balanced funds	\$ 30,502,777	\$ 30,502,777	\$ -	\$ -	\$ -
Fixed income securities and mutual funds	4,370,783	298,668	4,072,115	-	-
Alternative investments					
Investment fund - total return strategies	13,652,632	-	-	-	13,652,632
Investment fund - fixed income	16,894,897	-	-	-	16,894,897
Investment fund - equity	13,361,020	-	-	-	13,361,020
Investment fund - defensive equity	8,686,323	-	-	-	8,686,323
Limited partnership	4,105,562	-	-	-	4,105,562
Investment fund - Treasury Inflation Protected Securities (TIPS)	4,100,826	-	-	-	4,100,826
Deferred compensation plan assets (equity and fixed income mutual funds)	2,859,906	2,859,906	-	-	-
<b>Total investments</b>	<b>98,534,726</b>	<b>33,661,351</b>	<b>4,072,115</b>	<b>-</b>	<b>60,801,260</b>
Beneficial interest in perpetual trust	2,434,113	-	-	2,434,113	-
Cash equivalents	5,640,524	5,640,524	-	-	-
<b>Total assets</b>	<b>\$ 106,609,363</b>	<b>\$ 39,301,875</b>	<b>\$ 4,072,115</b>	<b>\$ 2,434,113</b>	<b>\$ 60,801,260</b>
<b>Liabilities</b>					
Interest rate swap agreement	\$ (1,783,740)	\$ -	\$ (1,783,740)	\$ -	\$ -

(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 on the Level 3 assets were \$311,727 and \$103,998 for the years ended September 30, 2021 and 2020, 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 year ended September 30, 2021.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

***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.

***Interest Rate Swap Agreement***

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation 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.

**NOTE 22 - DISCONTINUED OPERATIONS**

During the year ended September 30, 2020, the Corporation entered into agreements for the sale of certain CLR and CNR assets and operations. During the year ended September 30, 2021, the final sale of CLR occurred, which resulted in a gain on sale of \$7,352,870. An impairment loss of \$3,869,531 was included in the 2020 loss from discontinued operations for the year ended September 30, 2020.

**Southwestern Vermont Health Care Corporation**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

Major classes of line items constituting loss of discontinued operations consisted of the following for the years ended September 30:

	2021	2020
<b>Revenues</b>		
Patient service revenue	\$ 15,083,652	\$ 18,253,379
Other	132,875	559,932
Provider relief funds	507,788	762,344
Total revenues	15,724,315	19,575,655
<b>Expenses</b>		
Salaries and wages	8,930,111	11,577,622
Employee benefits	2,142,390	2,865,037
Purchased services	4,703,263	1,556,432
Supplies and other	1,703,772	4,072,170
Depreciation and amortization	692,356	808,910
Interest	156,851	10,531
Impairment on assets held for sale	-	3,869,531
Total expenses	18,328,743	24,760,233
Operating loss	(2,604,428)	(5,184,578)
<b>Other items</b>		
Investment return, net	(119,691)	36,705
Contributions and grant revenue	648,565	5,762
Gain on the sale of CLR	7,352,870	-
Net periodic benefit plan income	32,168	108,745
Total other items	7,913,912	151,212
Other changes in defined benefit pension obligation	171,473	-
Loss on discontinued operations	\$ 5,480,957	\$ (5,033,366)

Assets included as held for sale consisted of CNR property and equipment as of September 30, 2021, and both CLR and CNR property and equipment as of September 30, 2020.

**NOTE 23 - SUBSEQUENT EVENTS**

The Corporation evaluated its September 30, 2021 consolidated financial statements for subsequent events through December 23, 2021, 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, except as noted elsewhere in the notes to the consolidated financial statements.

SUPPLEMENTARY INFORMATION

Southwestern Vermont Health Care Corporation  
**CONSOLIDATING SCHEDULE - BALANCE SHEET INFORMATION**  
September 30, 2021

