




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, 2020 and 2019
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, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Changes in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, during the year ended September 30, 2020, the Medical Center adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*, ASU No. 2016-18, *Restricted Cash*, and ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. Our opinion is not modified with respect to these matters.

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 13, 2021
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, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 41,124,213	\$ 32,134,720
Assets limited as to use	217,000	206,000
Patient accounts receivable, net	13,700,019	12,575,559
Other receivables, net	1,001,553	900,686
Supplies	2,106,557	1,887,983
Prepaid expenses and other	414,167	538,108
Resident deposits	36,459	23,435
Receivables from third-party payors	<u>2,051,963</u>	<u>2,026,823</u>
Total current assets	<u>60,651,931</u>	<u>50,293,314</u>
Assets limited as to use, deferred compensation plan assets	1,567,226	1,406,689
Long-term investments	2,099,598	2,192,733
Property and equipment, net	19,209,528	20,700,772
Beneficial interest in perpetual trusts	3,848,141	3,716,911
Right-of-use operating lease asset	<u>1,558,314</u>	<u>-</u>
Total assets	<u>\$ 88,934,738</u>	<u>\$ 78,310,419</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Current portion of long-term debt	\$ 685,195	\$ 693,800
Current portion of right-of-use operating lease liability	361,531	-
Accounts payable and accrued expenses	5,868,365	4,797,590
Resident deposits	36,459	23,435
Accrued payroll and related liabilities	3,893,621	3,298,784
Accrued compensated absences	2,870,428	2,476,822
Estimated third-party settlements	4,074,963	2,819,488
Due to affiliates	<u>1,060,911</u>	<u>1,122,847</u>
Total current liabilities	<u>18,851,473</u>	<u>15,232,766</u>
Liability for pension benefits	5,525,065	6,370,956
Deferred compensation	1,566,553	1,406,015
Long-term third-party settlements, net of current portion	2,781,765	752,317
Long-term right-of-use lease obligation, net of current portion	1,203,923	-
Long-term debt, net of current portion	<u>11,867,949</u>	<u>12,553,429</u>
Total liabilities	<u>41,796,728</u>	<u>36,315,483</u>
Net assets		
Without donor restrictions	41,687,526	37,045,889
With donor restrictions	<u>5,450,484</u>	<u>4,949,047</u>
Total net assets	<u>47,138,010</u>	<u>41,994,936</u>
Total liabilities and net assets	<u>\$ 88,934,738</u>	<u>\$ 78,310,419</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues without donor restrictions, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	\$ 69,441,880	\$ 78,430,661
Fixed prospective revenue	17,736,838	15,825,681
Other operating income	10,184,547	3,396,788
Net assets released from restrictions used for operations	<u>14,031</u>	<u>20,232</u>
Total revenues without donor restrictions, gains and other support	<u>97,377,296</u>	<u>97,673,362</u>
Expenses		
Professional care of patients	55,219,036	55,304,664
General services	5,130,573	4,899,700
Administrative and fiscal services	28,824,025	29,829,293
Health care improvement tax	4,919,459	5,229,111
Depreciation	3,248,576	3,147,121
Interest	<u>378,970</u>	<u>404,387</u>
Total expenses	<u>97,720,639</u>	<u>98,814,276</u>
Operating loss	<u>(343,343)</u>	<u>(1,140,914)</u>
Nonoperating gains		
Contributions	442,483	287,429
Other components of pension expense	(432,782)	-
Investment return	373,681	495,482
Other program income, net	<u>3,527,156</u>	<u>3,696,458</u>
Nonoperating gains, net	<u>3,910,538</u>	<u>4,479,369</u>
Excess of revenues, gains, other support and nonoperating gains over expenses	3,567,195	3,338,455
Net assets released from restrictions used for purchase of property and equipment	132,602	156,945
Change in net assets to recognize funded status of pension plan	641,584	(2,467,825)
Transfer from University of Vermont Medical Center, Inc.	<u>300,256</u>	<u>341,200</u>
Increase in net assets without donor restrictions	<u>\$ 4,641,637</u>	<u>\$ 1,368,775</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, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balances, October 1, 2018	\$ <u>35,677,114</u>	\$ <u>4,256,102</u>	\$ <u>39,933,216</u>
Excess of revenues, gains, other support and nonoperating gains over expenses	3,338,455	-	3,338,455
Net assets released from restrictions for operations	-	(20,232)	(20,232)
Net assets released from restrictions used for purchase of property and equipment	156,945	(156,945)	-
Change in net assets to recognize funded status of pension plan	(2,467,825)	-	(2,467,825)
Transfer from affiliate	341,200	-	341,200
Contributions	-	837,162	837,162
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>32,960</u>	<u>32,960</u>
Net increase in net assets	<u>1,368,775</u>	<u>692,945</u>	<u>2,061,720</u>
Balances, September 30, 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 used 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>

