FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

September 30, 2023 and 2022

With Independent Auditor's Report

BerryDunn

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Springfield Hospital, Inc.

Opinion

We have audited the accompanying financial statements of Springfield Hospital, Inc. (the Hospital), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of September 30, 2023 and 2022, and the results of its operations, changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended September 30, 2023, the Hospital adopted new accounting guidance, Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

Supplementary Information

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

Berry Dunn McNeil & Parker, LLC

Portland, Maine
February 21, 2024
Registration No. 92-0000278

SPRINGFIELD HOSPITAL, INC.

Balance Sheets

September 30, 2023 and 2022

ASSETS

	2023	2022
Current assets		
Cash and cash equivalents	**$ 11,459,439**	$ 10,940,988
Patient accounts receivable, net	**8,433,646**	7,224,994
Supplies	**326,575**	197,626
Prepaid expenses	**774,281**	513,193
Estimated third-party payor settlements	**-**	1,265,977
Other receivables	**1,725,222**	1,563,822
Total current assets	**22,719,163**	21,706,600
Property and equipment, net	**9,580,429**	9,060,924
Right-of-use assets - operating leases	**556,359**	-
Total assets	**$ 32,855,951**	$ 30,767,524

LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities		
Current portion of long-term debt	**$ 370,320**	$ 1,050,559
Current portion of lease liabilities - operating	**115,977**	-
Accounts payable and accrued expenses	**8,281,281**	6,522,497
Accrued salaries and related amounts	**2,454,864**	2,390,528
Estimated third-party payor settlements	**1,994,380**	-
Other current liabilities	**1,924,456**	1,718,029
Total current liabilities	**15,141,278**	11,681,613
Long-term debt, net of current portion	**5,140,568**	6,413,786
Lease liabilities - operating, net of current portion	**440,382**	-
Pension liability	**1,557,961**	1,978,845
Total liabilities	**22,280,189**	20,074,244
Net assets		
Without donor restrictions	**9,421,352**	9,830,746
With donor restrictions	**1,154,410**	862,534
Total net assets	**10,575,762**	10,693,280
Total liabilities and net assets	**$ 32,855,951**	$ 30,767,524

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

SPRINGFIELD HOSPITAL, INC.

Statements of Operations

Years Ended September 30, 2023 and 2022

	2023	2022
Net patient service revenue	**$ 51,896,373**	$ 49,452,937
Grant revenue	**2,645,829**	6,301,909
Fixed prospective revenue	**3,512,619**	3,614,454
Other operating revenues	**1,395,749**	1,888,989
Net assets released from restrictions used for operations	**58,605**	124,888
Total revenues, gains and other support without donor restrictions	**59,509,175**	61,383,177
Expenses		
Salaries and benefits	**24,562,663**	22,676,228
Supplies and other	**33,550,739**	32,963,793
Insurance	**655,936**	685,669
Depreciation and amortization	**1,153,982**	1,368,712
Interest	**141,936**	156,536
Total expenses	**60,065,256**	57,850,938
Operating (loss) income	**(556,081)**	3,532,239
Nonoperating income (expenses)		
Investment income	**5,469**	21,918
Nonservice periodic pension costs	**(483,370)**	(225,429)
Contributions and support, net of related expenses	**(3,501)**	4,165
Nonoperating expenses, net	**(481,402)**	(199,346)
(Deficiency) excess of revenues, gains and other support over expenses and losses	**(1,037,483)**	3,332,893
Net assets released from restrictions used for capital purposes	**26,788**	155,523
Change in net assets to recognize funded status of pension plan	**601,301**	1,676,527
(Decrease) increase in net assets without donor restrictions	**$ (409,394)**	$ 5,164,943

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

SPRINGFIELD HOSPITAL, INC.

