




Porter Medical Center, Inc. and Subsidiaries

d/b/a THE UNIVERSITY OF VERMONT HEALTH NETWORK –
PORTER MEDICAL CENTER, INC.

CONSOLIDATED FINANCIAL STATEMENTS
with
SUPPLEMENTARY INFORMATION

September 30, 2021 and 2020
With Independent Auditor's Report



**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

September 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

Porter Medical Center, Inc. and Subsidiaries d/b/a The University of Vermont
Health Network - Porter Medical Center, Inc.

We have audited the accompanying consolidated financial statements of Porter Medical Center, Inc. and Subsidiaries d/b/a The University of Vermont Health Network - Porter Medical Center, Inc. (Medical Center), which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 audits 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 Medical Center'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 Medical Center'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 the Medical Center as of September 30, 2021 and 2020, 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.

Board of Directors
Porter Medical Center, Inc. and Subsidiaries d/b/a The University of Vermont
Health Network - Porter Medical Center, Inc.

Other Matter

Our audit was 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 rather than to present the financial position and results of operations of the individual entities 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with 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
January 31, 2022
Registration No. 92-0000278

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Consolidated Balance Sheets

September 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 34,350,362	\$ 41,124,213
Assets limited as to use	-	217,000
Patient accounts receivable, net	14,476,307	13,700,019
Other receivables, net	575,402	1,001,553
Supplies	2,184,044	2,106,557
Prepaid expenses and other	545,294	414,167
Resident deposits	64,022	36,459
Receivables from third-party payors	-	2,051,963
Total current assets	<u>52,195,431</u>	<u>60,651,931</u>
Assets limited as to use, deferred compensation plan assets	1,905,106	1,567,226
Long-term investments	13,922,148	2,099,598
Property and equipment, net	18,140,939	19,209,528
Beneficial interest in perpetual trusts	4,993,379	3,848,141
Right-of-use operating lease asset	1,386,154	1,558,314
Total assets	<u>\$ 92,543,157</u>	<u>\$ 88,934,738</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Current portion of long-term debt	\$ 665,965	\$ 685,195
Current portion of right-of-use operating lease liability	459,716	361,531
Accounts payable and accrued expenses	3,389,240	5,868,365
Resident deposits	64,022	36,459
Accrued payroll and related liabilities	3,484,763	3,893,621
Accrued compensated absences	3,599,886	2,870,428
Estimated third-party settlements	1,747,194	4,074,963
Due to affiliates	1,716,133	1,060,911
Total current liabilities	<u>15,126,919</u>	<u>18,851,473</u>
Liability for pension benefits	2,155,075	5,525,065
Deferred compensation	1,902,051	1,566,553
Long-term third-party settlements, net of current portion	3,693,986	2,781,765
Long-term right-of-use lease obligation, net of current portion	938,477	1,203,923
Long-term debt, net of current portion	11,200,788	11,867,949
Total liabilities	<u>35,017,296</u>	<u>41,796,728</u>
Net assets		
Without donor restrictions	51,419,608	41,687,526
With donor restrictions	6,106,253	5,450,484
Total net assets	<u>57,525,861</u>	<u>47,138,010</u>
Total liabilities and net assets	<u>\$ 92,543,157</u>	<u>\$ 88,934,738</u>

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

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Consolidated Statements of Operations

Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues without donor restrictions, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	\$ 80,183,857	\$ 69,441,880
Fixed prospective revenue	20,506,544	17,736,838
Other operating income	5,435,676	10,184,547
Net assets released from restrictions used for operations	<u>691,854</u>	<u>14,031</u>
Total revenues without donor restrictions, gains and other support	<u>106,817,931</u>	<u>97,377,296</u>
Expenses		
Professional care of patients	63,013,712	55,219,036
General services	5,230,560	5,130,573
Administrative and fiscal services	26,583,416	28,824,025
Health care improvement tax	5,538,866	4,919,459
Depreciation	3,128,390	3,248,576
Interest	<u>350,773</u>	<u>378,970</u>
Total expenses	<u>103,845,717</u>	<u>97,720,639</u>
Operating income (loss)	<u>2,972,214</u>	<u>(343,343)</u>
Nonoperating gains		
Contributions	399,320	442,483
Other components of pension expense	(242,344)	(432,782)
Investment return	1,007,075	373,681
Other program income, net	<u>2,537,157</u>	<u>3,527,156</u>
Nonoperating gains, net	<u>3,701,208</u>	<u>3,910,538</u>
Excess of revenues, gains, other support and nonoperating gains over expenses	6,673,422	3,567,195
Net assets released from restrictions used for purchase of property and equipment	136,457	132,602
Change in net assets to recognize funded status of pension plan	2,947,544	641,584
Transfer (to) from University of Vermont Medical Center, Inc.	(28,398)	300,256
Contributions	<u>3,057</u>	<u>-</u>
Increase in net assets without donor restrictions	<u>\$ 9,732,082</u>	<u>\$ 4,641,637</u>

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

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Consolidated Statements of Changes in Net Assets

Years Ended September 30, 2021 and 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balances, October 1, 2019	\$ <u>37,045,889</u>	\$ <u>4,949,047</u>	\$ <u>41,994,936</u>
Excess of revenues, gains, other support and nonoperating gains over expenses	3,567,195	-	3,567,195
Net assets released from restrictions for operations	-	(14,031)	(14,031)
Net assets released from restrictions used for purchase of property and equipment	132,602	(132,602)	-
Change in net assets to recognize funded status of pension plan	641,584	-	641,584
Transfer from affiliate	300,256	-	300,256
Contributions	-	516,840	516,840
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>131,230</u>	<u>131,230</u>
Net increase in net assets	<u>4,641,637</u>	<u>501,437</u>	<u>5,143,074</u>
Balances, September 30, 2020	<u>41,687,526</u>	<u>5,450,484</u>	<u>47,138,010</u>
Excess of revenues, gains, other support and nonoperating gains over expenses	6,673,422	-	6,673,422
Net assets released from restrictions used for operations	-	(684,029)	(684,029)
Net assets released from restrictions used for purchase of property and equipment	136,457	(136,457)	-
Change in net assets to recognize funded status of pension plan	2,947,544	-	2,947,544
Transfer to affiliate	(28,398)	-	(28,398)
Contributions	3,057	331,018	334,075
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>1,145,237</u>	<u>1,145,237</u>
Net increase in net assets	<u>9,732,082</u>	<u>655,769</u>	<u>10,387,851</u>
Balances, September 30, 2021	<u>\$ 51,419,608</u>	<u>\$ 6,106,253</u>	<u>\$ 57,525,861</u>

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

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Consolidated Statements of Cash Flows

Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 10,387,851	\$ 5,143,074
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss on disposal of property and equipment	-	7,730
Depreciation	3,128,390	3,248,576
Net realized and unrealized gains on investments	(777,024)	(300)
Change in net assets to recognize funded status of pension plan	(2,947,544)	(641,584)
Change in beneficial interest in perpetual trusts	(1,145,237)	(131,230)
Transfer (to) from affiliate	(28,398)	(300,256)
(Increase) decrease in		
Patient accounts receivable, net	(249,260)	(1,124,460)
Assets limited as to use	-	3,000
Supplies, prepaids and other current assets	217,537	(195,500)
Increase (decrease) in		
Accounts payable and accrued expenses	(3,006,153)	1,070,775
Accrued payroll and related liabilities	320,600	988,443
Deferred compensation	335,498	160,538
Estimated third-party settlements	636,415	3,259,783
Pension liability, net	(422,446)	(204,307)
Due to affiliates	683,620	235,320
Net cash provided by operating activities	<u>7,133,849</u>	<u>11,519,602</u>
Cash flows from investing activities		
Purchase of investments	(11,488,995)	(417,511)
Proceeds from sale of investments	105,589	350,409
Purchase of property and equipment	<u>(1,716,790)</u>	<u>(1,294,673)</u>
Net cash used by investing activities	<u>(13,100,196)</u>	<u>(1,361,775)</u>
Cash flows from financing activities		
Payments on right-of-use lease obligation	(338,113)	(463,249)
Principal payments on long-term debt	<u>(686,391)</u>	<u>(694,085)</u>
Net cash used by financing activities	<u>(1,024,504)</u>	<u>(1,157,334)</u>
Net (decrease) increase in cash and cash equivalents	(6,990,851)	9,000,493
Cash, cash equivalents and restricted cash, beginning of year	<u>41,341,213</u>	<u>32,340,720</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 34,350,362</u>	<u>\$ 41,341,213</u>
Composition of cash, cash equivalents and restricted cash, end of year		
Cash and cash equivalents	34,350,362	41,124,213
Assets limited as to use	-	217,000
	<u>\$ 34,350,362</u>	<u>\$ 41,341,213</u>
Supplemental cash flows information		
Interest paid	<u>\$ 350,773</u>	<u>\$ 378,970</u>

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

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Nature of Operations, Reporting Entity and Principles of Consolidation

Porter Medical Center, Inc. and Subsidiaries d/b/a The University of Vermont Health Network – Porter Medical Center, Inc. (PMC) was organized in 1986 to serve as a parent holding company for three subsidiaries: Porter Hospital, Inc. (Hospital), Helen Porter Nursing Home, Inc. (HPNH), and Porter Real Estate Holdings, LLC (PREH). The Hospital operates a 25-bed not-for-profit critical access hospital. HPNH operates a 105-bed not-for-profit long-term community oriented skilled healthcare and rehabilitation center. PREH is a single-member LLC real estate holding company that is owned 100% by PMC. All of these companies are Vermont corporations and operate out of facilities in Middlebury, Vermont.

On April 1, 2017, The University of Vermont Health Network, Inc. (UVM Health Network) entered into an affiliation agreement whereby UVM Health Network became the sole corporate member of PMC.

UVM Health Network is a non-profit, tax-exempt Vermont corporation and the sole corporate member of University of Vermont Medical Center, Inc. (UVMHC), University of Vermont Health Network Medical Group, Inc., University of Vermont Health Network - Central Vermont Medical Center, Inc., University of Vermont Health Network - Porter Medical Center, Inc., University of Vermont Health Network – Champlain Valley Physicians Hospital, University of Vermont Health Network – Elizabethtown Community Hospital, University of Vermont Health Network – Alice Hyde Medical Center, Community Providers, Inc., UVM Health Network Health Ventures, Inc., and University of Vermont Health Network – Home Health & Hospice. UVM Health Network's purpose is to establish an integrated regional healthcare system for the development of a highly coordinated healthcare network to improve the quality, increase the efficiencies, and lower the costs of healthcare delivery in the regions it serves.

The consolidated financial statements include the accounts of PMC, 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.

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 Medical Center. These net assets may be used at the discretion of the Medical Center's management and the Board of Directors.

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Net assets without 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 Medical Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of operations.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include 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, 2021, cash equivalents consisted primarily of money market accounts with brokers.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all investments in debt securities are measured at fair value in the balance sheet. Investment return 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.

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.

Assets Limited as to Use

Assets limited as to use are HPNH assets held by trustees under indenture agreements and deferred compensation plan assets and are comprised of cash and short-term investments at September 30, 2021 and 2020. 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

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

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 for which third-party coverage exists for part of the bill), the Medical Center records a provision for bad debts in the period of 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 revenues without donor restrictions and are excluded from the excess of revenues, gains, other support and nonoperating gains over expenses, 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.

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Land Lease

The Medical Center has multiple land lease agreements with Middlebury College, upon which the entire main campus is located, inclusive of HPNH and outer lying modular office buildings. The terms of the leases are renewed and extended from year-to-year, indefinitely, until one party gives to the other party written notice of termination.

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.

Fixed Prospective Revenue

The Hospital is a participant in OneCare Vermont, LLC (OneCare), a statewide Accountable Care Organization (ACO). As a participant, the Hospital has entered into risk-bearing arrangements through the Vermont Medicaid program and through a commercial payor. Beginning January 1, 2018, the Hospital accepted additional risk as a member of OneCare by participating in the Medicare Next Generation Model. Under the various arrangements, the Hospital receives monthly fixed prospective payments (FPP) 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. The Hospital recognizes its share of annual contract settlements as an increase or decrease to fixed prospective revenue.

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 net assets 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, the 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. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Notes to Consolidated Financial Statements

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COVID-19 Considerations

In March 2020 the World Health Organization declared coronavirus disease (COVID-19) a global pandemic and the United States federal government declared COVID-19 a national emergency. Northern Light Health implemented an emergency response to ensure the safety of its patients, staff and the community. In an effort to reduce the spread of COVID-19 and in response to the urging of the CDC and the U.S. Surgeon General, elective and non-urgent care was postponed beginning in mid-March. Additional factors in this decision were the effort to reduce personal protective equipment (PPE) which was in critically short supply worldwide.

The CARES Act established the Provider Relief Fund (PRF) to support healthcare providers in the battle against the COVID-19 outbreak. The PRF is being administered by the Department of Health and Human Services (HHS). The Medical Center received PRF in the amount of \$9,068,552 during the year ended September 30, 2020. These funds are to be used for qualifying expenses and to cover lost revenue due to COVID-19. The PRF are considered contributions and are recognized as income when qualifying expenditures have been incurred. Management believed the Organization met the conditions necessary to recognize these contributions in the amount of \$7,218,576 included in other revenue as of September 30, 2020. The funds remaining of \$1,849,976 were deferred in 2020 and recognized as revenue during the year ended September 30, 2021. Management believes the position taken is a reasonable interpretation of the rules in effect at September 30, 2021. Due to the complexity of the reporting requirements and the continued issuance of clarifying guidance, there is at least a reasonable possibility the amount of income recognized related to the lost revenues 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.