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

**PORTER MEDICAL CENTER, INC. AND SUBSIDIARIES D/B/A THE UNIVERSITY
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Consolidated Statements of Cash Flows

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 5,143,074	\$ 2,061,720
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss on disposal of property and equipment	7,730	131,946
Depreciation	3,248,576	3,147,121
Change in net assets to recognize funded status of pension plan	(641,584)	2,467,825
Change in beneficial interest in perpetual trusts	(131,230)	(32,960)
Transfer from affiliate	(300,256)	(341,200)
(Increase) decrease in		
Patient accounts receivable, net	(1,124,460)	246,309
Assets limited as to use	3,000	-
Supplies, prepaids and other current assets	(195,500)	1,257,561
Increase (decrease) in		
Accounts payable and accrued expenses	1,070,775	384,603
Accrued payroll and related liabilities	988,443	(1,794,303)
Deferred compensation	160,538	(7,013)
Estimated third-party settlements	3,259,783	(1,354,409)
Pension liability, net	(204,307)	-
Due to affiliates	235,320	718,211
Net cash provided by operating activities	<u>11,519,902</u>	<u>6,885,411</u>
Cash flows from investing activities		
Purchase of investments	(417,511)	(1,703,190)
Proceeds from sale of investments	350,109	202,744
Change in investments held at Middlebury College	-	5,863,031
Purchase of property and equipment	<u>(1,294,673)</u>	<u>(2,398,892)</u>
Net cash (used) provided by investing activities	<u>(1,362,075)</u>	<u>1,963,693</u>
Cash flows from financing activities		
Payments on right-of-use lease obligation	(463,249)	-
Principal payments on long-term debt	<u>(694,085)</u>	<u>(823,334)</u>
Net cash used by financing activities	<u>(1,157,334)</u>	<u>(823,334)</u>
Net increase in cash and cash equivalents	9,000,493	8,025,770
Cash, cash equivalents and restricted cash, beginning of year	<u>32,340,720</u>	<u>24,314,950</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 41,341,213</u>	<u>\$ 32,340,720</u>
Composition of cash, cash equivalents and restricted cash, end of year		
Cash and cash equivalents	41,124,213	32,134,720
Assets limited as to use	217,000	206,000
	<u>\$ 41,341,213</u>	<u>\$ 32,340,720</u>
Supplemental cash flows information		
Interest paid	<u>\$ 378,970</u>	<u>\$ 404,387</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, 2020 and 2019

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.

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

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

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, 2020, 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, 2020 and 2019. 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
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Notes to Consolidated Financial Statements

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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.

Meaningful Use Revenue

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The meaningful use attestation for Medicare is subject to audit by the Centers for Medicare & Medicaid Services (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 Medical Center. The Medical Center recorded meaningful use revenue of approximately \$51,000 and \$128,000 for the years ended September 30, 2020 and 2019, respectively, and management has determined that no allowance is needed against these revenues. Meaningful use revenue is included in other operating income in the consolidated statements of operations.

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.

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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.

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.

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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.

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 believes 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 have been deferred for potential recognition as revenue at a later date and are included in accounts payable and accrued expenses in the consolidated balance sheet as of September 30, 2020. Management believes the position taken is a reasonable interpretation of the rules in effect at September 30, 2020. 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.