Statements of Changes in Net Assets

Years Ended September 30, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Balances, October 1, 2021	$ 4,665,803	$ 988,170	$ 5,653,973
Excess of revenues, gains and other support over expenses	3,332,893	-	3,332,893
Restricted contributions	-	154,775	154,775
Net assets released from restrictions used for operations	-	(124,888)	(124,888)
Net assets released from restrictions used for capital purposes	155,523	(155,523)	-
Change in net assets to recognize funded status of pension plan	1,676,527	-	1,676,527
Increase (decrease) in net assets	5,164,943	(125,636)	5,039,307
Balances, September 30, 2022,	9,830,746	862,534	10,693,280
Deficiency of revenues and other support under expenses	**(1,037,483)**	**-**	**(1,037,483)**
Restricted contributions	**-**	**377,269**	**377,269**
Net assets released from restrictions used for operations	**-**	**(58,605)**	**(58,605)**
Net assets released from restrictions used for capital purposes	**26,788**	**(26,788)**	**-**
Change in net assets to recognize funded status of pension plan	**601,301**	**-**	**601,301**
(Decrease) increase in net assets	**(409,394)**	**291,876**	**(117,518)**
Balances, September 30, 2023	**$ 9,421,352**	**$1,154,410**	**$ 10,575,762**

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

SPRINGFIELD HOSPITAL, INC

Statements of Cash Flows

Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
(Decrease) increase in net assets	**$ (117,518)**	$ 5,039,307
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	**1,153,982**	1,368,712
Gain on disposal of property and equipment	**(1,000)**	-
Change in net assets to recognize funded status of pension plan	**(601,301)**	(1,676,527)
Decrease (increase) in		
Patient accounts receivable, net	**(1,208,652)**	769,858
Supplies	**(128,949)**	60,729
Prepaid expenses	**(261,088)**	243,181
Estimated third-party payor settlements	**3,260,357**	(289,765)
Other receivables	**(161,400)**	1,355,507
Increase (decrease) in		
Accounts payable and accrued expenses	**1,758,784**	1,860,059
Accrued salaries and related amounts	**64,336**	103,077
Other current liabilities	**206,427**	(2,433,235)
Pension liability	**180,417**	(91,182)
Net cash provided by operating activities	**4,144,395**	6,309,721
Cash flows from investing activities		
Purchase of property and equipment	**(1,054,352)**	(411,871)
Proceeds from sale of property and equipment	**18,123**	-
Net cash used by investing activities	**(1,036,229)**	(411,871)
Cash flows from financing activities		
Principal payments on long-term debt	**(2,589,715)**	(1,024,352)
Net cash used by financing activities	**(2,589,715)**	(1,024,352)
Net increase in cash and cash equivalents	**518,451**	4,873,498
Cash and cash equivalents, beginning of year	**10,940,988**	6,067,490
Cash and cash equivalents, end of year	**$ 11,459,439**	$ 10,940,988

Supplemental disclosure of cash flow information:		
Interest paid	**$ 135,092**	$ 111,536
Purchases of equipment through finance leases	**$ 636,258**	$ 58,118
Implementation of ASC 842 (Note 1) recognition of operating leases	**$ 612,803**	$ -

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

Organization

Springfield Hospital, Inc. (the Hospital) is a not-for-profit Critical Access Hospital which provides inpatient, outpatient, emergency care, inpatient mental health, and specialty care services to the residents of Springfield, Vermont and the surrounding communities.

1. Summary of Significant Accounting Policies

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic (ASC) 958, *Not-for-Profit Entities*, as described below. Under FASB ASC 958 and FASB ASC 954, *Health Care Entities*, all not-for-profit healthcare organizations are required to provide a balance sheet, a statement of operations, a statement of changes in net assets, and a statement of cash flows. FASB ASC 954 requires reporting amounts for an organization's total assets, liabilities, and net assets in a balance sheet; reporting the change in an organization's net assets in statements of operations and changes in net assets; and reporting the change in its cash and cash equivalents in a statement of cash flows, according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Hospital. These net assets may be used at the discretion of the Hospital's management and the Board of Directors (Board).

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Hospital or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of individual accounts and historical adjustments. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

Other Receivables

Other receivables are stated at the amount management expects to collect from outstanding balances.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Equipment under finance lease obligations is amortized on the straight-line method over the shorter of the lease term or the asset's estimated useful life.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions and excluded from the (deficiency) excess of revenues, gains and other support over expenses and losses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Right-of-Use Assets and Lease Liabilities

Effective October 1, 2022, the Hospital adopted FASB ASC Topic 842, *Leases* (Topic 842). In evaluating its contracts, the Hospital separately identifies lease and non-lease components, such as maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its facility and equipment leases. The Hospital has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease agreement.