Excess of Revenues, Gains, Other Support and Nonoperating Gains Over Expenses

The statement of operations includes excess of revenues, gains and other support over expenses and nonoperating gains. Changes in net assets without donor restrictions 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, Hospital, and HPNH are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) 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 D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

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 January 31, 2022, which was the date the financial statements were issued.

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>2021</u>	<u>2020</u>
Patient services		
Inpatient	\$ <u>44,469,462</u>	\$ 46,780,592
Outpatient	<u>141,819,848</u>	<u>119,603,667</u>
Gross patient service revenue	<u>186,289,310</u>	<u>166,384,259</u>
Less Medicare and Medicaid allowances	<u>78,568,582</u>	70,171,996
Less other contractual allowances	<u>26,533,351</u>	25,887,417
Less charity care and other discounts	<u>1,003,520</u>	<u>882,966</u>
	<u>106,105,453</u>	<u>96,942,379</u>
Net patient service revenue	<u>\$ 80,183,857</u>	<u>\$ 69,441,880</u>

Patient Accounts Receivable

Patient accounts receivable consisted of the following at September 30:

	<u>2021</u>	<u>2020</u>
Gross patient accounts receivable	\$ <u>29,893,436</u>	\$ 31,721,866
Less: Estimated contractual allowances	<u>15,417,129</u>	<u>18,021,847</u>
Net patient accounts receivable	<u>\$ 14,476,307</u>	<u>\$ 13,700,019</u>

A rollforward of patient accounts receivable, net activity is as follows for the years ended September 30:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ <u>13,700,019</u>	\$ 12,575,559
Net payments, charges and adjustments	<u>776,288</u>	<u>1,124,460</u>
Balance, end of year	<u>\$ 14,476,307</u>	<u>\$ 13,700,019</u>

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

Performance obligations are determined based on the nature of the services provided by the Medical Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Medical Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Hospital receiving inpatient acute care services or patients receiving services in outpatient practices. The Medical Center 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 for performance obligations satisfied at a point in time is generally recognized when goods or services are provided and the Medical Center does not believe it is required to provide additional goods or services to the patient.

Under the provisions of FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606), amounts related to services provided to patients which have not been billed and that do not meet the conditions of unconditional right to payment at the end of the reporting period are contract assets. Hospital contract assets are included in patient accounts receivable in the accompanying consolidated balance sheets and were \$2,578,525 and \$2,450,320 at September 30, 2021 and 2020, respectively.

Because all of its performance obligations relate to contracts with a duration of less than one year, the UVM Health Network has elected to apply the optional exemption provided in 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 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 Medical Center 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 Medical Center's policy, or implicit price concessions provided to uninsured patients. The Medical Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Medical Center determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

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Agreements with third-party payors provide for payments that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

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 CMS (Medicare) fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2015.

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, 2015.

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 58% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2021 and 2020, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex

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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. Net patient service revenue increased by approximately \$1,903,000 and \$698,000 in 2021 and 2020, respectively, due to removal of allowances or recognition of settlements no longer subject to audits, reviews, and investigations.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Medical Center also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Medical Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended September 30, 2021 and 2020, revenue recognized due to changes in the Network's estimates of implicit price concessions for performance obligations satisfied in prior years was not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2021 and 2020 was not significant. The Medical Center has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service or episode of care
- Geography of the service location
- Method of reimbursement (fee for service or fixed prospective payment)
- Organization's line of business that provided the service

Consistent with the Medical Center's mission, care is provided to patients regardless of their ability to pay. Therefore, the Medical Center has determined it has provided implicit price concessions to uninsured patients and other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts the Medical Center expects to collect based on its collection history with those patients.

Patients who meet the Medical Center'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.

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The composition of net patient service revenue paid through claims via fee for service (FFS) and FPP by payor for the years ended September 30 is as follows:

	<u>2021</u>			<u>2020</u>		
	<u>Total</u>	<u>FFS</u>	<u>FPP</u>	<u>Total</u>	<u>FFS</u>	<u>FPP</u>
Medicare	41 %	27 %	14 %	41 %	25 %	16 %
Medicaid	12 %	6 %	6 %	15 %	11 %	4 %
Contracted commercial	23 %	23 %	- %	23 %	23 %	- %
Noncontracted insurers	23 %	23 %	- %	21 %	21 %	- %
Patients	1 %	1 %	- %	- %	- %	- %

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 360% of FPL.

The net cost of charity care provided was approximately \$246,200 in 2021 and \$494,000 in 2020. The total cost estimate is based on an overall financial statement cost to charge ratio applied against gross charity care charges. In 2021 and 2020, 0.62% and 0.57% of all services as defined by percentage of gross revenue was provided on a charity basis.

In 2021 and 2020, 44 and 53 inpatients, respectively, received their entire episode of service on a charity case basis. In 2021 and 2020, 2,766 and 2,245 outpatients, respectively, received their entire episode of service on a charity case basis.

4. Availability and Liquidity of Financial Assets

The Medical Center had working capital of \$37,068,512 and \$41,800,458 at September 30, 2021 and 2020, respectively. The Medical Center had average days (based on normal expenditures) cash and cash equivalents on hand of 124 and 159 at September 30, 2021 and 2020, respectively.

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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 34,350,362	\$ 41,124,213
Patient accounts receivable, net	14,476,307	13,700,019
Other receivables, net	575,402	1,001,553
Long-term investments, net of restricted amounts	<u>13,060,653</u>	<u>1,204,434</u>
Financial assets available at year end for current use	<u>\$ 62,462,724</u>	<u>\$ 57,030,219</u>

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Cash and cash equivalents included \$1,747,010 and \$3,154,061 at September 30, 2021 and 2020, respectively, specifically related to Medicare Accelerated Payments. This equates to 6 and 12 days of cash and cash equivalents on hand at September 30 2021 and 2020, respectively.

The Medical Center has certain long-term investments to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. The Medical Center has other long-term investments and assets for restricted use are not available for general expenditure within the next year, and are not reflected in the amount above.

The Medical Center's goal is generally to maintain financial assets to meet 100 days of operating expenses (approximately \$28.5 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts (cash equivalents).

Additionally, the Medical Center maintains a \$2,000,000 line of credit through UVM Health Network as described in Note 8.