In October and November 2020, HHS issued new reporting requirements for the CARES Act provider relief funding. The new requirements first require hospitals to identify healthcare related expenses attributable to COVID-19 pandemic that remain unreimbursed by another source. If those expenses do not exceed the PRF received, hospitals will need to demonstrate that the remaining PRF were used to compensate for a negative variance in year over year net patient

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operating revenue. HHS is entitled to recoup amounts in excess of the negative change in patient care reported net of healthcare related expenses attributable to COVID-19. Due to these new reporting requirements there at least a reasonable possibility that amounts recorded under the CARES Act PRF by hospitals may change in future periods. PMC has assessed the impact of this new guidance and believes that the Medical Center would have been able to fully recognize the PRF as other operating income for the year ended September 30, 2020 if the new guidance was adopted. This would have resulted in an additional \$1,849,976 in other operating revenue.

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.

Newly Adopted Accounting Pronouncements

During the year ended September 30, 2020, the Medical Center has adopted the provisions of FASB Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), using the modified retrospective approach. Topic 842 supersedes the prior accounting guidance for leasing arrangements, Accounting Standards Codification (ASC) Topic 840. Under Topic 842, lessees are required to recognize assets and liabilities for leases with terms greater than 12 months, and provide enhanced disclosure as to whether leases qualify as financing or operating leases. Under the modified retrospective adoption, the Medical Center adopted the provisions of Topic 842 effective October 1, 2019 with comparative periods to be reported under Topic 840.

During the year ended September 30, 2020, the Medical Center also adopted FASB ASU No. 2016-18, *Restricted Cash*. This ASU requires an entity to present assets whose use is limited consisting of cash and cash equivalents with cash and cash equivalents in the consolidated statement of cash flows, rather than reporting the change as operating activities. A reconciliation of the cash and cash equivalents and amounts generally described as assets whose use is limited consisting of cash and cash equivalents in the consolidated statement of cash flows to the consolidated balance sheet is also required. The impact of the adoption to the statement of cash flows for the year ended September 30, 2019 is an increase in cash, cash equivalents and restricted cash, beginning of year of \$247,250, and a decrease in cash provided by operating activities of \$41,250.

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During the year ended September 30, 2020, the Medical Center also adopted FASB ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This ASU requires an employer to report the service cost component of net periodic pension cost in the same line item as other compensation costs arising from services rendered by employees during the period. The other components of net periodic pension cost are required to be presented in the consolidated statements of operations separately from the service cost component and outside a subtotal of income from operations, if one is presented. The Medical Center adopted this ASU for the years ended September 30, 2020 and 2019, which resulted in a reclassification of a credit of \$276,715 from expense to change in net assets to recognize funded status of pension plan for the year ended September 30, 2019.

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 13, 2021, 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>2020</u>	<u>2019</u>
Patient services		
Inpatient	\$ 46,780,592	\$ 50,698,109
Outpatient	<u>119,603,667</u>	<u>129,726,018</u>
Gross patient service revenue	<u>166,384,259</u>	<u>180,424,127</u>
Less Medicare and Medicaid allowances	70,171,996	73,610,710
Less other contractual allowances	25,887,417	26,889,934
Less charity care and other discounts	<u>882,966</u>	<u>1,492,822</u>
	<u>96,942,379</u>	<u>101,993,466</u>
Net patient service revenue	<u>\$ 69,441,880</u>	<u>\$ 78,430,661</u>

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Patient Accounts Receivable

Patient accounts receivable consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Gross patient accounts receivable	\$ 31,721,866	\$ 26,025,108
Less: Estimated contractual allowances	<u>18,021,847</u>	<u>13,449,549</u>
Net patient accounts receivable	<u>\$ 13,700,019</u>	<u>\$ 12,575,559</u>

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 12,575,559	\$12,821,868
Net payments, charges and adjustments	<u>1,124,460</u>	<u>(246,309)</u>
Balance, end of year	<u>\$13,700,019</u>	<u>\$12,575,559</u>

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.

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Under the provisions of FASB 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, 2020 and 2019, 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.

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.

