



# PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

with

SUPPLEMENTARY INFORMATION

September 30, 2015 and 2014

With Independent Auditor's Report

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**September 30, 2015 and 2014**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Porter Medical Center, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Porter Medical Center, Inc. and Subsidiaries (Medical Center), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the 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 U.S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 financial position of Porter Medical Center, Inc. and Subsidiaries as of September 30, 2015 and 2014, and the results of their operations, changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating information is presented for purposes 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
February 4, 2016  
Registration No. 92-0000278

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**September 30, 2015 and 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 13,088,494	\$ 11,801,379
Assets limited as to use	83,947	593,103
Patient accounts receivable, net	10,744,637	10,474,503
Other receivables, net	1,402,188	3,266,736
Supplies	1,180,421	1,228,195
Prepaid expenses and other	1,304,713	1,411,459
Resident deposits	<u>16,786</u>	<u>12,947</u>
Total current assets	27,821,186	28,788,322
Assets limited as to use, deferred compensation plan assets	1,875,401	1,807,544
Long-term investments	4,987,942	4,117,178
Property and equipment, net	23,264,963	23,275,984
Beneficial interest in perpetual trusts	<u>3,431,932</u>	<u>3,485,489</u>
Total assets	<u>\$ 61,381,424</u>	<u>\$ 61,474,517</u>

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

## LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
Current liabilities		
Current portion of long-term debt	\$ 933,803	\$ 1,006,869
Accounts payable and accrued expenses	3,034,858	4,715,032
Resident deposits	16,786	12,947
Accrued payroll and related liabilities	2,443,871	2,323,777
Accrued compensated absences	3,221,503	3,035,442
Estimated third-party settlements	<u>1,625,181</u>	<u>2,126,864</u>
Total current liabilities	11,276,002	13,220,931
Liability for pension benefits	6,474,323	4,594,794
Deferred compensation	1,874,728	1,806,871
Long-term debt, net of current portion	<u>15,872,864</u>	<u>16,814,326</u>
Total liabilities	<u>35,497,917</u>	<u>36,436,922</u>
Net assets		
Unrestricted	21,848,132	21,067,520
Temporarily restricted	485,761	366,904
Permanently restricted	<u>3,549,614</u>	<u>3,603,171</u>
Total net assets	<u>25,883,507</u>	<u>25,037,595</u>
Total liabilities and net assets	<u>\$ 61,381,424</u>	<u>\$ 61,474,517</u>

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**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Consolidated Statements of Operations**

**Years Ended September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	\$ <b>83,762,439</b>	\$ 77,801,027
Less provision for bad debts	<u>3,310,896</u>	<u>2,107,823</u>
Net patient service revenue	<b>80,451,543</b>	75,693,204
Other operating revenue	<b>3,828,286</b>	3,801,732
Net assets released from restrictions used for operations	<u>12,711</u>	<u>17,880</u>
Total unrestricted revenues, gains and other support	<u><b>84,292,540</b></u>	<u>79,512,816</u>
Expenses		
Professional care of patients	<b>46,567,977</b>	43,169,369
General services	<b>5,323,643</b>	5,380,233
Administrative and fiscal services	<b>25,654,006</b>	23,818,204
Health care improvement tax	<b>4,563,438</b>	4,427,486
Depreciation and amortization	<b>3,387,317</b>	4,806,116
Interest	<u>406,587</u>	<u>500,573</u>
Total expenses	<u><b>85,902,968</b></u>	<u>82,101,981</u>
Operating loss	<u><b>(1,610,428)</b></u>	<u>(2,589,165)</u>
Nonoperating gains (losses)		
Contributions	<b>459,609</b>	320,897
Investment return	<b>155,144</b>	540,368
Other program income, net	<b>3,364,930</b>	3,258,346
Loss on early extinguishment of debt	<u>(189,876)</u>	<u>-</u>
Nonoperating gains, net	<u><b>3,789,807</b></u>	<u>4,119,611</u>
Excess of revenues, gains and other support over expenses and nonoperating gains (losses)	<b>2,179,379</b>	1,530,446
Net assets released from restrictions used for purchase of property and equipment	<b>128,333</b>	39,412
Change in net assets to recognize funded status of pension plan	<u>(1,527,100)</u>	<u>(577,272)</u>
Increase in unrestricted net assets	<u><b>\$ 780,612</b></u>	<u>\$ 992,586</u>

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

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Net Assets**

**Years Ended September 30, 2015 and 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balances, October 1, 2013	\$ <u>20,074,934</u>	\$ <u>280,319</u>	\$ <u>3,423,515</u>	\$ <u>23,778,768</u>
Excess of revenues, gains and other support over expenses and nonoperating gains	1,530,446	-	-	1,530,446
Net assets released from restrictions for operations	-	(17,880)	-	(17,880)
Net assets released from restrictions used for purchase of property and equipment	39,412	(39,412)	-	-
Change in net assets to recognize funded status of pension plan	(577,272)	-	-	(577,272)
Contributions	-	143,877	-	143,877
Change in beneficial interest in perpetual trusts	-	-	179,656	179,656
Net increase in net assets	<u>992,586</u>	<u>86,585</u>	<u>179,656</u>	<u>1,258,827</u>
Balances, September 30, 2014	<u>21,067,520</u>	<u>366,904</u>	<u>3,603,171</u>	<u>25,037,595</u>
Excess of revenues, gains and other support over expenses and nonoperating gains (losses)	2,179,379	-	-	2,179,379
Net assets released from restrictions used for operations	-	(12,711)	-	(12,711)
Net assets released from restrictions used for purchase of property and equipment	128,333	(128,333)	-	-
Change in unrealized loss on investments	-	-	-	-
Change in net assets to recognize funded status of pension plan	(1,527,100)	-	-	(1,527,100)
Contributions	-	259,901	-	259,901
Change in beneficial interest in perpetual trusts	-	-	(53,557)	(53,557)
Net increase (decrease) in net assets	<u>780,612</u>	<u>118,857</u>	<u>(53,557)</u>	<u>845,912</u>
Balances, September 30, 2015	\$ <u>21,848,132</u>	\$ <u>485,761</u>	\$ <u>3,549,614</u>	\$ <u>25,883,507</u>