As of September 30, 2021, the Medical Center was in compliance with financial covenants as described in Note 8.

5. Investments and Investment Return

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

	<u>2021</u>	<u>2020</u>
Held by trustee under contractual agreement		
Cash and cash equivalents	\$ <u> -</u>	\$ <u>217,000</u>
Deferred compensation		
Mutual funds	\$ <u>1,905,106</u>	\$ <u>1,567,226</u>

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ <u>2,095,264</u>	\$ 2,099,598
Investments held by UVMMC	<u>11,826,884</u>	<u> -</u>
	<u>\$13,922,148</u>	<u>\$2,099,598</u>

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

	<u>2021</u>	<u>2020</u>
Nonoperating revenue and expenses:		
Investment income	\$ 1,006,926	\$ 373,981
Net gains (losses)	<u>149</u>	<u>(300)</u>
Investment income recorded in nonoperating gains	<u>1,007,075</u>	<u>373,681</u>
Changes in net assets with donor restrictions:		
Change in beneficial interest in perpetual trusts	<u>1,145,237</u>	<u>131,230</u>
	<u>\$ 2,152,312</u>	<u>\$ 504,911</u>

6. Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 1,052,079	\$ 1,022,467
Buildings and leasehold improvements	17,756,435	16,511,482
Equipment	10,665,920	9,579,450
Construction in progress	<u>351,560</u>	<u>652,793</u>
	<u>29,825,994</u>	27,766,192
Less accumulated depreciation	<u>(11,685,055)</u>	<u>(8,556,664)</u>
Property and equipment, net	<u>\$ 18,140,939</u>	<u>\$ 19,209,528</u>

7. 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 net assets with donor restrictions. 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, 2021 and 2020 was \$183,193 and \$174,945, respectively.

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8. Borrowings

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

	<u>2021</u>	<u>2020</u>
Vermont Educational and Health Buildings Finance Agency (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 puttable by the purchaser (People's United Bank) on or after August 1, 2025.	\$ 9,530,945	\$ 10,082,366
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 puttable by the purchaser (People's United Bank) on or after August 1, 2025.	2,335,808	2,470,778
Note payable at a fixed interest rate of 2.78%, monthly payments of \$5,690 including principal and interest, due in full February 2020; collateralized by certain property. Paid in full in 2020.	<u>-</u>	<u>-</u>
Total long-term debt	11,866,753	12,553,144
Less current portion	<u>665,965</u>	<u>685,195</u>
	<u>\$11,200,788</u>	<u>\$ 11,867,949</u>

Aggregate annual maturities of long-term debt at September 30, 2021 are:

2022	\$ 665,965
2023	725,300
2024	746,300
2025	767,800
2026	790,000
Thereafter	<u>8,171,388</u>
	<u>\$11,866,753</u>

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, 2021 as defined in the Master Trust Indenture and its supplements.

The Hospital has access to a \$2,000,000 line of credit through UVM Health Network subject to reasonable restrictions as imposed by UVM Health Network. There were no borrowings on the line of credit as of September 30, 2021.

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9. Net Assets With Donor Restrictions

Net assets with donor restrictions available for the following purposes for the years ended September 30 are as follows:

	<u>2021</u>	<u>2020</u>
Specific purpose		
Healthcare services	\$ 128,129	\$ 561,090
Purchase of equipment	630,685	687,193
Indigent care	<u>236,378</u>	<u>236,378</u>
	<u>995,192</u>	<u>1,484,661</u>
Passage of time		
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 without donor restrictions	<u>4,993,379</u>	<u>3,848,141</u>
	<u>5,111,061</u>	<u>3,965,823</u>
	<u>\$ 6,106,253</u>	<u>\$ 5,450,484</u>

Net assets released from net assets with donor restrictions at September 30:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Purchase of property and equipment	<u>\$ 136,457</u>	<u>\$ 132,602</u>
Passage of time – operations	<u>\$ 691,854</u>	<u>\$ 14,031</u>

10. Assets Held in Trust

The Hospital is the income beneficiary of various trusts, over which the trustee has variance power (the power to direct both corpus and income). 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 \$4,993,379 and \$3,848,141 on September 30, 2021 and 2020, respectively. Distributions of income are made at the discretion of the trustees. Income distributed to the Hospital by the trusts are restricted for indigent care and amounted to \$222,381 and \$212,273 in 2021 and 2020, respectively.

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11. 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 is a qualified federal grantee (as a CAH). In addition to savings for medications used within the Hospital, the Hospital has also established contracts with six local pharmacies during 2021 and 2020. 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 and netted against program income in the statements of operations. Program income of \$3,633,787 and \$4,947,695 was recorded for the years ended September 30, 2021 and 2020, respectively. Program expenses of \$1,096,630 and \$1,420,539 were recorded for the years ended September 30, 2021 and 2020, respectively.

12. Functional Expenses

The statements of operations reports 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. Employee benefits are allocated based on salaries and occupancy costs are allocated by square footage. Expenses related to healthcare and support services for the year ended September 30 are as follows:

<u>2021</u>	<u>Healthcare Service</u>	<u>Administrative Support</u>	<u>Total</u>
Salary, payroll taxes and fringe benefits	\$ 58,754,761	\$ 10,825,060	\$ 69,579,821
Supplies and other	12,273,253	2,915,564	15,188,817
Purchased services	4,962,332	5,099,829	10,062,161
Provider tax	5,538,866	-	5,538,866
Depreciation	2,537,219	591,171	3,128,390
Interest expense	<u>285,083</u>	<u>62,579</u>	<u>347,662</u>
	<u>\$ 84,351,514</u>	<u>\$ 19,494,203</u>	<u>\$ 103,845,717</u>
<u>2020</u>	<u>Healthcare Service</u>	<u>Administrative Support</u>	<u>Total</u>
Salary, payroll taxes and fringe benefits	\$ 61,671,227	\$ 3,847,778	\$ 65,519,005
Supplies and other	11,474,928	993,029	12,467,957
Purchased services	8,642,900	2,543,342	11,186,242
Provider tax	4,919,459	-	4,919,459
Depreciation	2,900,833	347,742	3,248,575
Interest expense	<u>304,239</u>	<u>75,162</u>	<u>379,401</u>
	<u>\$ 89,913,586</u>	<u>\$ 7,807,053</u>	<u>\$ 97,720,639</u>

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13. Concentrations of Credit Risk

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:

	<u>2021</u>	<u>2020</u>
Medicare	11 %	27 %
Medicaid	8	16
Other third-party payors	58	36
Patients	<u>23</u>	<u>21</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, 2023.

14. 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 estimated 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.