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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, 2020 and 2019, respectively. 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. Net patient service revenue increased by approximately \$698,000 and \$3,836,000 in 2020 and 2019, 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, 2020 and 2019, 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

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patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2020 and 2019 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.

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>2020</u>			<u>2019</u>		
	<u>Total</u>	<u>FFS</u>	<u>FPP</u>	<u>Total</u>	<u>FFS</u>	<u>FPP</u>
Medicare	41 %	25 %	16 %	37 %	25 %	12 %
Medicaid	18 %	11 %	7 %	16 %	11 %	5 %
Contracted commercial	23 %	23 %	- %	26 %	26 %	- %
Noncontracted insurers	21 %	21 %	- %	20 %	20 %	- %
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.

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The net cost of charity care provided was approximately \$493,471 in 2020 and \$768,089 in 2019. The total cost estimate is based on an overall financial statement cost to charge ratio applied against gross charity care charges. In 2020 and 2019, 0.57% and 0.89% of all services as defined by percentage of gross revenue was provided on a charity basis.

In 2020 and 2019, 53 and 54 inpatients, respectively, received their entire episode of service on a charity case basis. In 2020 and 2019, 2,245 and 3,204 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 \$41,800,458 and \$35,060,548 at September 30, 2020 and 2019, respectively. The Medical Center had average days (based on normal expenditures) cash and cash equivalents on hand of 159 and 123 at September 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 41,124,213	\$ 32,134,720
Patient accounts receivable, net	13,700,019	12,575,559
Other receivables, net	1,001,553	900,686
Long-term investments, net of restricted amounts	<u>1,204,434</u>	<u>1,196,976</u>
Financial assets available at year end for current use	\$ <u>57,030,219</u>	\$ <u>46,807,941</u>

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

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 \$26.2 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, 2020, the Medical Center was in compliance with financial covenants as described in Note 8.

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5. Investments and Investment Return

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

	<u>2020</u>	<u>2019</u>
Held by trustee under contractual agreement		
Cash and cash equivalents	\$ <u>217,000</u>	\$ <u>206,000</u>
Deferred compensation		
Mutual funds	\$ <u>1,567,226</u>	\$ <u>1,406,689</u>

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ <u>2,099,598</u>	\$ <u>2,192,733</u>
	\$ <u>2,099,598</u>	\$ <u>2,192,733</u>

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

	<u>2020</u>	<u>2019</u>
Nonoperating revenue and expenses:		
Investment income	\$ 373,981	\$ 521,463
Net losses	<u>(300)</u>	<u>(25,981)</u>
Investment income recorded in nonoperating gains	<u>373,681</u>	<u>495,482</u>
Changes in net assets with donor restrictions:		
Change in beneficial interest in perpetual trusts	<u>131,230</u>	<u>32,960</u>
	\$ <u>504,911</u>	\$ <u>528,442</u>

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6. Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 1,022,467	\$ 1,022,467
Buildings and leasehold improvements	16,511,482	16,284,412
Equipment	9,579,450	8,803,039
Construction in progress	<u>652,793</u>	<u>173,905</u>
	27,766,192	26,283,823
Less accumulated depreciation	<u>(8,556,664)</u>	<u>(5,583,051)</u>
Property and equipment, net	<u>\$ 19,209,528</u>	<u>\$ 20,700,772</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, 2020 and 2019 was \$174,945 and \$88,493, respectively.

8. Borrowings

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

	<u>2020</u>	<u>2019</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.	\$10,082,366	\$ 10,617,147
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.	2,470,778	2,601,831

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	<u>2020</u>	<u>2019</u>
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.	-	28,251
Total long-term debt	12,553,144	13,247,229
Less current portion	<u>685,195</u>	<u>693,800</u>
	<u>\$11,867,949</u>	<u>\$ 12,553,429</u>

Aggregate annual maturities of long-term debt at September 30, 2020 are:

2021	\$ 685,195
2022	705,000
2023	725,300
2024	746,300
2025	767,800
Thereafter	<u>8,923,549</u>
	<u>\$12,553,144</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, 2020 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, 2020.