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



**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**Years Ended September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 845,912	\$ 1,258,827
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss on disposal of property and equipment	155,032	-
Depreciation and amortization	3,387,317	4,806,116
Provision for bad debts	3,310,896	2,107,823
Loss on early extinguishment of debt	189,876	-
Net realized and unrealized (gains) losses on investments	(131,006)	(292,189)
Change in net assets to recognize funded status of pension plan	1,527,100	577,272
Change in beneficial interest in perpetual trusts	53,557	(179,656)
Restricted contributions for long-term purposes	(181,275)	(143,877)
(Increase) decrease in		
Patient accounts receivable, net	(3,581,030)	(2,701,522)
Supplies, prepaids and other current assets	2,019,068	(287,617)
Increase (decrease) in		
Accounts payable and accrued expenses	(1,680,174)	(656,712)
Accrued payroll and related liabilities	306,155	(5,508)
Estimated third-party settlements	(501,683)	1,285,473
Other current liabilities	352,429	347,702
Net cash provided by operating activities	<u>6,072,174</u>	<u>6,116,132</u>
Cash flows from investing activities		
Purchase of investments	(122,130)	(211,365)
Proceeds from sale of investments	4,668,081	130,127
Change in investments held at Middlebury College	(4,776,553)	-
Purchase of property and equipment	(3,122,820)	(1,388,698)
Proceeds from sale of property and equipment	1,950	-
Net cash used by investing activities	<u>(3,351,472)</u>	<u>(1,469,936)</u>
Cash flows from financing activities		
Restricted contributions for long-term purposes	181,275	143,877
Payment of debt issuance costs	(173,024)	-
Proceeds from issuance of long-term debt	15,673,923	22,905
Principal payments on long-term debt	(17,115,761)	(1,727,119)
Net cash used by financing activities	<u>(1,433,587)</u>	<u>(1,560,337)</u>
Net increase in cash and cash equivalents	1,287,115	3,085,859
Cash and cash equivalents, beginning of year	<u>11,801,379</u>	<u>8,715,520</u>
Cash and cash equivalents, end of year	\$ <u>13,088,494</u>	\$ <u>11,801,379</u>
Supplemental cash flows information		
Interest paid	\$ 406,515	\$ 478,294
Capital lease obligations incurred for property and equipment	\$ -	\$ 98,108
Noncash transaction - acquisition of fixed assets in exchange for long-term debt	\$ 393,213	\$ -

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

# PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2015 and 2014

### **Nature of Operations and Principles of Consolidation**

Porter Medical Center, Inc. (PMC) was organized in 1986 to serve as a parent holding company for the following subsidiaries:

*Porter Hospital, Inc. (Hospital)*: The Hospital operates a 25-bed not-for-profit critical access hospital.

*Helen Porter Nursing Home, Inc. (HPNH)*: HPNH operates a 105-bed not-for-profit long-term community oriented skilled health care and rehabilitation center.

*Porter Real Estate Holdings, LLC (PREH)*: PREH is a single-member LLC real estate holding company that is owned 100% by PMC.

All of the companies are Vermont corporations and operate out of facilities in Middlebury, Vermont, and surrounding areas. All subsidiaries are 100% owned and/or controlled by PMC.

The consolidated financial statements include the accounts of PMC, the Hospital, HPNH, and PREH (collectively, Medical Center). Significant intercompany accounts and transactions have been eliminated in consolidation.

### **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*. 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.

#### **Use of Estimates**

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

# PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2015 and 2014

### **Cash and Cash Equivalents**

Cash and cash equivalents include all liquid investments with original maturities of three months or less, other than deferred compensation plan investments and long-term investments, to be cash equivalents. At September 30, 2015 and 2014, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

### **Investments and Investment Income**

Investments in equity securities having a readily determinable fair value and all investments in debt securities are measured at fair value in the balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in nonoperating gains unless the income or loss is restricted by donor or law. The Medical Center adopted FASB ASC 825, *Financial Instruments*, effective October 1, 2008, and has elected the fair value option relative to its investments which consolidates all investment performance activity within the nonoperating gains section of the statements of operations.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets and statements of operations and changes in net assets.

### **Assets Limited as to Use**

Assets limited as to use are HPNH restricted donations and assets held by trustees under indenture agreements and deferred compensation plan assets and are comprised of cash and short-term investments at September 30, 2015 and 2014. Amounts required to meet current liabilities of the Medical Center are included in current assets.

### **Patient Accounts Receivable**

Patient accounts receivable are stated at the amount management expects to collect for services rendered from third-party payors, patients and others. Management provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as uncollectible based on individual credit evaluation and specific circumstances of the account.

In evaluating the collectibility of accounts receivable, the Medical Center analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts. For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due

# PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2015 and 2014

for which third-party coverage exists for part of the bill), the Medical Center records a provision for bad debts in the period service based on past experience, which indicates that many patients are unable or unwilling to pay amounts for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or eligible) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

### **Supplies**

The Medical Center records supply inventories at the lower of cost, determined using the first-in, first-out method, or market.

### **Property and Equipment**

Property and equipment acquisitions are recorded at cost, or if contributed, at fair market value determined at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the asset's estimated useful life. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenues, gains and other support over expenses and nonoperating gains (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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

### **Land Lease**

HPNH leases the land upon which the facility is located from Middlebury College under an operating lease agreement. The term of the lease is for 46 years and 7 months expiring in 2048. After the initial term of the lease, the lease is cancelable with 90 days notice and includes no cost to HPNH other than executory costs.

### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity.

# PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2015 and 2014

### **Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue 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 are adjusted in future periods as final settlements are determined.

### **Charity Care**

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

### **Contributions**

Unconditional promises to give cash and other assets are recorded at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

### **Excess of Revenues, Gains and Other Support Over Expenses and Nonoperating Gains (Losses)**

The statements of operations include excess of revenues, gains and other support over expenses and nonoperating gains (losses). Changes in unrestricted net assets which are excluded from this measure, consistent with industry practice, include defined benefit plan adjustments, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

### **Income Taxes**

PMC, the Hospital, and HPNH are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income. PREH is a single member LLC owned 100% by PMC and is considered a disregarded entity for tax purposes.

PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

**New Accounting Pronouncement**

Effective in the year ended September 30, 2015, the Medical Center retrospectively adopted the provisions of FASB Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The ASU is limited to simplifying the presentation of debt issuance costs, and the recognition and measurement guidance for debt issuance costs is not affected by the ASU. As a result of the adoption, the Hospital has reclassified unamortized bond issuance costs in the amount of \$205,675 from deferred financing costs, net in the accompanying balance sheet for the year ended September 30, 2014, and presented the amount as a reduction of long-term debt, as required by the ASU. The adoption had no effect on the Medical Center's net assets, statement of operations or statement of cash flows for the year ended September 30, 2015.

**Subsequent Events**

For purposes of the preparation of these financial statements in conformity with U.S. GAAP, the Medical Center has considered transactions or events occurring through February 4, 2016, which was the date the financial statements were issued.

Effective January 1, 2016, the Medical Center changed from a premium-based health insurance plan to a self-insured health plan.

**2. Net Patient Service Revenue and Patient Accounts Receivable**

**Net Patient Service Revenue**

Patient service revenue and contractual and other allowances consisted of the following for the years ended September 30:

	<u>2015</u>	<u>2014</u>
Inpatient	\$ 48,630,351	\$ 46,077,150
Outpatient	<u>106,629,100</u>	<u>100,751,125</u>
Gross patient service revenue	<u>155,259,451</u>	<u>146,828,275</u>
Less Medicare and Medicaid allowances	47,671,729	47,599,788
Less other contractual allowances	22,653,763	19,780,027
Less charity care and other discounts	<u>1,171,520</u>	<u>1,647,433</u>
	<u>71,497,012</u>	<u>69,027,248</u>
Patient service revenue (net of contractual allowances and discounts)	83,762,439	77,801,027
Less provision for bad debts	<u>3,310,896</u>	<u>2,107,823</u>
Net patient service revenue	<u>\$ 80,451,543</u>	<u>\$ 75,693,204</u>

PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

**Patient Accounts Receivable**

Patient accounts receivable consisted of the following at September 30:

	<u>2015</u>	<u>2014</u>
Gross patient accounts receivable	\$ 21,599,308	\$ 19,871,691
Less: Estimated contractual allowances	7,356,659	6,582,776
Estimated allowance for doubtful accounts and charity care	<u>3,498,012</u>	<u>2,814,412</u>
Net patient accounts receivable	<u>\$ 10,744,637</u>	<u>\$ 10,474,503</u>

During 2015, the Medical Center increased its estimate from \$2,038,245 to \$2,321,483 in the allowance for doubtful accounts relating to self-pay patients and increased such estimate from \$776,237 to \$1,176,529 for doubtful accounts relating to third-party payors. During 2014, the Hospital decreased its estimate from \$2,403,438 to \$2,038,245 in the allowance for doubtful accounts relating to self-pay patients and decreased such estimate from \$1,055,058 to \$776,237 for doubtful accounts relating to third-party payors. During 2015, self-pay write-offs increased from \$2,328,416 to \$3,050,571. During 2014, self-pay write-offs decreased from \$4,348,250 to \$2,328,416. Such variations resulted from changes experienced in the collection of amounts from self-pay patients and third-party payors.

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. These payment arrangements include:

**Medicare**

On December 31, 2005, the Hospital became a critical access hospital (CAH). As a CAH, the Hospital is reimbursed at 101% of reasonable allowable costs for its inpatient and outpatient services, excluding ambulance services, provided to Medicare patients. 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 Centers for Medicare and Medicaid Services (Medicare or CMS) fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2012.

## PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2015 and 2014

HPNH is paid under a prospective payment system for Medicare Part A services. Under the prospective payment system, there is no additional settlement on the difference between the interim rates paid and actual costs. HPNH is paid on a fee schedule basis for Medicare Part B therapy services; therefore, there will be no additional settlement on the difference between payments received and actual costs for Part B therapy services.

#### **Medicaid**

The Hospital's Inpatient services rendered to Office of Vermont Health Access (Medicaid) program beneficiaries are reimbursed at prospectively determined rates. The prospectively determined rates are not subject to retroactive adjustment. Outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates and therefore are not subject to retroactive adjustments. The Hospital's Medicaid cost reports have been audited through September 30, 2012.

HPNH is reimbursed for services rendered to Title XIX Medicaid patients on the basis of prospectively determined per diem rates, subject to a quarterly case mix index adjustment established by the State of Vermont. The reimbursement plan is on a prospective basis and, subject to certain limitations, no additional settlement will be made on the difference between the estimated per diem rates paid and actual costs.

#### **Other Arrangements**

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Approximately 59% and 61% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2015 and 2014, respectively. The Hospital has agreements with Medicare and Medicaid. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in net patient service revenues in the year the amounts become known. In 2015, net patient service revenue increased by approximately \$899,000 and in 2014, net patient service revenue decreased by approximately \$277,000 due to removal of allowances or recognition of settlements no longer subject to audits, reviews and investigations.



# PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2015 and 2014

The Hospital recognizes patient service revenue associated with services rendered to patients who have third-party payor coverage on the basis of contractual rates for such services. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates (or on the basis of discounted rates, if negotiated or provided by policy). Based on historical trends, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services rendered. Thus, the Hospital records a provision for bad debts related to uninsured patients in the period the services are rendered. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the fiscal year ended September 30, 2015 totaled \$83,762,439, of which \$79,562,240 was revenue from third-party payors and \$4,200,199 was revenue from self-pay patients. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the fiscal year ended September 30, 2014 totaled \$77,801,027, of which \$74,042,563 was revenue from third-party payors and \$3,758,464 was revenue from self-pay patients.

### 3. Community Benefit

The Hospital provides services without charge, or at amounts less than its established rates, to patients who meet the criteria of its charity care policy. The criteria for charity care, which is granted on a sliding scale, consider gross income and family size as compared to the federal poverty guidelines (FPL). The maximum of 100% charity care will be granted if the gross income of the individual is up to 200% of FPL.

The net cost of charity care provided was approximately \$618,135 in 2015 and \$883,637 in 2014. The total cost estimate is based on an overall financial statement cost to charge ratio applied against gross charity care charges. In 2015 and 2014, .82% and 1.23%, respectively, of all services as defined by percentage of gross revenue was provided on a charity basis.

In 2015, a total of 80 inpatients received their entire episode of service on a charity case basis. In 2014, a total of 102 inpatients received their entire episode of service on a charity case basis.

In 2015, a total of 2,044 outpatients received their entire episode of service on a charity case basis. In 2014, a total of 1,974 outpatients received their entire episode of service on a charity case basis.

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2015 and 2014**

**4. Investments and Investment Return**

Assets limited as to use consisted of the following at September 30:

	<u>2015</u>	<u>2014</u>
Held by trustee under debt agreement		
Cash and cash equivalents	\$ <u>          -</u>	\$ <u>509,506</u>
Helen Porter - Restricted Donations		
Cash and cash equivalents	\$ <u>83,947</u>	\$ <u>83,597</u>
Deferred compensation		
Mutual funds	\$ <u>1,875,401</u>	\$ <u>1,807,544</u>

Long-term investments consisted of the following at September 30:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ <u>211,389</u>	\$ 363,292
Mutual funds	-	383,021
Marketable equity securities	-	2,124,307
Corporate and taxable bonds	-	428,798
U.S. Treasury obligations and government securities	-	526,223
Government sponsored enterprises	-	207,070
International bonds	-	84,467
Investments held by Middlebury College	<u>4,776,553</u>	<u>          -</u>
	\$ <u>4,987,942</u>	\$ <u>4,117,178</u>

Investments by Middlebury College are part of a pooled fund, the Medical Center is unable to determine breakdown by type of investment.

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

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ <u>247,585</u>	\$ 248,179
Net unrealized losses	<u>(396,175)</u>	(169,286)
Realized gains	<u>527,181</u>	461,475
Net depreciation of investments held at Middlebury College	<u>(223,447)</u>	<u>461,475</u>
	\$ <u>155,144</u>	\$ <u>540,368</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2015 and 2014**

**5. Property and Equipment**

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

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 2,563,883	\$ 2,556,933
Buildings and leasehold improvements	32,174,033	31,950,475
Equipment	26,407,707	23,763,815
Construction in progress	<u>428,826</u>	<u>111,353</u>
	<b>61,574,449</b>	58,382,576
Less accumulated depreciation	<u>(38,309,486)</u>	<u>(35,106,592)</u>
Net property and equipment, net	<b><u>\$ 23,264,963</u></b>	<b><u>\$ 23,275,984</u></b>

**6. Beneficial Interest in Perpetual Trusts**

The Hospital is an income beneficiary of two perpetual trusts controlled by an unrelated third-party trustee. The beneficial interests in the assets of these trusts are included in the Medical Center's financial statements as permanently restricted net assets. Income is distributed in accordance with the individual trust documents and is included in investment return. Trust income distributed to the Medical Center for the years ended September 30, 2015 and 2014 was \$151,446 and \$146,826, respectively.