Effective October 1, 2018, the Medical Center entered into a contract to insure its medical malpractice through a multiprovider captive insurance company, VMC Indemnity Company Ltd. (VMCIC), a related party through UVMHC. VMCIC has reinsurance with commercial carriers for coverage above a self-insured per claim retainer for affiliates of UVM Medical Center for Professional Liability and Commercial General Liability, with limits on such reinsurance.

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Self-Insurance

Through 2020, the Medical Center was self-insured for employee healthcare benefits. The Medical Center accrued a liability for employee healthcare by charging the statement of operations for certain known claims and reasonable estimates for incurred, but not reported, claims based on claims experience. The amount of actual losses incurred could differ materially from these estimates in the near term.

Stop loss insurance coverage was in effect which limits the Medical Center's exposure to loss on an individual basis of \$175,000 (excluding services rendered by the Medical Center to participants) and an annual aggregate basis of \$9,409,300 (excluding services rendered by the Medical Center to participants). In 2020, total expense for health benefits was \$4,648,900. The Medical Center has accrued a liability for this program within accounts payable and accrued expenses in the consolidated balance sheets totaling approximately \$1,250,000 at September 30, 2020.

In 2021, the Medical Center became a member of the UVM Health Network's health insurance plan and, as such, any cost is treated as a period expense.

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. The Medical Center has received a demand for payment of contract fees from a software vendor following early termination of a contract. The Medical Center disputes owing any fees to the vendor on the basis that the contract termination was justified as a result of the vendor's documented and material performance failures. No contingent liability has been recorded related to this matter.

15. 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 makes 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, 2021.

The Medical Center has estimated a liability of approximately \$757,000 and \$731,000 at September 30, 2021 and 2020, 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. Expense under the plan was approximately \$1,167,000 and \$1,202,000 for the years ended 2021 and 2020, respectively.

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Deferred Compensation Plan

The Medical Center has a nonqualified deferred compensation plan established under Section 457 of the IRC. 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. There were no amounts accrued under or contributed to the plan during 2021 and 2020.

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.

Effective April 1, 2017, the defined benefit pension plan was frozen so that no new participants can enter the plan on or after such date. In addition, all future benefit accruals under the plan were frozen for all participants of the plan.

FASB ASC Topic 715, *Compensation – Retirement Benefits*, requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its balance sheet and to recognize changes in the funded status in the year in which the changes occur. The funded status of a plan should be measured as of the date of the Medical Center's year-end balance sheet, with limited exceptions.

The Medical Center uses a September 30, 2021 measurement date for the plan. Significant balances for the plan as a whole are:

	<u>2021</u>	<u>2020</u>
Benefit obligations	\$ (18,246,131)	\$ (18,894,504)
Fair value of plan assets	<u>16,091,056</u>	<u>13,369,438</u>
Funded status	<u>\$ (2,155,075)</u>	<u>\$ (5,525,066)</u>

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>2021</u>	<u>2020</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 18,894,504	\$ 18,802,203
Administrative expense cost	50,000	50,000
Interest cost	516,943	597,566
Actuarial (gain) loss	(390,661)	250,562
Benefits paid	(806,761)	(786,692)
Expenses paid	<u>(17,894)</u>	<u>(19,135)</u>
Benefit obligation at end of year	<u>\$ 18,246,131</u>	<u>\$ 18,894,504</u>

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	<u>2021</u>	<u>2020</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 13,369,438	\$ 12,431,247
Actual return on plan assets	2,881,484	1,106,929
Employer contributions	664,789	637,089
Benefits paid	(806,761)	(786,692)
Expenses paid	<u>(17,894)</u>	<u>(19,135)</u>
Fair value of plan assets at end of year	<u>\$ 16,091,056</u>	<u>\$ 13,369,438</u>
Components of net periodic benefit cost		
Administrative expense cost	\$ 50,000	\$ 50,000
Interest cost	516,943	597,566
Expected return on plan assets	(848,795)	(793,701)
Amortization of net loss	<u>524,194</u>	<u>578,918</u>
Net periodic benefit cost	<u>\$ 242,342</u>	<u>\$ 432,783</u>

All components of net periodic benefit cost are reported in net assets to recognize funded status of pension plan in the consolidated statements of operations.

Included in net assets without donor restrictions at September 30, 2021 and 2020 are unrecognized actuarial losses of \$1,410,438 and \$4,293,145, respectively, which have not been recognized in net periodic pension cost. Amounts recognized in unfunded pension liability were \$2,947,544 and \$641,584 for the years ended September 30, 2021 and 2020, respectively. The portion of those expected to be recognized in net periodic pension cost in 2022 is approximately \$176,747.

	<u>2021</u>	<u>2020</u>
Weighted average assumptions used to determine benefit obligation		
Discount rate	3.02 %	2.80 %
Weighted average assumptions used to determine benefit cost		
Discount rate	2.80	3.25
Expected return on assets	6.45	6.44

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 D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The following benefit payments are expected to be paid over the next ten years as of September 30, 2021:

2022	\$ 926,393
2023	957,542
2024	987,140
2025	1,018,801
2026	1,049,033
2027 - 2031	5,414,330

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>2021</u>	<u>2020</u>
Equity funds	34 %	35 %
Debt funds	40	28
Cash and cash equivalents	1	3
International funds	<u>25</u>	<u>34</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

The Medical Center expects to contribute \$414,792 to the plan in 2022.

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.

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OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

16. Related Party Transactions

During 2021 and 2020, the Medical Center was billed approximately \$- and \$3,438,789, respectively, in expenses related to cardiology services, electrocardiogram services, pharmacy, billing, inventory transfers, insurances, pathology and medial director services, legal, information technology, palliative care, overhead, shared services, audit fees, EPIC Systems software, wellness, anesthesiology, and affiliation fees by UVM Health Network and its other affiliates. During 2021 and 2020, there were transfers (to) from UVMMC of approximately \$(28,000) and \$300,000, respectively, related to information technology equipment. As of September 30, 2021 and 2020, substantially all amounts due to affiliates are owed to UVMMC.

17. 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.

18. Operating Leases

The Medical Center leases primarily primary care outpatient offices and equipment that expire in various years through March 2025 and generally contain renewal options for periods ranging from three to six years. Under the provisions of Topic 842, leases greater than 12 months are recorded in the consolidated balance sheet as of September 30, 2021. The Medical Center has elected the practical expedient provision of Topic 842 whereas non-lease components are not separated from lease components when measuring the right-of-use asset and lease liability. Generally, the incremental borrowing rate is used to discount the lease payments as the leases do not have a readily determinable implied interest rate.