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>2020</u>	<u>2019</u>
Specific purpose		
Healthcare services	\$ 561,090	\$ 83,558
Purchase of equipment	687,193	794,518
Indigent care	<u>236,378</u>	<u>236,378</u>
	<u>1,484,661</u>	<u>1,114,454</u>

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	<u>2020</u>	<u>2019</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>3,848,141</u>	<u>3,716,911</u>
	<u>3,965,823</u>	<u>3,834,593</u>
	<u>\$ 5,450,484</u>	<u>\$ 4,949,047</u>

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

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Purchase of property and equipment	<u>\$ 132,602</u>	<u>\$ 156,945</u>
Passage of time - operations	<u>\$ 14,031</u>	<u>\$ 20,232</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 \$3,908,238 and \$4,508,000 on September 30, 2020 and 2019, 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 \$212,273 and \$210,702 in 2020 and 2019, respectively.

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 2020 and 2019. 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 \$4,947,695 and \$5,380,600 was recorded for the years ended September 30, 2020 and 2019, respectively. Program expenses of \$1,420,539 and \$1,684,142 were recorded for the years ended September 30, 2020 and 2019, respectively.

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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>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>
<u>2019</u>	<u>Healthcare Service</u>	<u>Administrative Support</u>	<u>Total</u>
Salary, payroll taxes and fringe benefits	\$ 61,372,913	\$ 4,566,556	\$ 65,939,469
Supplies and other	11,720,857	942,752	12,663,609
Purchased services	8,294,603	3,135,976	11,430,579
Provider tax	5,229,111	-	5,229,111
Depreciation	2,822,042	325,079	3,147,121
Interest expense	<u>325,298</u>	<u>79,089</u>	<u>404,387</u>
	<u>\$ 89,764,824</u>	<u>\$ 9,049,452</u>	<u>\$ 98,814,276</u>

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>2020</u>	<u>2019</u>
Medicare	21 %	27 %
Medicaid	13	16
Other third-party payors	37	36
Patients	<u>29</u>	<u>21</u>
	<u>100 %</u>	<u>100 %</u>

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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 UVMCC. VMCIC has reinsurance with commercial carriers for coverage above a self-insured per claim retentive for affiliates of UVM Medical Center for Professional Liability and Commercial General Liability, with limits on such reinsurance.

Self-Insurance

The Medical Center is self-insured for employee healthcare benefits. The Medical Center accrues 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 is 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 and 2019, total expense for health benefits was approximately \$4,648,974 and \$5,431,926, respectively. 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 and 2019.

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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, 2020.

The Medical Center has estimated a liability of approximately \$731,000 and \$790,000 at September 30, 2020 and 2019, 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 \$1,202,000 and \$1,460,000 for the years ended 2020 and 2019, respectively.

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 2020 and 2019.

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.

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

September 30, 2020 and 2019

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, 2020 measurement date for the plan. Significant balances for the plan as a whole are:

	<u>2020</u>	<u>2019</u>
Benefit obligations	\$ (18,894,504)	\$ (18,802,203)
Fair value of plan assets	<u>13,369,438</u>	<u>12,431,247</u>
Funded status	<u>\$ (5,525,066)</u>	<u>\$ (6,370,956)</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>2020</u>	<u>2019</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 18,802,203	\$ 16,203,869
Administrative expense cost	50,000	50,000
Interest cost	597,566	695,506
Actuarial loss (gain)	250,562	2,573,700
Benefits paid	(786,692)	(671,672)
Expenses paid	<u>(19,135)</u>	<u>(49,200)</u>
Benefit obligation at end of year	<u>\$ 18,894,504</u>	<u>\$ 18,802,203</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 12,431,247	\$ 11,928,690
Actual return on plan assets	1,106,929	438,095
Employer contributions	637,089	785,334
Benefits paid	(786,692)	(671,672)
Expenses paid	<u>(19,135)</u>	<u>(49,200)</u>
Fair value of plan assets at end of year	<u>\$ 13,369,438</u>	<u>\$ 12,431,247</u>
Components of net periodic benefit cost		
Administrative expense cost	\$ 50,000	\$ 50,000
Interest cost	597,566	695,506
Expected return on plan assets	(793,701)	(641,399)
Amortization of net loss	<u>578,918</u>	<u>309,179</u>
Net periodic benefit cost	<u>\$ 432,783</u>	<u>\$ 413,286</u>

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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, 2020 and 2019 are unrecognized actuarial losses of \$4,293,145 and \$6,824,179, respectively, which have not been recognized in net periodic pension cost. Amounts recognized in unfunded pension liability were \$641,584 and \$(2,467,825) for the years ended September 30, 2020 and 2019, respectively. The portion of those expected to be recognized in net periodic pension cost in 2021 is approximately \$524,194.