**7. Borrowings**

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

	<u>2015</u>	<u>2014</u>
Vermont Educational and Health Buildings Financing Agency (VEHBFA) Variable Rate Demand Hospital Revenue Bonds, 2005 Series A bonds with variable interest (.03% at September 30, 2014) and supported by a letter of credit. The bonds were refunded during 2015.	\$ -	\$ 13,170,000
VEHBFA Revenue Bond Refunding Series 2015A, with fixed interest at 2.85%, payable in monthly payments of \$69,211 including principal and interest, through August 2035; collateralized by the gross receipts of the Hospital. These bonds are callable by the purchaser on or after August 1, 2025.	12,609,832	-

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2015 and 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
VEHBFA Agency Variable Rate Demand Revenue Bonds: Series 2000A bonds with variable interest (.04% at September 30, 2014), payable in annual installments ranging from \$120,000 to \$295,000 through October 2030; collateralized by gross receipts of HPNH and supported by a letter of credit. The bonds were refunded during 2015.	-	3,355,000
VEHBFA Demand Revenue Bonds: Series 2015A bonds with fixed interest at 2.85%, due in monthly payments of \$16,961 including principal and interest through August 2035; collateralized by gross receipts of HPNH. The bonds are callable by the purchaser on or after August 1, 2025.	<b>3,090,156</b>	-
Note payable to a bank, monthly payments of \$5,422, including principal and interest at 6.75%. The note was paid off during 2015.	-	52,322
Variable rate note payable to a bank (3.00% at September 30, 2015), due in monthly payments of \$2,345 including principal and interest, due in full February 2021; collateralized by property, guaranteed by the Hospital.	<b>140,828</b>	163,885
Note payable at a fixed interest rate of 4.70%. The note was paid off during 2015.	-	144,690
Note payable at a fixed interest rate of 2.78%, monthly payments of \$5,690 including principal and interest due in February 2020; collateralized by certain property.	<b>282,975</b>	-
Note payable at a variable interest rate of (4% at September 30, 2015), monthly payments of \$1,743 including principal and interest with the remaining principal due in March 2019; collateralized by certain property.	<b>151,588</b>	165,747
Note payable at a fixed interest rate of 4.0%, monthly payments of \$2,597 including principal and interest, due in full in September 2018; collateralized by certain property.	<b>87,825</b>	114,873

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Capital lease obligations, at various rates with monthly payments ranging from \$134 to \$14,317 due 2015 through 2019; collateralized by leased equipment.	<u>615,330</u>	<u>860,353</u>
Total long-term debt before unamortized premiums and debt issuance costs	<b>16,978,534</b>	18,026,870
Unamortized debt issuance costs	<u>(171,867)</u>	<u>(205,675)</u>
Total long-term debt	<b>16,806,667</b>	17,821,195
Less current portion	<u>933,803</u>	<u>1,006,869</u>
	<b><u>\$15,872,864</u></b>	<b><u>\$ 16,814,326</u></b>

Aggregate annual maturities of long-term debt and payments on capital lease obligations at September 30, 2015, are:

	Long-term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2016	\$ 726,641	\$ 229,598
2017	748,300	225,037
2018	770,600	189,865
2019	850,000	2,889
2020	726,100	-
Thereafter	<u>12,541,563</u>	<u>-</u>
	<b><u>\$16,363,204</u></b>	647,389
Less amount representing interest		<u>(32,059)</u>
		<b><u>\$ 615,330</u></b>

In connection with the bond issuance, the Hospital, PMC and HPNH are all members of an Obligated Group. The Obligated Group is required to meet certain financial covenants. The Obligated Group is in compliance with these financial covenants at September 30, 2015 as defined in the Master Trust Indenture and its supplements.

PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

8. **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Health care services	\$ 247,924	\$ 127,867
Purchase of equipment	2,657	2,657
Indigent care	<u>235,180</u>	<u>236,380</u>
	<u>\$ 485,761</u>	<u>\$ 366,904</u>

Permanently restricted net assets are restricted to:

	<u>2015</u>	<u>2014</u>
Investments to be held in perpetuity, the income is restricted for indigent care	\$ 117,682	\$ 117,682
Beneficial interests in perpetual trusts, the income is unrestricted	<u>3,431,932</u>	<u>3,485,489</u>
	<u>\$ 3,549,614</u>	<u>\$ 3,603,171</u>

9. **Assets Held in Trust**

The Hospital is the income beneficiary of various trusts, over which the trustee has variance power. Because the Medical Center has only a contingent interest in the assets of these trusts, they are not included in the Medical Center's financial statements. The fair value of the assets totaled approximately \$4,160,000 and \$4,230,000 on September 30, 2015 and 2014, respectively. Distributions of income are made at the discretion of the trustees. Income distributed to the Hospital by the trust is restricted for indigent care and amounted to \$185,186 in 2015 and \$178,329 in 2014.

10. **Other Program Income, Net**

Other program income, net predominantly represents the net income resulting from the federal 340(b) Drug Pricing Program (Program). The Program provides for discounts and reduced prices on medications because the Hospital as a qualified federal grantee (as a CAH). In addition to savings for medications used within the Hospital, the Hospital has also established contracts with five local pharmacies during 2015. Revenue from prescriptions filled by these contract pharmacies is recorded as "other program revenue." The Hospital paid all expenses for the drugs dispensed by the contract pharmacies at wholesaler cost. The Hospital also paid the contract pharmacies a dispensing fee for filling the prescriptions. These expenses are treated as "other expense" by the Hospital. The net of these three amounts resulted in net program income of \$3,269,712 and \$3,222,964 for the years ended September 30, 2015 and 2014, respectively.

PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

11. **Functional Expenses**

The Medical Center provides health care services primarily to residents within its geographic area. Expenses related to providing these services are as follows:

	<u>2015</u>	<u>2014</u>
Health care services	\$ 76,408,037	\$ 71,828,613
General and administrative	<u>9,494,931</u>	<u>10,273,368</u>
	<u>\$ 85,902,968</u>	<u>\$ 82,101,981</u>

12. **Concentration of Credit Risk**

The Medical Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2015 and 2014 is:

	<u>2015</u>	<u>2014</u>
Medicare	27 %	28 %
Medicaid	17	17
Other third-party payors	36	32
Patients	<u>20</u>	<u>23</u>
	<u>100 %</u>	<u>100 %</u>

The Medical Center maintains a substantial portion of its cash and cash equivalents in bank accounts which at times may exceed federally insured limits. The Medical Center has not experienced any losses in such accounts. The Medical Center believes it is not exposed to any significant risk on cash and cash equivalents.

**Labor Force**

The Hospital's unionized labor workforce are members of the Porter Federation of Nurses and Health Professionals, AFT Vermont Local Unit # 5753. The Union contract has been negotiated through September 30, 2017.

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2015 and 2014**

**13. Commitments and Contingencies**

**Medical Malpractice Claims**

The Medical Center carries malpractice insurance coverage under a claims-made policy on a fixed premium basis. The Medical Center intends to renew its coverage on a claims-made basis and anticipates such coverage will be available. The Medical Center is subject to complaints, claims and litigation due to potential claims which arise in the normal course of business. U.S. GAAP requires the Medical Center to accrue the ultimate cost of malpractice claims when the incident that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset. Amounts accrued under this provision are included in other receivables and accounts payable and accrued expenses on the balance sheets.