The following table presents the lease-related assets and liabilities as of September 30:

	<u>2021</u>	<u>2020</u>
Assets		
Right-of-use operating lease asset	\$ <u>1,386,154</u>	\$ <u>1,558,314</u>
	<u>1,386,154</u>	<u>1,558,314</u>
Liabilities		
Right-of-use operating lease obligation	<u>1,398,193</u>	<u>1,565,454</u>
	\$ <u>1,398,193</u>	\$ <u>1,565,454</u>
Weighted-average discount rate	0.37	0.24
Weighted-average remaining lease term	3.64	4.84

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
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Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The following table presents certain information related to lease expense for the operating leases as of September 30:

	<u>2021</u>	<u>2020</u>
Operating lease cost	\$ 481,335	\$ 574,502
Short-term leases	<u>69,639</u>	<u>92,949</u>
	<u>\$ 550,974</u>	<u>\$ 667,451</u>

Future maturities of lease liabilities as of September 30, 2021 are as follows:

2022	\$ 463,344
2023	327,727
2024	303,289
2025	262,279
Thereafter	<u>48,700</u>
Total minimum lease payments	1,405,339
Amounts representing interest	<u>(7,146)</u>
Present value of future minimum lease payments	1,398,193
Less: current portion	<u>(459,716)</u>
	<u>\$ 938,477</u>

Supplemental cash flow information related to leases is as follows for the years ended September 30:

	<u>2021</u>	<u>2020</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating lease	<u>\$ 476,513</u>	<u>\$ 463,249</u>
Right of use assets obtained in exchange for operating lease obligations	<u>\$ 170,852</u>	<u>\$ 2,028,703</u>

19. 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:

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.

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
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Notes to Consolidated Financial Statements

September 30, 2021 and 2020

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, 2021				
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
PMC assets:				
Investments				
Cash and cash equivalents	\$ 2,095,264	\$ 2,095,264	\$ -	\$ -
Pooled investments	11,826,884	-	11,826,884	-
Deferred compensation plan assets	1,905,106	1,905,106	-	-
Beneficial interest in perpetual trusts	<u>4,993,378</u>	<u>-</u>	<u>-</u>	<u>4,993,378</u>
Total PMC assets	<u>\$ 20,820,632</u>	<u>\$ 4,000,370</u>	<u>\$ 11,826,884</u>	<u>\$ 4,993,378</u>
Pension assets:				
Cash and cash equivalents	\$ 891,733	\$ 891,733	\$ -	\$ -
Mutual funds	<u>15,199,323</u>	<u>15,199,323</u>	<u>-</u>	<u>-</u>
Total pension assets	<u>\$ 16,091,056</u>	<u>\$ 16,091,056</u>	<u>\$ -</u>	<u>\$ -</u>
Fair Value Measurements at September 30, 2020				
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
PMC assets:				
Investments				
Cash and cash equivalents	\$ 2,099,598	\$ 2,099,598	\$ -	\$ -
Deferred compensation plan assets	1,567,227	1,567,227	-	-
Beneficial interest in perpetual trusts	<u>3,848,141</u>	<u>-</u>	<u>-</u>	<u>3,848,141</u>
Total PMC assets	<u>\$ 7,514,966</u>	<u>\$ 3,666,825</u>	<u>\$ -</u>	<u>\$ 3,848,141</u>
Pension assets:				
Cash and cash equivalents	\$ 369,643	\$ 369,643	\$ -	\$ -
Mutual funds	<u>12,999,795</u>	<u>12,999,795</u>	<u>-</u>	<u>-</u>
Total pension assets	<u>\$ 13,369,438</u>	<u>\$ 13,369,438</u>	<u>\$ -</u>	<u>\$ -</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

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

	<u>Beneficial Interest in Perpetual Trust</u>
Level 3 investments at October 1, 2019	\$ 3,716,911
Change in value	<u>131,230</u>
Level 3 investments at September 30, 2020	3,848,141
Change in value	<u>1,145,237</u>
Level 3 investments at September 30, 2021	<u>\$ 4,993,378</u>

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 trusts or of similar securities, as provided by the respective custodians. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. All fair values are provided by investment managers.

SUPPLEMENTARY INFORMATION

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Consolidating - Balance Sheet

September 30, 2021

Assets	The University of Vermont Health Network - 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	\$ 2,876,885	\$ 30,500,995	\$ 442,607	\$ 529,875	\$ -	\$ 34,350,362
Patient accounts receivable, net	-	13,609,427	866,880	-	-	14,476,307
Other receivables, net	22,697	546,517	6,188	-	-	575,402
Supplies	-	2,167,561	16,483	-	-	2,184,044
Prepaid expenses and other	6,667	481,697	56,930	-	-	545,294
Resident deposits	<u>-</u>	<u>-</u>	<u>64,022</u>	<u>-</u>	<u>-</u>	<u>64,022</u>
Total current assets	2,906,249	47,306,197	1,453,110	529,875	-	52,195,431
Assets limited as to use, deferred compensation plan assets	-	1,905,106	-	-	-	1,905,106
Long-term investments	969,288	12,307,353	645,507	-	-	13,922,148
Property and equipment, net	-	15,562,683	2,110,338	526,133	(58,215)	18,140,939
Beneficial interest in perpetual trusts	-	4,993,379	-	-	-	4,993,379
Right-of-use operating lease asset	-	1,386,154	-	-	-	1,386,154
Note receivable, related party	741,973	-	-	-	(741,973)	-
Investment in subsidiary	<u>1,362,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,362,589)</u>	<u>-</u>
Total assets	<u>\$ 5,980,099</u>	<u>\$ 83,460,872</u>	<u>\$ 4,208,955</u>	<u>\$ 1,056,008</u>	<u>\$ (2,162,777)</u>	<u>\$ 92,543,157</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Consolidating - Balance Sheet (Concluded)