	<u>2020</u>	<u>2019</u>
Weighted average assumptions used to determine benefit obligation		
Discount rate	2.80 %	3.25 %
Weighted average assumptions used to determine benefit cost		
Discount rate	3.25	4.41
Expected return on assets	6.44	5.45

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.

The following benefit payments are expected to be paid over the next ten years as of September 30, 2020:

2021	\$ 864,329
2022	904,442
2023	936,801
2024	964,870
2025	989,337
2026 - 2030	5,247,296

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.

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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>2020</u>	<u>2019</u>
Equity funds	35 %	33 %
Debt funds	28	29
Cash and cash equivalents	3	4
International funds	<u>34</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 \$544,669 to the plan in 2021.

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.

16. Related Party Transactions

During 2020 and 2019, the Medical Center was billed approximately \$3,438,789 and \$4,647,000, 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 2020 and 2019, UVMMC transferred approximately \$300,000 and \$341,200, respectively, worth of information technology equipment to the Hospital. As of September 30, 2020 and 2019, substantially all amounts due to affiliates are owed to UVMMC.

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September 30, 2020 and 2019

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, 2020. 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, 2020:

Assets	
Right-of-use operating lease asset	\$ <u>1,558,314</u>
	<u>1,558,314</u>
 Liabilities	
Right-of-use operating lease obligation	<u>1,565,454</u>
	\$ <u>1,565,454</u>
Weighted-average discount rate	0.24
Weighted-average remaining lease term	4.84

The following table presents certain information related to lease expense for the operating leases as of September 30, 2020:

Operating lease cost	\$ 574,502
Short-term leases	<u>92,949</u>
	\$ <u>667,451</u>

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Future maturities of lease liabilities as of September 30, 2020 are as follows:

2021	\$ 364,775
2022	296,051
2023	299,634
2024	303,289
Thereafter	<u>310,979</u>
Total minimum lease payments	1,574,728
Amounts representing interest	<u>(9,274)</u>
Present value of future minimum lease payments	1,565,454
Less: current portion	<u>(361,531)</u>
	<u>\$ 1,203,923</u>

Supplemental cash flow information related to leases for the year ended September 30, 2020 is as follows:

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

Future minimum lease payments under leasing arrangements as of September 30, 2019, before the adoption of Topic 842, are as follows:

2020	\$ 538,000
2021	149,000
2022	61,000
2023	61,000
2024	61,000
Thereafter	<u>61,000</u>
	<u>\$ 931,000</u>

Rent expense during 2019 amounted to \$941,100.

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Notes to Consolidated Financial Statements

September 30, 2020 and 2019

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.

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:

	<u>Fair Value Measurements at September 30, 2020</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>
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>

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Notes to Consolidated Financial Statements

September 30, 2020 and 2019

	Fair Value Measurements at September 30, 2019			
	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	\$ 2,192,733	\$ 2,192,733	\$ -	\$ -
Deferred compensation plan assets	1,406,689	1,406,689	-	-
Beneficial interest in perpetual trusts	<u>3,716,911</u>	<u>-</u>	<u>-</u>	<u>3,716,911</u>
Total PMC assets	<u>\$ 7,316,333</u>	<u>\$ 3,599,422</u>	<u>\$ -</u>	<u>\$ 3,716,911</u>
Pension assets:				
Cash and cash equivalents	\$ 535,464	\$ 535,464	\$ -	\$ -
Mutual funds	<u>11,895,783</u>	<u>11,895,783</u>	<u>-</u>	<u>-</u>
Total pension assets	<u>\$ 12,431,247</u>	<u>\$ 12,431,247</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Investments Held by Middlebury College	Beneficial Interest in Perpetual Trust
Level 3 investments at October 1, 2018	\$ 6,245,194	\$ 3,683,951
Transfer of assets from Middlebury College	(6,301,071)	-
Change in value	<u>55,877</u>	<u>32,960</u>
Level 3 investments at September 30, 2019	-	3,716,911
Change in value	<u>-</u>	<u>131,230</u>
Level 3 investments at September 30, 2020	<u>\$ -</u>	<u>\$ 3,848,141</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, 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	<u>Consolidated</u>
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	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 income (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	-	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 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>