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Obligated Group Eliminations	Obligated Group Total	MAHC	SVHCA	SVHCE	SVHCNY	SVHC Hoosick Falls/CNR	SVHC Reality	Eliminations	Consolidated
<b>ASSETS</b>															
<b>Current assets</b>															
Cash and cash equivalents	\$ 773,702	\$ 15,954,569	\$ 1,016,395	\$ 20,866	\$ 253,395	\$ -	\$ 18,018,927	\$ 630,942	\$ 66,140	\$ -	\$ 39,700	\$ 126,195	\$ -	\$ -	\$ 18,881,904
Patient accounts receivable	-	14,392,160	-	81,936	146,003	-	14,620,099	16,735	-	-	-	603,583	-	-	15,240,417
Other receivables	2,176	2,150,453	695,762	3,399	1,000	-	2,852,790	(56,339)	7,048	-	-	167,093	-	-	2,970,592
Supplies	-	3,207,284	-	-	-	-	3,207,284	-	-	-	-	-	-	-	3,207,284
Prepaid expenses and other	12,359	3,208,416	4,925	-	16,721	-	3,242,421	-	-	-	(2,712)	215,499	-	-	3,455,208
Total current assets	788,237	38,912,882	1,717,082	106,201	417,119	-	41,941,521	591,338	73,188	-	36,988	1,112,370	-	-	43,755,405
<b>Assets limited as to use</b>															
Internally designated	74,980,517	9,222,840	8,607,113	-	-	-	92,810,470	7,306,744	-	-	-	1,298,296	-	(1,298,296)	100,117,214
Donor restricted	-	99,514	19,379,147	-	-	-	19,478,661	-	-	-	-	-	-	-	19,478,661
Total assets limited to use	74,980,517	9,322,354	27,986,260	-	-	-	112,289,131	7,306,744	-	-	-	1,298,296	-	(1,298,296)	119,595,875
<b>Assets held for sale</b>															
	-	-	-	-	-	-	-	-	-	-	-	1,396,066	4,493,243	-	5,889,309
<b>Property and equipment, at cost</b>															
Land and land improvements	1,380,973	4,258,899	-	12,925	11,104	-	5,663,901	-	-	-	-	-	-	-	5,663,901
Buildings and leasehold improvements	12,388,711	49,899,928	-	373,740	18,600	-	62,680,979	-	-	1,100	-	-	-	-	62,682,079
Equipment	1,276,361	99,612,482	6,997	326,845	352,967	-	101,575,652	-	11,912	62,093	-	-	-	-	101,649,657
Construction in progress	12,256	2,294,161	-	-	-	-	2,306,417	-	-	-	-	-	-	-	2,306,417
	15,058,301	156,065,470	6,997	713,510	382,671	-	172,226,949	-	11,912	63,193	-	-	-	-	172,302,054
Less accumulated depreciation	10,967,185	117,834,415	2,994	389,047	199,248	-	129,392,889	-	11,912	63,193	-	-	-	-	129,467,994
Total property and equipment, net	4,091,116	38,231,055	4,003	324,463	183,423	-	42,834,060	-	-	-	-	-	-	-	42,834,060
<b>Operating lease assets</b>															
	-	841,448	-	247,561	-	-	1,089,009	-	-	-	-	-	-	-	1,089,009
<b>Finance lease assets</b>															
	-	2,420,388	-	-	-	-	2,420,388	-	-	-	1,050,000	-	-	-	3,470,388
<b>Due from affiliates</b>															
	1,199,391	8,521,711	-	-	-	(2,885,989)	6,835,113	(73)	77,257	-	225,866	-	(75,993)	(7,062,170)	-
<b>Other assets</b>															
Beneficial interest in perpetual trusts	-	-	2,672,438	-	-	-	2,672,438	-	-	-	-	73,402	-	-	2,745,840
Deferred compensation plan assets	1,726,149	899,987	-	-	-	-	2,626,136	-	-	-	-	-	-	-	2,626,136
Other	58,533	3,267	1,784,611	4,000	-	-	1,850,411	2,340,000	-	588,000	-	89,273	15,000	-	4,882,684
	1,784,682	903,254	4,457,049	4,000	-	-	7,148,985	2,340,000	-	588,000	-	162,675	15,000	-	10,254,660
<b>Total assets</b>	<b>\$ 82,843,943</b>	<b>\$ 99,153,092</b>	<b>\$ 34,164,394</b>	<b>\$ 682,225</b>	<b>\$ 600,542</b>	<b>\$ (2,885,989)</b>	<b>\$ 214,558,207</b>	<b>\$ 10,238,009</b>	<b>\$ 150,445</b>	<b>\$ 588,000</b>	<b>\$ 1,312,854</b>	<b>\$ 3,969,407</b>	<b>\$ 4,432,250</b>	<b>\$ (8,360,466)</b>	<b>\$ 226,888,706</b>

Southwestern Vermont Health Care Corporation  
CONSOLIDATING SCHEDULE - BALANCE SHEET INFORMATION - CONTINUED