September 30, 2021

Liabilities and Net Assets (Deficit)	<u>The University of Vermont Health Network – Porter Medical Center, Inc.</u>	<u>Porter Hospital, Inc.</u>	<u>Helen Porter Nursing Home, Inc.</u>	<u>Porter Real Estate Holdings, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current liabilities						
Current portion of long-term debt	\$ -	\$ 534,886	\$ 131,079	\$ -	\$ -	\$ 665,965
Current portion of right-of-use operating lease obligation	-	459,716	-	-	-	459,716
Accounts payable and accrued expenses	125,877	2,957,171	306,192	-	-	3,389,240
Resident deposits	-	-	64,022	-	-	64,022
Accrued payroll and related liabilities	276,986	2,587,319	620,458	-	-	3,484,763
Accrued compensated absences	230,248	2,938,509	431,129	-	-	3,599,886
Estimated third-party settlements	-	1,747,010	184	-	-	1,747,194
Due to (from) affiliates	<u>191,210</u>	<u>(261,348)</u>	<u>1,792,854</u>	<u>(6,583)</u>	<u>-</u>	<u>1,716,133</u>
Total current liabilities	824,321	10,963,263	3,345,918	(6,583)	-	15,126,919
Liability for pension benefits	(102,629)	1,919,673	338,031	-	-	2,155,075
Deferred compensation	(2,382)	1,904,433	-	-	-	1,902,051
Residual receipts note to affiliate	-	-	741,973	-	(741,973)	-
Long-term third-party settlements, net of current portion	-	3,693,986	-	-	-	3,693,986
Right-of-use operating lease obligation, net of current portion	-	938,477	-	-	-	938,477
Long-term debt, net of current portion	<u>-</u>	<u>8,996,059</u>	<u>2,204,729</u>	<u>-</u>	<u>-</u>	<u>11,200,788</u>
Total liabilities	<u>719,310</u>	<u>28,415,891</u>	<u>6,630,651</u>	<u>(6,583)</u>	<u>(741,973)</u>	<u>35,017,296</u>
Net assets (deficit)						
Without donor restrictions	5,260,789	49,584,235	(3,067,203)	1,062,591	(1,420,804)	51,419,608
With donor restrictions	<u>-</u>	<u>5,460,746</u>	<u>645,507</u>	<u>-</u>	<u>-</u>	<u>6,106,253</u>
Total net assets (deficit)	<u>5,260,789</u>	<u>55,044,981</u>	<u>(2,421,696)</u>	<u>1,062,591</u>	<u>(1,420,804)</u>	<u>57,525,861</u>
Total liabilities and net assets (deficit)	<u>\$ 5,980,099</u>	<u>\$ 83,460,872</u>	<u>\$ 4,208,955</u>	<u>\$ 1,056,008</u>	<u>\$ (2,162,777)</u>	<u>\$ 92,543,157</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
OF VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Consolidating - Statement of Operations

Year Ended September 30, 2021

	The University of Vermont Health Network – Porter Medical Center, Inc.	Porter Hospital, Inc.	Helen Porter Nursing Home, Inc.	Porter Real Estate Holdings, LLC	Eliminations	Consolidated
Revenue without donor restrictions, gains and other support						
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 70,592,790	\$ 9,763,089	\$ -	\$ (172,022)	\$ 80,183,857
Property rental income, related party	-	-	-	84,720	(84,720)	-
Fixed prospective revenue	-	20,506,544	-	-	-	20,506,544
Other operating income (loss)	5,103,283	5,163,505	53,382	-	(4,884,494)	5,435,676
Net assets released from restrictions used for operations	<u>-</u>	<u>474,402</u>	<u>217,452</u>	<u>-</u>	<u>-</u>	<u>691,854</u>
Total revenues without donor restrictions, gains and other support	<u>5,103,283</u>	<u>96,737,241</u>	<u>10,033,923</u>	<u>84,720</u>	<u>(5,141,236)</u>	<u>106,817,931</u>
Expenses						
Professional care of patients	-	56,086,135	7,077,806	-	(150,229)	63,013,712
General services	-	3,689,934	1,625,346	-	(84,720)	5,230,560
Administrative and fiscal services	4,753,299	23,633,540	3,100,239	2,625	(4,906,287)	26,583,416
Health care improvement tax	-	5,056,752	482,114	-	-	5,538,866
Depreciation	-	2,856,225	246,619	25,546	-	3,128,390
Interest	<u>-</u>	<u>281,965</u>	<u>68,808</u>	<u>-</u>	<u>-</u>	<u>350,773</u>
Total expenses	<u>4,753,299</u>	<u>91,604,551</u>	<u>12,600,932</u>	<u>28,171</u>	<u>(5,141,236)</u>	<u>103,845,717</u>
Operating income (loss)	<u>349,984</u>	<u>5,132,690</u>	<u>(2,567,009)</u>	<u>56,549</u>	<u>-</u>	<u>2,972,214</u>
Nonoperating gains						
Contributions	173,119	222,381	3,820	-	-	399,320
Other components of pension expense	(20,063)	(190,537)	(31,744)	-	-	(242,344)
Investment return	3,344	1,003,274	457	-	-	1,007,075
Other program income, net	-	2,537,157	-	-	-	2,537,157
Equity in earnings of Porter Real Estate Holdings, LLC	<u>56,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,549)</u>	<u>-</u>
Nonoperating gains, net	<u>212,949</u>	<u>3,572,275</u>	<u>(27,467)</u>	<u>-</u>	<u>(56,549)</u>	<u>3,701,208</u>
Excess (deficiency) of revenues, gains, other support and nonoperating gains over expenses	562,933	8,704,965	(2,594,476)	56,549	(56,549)	6,673,422
Net assets released from restrictions used for purchase of property and equipment	-	50,000	86,457	-	-	136,457
Change in net assets to recognize funded status of pension plan	244,016	2,317,437	386,091	-	-	2,947,544
Transfer to University of Vermont Medical Center, Inc.	-	(28,398)	-	-	-	(28,398)
Transfer (to) from affiliates	-	(1,750,000)	1,750,000	-	-	-
Contributions	<u>-</u>	<u>3,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,057</u>
Increase in net assets without donor restrictions	<u>\$ 806,949</u>	<u>\$ 9,297,061</u>	<u>\$ (371,928)</u>	<u>\$ 56,549</u>	<u>\$ (56,549)</u>	<u>\$ 9,732,082</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY OF
VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Consolidating - Balance Sheet

September 30, 2020

Assets	The University of Vermont Health Network - 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	\$ 2,415,163	\$ 37,964,775	\$ 289,710	\$ 454,565	\$ -	\$ 41,124,213
Assets limited as to use	10,854	158,886	47,260	-	-	217,000
Patient accounts receivable, net	-	12,708,553	991,466	-	-	13,700,019
Other receivables, net	29,038	966,327	6,188	-	-	1,001,553
Supplies	-	2,090,074	16,483	-	-	2,106,557
Prepaid expenses and other	-	406,950	7,217	-	-	414,167
Resident deposits	-	-	36,459	-	-	36,459
Receivables from third-party payors	-	2,051,963	-	-	-	2,051,963
Due from affiliates	<u>173,812</u>	<u>930,990</u>	<u>16,854</u>	<u>-</u>	<u>(1,121,656)</u>	<u>-</u>
Total current assets	2,628,867	57,278,518	1,411,637	454,565	(1,121,656)	60,651,931
Assets limited as to use, deferred compensation plan assets	-	1,567,226	-	-	-	1,567,226
Long-term investments	939,953	466,927	692,718	-	-	2,099,598
Property and equipment, net	-	16,732,388	1,983,676	551,679	(58,215)	19,209,528
Beneficial interest in perpetual trusts	-	3,848,141	-	-	-	3,848,141
Right-of-use operating lease asset	-	1,558,314	-	-	-	1,558,314
Note receivable, related party - noncurrent	741,973	-	-	-	(741,973)	-
Investment in subsidiary	<u>1,306,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,306,041)</u>	<u>-</u>
Total assets	<u>\$ 5,616,834</u>	<u>\$ 81,451,514</u>	<u>\$ 4,088,031</u>	<u>\$ 1,006,244</u>	<u>\$ (3,227,885)</u>	<u>\$ 88,934,738</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY OF
VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Consolidating - Balance Sheet (Concluded)