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

Consolidating - Balance Sheet

September 30, 2019

Assets	The University of Vermont Health Network - Porter Medical Center, Inc.	Porter Hospital, Inc.	Helen Porter Nursing Home, Inc.	Porter Real Estate Holdings, LLC	<u>Eliminations</u>	<u>Consolidated</u>
Current assets						
Cash and cash equivalents	\$ 1,739,302	\$ 29,491,702	\$ 553,715	\$ 350,001	\$ -	\$ 32,134,720
Assets limited as to use	10,300	150,380	45,320	-	-	206,000
Patient accounts receivable, net	-	11,016,449	1,559,110	-	-	12,575,559
Other receivables, net	36,348	833,149	6,189	25,000	-	900,686
Supplies	-	1,871,500	16,483	-	-	1,887,983
Prepaid expenses and other	-	511,885	26,223	-	-	538,108
Resident deposits	-	-	23,435	-	-	23,435
Receivables from third-party payors	-	2,026,823	-	-	-	2,026,823
Due from affiliates	<u>856,815</u>	<u>963,173</u>	<u>20,817</u>	<u>-</u>	<u>(1,840,805)</u>	<u>-</u>
Total current assets	2,642,765	46,865,061	2,251,292	375,001	(1,840,805)	50,293,314
Assets limited as to use, deferred compensation plan assets	203,477	1,203,212	-	-	-	1,406,689
Long-term investments	932,495	597,114	663,124	-	-	2,192,733
Property and equipment, net	-	18,049,159	2,132,272	577,556	(58,215)	20,700,772
Beneficial interest in perpetual trusts	-	3,716,911	-	-	-	3,716,911
Note receivable, related party - noncurrent	741,973	-	-	-	(741,973)	-
Investment in subsidiary	<u>1,252,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,252,151)</u>	<u>-</u>
Total assets	<u>\$ 5,772,861</u>	<u>\$ 70,431,457</u>	<u>\$ 5,046,688</u>	<u>\$ 952,557</u>	<u>\$ (3,893,144)</u>	<u>\$ 78,310,419</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, 2019

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	\$ -	\$ 562,700	\$ 131,100	\$ -	\$ -	\$ 693,800
Accounts payable and accrued expenses	247,594	4,235,986	314,010	-	-	4,797,590
Resident deposits	-	-	23,435	-	-	23,435
Accrued payroll and related liabilities	496,400	2,248,568	553,816	-	-	3,298,784
Accrued compensated absences	263,843	1,813,086	399,893	-	-	2,476,822
Estimated third-party settlements	-	2,694,290	125,198	-	-	2,819,488
Due to affiliates	<u>433,679</u>	<u>1,840,762</u>	<u>688,806</u>	<u>405</u>	<u>(1,840,805)</u>	<u>1,122,847</u>
Total current liabilities	1,441,516	13,395,392	2,236,258	405	(1,840,805)	15,232,766
Liability for pension benefits	219,428	5,270,396	881,132	-	-	6,370,956
Deferred compensation	203,476	1,202,539	-	-	-	1,406,015
Residual receipts note to affiliate	-	-	741,973	-	(741,973)	-
Long-term third-party settlements, net of current portion	-	752,317	-	-	-	752,317
Long-term debt, net of current portion	<u>-</u>	<u>10,082,698</u>	<u>2,470,731</u>	<u>-</u>	<u>-</u>	<u>12,553,429</u>
Total liabilities	<u>1,864,420</u>	<u>30,703,342</u>	<u>6,330,094</u>	<u>405</u>	<u>(2,582,778)</u>	<u>36,315,483</u>
Net assets (deficit)						
Without donor restrictions	3,908,441	35,442,192	(1,946,530)	952,152	(1,310,366)	37,045,889
With donor restrictions	<u>-</u>	<u>4,285,923</u>	<u>663,124</u>	<u>-</u>	<u>-</u>	<u>4,949,047</u>
Total net assets (deficit)	<u>3,908,441</u>	<u>39,728,115</u>	<u>(1,283,406)</u>	<u>952,152</u>	<u>(1,310,366)</u>	<u>41,994,936</u>
Total liabilities and net assets (deficit)	<u>\$ 5,772,861</u>	<u>\$ 70,431,457</u>	<u>\$ 5,046,688</u>	<u>\$ 952,557</u>	<u>\$ (3,893,144)</u>	<u>\$ 78,310,419</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, 2019