**Guarantees**

The Hospital guarantees certain third-party debts of PREH. The guarantee terms are for periods of 9 and 14 years. Should the Hospital be obligated to perform under the guarantee agreements, the Hospital may seek reimbursement from the related organization of amounts expended under the guarantees. At September 30, 2015 and 2014, the total outstanding balances on the guaranteed loans were approximately \$140,000 and \$216,000, respectively.

**Litigation**

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**14. Benefit Plans**

**Defined Contribution Plan**

The Medical Center has a 403(b) defined contribution pension plan covering substantially all employees. The Medical Center makes an employer contribution to the plan. In order to receive the contribution, employees must meet certain eligibility requirements. The Medical Center will make contributions between 3% and 6% of covered payroll based on the employee's years of service and the employee's age as of January 1, 2015.



# PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2015 and 2014

The Medical Center has estimated a liability of approximately \$1,066,000 and \$1,023,000 at September 30, 2015 and 2014, respectively, related to the 403(b) plan. This amount has been included in accrued payroll and related liabilities. Contributions are calculated on a calendar year basis, and are paid following the end of the calendar year. Contributions to the plan were approximately \$1,371,000 and \$1,169,000 for calendar years 2014 and 2013 respectively.

### **Deferred Compensation Plan**

The Medical Center has a nonqualified deferred compensation plan established under Section 457 of the Internal Revenue Code. These plans cover key employees of the Medical Center. Estimated amounts are accrued at September 30 with amounts transferred to accounts recorded in deferred compensation plan investments on a calendar year basis. Expense under such plans amounted to \$79,000 for the years ended 2015 and 2014.

### **Defined Benefit Plan**

The Medical Center has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements. The Medical Center's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as PMC may determine to be appropriate from time to time. The Medical Center expects to contribute to the Plan in 2016.

The Medical Center has adopted FASB ASC 958-715, *Compensation-Retirement Benefits*. The defined benefit pension plan has been frozen since April 2007; therefore, the adoption of these provisions had no effect on the balance sheets and statements of operations and changes in net assets of the Medical Center.

The Medical Center uses a September 30, 2015 measurement date for the plan. Significant balances for the plan as a whole are:

	<u>2015</u>	<u>2014</u>
Benefit obligations	\$ (16,013,887)	\$(14,919,052)
Fair value of Plan assets	<u>9,539,564</u>	<u>10,324,258</u>
Funded status	\$ <u>(6,474,323)</u>	\$ <u>(4,594,794)</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2015 and 2014**

The tables below present details about the Plan, including components of net periodic benefit cost and certain assumptions used to determine the funded status and cost:

	<u>2015</u>	<u>2014</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 14,919,052	\$ 13,501,286
Interest cost	624,183	642,168
Actuarial loss	962,615	1,178,468
Benefits paid	<u>(491,963)</u>	<u>(402,870)</u>
Benefit obligation at end of year	\$ <u>16,013,887</u>	\$ <u>14,919,052</u>
Change in Plan assets		
Fair value of Plan assets at beginning of year	\$ 10,324,258	\$ 9,831,467
Actual (loss) return on Plan assets	(254,295)	895,661
Benefits paid	(491,963)	(402,870)
Expenses paid	<u>(38,436)</u>	<u>-</u>
Fair value of Plan assets at end of year	\$ <u>9,539,564</u>	\$ <u>10,324,258</u>
Components of net periodic benefit cost		
Interest cost	\$ 624,183	\$ 642,168
Expected return on plan assets	(563,214)	(547,092)
Amortization of net loss	<u>291,460</u>	<u>252,627</u>
Net periodic benefit cost	\$ <u>352,429</u>	\$ <u>347,703</u>
Weighted average assumptions used to determine benefit obligation		
Discount rate	4.35 %	4.26 %
Weighted average assumptions used to determine benefit cost		
Discount rate	4.26	4.84
Expected return on assets	5.60	5.70

The Medical Center 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.

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

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**September 30, 2015 and 2014**

The following benefit payments are expected to be paid over the next ten years as of September 30, 2015:

2016	\$ 591,921
2017	619,045
2018	640,570
2019	699,160
2020	752,972
2021 - 2025	4,485,738

Plan assets are held by a bank-administered trust fund, which invests the Plan assets in accordance with the provisions of the plan agreement. The Plan agreement permits investment in common stocks, corporate bonds and debentures, U.S. government securities, certain insurance contracts, real estate and other specified investments, based on certain target allocation percentages.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the Plan to recognize potentially higher returns through a limited investment in equity securities. Plan assets are rebalanced quarterly. At September 30, plan assets by category are as follows:

	<u>2015</u>	<u>2014</u>
Equity funds	52 %	47 %
Debt funds	29	50
Cash and cash equivalents	3	3
International funds	<u>16</u>	<u>-</u>
	<u>100 %</u>	<u>100 %</u>

The targeted asset allocation ranges for the Plan are as follows:

	<u>Ranges</u>
Equity funds	0 - 60%
Fixed income funds	30 - 100
Short term investments or funds	0 - 20
Alternative investments or funds	0 - 10

In the next year, \$340,532 is expected to be recognized as a component of net periodic benefit cost related to net actuarial loss previously recognized in unrestricted net assets. The total amount to be amortized into pension expense in future years is \$4,800,000. No plan assets are expected to be returned to the Medical Center in 2016. The Medical Center expects to contribute \$1,000,000 to the Plan in 2016.

PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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**Risks**

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

**15. Health Care Improvement Tax**

Effective July 1, 1991, a health care improvement tax was imposed on medical centers, nursing homes and home health agencies as part of a program to upgrade services in Vermont. The State of Vermont pays the Hospital with funds received from the health care improvement trust fund and federal matching funds. The assessment rate for subsequent years will be determined annually by the Vermont General Assembly.

**16. Operating Leases**

HPNH leases the land upon which the facility is located from Middlebury College under an operating lease agreement. The term of the lease is for 46 years and 7 months expiring in 2048. After the initial term of the lease, the lease is cancelable with 90-days notice and includes no cost to HPNH other than executory costs.

Noncancelable operating leases at the Hospital for primary care outpatient offices expire in various years through September 2020. These leases generally contain renewal options for periods ranging from three to six years and require the Hospital to pay all executory costs.

Future minimum lease payments at September 30, 2015,

2016	\$ 811,500
2017	629,300
2018	590,300
2019	487,700
2020	426,600
Thereafter	<u>388,000</u>
	<u>\$ 3,333,400</u>

Rent expense during 2015 and 2014 amounted to \$968,471 and \$964,433, respectively.