September 30, 2021

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Obligated Group Eliminations	Obligated Group Total	MAHC	SVHCA	SVHCE	SVHCNY	SVHC Hoosick Falls/CNR	SVHC Reality	Eliminations	Consolidated
<b>LIABILITIES AND NET ASSETS</b>															
<b>Current liabilities</b>															
Current maturities of long-term debt	\$ -	\$ 260,000	\$ -	\$ -	\$ -	\$ -	\$ 260,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,000
Current maturities of operating lease liability	-	274,015	-	44,502	-	-	318,517	-	-	-	-	-	-	-	318,517
Current maturities of finance lease liability	-	287,747	-	-	-	-	287,747	-	-	-	57,649	-	-	-	345,396
Accounts payable	86,623	6,409,906	35,394	(3,572)	1,980	-	6,530,331	2,304	244	-	2,011	282,598	481	-	6,817,969
Accrued expenses	67,668	22,886,906	80,833	35,782	20,312	-	23,091,501	254,389	3,929	254	177,394	1,315,489	7,925	-	24,850,881
Unearned revenue - provider relief funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medicare advances	-	6,898,211	-	17,871	23,667	-	6,939,749	407,957	-	-	-	119,399	-	-	7,467,105
Estimated amounts due to third-party payors	-	5,886,052	-	-	-	-	5,886,052	-	-	-	-	109,365	-	-	5,995,417
Estimated self-insurance costs	-	990,619	-	4,050	-	-	994,669	-	-	-	15,850	46,267	-	-	1,056,786
Accrued pension liabilities	41,847	2,759,923	-	-	-	-	2,801,770	152,010	-	-	-	-	-	-	2,953,780
Total current liabilities	196,138	46,653,379	116,227	98,633	45,959	-	47,110,336	816,660	4,173	254	252,904	1,873,118	8,406	-	50,065,851
<b>Long-term debt, net of current maturities</b>	-	6,226,344	-	-	-	-	6,226,344	-	-	-	-	-	-	-	6,226,344
<b>Operating lease liability, net of current maturities</b>	-	575,251	-	205,460	-	-	780,711	-	-	-	-	-	-	-	780,711
<b>Finance lease liability, net of current maturities</b>	-	2,595,565	-	-	-	-	2,595,565	-	-	-	1,251,410	-	-	-	3,846,975
<b>Medicare advances, net of current portion</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Asset retirement obligations</b>	-	1,217,486	-	-	-	-	1,217,486	-	-	-	-	-	-	-	1,217,486
<b>Deferred compensation, net of current portion</b>	1,717,673	1,122,316	-	-	-	-	2,839,989	-	-	-	-	-	-	-	2,839,989
<b>Due to affiliates</b>	2,175,793	-	90,523	736,669	659,382	(2,885,989)	776,378	(31,177)	(3,550)	915,935	273,594	5,604,431	(475,441)	(7,062,170)	-
<b>Interest rate swap agreement</b>	-	1,260,485	-	-	-	-	1,260,485	-	-	-	-	-	-	-	1,260,485
<b>Other liabilities</b>	447,766	1,171,370	21,347	-	-	-	1,640,483	-	43	-	-	-	-	-	1,640,526
Total liabilities	4,537,370	60,822,196	228,097	1,042,762	705,341	(2,885,989)	64,449,777	785,483	666	916,189	1,777,908	7,477,549	(467,035)	(7,062,170)	67,878,367
<b>Net assets</b>															
Without donor restrictions	78,306,573	38,330,896	9,404,340	(360,537)	(104,799)	-	125,576,473	9,452,526	149,779	(328,189)	(465,054)	(3,833,493)	4,899,285	(1,135,620)	134,315,707
With donor restrictions	-	-	24,531,957	-	-	-	24,531,957	-	-	-	-	325,351	-	(162,678)	24,694,632
Total net assets	78,306,573	38,330,896	33,936,297	(360,537)	(104,799)	-	150,108,430	9,452,526	149,779	(328,189)	(465,054)	(3,508,142)	4,899,285	(1,298,296)	159,010,339
Total liabilities and net assets	\$ 82,843,943	\$ 99,153,092	\$ 34,164,394	\$ 682,225	\$ 600,542	\$ (2,885,989)	\$ 214,558,207	\$ 10,238,009	\$ 150,445	\$ 588,000	\$ 1,312,854	\$ 3,969,407	\$ 4,432,250	\$ (6,360,466)	\$ 226,888,706



Southwestern Vermont Health Care Corporation  
**CONSOLIDATING SCHEDULE - STATEMENT OF OPERATIONS INFORMATION**  
Year ended September 30, 2021