Leases result in the recognition of ROU assets and lease liabilities on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Hospital determines lease classification as operating or finance at the lease commencement date. Finance leases are reported with borrowings in Note 5.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The lease term may include options to extend or terminate the lease that the Hospital is reasonably certain to exercise. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Topic 842 requires the use of the implicit rate in the lease when readily determinable. As most of the leases do not provide an implicit rate, the Hospital has elected to use its incremental borrowing rate for a term comparable to the life of the lease based on the information available at the commencement date to determine the present value of the lease payments.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. Fixed, or in-substance fixed, payments on finance leases are recognized using the effective interest method. Variable lease expenses that are not considered fixed, or in-substance fixed, are recognized as incurred. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis over the lease term. Finance lease right-of-use asset amortization and interest costs are recorded within depreciation and amortization, and interest in the statements of operations.

The adoption of Topic 842 resulted in the recognition of the following assets and liabilities on October 1, 2022:

Right-of-use assets - operating lease	$	612,803
Lease liabilities - operating, net of current portion	$	58,849
Current portion of lease liabilities - operating		553,954
Lease liabilities	$	612,803

Results for the period prior to October 1, 2022 continue to be reported in accordance with the Hospital's historical accounting treatment for leases.

(Deficiency) Excess of Revenues, Gains and Other Support Over Expenses and Losses

The statements of operations include (deficiency) excess of revenues, gains and other support over expenses and losses. Changes in net assets without donor restrictions which are excluded from this measure, consistent with industry practice, include net assets released from restrictions for capital acquisition and changes in net assets to recognize the funded status of the pension plan.

COVID-19 Relief Funding

As a response to the COVID-19 pandemic, the U.S. government responded with relief legislation called the Coronavirus Aid, Relief, and Economic Security (CARES) Act, among other subsequent legislation, to address the economic impact of the COVID-19 outbreak.

Revenue for COVID-19 relief funding is recognized when management believes the Hospital met the conditions necessary to recognize the revenue. COVID-19 relief funding received, but not yet earned, is recorded as deferred revenue. Due to the complexity of the reporting requirements for COVID-19 relief funding and the continued issuance of clarifying guidance, there is at least a reasonable possibility the amount of income recognized from the COVID-19 relief funding may change by a material amount. Any difference between amounts previously estimated and amounts subsequently determined to be recoverable or payable will be included in income in the year that such amounts become known.

The CARES Act's Provider Relief Fund (PRF) and the American Rescue Plan (ARP) provide reimbursements to healthcare providers for COVID-19-related expenses or lost revenues. The Hospital has received $8,341,565 of HHS Provider Relief and American Rescue Plan Funds (the funds). For the year ended September 30, 2022, the Hospital recognized approximately $2,897,000, in revenue from the PRF, ARP, and other related relief funds. As of September 30, 2023, all PRF and ARP funds received to date have been recognized as revenue.

During 2023, the Hospital received Federal Emergency Management Agency (FEMA) funds in the amount of $2,354,478. The FEMA funding provided reimbursement of COVID-19 related expenses and was recognized as revenue on the statements of operations.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received and the conditions are met. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions.

Employee Retirement Plans

The Hospital has a noncontributory defined benefit pension plan covering all eligible employees. The plan provides benefits that are based on the employee's compensation during the five highest years preceding retirement. The Hospital's funding policy is to make an annual contribution per actuarial calculation. On December 1, 2005, the Board elected to freeze the defined benefit pension plan and to establish a defined contribution retirement plan for all eligible employees.

The Hospital has a 401(k) retirement plan covering substantially all of its employees. The plan provides for immediate vesting of employee contributions and full vesting of employer contributions over a five-year period of service.

Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income.

The Hospital pays a healthcare provider tax of 6% on net patient service revenue to the State of Vermont. For the years ended September 30, 2023 and 2022, the Hospital incurred $2,957,604 and $3,363,263, respectively, in healthcare provider tax, which is reported in supplies and other expenses in the statements of operations.