**17. Fair Value Measurements and Disclosures**

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:

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

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**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 at fair value on a recurring basis are summarized below:

	Fair Value Measurements at September 30, 2015			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments				
Cash and cash equivalents	\$ 211,389	\$ 211,389	\$ -	\$ -
Investments held by Middlebury College	4,776,553	-	-	4,776,553
Deferred compensation plan assets	1,875,401	1,875,401	-	-
Beneficial interest in perpetual trusts	<u>3,431,932</u>	<u>-</u>	<u>-</u>	<u>3,431,932</u>
Total assets	<u>\$ 10,295,275</u>	<u>\$ 2,086,790</u>	<u>\$ -</u>	<u>\$ 8,208,485</u>

	Fair Value Measurements at September 30, 2015			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension assets:				
Cash and cash equivalents	\$ 300,214	\$ 300,214	\$ -	\$ -
Mutual funds				
Growth funds	2,465,682	2,465,682	-	-
Equity funds	2,442,984	2,442,984	-	-
Bond funds	2,776,001	2,776,001	-	-
International funds	<u>1,554,683</u>	<u>1,554,683</u>	<u>-</u>	<u>-</u>
Total mutual funds	<u>9,239,350</u>	<u>9,239,350</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,539,564</u>	<u>\$ 9,539,564</u>	<u>\$ -</u>	<u>\$ -</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

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**September 30, 2015 and 2014**

	<u>Fair Value Measurements at September 30, 2014</u>			
	<u>Total</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets:</b>				
<b>Investments</b>				
Cash and cash equivalents	\$ 363,292	\$ 363,292	\$ -	\$ -
Corporate and taxable bonds	428,798	-	428,798	-
U.S. Treasury obligations and government securities	526,223	526,223	-	-
Government sponsored enterprises	207,070	-	207,070	-
International bonds	84,467	-	84,467	-
<b>Marketable equity securities</b>				
Basic materials	108,297	108,297	-	-
Communication services	36,392	36,392	-	-
Consumer staple	145,201	145,201	-	-
Consumer discretionary	235,859	235,859	-	-
Energy	167,579	167,579	-	-
Financial services	468,015	468,015	-	-
Healthcare	210,191	210,191	-	-
Industrials	196,797	196,797	-	-
Technology	380,599	380,599	-	-
Utilities	54,934	54,934	-	-
Miscellaneous	120,443	120,443	-	-
Total marketable equity securities	<u>2,124,307</u>	<u>2,124,307</u>	<u>-</u>	<u>-</u>
<b>Mutual funds</b>				
Growth funds	120,009	120,009	-	-
Equity funds	205,292	205,292	-	-
Bond funds	16,599	16,599	-	-
International funds	41,121	41,121	-	-
Total mutual funds	<u>383,021</u>	<u>383,021</u>	<u>-</u>	<u>-</u>
Deferred compensation plan assets:	1,807,544	1,807,544	-	-
Beneficial interest in perpetual trusts	<u>3,485,489</u>	<u>-</u>	<u>-</u>	<u>3,485,489</u>
Total assets	<u>\$ 9,410,211</u>	<u>\$ 5,204,387</u>	<u>\$ 720,335</u>	<u>\$ 3,485,489</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2015 and 2014**

	Fair Value Measurements at September 30, 2014			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension assets:				
Cash and cash equivalents	\$ 325,426	\$ 325,426	\$ -	\$ -
Mutual funds				
Growth funds	1,422,414	1,422,414	-	-
Equity funds	3,375,833	3,375,833	-	-
Bond funds	<u>5,188,552</u>	<u>5,188,552</u>	-	-
Total mutual funds	<u>9,986,799</u>	<u>9,986,799</u>	-	-
Accrued interest	<u>12,033</u>	<u>12,033</u>	-	-
Total	<u>\$ 10,324,258</u>	<u>\$ 10,324,258</u>	\$ -	\$ -

Significant activity for assets measured at the fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

Level 3 investments at October 1, 2013	\$ 3,305,833
Net appreciation of beneficial interest in perpetual trusts	<u>179,656</u>
Level 3 investments at September 30, 2014	3,485,489
Net depreciation of beneficial interest in perpetual trusts	(53,557)
Transfer of assets to Middlebury College	5,000,000
Net depreciation of assets held by Middlebury College	<u>(223,447)</u>
Level 3 investments at September 30, 2015	<u>\$ 8,208,485</u>

The fair value of Level 2 assets is primarily based on quoted market prices of comparable securities. The fair value of Level 3 assets is based on the Medical Center's share of the quoted market prices of the underlying assets of the Middlebury pooled funds and beneficial trust or of similar securities. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. All fair values are provided by investment managers

The Medical Center's financial instruments consist of cash and cash equivalents, investments, beneficial interest in perpetual trusts, trade accounts receivable and payable, estimated third-party settlements, the deferred compensation and long-term debt. The carrying values of all cash and cash equivalents estimated, third-party settlements, the deferred compensation liability and long-term debt approximate their fair values using Level 1 inputs. The fair value of investments and beneficial interest in perpetual trusts was determined using the methods and inputs described in the first section of this Note.

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2015 and 2014**

**18. Meaningful Use Revenues**

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The criteria for meaningful use will be staged in three steps with the stage 3 beginning in 2018. The meaningful use attestation is subject to audit by CMS in future years. As part of this process, a final settlement amount for the incentive payments could be established that differs from the initial calculation, and could result in return of a portion or all of the incentive payments received by the Hospital.

The Medicaid program will provide incentive payments to hospitals and eligible professionals as they adopt, implement, upgrade or demonstrate meaningful use in the first year of participation and demonstrate meaningful use for up to five remaining participation years. The Hospital recorded meaningful use revenues of approximately \$528,300 in other operating revenue during 2015.

During 2015 and 2014, the Hospital demonstrated meaningful use related to its certified EHR system, allowing the Hospital to be eligible to receive EHR payments from Medicare. The Hospital recorded meaningful use revenues of approximately \$153,300 and \$150,000 in other operating revenue in 2015 and 2014, respectively.



## **SUPPLEMENTARY INFORMATION**

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Consolidating - Balance Sheets**

**September 30, 2015**

<b>Assets</b>	Porter Medical Center, Inc.	Porter Hospital, Inc.	Helen Porter Nursing Home, Inc.	Porter Real Estate Holdings, LLC	Eliminations	Consolidated
Current assets						
Cash and cash equivalents	\$ 523,953	\$ 11,950,916	\$ 600,516	\$ 13,109	\$ -	\$ 13,088,494
Assets limited as to use	-	-	83,947	-	-	83,947
Patient accounts receivable, net	-	9,702,885	1,041,752	-	-	10,744,637
Other receivables, net	82,679	1,319,509	-	-	-	1,402,188
Current portion of note receivable, related party	-	3,497	-	-	(3,497)	-
Supplies	-	1,167,755	12,666	-	-	1,180,421
Prepaid expenses and other	25,734	1,106,119	172,860	-	-	1,304,713
Resident deposits	-	-	16,786	-	-	16,786
Due from affiliates	<u>417,166</u>	<u>271,087</u>	<u>44,369</u>	<u>2,793</u>	<u>(735,415)</u>	<u>-</u>
Total current assets	1,049,532	25,521,768	1,972,896	15,902	(738,912)	27,821,186
Assets limited as to use, deferred compensation plan assets	1,160,346	715,055	-	-	-	1,875,401
Long-term investments	45,944	4,941,998	-	-	-	4,987,942
Property and equipment, net	-	20,947,612	1,336,428	1,039,138	(58,215)	23,264,963
Beneficial interest in perpetual trusts	-	3,431,932	-	-	-	3,431,932
Note receivable, related party	741,973	20,307	-	-	(762,280)	-
Investment in subsidiary	<u>879,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(879,291)</u>	<u>-</u>
Total assets	<u>\$ 3,877,086</u>	<u>\$ 55,578,672</u>	<u>\$ 3,309,324</u>	<u>\$ 1,055,040</u>	<u>\$ (2,438,698)</u>	<u>\$ 61,381,424</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Consolidating - Balance Sheets (Concluded)**