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Obligated Group Eliminations	Obligated Group Total	MAHC	SVHCA	SVHCE	SVHCNY	SVHC Hoosick Falls/CNR	SVHC Reality	Eliminations	Consolidated
<b>Net assets without donor restrictions</b>															
<b>Revenue</b>															
Patient service revenue	\$ -	\$ 145,319,528	\$ -	\$ 585,389	\$ 2,015,761	\$ -	\$ 147,920,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (39,645)	\$ 147,881,033
Fixed prospective patient revenue	-	31,018,104	-	-	-	-	31,018,104	-	-	-	-	-	-	-	31,018,104
Other	2,142,432	8,776,350	-	25,572	47,309	(2,099,340)	8,892,323	-	187,345	-	1,521,809	-	-	(1,612,118)	8,989,359
Provider relief funds	-	4,507,693	-	90,080	12,226	-	4,609,999	-	-	-	-	-	-	-	4,609,999
Net assets released from restrictions used for operations	-	-	910,779	-	-	-	910,779	-	-	-	-	-	-	-	910,779
<b>Total revenue</b>	<b>2,142,432</b>	<b>189,621,675</b>	<b>910,779</b>	<b>701,041</b>	<b>2,075,296</b>	<b>(2,099,340)</b>	<b>193,351,883</b>	<b>-</b>	<b>187,345</b>	<b>-</b>	<b>1,521,809</b>	<b>-</b>	<b>-</b>	<b>(1,651,763)</b>	<b>193,409,274</b>
<b>Expenses</b>															
Salaries and wages	314,125	57,167,123	476,979	245,963	-	-	58,204,190	-	65,857	-	902,982	-	-	-	59,173,029
Employee benefits	25,877	14,755,641	165,052	68,495	-	-	15,015,065	-	24,878	-	258,043	-	-	-	15,297,986
Purchased services	152,593	46,386,291	122,924	459,145	2,628,932	-	49,749,885	-	89,823	-	-	-	-	(1,293,239)	48,546,469
Supplies and other	886,497	56,013,541	1,119,678	185,483	563,200	(2,244,146)	56,524,313	-	55,360	-	119,915	-	-	(358,524)	56,341,064
Depreciation and amortization	408,640	6,192,217	895	86,690	45,219	-	6,733,661	-	-	838	100,000	-	-	-	6,834,499
Interest	-	579,129	-	-	-	-	579,129	-	-	-	164,626	-	-	-	743,755
<b>Total expenses</b>	<b>1,787,732</b>	<b>181,093,942</b>	<b>1,885,528</b>	<b>1,045,776</b>	<b>3,237,411</b>	<b>(2,244,146)</b>	<b>186,806,243</b>	<b>-</b>	<b>235,918</b>	<b>838</b>	<b>1,545,566</b>	<b>-</b>	<b>-</b>	<b>(1,651,763)</b>	<b>186,936,802</b>
Operating income (loss)	354,700	8,527,733	(974,749)	(344,735)	(1,162,115)	144,806	6,545,640	-	(48,573)	(838)	(23,757)	-	-	-	6,472,472
<b>Other items</b>															
Investment return, net	9,446,900	1,179,253	1,928,392	-	-	-	12,554,545	-	9,295	-	-	-	-	-	12,563,840
Change in fair value of interest rate swap agreement	-	523,255	-	-	-	-	523,255	-	-	-	-	-	-	-	523,255
Contributions and grant revenue	-	710,811	1,087,089	-	-	(144,806)	1,653,094	-	4,666	-	-	-	-	-	1,657,760
Net periodic benefit income	38,298	2,461,392	-	-	-	-	2,499,690	-	-	-	-	-	-	-	2,499,690
Loss on pension settlement	(47,217)	(3,113,480)	-	-	-	-	(3,160,697)	-	-	-	-	-	-	-	(3,160,697)
Other	-	5,942	-	-	-	-	5,942	-	(736)	-	-	-	-	-	5,206
	<b>9,437,981</b>	<b>1,767,173</b>	<b>3,015,481</b>	<b>-</b>	<b>-</b>	<b>(144,806)</b>	<b>14,075,829</b>	<b>-</b>	<b>13,225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,089,054</b>
Excess (deficiency) of revenues over expenses from continuing operations	9,792,681	10,294,906	2,040,732	(344,735)	(1,162,115)	-	20,621,469	-	(35,348)	(838)	(23,757)	-	-	-	20,561,526
Gain (loss) from discontinued operations	-	-	-	-	-	-	-	7,090,440	-	-	-	(1,508,768)	(100,715)	-	5,480,957
<b>Excess of revenues over expenses</b>	<b>\$ 9,792,681</b>	<b>\$ 10,294,906</b>	<b>\$ 2,040,732</b>	<b>\$ (344,735)</b>	<b>\$ (1,162,115)</b>	<b>\$ -</b>	<b>\$ 20,621,469</b>	<b>\$ 7,090,440</b>	<b>\$ (35,348)</b>	<b>\$ (838)</b>	<b>\$ (23,757)</b>	<b>\$ (1,508,768)</b>	<b>\$ (100,715)</b>	<b>\$ -</b>	<b>\$ 26,042,483</b>