Functional Expenses

The statements of operations report certain expense categories that are attributable to both healthcare services and support functions. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee benefits, which are allocated based on salaries, and occupancy, depreciation and amortization, and interest costs, which are allocated by square footage. Expenses related to providing these services were as follows for the years ended September 30:

2023	Healthcare Services	Support Services	Total
Salaries, payroll taxes and employee benefits	$ 18,999,278	$ 5,563,385	$ 24,562,663
Supplies	5,360,882	613,328	5,974,210
Healthcare provider tax	2,957,604	-	2,957,604
Purchased services	14,680,297	1,848,805	16,529,102
Physician fees	3,561,913	-	3,561,913
Occupancy	700,079	287,859	987,938
Equipment rental	476,926	163,394	640,320
Repairs and maintenance	376,114	309,303	685,417
Insurance	634,540	21,396	655,936
Depreciation and amortization	817,742	336,240	1,153,982
Interest	-	141,936	141,936
Other	687,181	1,527,054	2,214,235
	$ 49,252,556	$ 10,812,700	$ 60,065,256

2022	Healthcare Services	Support Services	Total
Salaries, payroll taxes and employee benefits	$ 17,624,641	$ 5,051,587	$ 22,676,228
Supplies	5,106,193	593,234	5,699,427
Healthcare provider tax	3,363,263	-	3,363,263
Purchased services	14,985,034	1,471,791	16,456,825
Physician fees	3,199,975	-	3,199,975
Occupancy	671,917	276,280	948,197
Equipment rental	512,663	178,625	691,288
Repairs and maintenance	424,909	289,380	714,289
Insurance	660,148	25,521	685,669
Depreciation and amortization	969,906	398,806	1,368,712
Interest	-	156,536	156,536
Other	474,251	1,416,278	1,890,529
	$ 47,992,900	$ 9,858,038	$ 57,850,938

Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through February 21, 2024, the date that the financial statements were available to be issued.

2. Availability and Liquidity of Financial Assets

The Hospital had working capital of $7,577,885 and $10,024,987 at September 30, 2023 and 2022, respectively. The Hospital had average days (based on normal expenditures) cash on hand of 71 at September 30, 2023 and 2022. Note 11 contains additional information regarding the Hospital's cash flow challenges and management's plans to address them.

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows as of September 30:

	2023	2022
Cash and cash equivalents, less donor-restricted amounts	**$ 10,305,029**	$ 10,078,454
Patient accounts receivable, net	**8,433,646**	7,224,994
Estimated third-party payor settlements	**-**	1,265,977
Other receivables	**1,070,217**	1,108,817
Financial assets available to meet general expenditures within one year	**$ 19,808,892**	$ 19,678,242

3. Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue and patient accounts receivable are reported at the amount that reflects the consideration to which the Hospital 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 Hospital bills the patients and third-party payors several days after the services are performed or the patient is discharged from the Hospital. Revenue is recognized as performance obligations are satisfied.

As allowed under FASB ASC 606-10-32-18, the Hospital has elected the practical expedient 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 Hospital's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Hospital 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.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Hospital 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 hospitals receiving inpatient acute care services or patients receiving services in outpatient centers. The Hospital measures the performance obligation from admission into the Hospital 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 from performance obligations satisfied at a point in time is generally recognized when the goods are provided to patients and customers in a retail setting (for example, cafeteria) and the Hospital does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) 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.

The Hospital 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 Hospital's policy, and implicit price concessions provided to uninsured patients. The Hospital determines its estimate of implicit price concessions based on its historical collection experience with this class of patients and records these as a direct reduction to net patient service revenue.

Each performance obligation is separately identifiable from other promises in the customer contract. As the performance obligations are met (i.e., room, board, ancillary services, level of care), revenue is recognized based upon the allocated transaction price. The transaction price is allocated to separate performance obligations based upon the relative standalone selling price. In instances where management determines there are multiple performance obligations across multiple months, the transaction price is allocated by applying an estimated implicit and explicit rate to gross charges based on the separate performance obligations.

In assessing collectibility, the Hospital has elected the portfolio approach. This portfolio approach is being used as the Hospital has a large volume of similar contracts with similar classes of customers. The Hospital reasonably expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, aggregating all of the contracts (which are at the patient level) by the particular payor or group of payors, will result in the recognition of the same amount of revenue as applying the analysis at the individual patient level. Patient accounts receivable at October 1, 2021 was $7,994,852.