September 30, 2020

Liabilities and Net Assets (Deficit)	The University of Vermont Health Network - 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	\$ -	\$ 550,331	\$ 134,864	\$ -	\$ -	\$ 685,195
Current portion of right-of-use operating lease obligation	-	361,531	-	-	-	361,531
Accounts payable and accrued expenses	58,822	5,503,810	305,733	-	-	5,868,365
Resident deposits	-	-	36,459	-	-	36,459
Accrued payroll and related liabilities	222,803	2,962,340	708,478	-	-	3,893,621
Accrued compensated absences	315,939	2,113,691	440,798	-	-	2,870,428
Estimated third-party settlements	-	4,074,963	-	-	-	4,074,963
Due to affiliates	<u>389,069</u>	<u>1,186,369</u>	<u>606,913</u>	<u>216</u>	<u>(1,121,656)</u>	<u>1,060,911</u>
Total current liabilities	986,633	16,753,035	2,233,245	216	(1,121,656)	18,851,473
Liability for pension benefits	176,360	4,569,249	779,456	-	-	5,525,065
Deferred compensation	-	1,566,553	-	-	-	1,566,553
Residual receipts note to affiliate	-	-	741,973	-	(741,973)	-
Long-term third-party settlements, net of current portion	-	2,781,765	-	-	-	2,781,765
Right-of-use operating lease obligation, net of current portion	-	1,203,923	-	-	-	1,203,923
Long-term debt, net of current portion	<u>-</u>	<u>9,532,035</u>	<u>2,335,914</u>	<u>-</u>	<u>-</u>	<u>11,867,949</u>
Total liabilities	<u>1,162,993</u>	<u>36,406,560</u>	<u>6,090,588</u>	<u>216</u>	<u>(1,863,629)</u>	<u>41,796,728</u>
Net assets (deficit)						
Without donor restrictions	4,453,841	40,287,188	(2,695,275)	1,006,028	(1,364,256)	41,687,526
With donor restrictions	<u>-</u>	<u>4,757,766</u>	<u>692,718</u>	<u>-</u>	<u>-</u>	<u>5,450,484</u>
Total net assets (deficit)	<u>4,453,841</u>	<u>45,044,954</u>	<u>(2,002,557)</u>	<u>1,006,028</u>	<u>(1,364,256)</u>	<u>47,138,010</u>
Total liabilities and net assets (deficit)	<u>\$ 5,616,834</u>	<u>\$ 81,451,514</u>	<u>\$ 4,088,031</u>	<u>\$ 1,006,244</u>	<u>\$ (3,227,885)</u>	<u>\$ 88,934,738</u>

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY OF
VERMONT HEALTH NETWORK - PORTER MEDICAL CENTER, INC.**

Consolidating - Statement of Operations

Year Ended September 30, 2020

	The University of Vermont Health Network - Porter Medical Center, Inc.	Porter Hospital, Inc.	Helen Porter Nursing Home, Inc.	Porter Real Estate Holdings, LLC	Eliminations	Consolidated
Revenue without donor restrictions, gains and other support						
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 59,271,902	\$ 10,231,304	\$ -	\$ (61,326)	\$ 69,441,880
Property rental income, related party	-	-	-	84,720	(84,720)	-
Fixed prospective revenue	-	17,736,838	-	-	-	17,736,838
Other operating revenue (loss)	4,726,400	9,295,604	682,987	-	(4,520,444)	10,184,547
Net assets released from restrictions used for operations	<u>-</u>	<u>12,602</u>	<u>1,429</u>	<u>-</u>	<u>-</u>	<u>14,031</u>
Total revenues without donor restrictions, gains and other support	<u>4,726,400</u>	<u>86,316,946</u>	<u>10,915,720</u>	<u>84,720</u>	<u>(4,666,490)</u>	<u>97,377,296</u>
Expenses						
Professional care of patients	-	49,539,631	5,740,187	-	(60,782)	55,219,036
General services	-	3,555,823	1,659,470	-	(84,720)	5,130,573
Administrative and fiscal services	4,486,388	25,378,930	3,474,727	4,968	(4,520,988)	28,824,025
Health care improvement tax	-	4,437,345	482,114	-	-	4,919,459
Depreciation and amortization	-	2,956,129	266,571	25,876	-	3,248,576
Interest	<u>-</u>	<u>305,673</u>	<u>73,297</u>	<u>-</u>	<u>-</u>	<u>378,970</u>
Total expenses	<u>4,486,388</u>	<u>86,173,531</u>	<u>11,696,366</u>	<u>30,844</u>	<u>(4,666,490)</u>	<u>97,720,639</u>
Operating income (loss)	<u>240,012</u>	<u>143,415</u>	<u>(780,646)</u>	<u>53,876</u>	<u>-</u>	<u>(343,343)</u>
Nonoperating gains						
Contributions	228,046	212,273	2,164	-	-	442,483
Other components of pension expense	(25,199)	(353,820)	(53,763)	-	-	(432,782)
Investment return	11,295	358,588	3,798	-	-	373,681
Other program income, net	-	3,527,156	-	-	-	3,527,156
Equity in earnings of Porter Real Estate Holdings, LLC	<u>53,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,890)</u>	<u>-</u>
Nonoperating gains, net	<u>268,032</u>	<u>3,744,197</u>	<u>(47,801)</u>	<u>-</u>	<u>(53,890)</u>	<u>3,910,538</u>
Excess (deficiency) of revenues, gains, other support and nonoperating gains over expenses	508,044	3,887,612	(828,447)	53,876	(53,890)	3,567,195
Net assets released from restrictions used for purchase of property and equipment	-	132,602	-	-	-	132,602
Change in net assets to recognize funded status of pension plan	37,356	524,526	79,702	-	-	641,584
Transfer from University of Vermont Medical Center, Inc.	<u>-</u>	<u>300,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,256</u>
Increase (decrease) in net assets without donor restrictions	<u>\$ 545,400</u>	<u>\$ 4,844,996</u>	<u>\$ (748,745)</u>	<u>\$ 53,876</u>	<u>\$ (53,890)</u>	<u>\$ 4,641,637</u>