Southwestern Vermont Health Care Corporation  
**CONSOLIDATING SCHEDULE - STATEMENT OF CHANGES IN NET ASSETS INFORMATION**  
 Year ended September 30, 2021

	SVHC	SVMC	Foundation	NBM	Twin Rivers	Obligated Group Eliminations	Obligated Group Total	MAHC	SVHCA	SVHCE	SVHCNY	SVHC Hoosick Falls/ CNR	SVHC Realty	Eliminations	Consolidated
<b>Net assets without donor restrictions</b>															
Excess (deficiency) of revenues over expenses (from previous page)	\$ 9,792,681	\$ 10,294,906	\$ 2,040,732	\$ (344,735)	\$ (1,162,115)	\$ -	\$ 20,621,469	\$ 7,090,440	\$ (35,348)	\$ (838)	\$ (23,757)	\$ (1,508,768)	\$ (100,715)	\$ -	\$ 26,042,483
Other changes in net assets without donor restrictions															
Grant received for acquisition of property and equipment	-	10,000	-	-	-	-	10,000	-	-	-	-	-	-	-	10,000
Net assets released from restriction used for purchase of property and equipment	-	-	91,680	-	-	-	91,680	-	-	-	-	-	-	-	91,680
Other changes in net assets															
Defined benefit pension costs	(37,693)	(2,482,782)	-	-	-	-	(2,520,475)	(136,693)	-	-	-	-	-	-	(2,657,168)
Net loss arising during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of net loss included in net periodic pension cost	24,449	1,610,422	-	-	-	-	1,634,871	88,664	-	-	-	-	-	-	1,723,535
Recognition of loss on pension settlement	47,217	3,113,480	-	-	-	-	3,160,697	-	-	-	-	-	-	-	3,160,697
Transfer (to) from affiliates, net	(5,000,000)	(4,162,267)	(91,680)	706,871	3,662,286	-	(4,884,790)	-	-	-	(115,210)	-	5,000,000	-	-
Increase (decrease) in net assets without donor restrictions	4,826,654	8,383,759	2,040,732	362,136	2,500,171	-	18,113,452	7,042,411	(35,348)	(838)	(138,967)	(1,508,768)	4,899,285	-	28,371,227
<b>Net assets with donor restrictions</b>															
Contributions received	-	-	4,863,269	-	-	-	4,863,269	-	-	-	-	-	-	-	4,863,269
Change in interest in net assets of Hoosick Falls Health Center Foundation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment return, net	-	-	198,814	-	-	-	198,814	-	-	-	-	-	-	-	198,814
Change in beneficial interest in perpetual trusts	-	-	311,727	-	-	-	311,727	-	-	-	-	-	-	-	311,727
Net assets released from restriction	-	-	(1,002,459)	-	-	-	(1,002,459)	-	-	-	-	-	-	-	(1,002,459)
Increase in net assets with donor restriction	-	-	4,371,351	-	-	-	4,371,351	-	-	-	-	-	-	-	4,371,351
<b>INCREASE (DECREASE) IN NET ASSETS</b>	4,826,654	8,383,759	6,412,083	362,136	2,500,171	-	22,484,803	7,042,411	(35,348)	(838)	(138,967)	(1,508,768)	4,899,285	-	32,742,578
<b>Net assets, beginning of year</b>	73,480,483	29,946,565	27,530,946	(722,672)	(2,604,967)	-	127,630,355	2,410,117	185,128	(327,352)	(326,086)	(3,304,401)	-	-	126,267,761
<b>Net assets, end of year</b>	\$ 78,307,137	\$ 38,330,324	\$ 33,943,029	\$ (360,536)	\$ (104,796)	\$ -	\$ 150,115,158	\$ 9,452,528	\$ 149,780	\$ (328,190)	\$ (465,053)	\$ (4,813,169)	\$ 4,899,285	\$ -	\$ 159,010,339