Estimated Third-Party Payor Settlements

The Hospital has agreements with third-party reimbursing agencies that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party reimbursing entities follows:

Medicare

As a Critical Access Hospital, the Hospital is reimbursed 101% of reasonable allowable costs for its inpatient and outpatient services provided to Medicare patients. Psychiatric services related to Medicare beneficiaries are paid based on a prospective payment methodology. The Hospital is reimbursed for cost reimbursable items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates. The prospectively determined rates are not subject to retroactive adjustment.

The Hospital currently participates in the statewide accountable care organization (ACO), OneCare Vermont, LLC, for Medicaid and records monthly fixed prospective payments for services provided to attributed members. The ACO is responsible for both the cost and quality of care for each attributed member. This is true whether that person uses little or no care or whether they require services consistently throughout the year. As a participant in OneCare, the Hospital acknowledges that calculations are based on a prospective attribution model and that adjustments will be made during the year for factors such as changes in attribution. The maximum financial exposure to the Hospital for Medicaid for 2023 and 2022 is approximately $480,000 and $249,000, respectively. The Hospital recognizes its share of annual contract settlements as an increase or decrease to fixed prospective revenue.

Blue Cross

Inpatient and outpatient services rendered to Blue Cross subscribers are reimbursed at submitted charges less a negotiated discount. The amounts paid to the Hospital are not subject to any retroactive adjustments.

Other

The Hospital has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Hospital is primarily discounts from established charges, prospectively determined daily rates, and fee schedules.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquires have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Settlements with third-party payors for retroactive revenue adjustments due to 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 Hospital's historical settlement activity, including a determination 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 (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

The following table summarizes the Hospital's settlements and settlement activity with its significant third-party payors:

As of September 30, 2023:

	Beginning of Year Settlement Balance	Fiscal Year Estimate	Prior Year Settlements and Adjustments	Current Year Receipts	End of Year Settlement Balance	Open Settlement Years
Medicare	$ 612,623	$ (444,199)	$ 21,996	$ (2,458,953)	$ (2,268,533)	2020-2023
OneCare	653,354	(132,367)	223,014	(469,848)	274,153	2022-2023
Total	$ 1,265,977	$ (576,566)	$ 245,010	$ (2,928,801)	$ (1,994,380)	

As of September 30, 2022:

	Beginning of Year Settlement Balance	Fiscal Year Estimate	Prior Year Settlements and Adjustments	Current Year Payments (Receipts)	End of Year Settlement Balance	Open Settlement Years
Medicare	$ 884,273	$ 1,176,498	$ 302,361	$ (1,750,509)	$ 612,623	2019-2022
OneCare	91,939	183,506	966,841	(588,932)	653,354	2021-2022
Total	$ 976,212	$ 1,360,004	$ 1,269,202	$ (2,339,441)	$ 1,265,977	

Net patient service revenue recognized for the years ended September 30, 2023 and 2022 by payor is as follows:

	2023	2022
Medicare and Medicaid	**$ 15,714,907**	$ 17,921,597
Commercial	**35,290,769**	29,171,934
Self-pay	**890,697**	2,359,406
Total	**$ 51,896,373**	$ 49,452,937

Charity Care

Patients who meet the Hospital'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. The Hospital estimates the costs associated with providing charity care by calculating a ratio of total cost to total gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. The estimated cost of caring for charity care patients was approximately $480,000 and $475,000 for 2023 and 2022, respectively.

4. Property and Equipment

A summary of property and equipment follows:

	2023	2022
Land and land improvements	**$ 2,203,651**	$ 2,094,433
Buildings and improvements	**14,922,183**	14,922,183
Leasehold improvements	**948,319**	948,319
Fixed equipment	**6,341,163**	6,177,609
Major moveable equipment	**18,979,606**	18,044,646
Construction in progress	**440,013**	76,951
	43,834,935	42,264,141
Less accumulated depreciation and amortization	**34,254,506**	33,203,217
Property and equipment, net	**$ 9,580,429**	$ 9,060,924

5. Long-Term Debt

Long-term debt consisted of the following as of September 30:

	2023	2022
State of Vermont Note A, due in monthly principal and interest installments of $10,118, including annual interest of 2%, February 2032 when the remaining principal is due; collateralized by the Hospital's assets.	**1,855,130**	1,938,532
State of Vermont Note B, bearing interest of 2% and payable as a balloon payment in February 2032; collateralized by the Hospital's assets.	**3,000,000**	3,000,000
Unsecured note payable in monthly installments of $54,037, including interest of 2%, paid in 2023 using proceeds from 2019 Medicare cost report settlement	**-**	2,140,212
Finance leases payable in equal monthly installments of $30,664 at fixed rates between 2.85% and 13.83%, maturing through 2028.	**655,758**	385,601
	5,510,888	7,464,345
Less current portion	**370,320**	1,050,559
Long-term debt, net of current portion	**$ 5,140,568**	$ 6,413,786

Principal repayments of the Hospital's portion of the long-term debt are as follows:

	Term Note as Scheduled	Finance Lease Obligations
2024	$ 85,087	$ 343,064
2025	86,804	186,503
2026	88,556	92,991
2027	90,344	92,991
2028	92,167	78,011
Thereafter	4,412,172	10,129
	$ 4,855,130	803,689
Less amounts representing interest		147,931
		$ 655,758

6. Lease Obligations

The Hospital has entered operating lease arrangements for equipment expiring in 2028. Approximate future minimum payments under operating leases as of September 30, 2023 are as follows:

2024	$ 133,704
2025	133,704
2026	133,704
2027	133,704
2028	66,852
Total minimum lease payments	601,668
Amounts representing interest	(45,309)
Present value of future minimum lease payments	556,359
Less: current portion	(115,977)
Lease liability, net of current portion	$ 440,382

Additional required quantitative disclosures for the year ended September 30, 2023 are as follows:

Lease costs:

Finance lease cost:	
Amortization of ROU asset	$ 219,144
Interest on lease liabilities	141,936
Total finance lease costs	361,080
Operating and short term lease costs	640,320
Total lease costs	$ 1,001,400
Operating Leases:	
Weighted average remaining term:	4.5 years
Weighted average discount rate:	3.6 %

7. Net Assets with Donor Restriction

Net assets with donor restrictions are available for the following purposes at September 30:

	2023	2022
Funds with donor restrictions temporary in nature:		
Purchase of equipment and departmental expenses	**$ 660,719**	$ 368,253
Health education	**200**	790
Total funds maintained with donor restrictions temporary in nature	**660,919**	369,043
Investments to be held in perpetuity, the income from which is expendable to support healthcare services	**493,491**	493,491
Total funds maintained with donor restrictions held in perpetuity	**493,491**	493,491
Total net assets with donor restrictions	**$ 1,154,410**	$ 862,534

8. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows as of September 30:

	2023	2022
Medicare	**34 %**	32 %
Medicaid	**4**	6
Commercial	**55**	59
Self pay	**7**	3
	100 %	100 %

The Hospital routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. government.

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

9. Commitments and Contingencies

Self-Insurance

The Hospital has a self-insured healthcare plan for substantially all of its employees. The Hospital has obtained reinsurance coverage to limit the Hospital's exposure associated with this plan individually of $75,000 with an aggregate limit of 125% of the group expected claims. At September 30, 2023 and 2022, the Hospital had accrued expense of $323,986 and $402,328, respectively, under the self-insurance contract.

Loss Contingencies

The Hospital carries business and malpractice insurance coverage under a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured. The Hospital intends to renew its coverage on a claims-made basis and has no reason to believe that it may be prevented from renewing such coverage. The Hospital is subject to complaints, claims and litigation due to potential claims which arise in the normal course of business. U.S. GAAP require the Hospital to accrue the ultimate cost of claims when the incident that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset and excluded from the table in Note 2. The Hospital has evaluated its exposure to losses arising from potential claims and has properly accounted for them in the financial statements as of September 30, 2023 and 2022.

10. Employee Retirement Plans

Defined Benefit Pension Plan

The following table sets forth the funded status of the defined benefit plan (the Pension Plan) and amounts recognized in the Hospital's financial statements as of September 30:

	2023	2022
Benefit obligation	**$ (10,606,743)**	$ (11,058,817)
Fair value of plan assets	**9,048,782**	9,079,972
Funded status	**$ (1,557,961)**	$ (1,978,845)

Due to the frozen status of the plan, the benefit obligation represents both the projected and the accumulated benefit obligation.