**September 30, 2015**

**Liabilities and Net Assets (Deficit)**

	Porter Medical Center, Inc.	Porter Hospital, Inc.	Helen Porter Nursing Home, Inc.	Porter Real Estate Holdings, LLC	Eliminations	Consolidated
Current liabilities						
Current portion of long-term debt	\$ -	\$ 763,319	\$ 146,455	\$ 27,256	\$ (3,227)	\$ 933,803
Accounts payable and accrued expenses	29,986	2,858,001	146,871	-	-	3,034,858
Resident deposits	-	-	16,786	-	-	16,786
Accrued payroll and related liabilities	107,304	2,004,790	331,777	-	-	2,443,871
Accrued compensated absences	196,617	2,723,746	301,140	-	-	3,221,503
Estimated third-party settlements	-	1,558,015	67,166	-	-	1,625,181
Due to affiliates	<u>150,044</u>	<u>382,191</u>	<u>192,063</u>	<u>11,117</u>	<u>(735,415)</u>	<u>-</u>
Total current liabilities	483,951	10,290,062	1,202,258	38,373	(738,642)	11,276,002
Liability for pension benefits	268,821	5,295,827	909,675	-	-	6,474,323
Deferred compensation	1,160,346	714,382	-	-	-	1,874,728
Residual receipts note to affiliate	-	-	741,973	-	(741,973)	-
Long-term debt, net of current portion	<u>-</u>	<u>12,781,987</u>	<u>2,974,078</u>	<u>137,376</u>	<u>(20,577)</u>	<u>15,872,864</u>
Total liabilities	<u>1,913,118</u>	<u>29,082,258</u>	<u>5,827,984</u>	<u>175,749</u>	<u>(1,501,192)</u>	<u>35,497,917</u>
Net assets (deficit)						
Unrestricted	1,963,968	22,544,986	(2,602,607)	879,291	(937,506)	21,848,132
Temporarily restricted	-	401,814	83,947	-	-	485,761
Permanently restricted	<u>-</u>	<u>3,549,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,549,614</u>
Total net assets (deficit)	<u>1,963,968</u>	<u>26,496,414</u>	<u>(2,518,660)</u>	<u>879,291</u>	<u>(937,506)</u>	<u>25,883,507</u>
Total liabilities and net assets (deficit)	<u>\$ 3,877,086</u>	<u>\$ 55,578,672</u>	<u>\$ 3,309,324</u>	<u>\$ 1,055,040</u>	<u>\$ (2,438,698)</u>	<u>\$ 61,381,424</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Consolidating - Statements of Operations**

**Year Ended September 30, 2015**

	Porter Medical Center, Inc.	Porter Hospital, Inc.	Helen Porter Nursing Home, Inc.	Porter Real Estate Holdings, LLC	Eliminations	Consolidated
Unrestricted revenues, gains and other support						
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 73,905,964	\$ 10,032,151	\$ -	\$ (175,676)	\$ 83,762,439
Less provision for bad debts	<u>-</u>	<u>3,256,616</u>	<u>54,280</u>	<u>-</u>	<u>-</u>	<u>3,310,896</u>
Net patient service revenue	-	70,649,348	9,977,871	-	(175,676)	80,451,543
Property rental income, related party	-	-	-	118,680	(118,680)	-
Other operating revenue	3,363,824	3,517,252	32,388	34,429	(3,119,607)	3,828,286
Net assets released from restrictions used for operations	<u>-</u>	<u>2,040</u>	<u>10,671</u>	<u>-</u>	<u>-</u>	<u>12,711</u>
Total unrestricted revenues, gains and other support	<u>3,363,824</u>	<u>74,168,640</u>	<u>10,020,930</u>	<u>153,109</u>	<u>(3,413,963)</u>	<u>84,292,540</u>
Expenses						
Professional care of patients	-	40,977,211	5,766,442	-	(175,676)	46,567,977
General services	-	3,673,307	1,769,016	-	(118,680)	5,323,643
Administrative and fiscal services	3,148,763	22,823,156	2,789,160	11,086	(3,118,159)	25,654,006
Health care improvement tax	-	4,046,887	516,551	-	-	4,563,438
Depreciation and amortization	-	3,055,269	289,236	42,812	-	3,387,317
Interest	<u>-</u>	<u>322,120</u>	<u>78,126</u>	<u>7,789</u>	<u>(1,448)</u>	<u>406,587</u>
Total expenses	<u>3,148,763</u>	<u>74,897,950</u>	<u>11,208,531</u>	<u>61,687</u>	<u>(3,413,963)</u>	<u>85,902,968</u>
Operating income (loss)	<u>215,061</u>	<u>(729,310)</u>	<u>(1,187,601)</u>	<u>91,422</u>	<u>-</u>	<u>(1,610,428)</u>
Nonoperating gains (losses)						
Contributions	274,333	185,276	-	-	-	459,609
Investment return	147	154,997	-	-	-	155,144
Other program income, net	-	3,269,712	95,218	-	-	3,364,930
Loss on early extinguishment of debt	-	(119,617)	(70,259)	-	-	(189,876)
Equity in earnings of Porter Real Estate Holdings, LLC	<u>91,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,422)</u>	<u>-</u>
Nonoperating gains, net	<u>365,902</u>	<u>3,490,368</u>	<u>24,959</u>	<u>-</u>	<u>(91,422)</u>	<u>3,789,807</u>
Excess (deficiency) of revenues, gains and other support over expenses and nonoperating gains (losses)	580,963	2,761,058	(1,162,642)	91,422	(91,422)	2,179,379
Net assets released from restrictions used for purchase of property and equipment	-	60,728	67,605	-	-	128,333
Change in net assets to recognize funded status of pension plan	(68,473)	(1,240,510)	(218,117)	-	-	(1,527,100)
Transfer (to) from affiliates	<u>(420,000)</u>	<u>(1,040,185)</u>	<u>1,460,185</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in unrestricted net assets	<u>\$ 92,490</u>	<u>\$ 541,091</u>	<u>\$ 147,031</u>	<u>\$ 91,422</u>	<u>\$ (91,422)</u>	<u>\$ 780,612</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Consolidating - Balance Sheets**