	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)	\$ -	\$ 68,634,964	\$ 9,875,527	\$ -	\$ (79,830)	\$ 78,430,661
Property rental income, related party	-	-	-	84,720	(84,720)	-
Fixed prospective revenue	-	15,825,681	-	-	-	15,825,681
Other operating revenue (loss)	5,450,643	3,192,441	(8,836)	-	(5,237,460)	3,396,788
Net assets released from restrictions used for operations	<u>-</u>	<u>4,893</u>	<u>15,339</u>	<u>-</u>	<u>-</u>	<u>20,232</u>
Total revenues without donor restrictions, gains and other support	<u>5,450,643</u>	<u>87,657,979</u>	<u>9,882,030</u>	<u>84,720</u>	<u>(5,402,010)</u>	<u>97,673,362</u>
Expenses						
Professional care of patients	-	49,476,089	5,879,784	-	(51,209)	55,304,664
General services	-	3,353,478	1,630,942	-	(84,720)	4,899,700
Administrative and fiscal services	5,210,634	25,889,571	3,991,135	4,034	(5,266,081)	29,829,293
Health care improvement tax	-	4,738,388	490,723	-	-	5,229,111
Depreciation and amortization	-	2,864,387	256,858	25,876	-	3,147,121
Interest	<u>-</u>	<u>327,256</u>	<u>77,131</u>	<u>-</u>	<u>-</u>	<u>404,387</u>
Total expenses	<u>5,210,634</u>	<u>86,649,169</u>	<u>12,326,573</u>	<u>29,910</u>	<u>(5,402,010)</u>	<u>98,814,276</u>
Operating income (loss)	<u>240,009</u>	<u>1,008,810</u>	<u>(2,444,543)</u>	<u>54,810</u>	<u>-</u>	<u>(1,140,914)</u>
Nonoperating gains						
Contributions	76,156	210,702	571	-	-	287,429
Investment return	1,338	487,318	6,826	-	-	495,482
Other program income, net	-	3,696,458	-	-	-	3,696,458
Equity in earnings of Porter Real Estate Holdings, LLC	<u>54,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,810)</u>	<u>-</u>
Nonoperating gains, net	<u>132,304</u>	<u>4,394,478</u>	<u>7,397</u>	<u>-</u>	<u>(54,810)</u>	<u>4,479,369</u>
Excess (deficiency) of revenues, gains, other support and nonoperating gains over expenses	372,313	5,403,288	(2,437,146)	54,810	(54,810)	3,338,455
Net assets released from restrictions used for purchase of property and equipment	-	-	156,945	-	-	156,945
Change in net assets to recognize funded status of pension plan	(139,756)	(2,010,477)	(317,592)	-	-	(2,467,825)
Transfer from University of Vermont Medical Center, Inc.	-	341,200	-	-	-	341,200
Transfer (to) from affiliates	<u>-</u>	<u>(3,450,000)</u>	<u>3,450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets without donor restrictions	<u>\$ 232,557</u>	<u>\$ 284,011</u>	<u>\$ 852,207</u>	<u>\$ 54,810</u>	<u>\$ (54,810)</u>	<u>\$ 1,368,775</u>