The table below presents details about the Hospital's Pension Plan, including its funded status, components of net periodic benefit cost, and certain assumptions used in determining the funded status and cost:

	2023	2022
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 11,058,817**	$ 14,450,459
Interest cost	**539,920**	343,146
Actuarial gain	**(166,727)**	(2,922,282)
Benefits paid	**(825,267)**	(812,506)
Benefit obligation at end of year	**$ 10,606,743**	$ 11,058,817
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 9,079,972**	$ 10,703,905
Actual return on plan assets	**911,989**	(1,030,194)
Employer contribution	**302,953**	316,611
Benefits paid	**(825,267)**	(812,506)
Expenses paid (1)	**(420,865)**	(97,844)
Fair value of plan assets at end of year	**$ 9,048,782**	$ 9,079,972
Components of net periodic benefit cost		
Interest cost	**$ 539,920**	$ 343,146
Expected return on plan assets	**(439,732)**	(654,076)
Amortization of unrecognized net actuarial loss	**383,182**	536,359
Net periodic benefit cost	**$ 483,370**	$ 225,429

(1) The 2023 expenses include reimbursement from the Pension Plan trust to the Hospital for the 2021 - 2022 PBGC premium as well as the 2022 - 2023 PBGC premium.

The following amounts were recognized in the Hospital's (decrease) increase in net assets without donor restrictions for the Pension Plan, excluding amounts recognized in net periodic benefit cost:

	2023	2022
Net actuarial gain	**$ 218,119**	$ 1,140,168
Reclassification adjustment for amortization of net unrecognized actuarial loss	**383,182**	536,359
Change in net assets to recognize funded status of the Pension Plan	**$ 601,301**	$ 1,676,527

Charged against net assets without donor restrictions at September 30, 2023 and 2022 are unrecognized actuarial losses of $3,125,548 and $3,726,849, respectively, which have not been recognized in net periodic pension cost. The actuarial loss for the pension plan that is expected to be amortized into net periodic pension benefit cost over the next fiscal year is $323,648.

The assumptions used in the measurement of the Hospital's net periodic benefit cost and benefit obligation are shown in the following table:

	2023	2022
Weighted average assumptions at or for the year ended September 30		
Discount rate		
For determining net periodic benefit cost	**5.09 %**	2.45 %
For determining benefit obligation	**5.56**	5.09
Expected return on plan assets	**5.00**	5.00

To develop the expected long-term rate of return on plan assets assumption, the Hospital considered the historical return and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. Target asset allocations are determined by the funded status of the pension plan and allocated between equity securities and bonds.

Plan Assets and Fair Value Measurement

The Pension Plan's investment objectives are to seek to achieve and maintain a fully funded position for Plan termination. The investment strategy for achieving and maintaining this position varies with the funded status and other parameters related to the overall goal. As the funded status rises, the Plan objective will move gradually toward maintaining that level and managing funded status volatility, rather than generating return. The investment portfolio is allocated on certain phasing thresholds of equities and bonds, based on the quarterly calculation of the funded status of the Plan. No more than 40% of the Plan's investments are allocated to equities. Performance of investments is evaluated against peer group median returns for three- and five-year cumulative periods and risk-adjusted performance. An investment option may be placed on a watch list and a thorough review and analysis of the investment option may be conducted as a result of performance, significant changes in assets or investment strategy, increases in fees and expenses, or any extraordinary event that may interfere with the ability to prudently manage the investment assets.

The Hospital's Pension Plan weighted-average asset allocations at September 30, by asset category, are as follows:

	2023	2022
Mutual funds		
Fixed income	**62 %**	64 %
Equities	**38 %**	36 %
Total	**100 %**	100 %

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

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

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

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

Assets measured at fair value on a recurring basis are summarized below:

	Level 1	
	2023	2022
Investments – held by defined benefit pension plan:		
Mutual funds:		
Fixed income	**$ 5,621,224**	$ 5,832,125
Equities	**3,427,558**	3,247,847
Total investments – held by defined benefit pension plan	**$ 9,048,782**	$ 9,079,972

Contributions

Expected employer contributions to the Hospital's defined benefit pension plan are $495,056 in 2024.