**September 30, 2014**

<b>Assets</b>	Porter Medical Center, Inc.	Porter Hospital, Inc.	Helen Porter Nursing Home, Inc.	Porter Real Estate Holdings, LLC	Eliminations	<u>Consolidated</u>
Current assets						
Cash and cash equivalents	\$ 523,832	\$ 10,961,576	\$ 306,657	\$ 9,314	\$ -	\$ 11,801,379
Assets limited as to use	-	380,321	212,782	-	-	593,103
Patient accounts receivable, net	-	9,270,694	1,203,809	-	-	10,474,503
Other receivables, net	59,924	3,206,812	-	-	-	3,266,736
Current portion of note receivable, related party	-	3,497	-	-	(3,497)	-
Supplies	-	1,219,291	8,904	-	-	1,228,195
Prepaid expenses and other	10,529	1,300,287	100,643	-	-	1,411,459
Resident deposits	-	-	12,947	-	-	12,947
Due from affiliates	<u>422,123</u>	<u>364,530</u>	<u>64,629</u>	<u>2,990</u>	<u>(854,272)</u>	<u>-</u>
Total current assets	1,016,408	26,707,008	1,910,371	12,304	(857,769)	28,788,322
Assets limited as to use, deferred compensation plan assets	990,896	816,648	-	-	-	1,807,544
Long-term investments	42,321	4,074,857	-	-	-	4,117,178
Property and equipment, net	-	20,905,488	1,346,761	1,081,950	(58,215)	23,275,984
Beneficial interest in perpetual trusts	-	3,485,489	-	-	-	3,485,489
Note receivable, related party - noncurrent	741,973	24,290	-	-	(766,263)	-
Investment in subsidiary	<u>787,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(787,869)</u>	<u>-</u>
Total assets	<u>\$ 3,579,467</u>	<u>\$ 56,013,780</u>	<u>\$ 3,257,132</u>	<u>\$ 1,094,254</u>	<u>\$ (2,470,116)</u>	<u>\$ 61,474,517</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Consolidating - Balance Sheets (Concluded)**

**September 30, 2014**

**Liabilities and Net Assets (Deficit)**

	Porter Medical Center, Inc.	Porter Hospital, Inc.	Helen Porter Nursing Home, Inc.	Porter Real Estate Holdings, LLC	Eliminations	Consolidated
Current liabilities						
Current portion of long-term debt	\$ -	\$ 783,369	\$ 147,419	\$ 79,578	\$ (3,497)	\$ 1,006,869
Accounts payable and accrued expenses	71,321	4,488,788	154,923	-	-	4,715,032
Resident deposits	-	-	12,947	-	-	12,947
Accrued payroll and related liabilities	98,563	1,916,195	309,019	-	-	2,323,777
Accrued compensated absences	187,281	2,544,009	304,152	-	-	3,035,442
Estimated third-party settlements	-	1,968,929	157,935	-	-	2,126,864
Due to affiliates	<u>174,214</u>	<u>388,697</u>	<u>229,186</u>	<u>62,175</u>	<u>(854,272)</u>	<u>-</u>
Total current liabilities	531,379	12,089,987	1,315,581	141,753	(857,769)	13,220,931
Liability for pension benefits	185,714	3,762,025	647,055	-	-	4,594,794
Deferred compensation	990,896	815,975	-	-	-	1,806,871
Residual receipts note to affiliate	-	-	741,973	-	(741,973)	-
Long-term debt, net of current portion	<u>-</u>	<u>13,455,420</u>	<u>3,218,564</u>	<u>164,632</u>	<u>(24,290)</u>	<u>16,814,326</u>
Total liabilities	<u>1,707,989</u>	<u>30,123,407</u>	<u>5,923,173</u>	<u>306,385</u>	<u>(1,624,032)</u>	<u>36,436,922</u>
Net assets (deficit)						
Unrestricted	1,871,478	22,003,895	(2,749,638)	787,869	(846,084)	21,067,520
Temporarily restricted	-	283,307	83,597	-	-	366,904
Permanently restricted	<u>-</u>	<u>3,603,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,603,171</u>
Total net assets (deficit)	<u>1,871,478</u>	<u>25,890,373</u>	<u>(2,666,041)</u>	<u>787,869</u>	<u>(846,084)</u>	<u>25,037,595</u>
Total liabilities and net assets (deficit)	<u>\$ 3,579,467</u>	<u>\$ 56,013,780</u>	<u>\$ 3,257,132</u>	<u>\$ 1,094,254</u>	<u>\$ (2,470,116)</u>	<u>\$ 61,474,517</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES**

**Consolidating - Statements of Operations**

**Year Ended September 30, 2014**

	<u>Porter Medical Center, Inc.</u>	<u>Porter Hospital, Inc.</u>	<u>Helen Porter Nursing Home, Inc.</u>	<u>Porter Management Services, Inc.</u>	<u>Porter Real Estate Holdings, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Unrestricted revenues, gains and other support							
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 68,031,505	\$ 10,014,648	\$ -	\$ -	\$ (245,126)	\$ 77,801,027
Less provision for bad debts	<u>-</u>	<u>2,006,720</u>	<u>101,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,107,823</u>
Net patient service revenue	-	66,024,785	9,913,545	-	-	(245,126)	75,693,204
Property rental income, related party	-	-	-	-	118,680	(118,680)	-
Other operating revenue	2,948,376	3,519,978	15,996	-	33,907	(2,716,525)	3,801,732
Net assets released from restrictions used for operations	<u>-</u>	<u>3,993</u>	<u>13,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,880</u>
Total unrestricted revenues, gains and other support	<u>2,948,376</u>	<u>69,548,756</u>	<u>9,943,428</u>	<u>-</u>	<u>152,587</u>	<u>(3,080,331)</u>	<u>79,512,816</u>
Expenses							
Professional care of patients	-	38,225,919	5,188,576	-	-	(245,126)	43,169,369
General services	-	3,732,454	1,766,459	-	-	(118,680)	5,380,233
Administrative and fiscal services	2,830,854	20,923,093	2,766,529	-	12,458	(2,714,730)	23,818,204
Health care improvement tax	-	3,910,935	516,551	-	-	-	4,427,486
Depreciation and amortization	-	4,501,518	261,786	-	42,812	-	4,806,116
Interest	<u>-</u>	<u>409,969</u>	<u>79,520</u>	<u>-</u>	<u>12,879</u>	<u>(1,795)</u>	<u>500,573</u>
Total expenses	<u>2,830,854</u>	<u>71,703,888</u>	<u>10,579,421</u>	<u>-</u>	<u>68,149</u>	<u>(3,080,331)</u>	<u>82,101,981</u>
Operating income (loss)	<u>117,522</u>	<u>(2,155,132)</u>	<u>(635,993)</u>	<u>-</u>	<u>84,438</u>	<u>-</u>	<u>(2,589,165)</u>
Nonoperating gains							
Contributions	142,568	178,329	-	-	-	-	320,897
Investment return	143	540,225	-	-	-	-	540,368
Other program income, net	-	3,222,964	35,382	-	-	-	3,258,346
Equity in earnings of Porter Real Estate Holdings, LLC	<u>84,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,438)</u>	<u>-</u>
Total nonoperating gains	<u>227,149</u>	<u>3,941,518</u>	<u>35,382</u>	<u>-</u>	<u>-</u>	<u>(84,438)</u>	<u>4,119,611</u>
Excess (deficiency) of revenues, gains and other support over expenses and nonoperating gains	344,671	1,786,386	(600,611)	-	84,438	(84,438)	1,530,446
Net assets released from restrictions used for purchase of property and equipment	-	-	39,412	-	-	-	39,412
Change in net assets to recognize funded status of pension plan	(24,941)	(468,947)	(83,384)	-	-	-	(577,272)
Transfer (to) from affiliates	<u>(465,051)</u>	<u>-</u>	<u>191,250</u>	<u>273,801</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Decrease) increase in unrestricted net assets	<u>\$ (145,321)</u>	<u>\$ 1,317,439</u>	<u>\$ (453,333)</u>	<u>\$ 273,801</u>	<u>\$ 84,438</u>	<u>\$ (84,438)</u>	<u>\$ 992,586</u>