Estimated Future Benefit Payments

The following benefit payments are expected to be paid over the next ten years:

Fiscal year	
2024	$ 940,900
2025	934,700
2026	922,700
2027	921,400
2028	922,100
Years 2029 - 2033	4,322,400

Defined Contribution Pension Plan

In 2006, the Hospital established a 401(k) retirement plan (the Plan) for substantially all of its employees. The Plan was retroactive to October 1, 2005 with regard to eligibility determinations and discretionary matching contributions by the Hospital. Employees are immediately eligible to contribute to the Plan and are 100% vested in their contributions. Employees become eligible for matching and other discretionary contributions once an employee has completed a 90-day probationary employment period. Discretionary contributions made by the Hospital vest to the participants over a five-year period. Total expense under the Plan was approximately $182,491 and $165,871 for the years ended September 30, 2023 and 2022, respectively.

11. Financial Improvement Plan

The accompanying financial statements have been prepared in conformity with U.S. GAAP, which contemplate continuation of the Hospital as a going concern. On June 26, 2019, the Hospital filed a petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Vermont, and subsequently exited bankruptcy effective December 31, 2020 based on its plan of reorganization approved by the bankruptcy court. The Hospital's ability to continue as a going concern is dependent upon the success of its future efforts in generating sufficient revenues.

Management continues to work diligently to improve the Hospital's cash and operating positions. Management is regularly reviewing operations to identify more cost effective and efficient ways to provide healthcare services that are appropriate for a rural hospital to be providing to the people of the service area. Some specific initiatives undertaken or planned for the future by the Hospital include:

1. Successful recruitment of a fulltime general surgeon beginning December 2023 which replaces the current fulltime surgeon who will convert to parttime in March 2024. Additionally, the Hospital recruited two permanent parttime contracted general surgeons who started in November 2023, which completes the general surgery complement needed. This is anticipated to reduce locum costs for general surgery as well as result in increased volume for operating room cases and physician practice visits.

2. The conversion of specialty providers to permanent positions, which will be beneficial to the Hospital in reducing higher costs for temporary provider coverage and building patient volume:

    - Recruitment of podiatrist completed in October 2021. The podiatrist started at one day per week and expanded his practice to fulltime in March 2023.

    - Continuation of expanded physician coverage for urology services at least 8 days per month. A parttime urogynecologist was added in November 2023, providing services two days per month and a new specialty set for the community.

    - Fulltime gynecology provider recruited in September 2022 and a second fultime gynecology provider in March 2023.

3. An external consultant engaged to assist with evaluation of revenue cycle opportunities and strategies to improve performance, with implementation of these strategies starting in fiscal year 2024.

4. After several years of not being offered, the reinstatement of nuclear medicine services in fiscal year 2024.

5. New MRI equipment, which will allow the Hospital to perform procedures currently not being offered.

Management believes the initiatives already taken provide the opportunity to allow the Hospital to continue as a going concern.

SPRINGFIELD HOSPITAL, INC.

Schedule of Expenses

Years Ended September 30, 2023 and 2022

	2023	2022
Salaries and benefits		
Salaries and related payroll taxes	**$ 21,288,596**	$ 19,778,651
Employee benefits	**3,274,067**	2,897,577
Total salaries and benefits	**24,562,663**	22,676,228
Supplies and other		
Supplies	**5,974,210**	5,699,427
Healthcare provider tax	**2,957,604**	3,363,263
Purchased services	**16,529,102**	16,456,825
Physician fees	**3,561,913**	3,199,975
Accounting and legal fees	**317,093**	410,583
Telephone	**105,599**	106,117
Postage and shipping	**89,449**	73,884
Occupancy	**987,938**	948,197
Equipment rental	**640,320**	691,288
Repairs and maintenance	**685,417**	714,289
Printing and publishing	**13,312**	14,328
Travel	**118,657**	59,158
Dues and subscriptions	**201,804**	232,713
Licenses and taxes	**50,593**	37,617
Advertising	**105,253**	81,499
Education and training	**43,718**	35,338
Recruiting	**153,156**	58,274
Other expenses	**1,015,601**	781,018
Total supplies and other	**33,550,739**	32,963,793
Insurance	**655,936**	685,669
Depreciation and amortization	**1,153,982**	1,368,712
Interest	**141,936**	156,536
Total expenses	**$ 60,065,256**	$ 57,850,938