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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Monadnock Community Hospital

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 452 Old Street Road

Room/suite

City or town, state or country, and ZIP + 4
Peterborough, NH 034581263

D Employer identification number
02-0222157

E Telephone number
(603) 924-7191

G Gross receipts $ 82,867,196

F Name and address of principal officer
Peter L Gosline
452 Old Street Road
Peterborough, NH 034581263

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ www monadnockhospital org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1919

M State of legal domicile NH

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Critical Access Hospital serving the Monadnock Region of the State of New Hampshire

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	13
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	10
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	758
6	Total number of volunteers (estimate if necessary)	**6**	125
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

Activities & Governance

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	3,087,080	1,878,155
9	Program service revenue (Part VIII, line 2g)	71,101,565	73,391,780
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	840,036	611,666
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	864,293	788,518
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	75,892,974	76,670,119

Revenue

13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	37,202,773	37,836,736
16a	Professional fundraising fees (Part IX, column (A), line 11e)	24,020	42,108
b	Total fundraising expenses (Part IX, column (D), line 25) ▶432,636		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	35,526,081	36,056,567
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	72,752,874	73,935,411
19	Revenue less expenses Subtract line 18 from line 12	3,140,100	2,734,708

Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	88,337,402	89,519,561
21	Total liabilities (Part X, line 26)	44,617,733	43,706,613
22	Net assets or fund balances Subtract line 21 from line 20	43,719,669	45,812,948

Net Assets or Fund Balances

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

****** 2012-07-20
Signature of officer Date

RICHARD SCHEINBLUM VP of Finance/CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed	PTIN
Timothy R Hepburn CPA	Timothy R Hepburn CPA	2012-07-20	☐	

Firm's name ▶ BAKER NEWMAN & NOYES — Firm's EIN ▶

Firm's address ▶ BOX 507
PORTLAND, ME 04112

Phone no ▶ (207) 879-2100

May the IRS discuss this return with the preparer shown above? (see instructions) ☑ Yes ☐ No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III . . . . . ☑

1 Briefly describe the organization's mission

Monadnock Community Hospital is committed to improving the health and well-being of our community We create exceptional experiences that engage and inspire our community to achieve the highest level of health and well-being

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 66,489,677 including grants of $) (Revenue $ 74,178,853)

The primary purpose of Monadnock Community Hospital (MCH) is to ensure access to quality health care for patients in our community, regardless of their ability to pay Following is a summary of the services MCH provides in an effort to fulfill its mission, together with key program statistics for fiscal year 2011 Inpatient Services - includes intensive care, adult stays, pediatric stays, maternity/births, and skilled nursing During the fiscal year the Hospital admitted 1,415 patients and recorded 4,912 patient days Emergency Services - MCH offers health services 24 hours per day, 7 days per week The ER is responsible for the immediate treatment of any medical or surgical emergency, for initiating life-saving procedures in all types of emergency situations, and for providing emergency and initial evaluations and treatment for other conditions, including minor illnesses and injuries and sub-acute medical problems During the year, there were 14,187 visits to the ER in the fiscal year Physician Practices - family health services, programs, and education are integral components of health care at MCH Inpatient and outpatient primary care includes medical, surgical, psychological, and specialist services provided by physicians and mid-level practitioners These are located at the Hospital and its four satellite practices located in Antrim, Jaffrey, New Ipswich, and Rindge During the year, 124,419 office visits were recorded Surgical Services - includes same-day and short-term inpatient surgery MCH provides surgery in the areas of orthopaedics, general surgery, OB/GYN, ophthalmology, urology, ENT, and podiatry In addition, the Hospital offers some non-surgical procedures, including colonoscopies, gastroscopies, and pain management injections During the fiscal year, 2,891 procedures were performed Radiology and Diagnostics - MCH provides advanced radiological technology and extensive imaging services, including bone density, MRI, CT, nuclear medicine, ultrasound, mammography and other diagnostic procedures, both inpatient and outpatient During the fiscal year, 30,687 exams were performed Rehabilitation Services - additionally, MCH serves the people of the Monadnock Region through its medical rehabilitation services MCH offers rehabilitation programs for cardiac, pulmonary, and diabetic rehabilitation that feature educational and exercise components MCH also provides physical and occupational therapy, as well as speech rehabilitation During the fiscal year, 47,791 procedures were recorded for these services Wellness Services - community members wanting to improve and maintain their health have access to an award-winning, medically based fitness facility During the fiscal year, 94,353 member visits were recorded Monadnock Community Hospital's financial grant program provides assistance with hospital and/or physician bills for qualifying patients In fiscal year 2011, the organization recorded $3,194,000 in charges foregone based on established rates The estimated cost incurred to provide these services was $1,957,022 In addition, MCH provided other services to the community at no cost or reduced cost, such as screenings and clinics The cost of providing these services was approximately $2,166,082 in 2011

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)

(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 66,489,677

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b		No
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17	Yes	
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18	Yes	
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**		No
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☐ **Yes** ☑ **No**			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V . . . . . .

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	77		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	758		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

Part VI **Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	13		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	10		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		No
6	Does the organization have members or stockholders?		6		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		7a		No
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ NH

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you make these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

NICOLE HUMPHREY
452 OLD STREET ROAD
PETERBOROUGH, NH 034581263
(603) 924-7191

Part VII Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII . . . . . ☑

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) CYNDY BURGESS CHAIR	13 50	X		X				0	0	0
(2) MARYANN B HARPER VICE CHAIR (PART YEAR)	3 00	X		X				0	0	0
(3) ROBERT L EDWARDS VICE CHAIR (PART YEAR)	3 00	X		X				0	0	0
(4) STEVEN H REYNOLDS TREASURER	8 00	X		X				0	0	0
(5) ROBERT TAFT ESQ CLERK (PART YEAR)	3 00	X		X				0	0	0
(6) NORMAN H MAKECHNIE ESQ CLERK (PART YEAR)	3 00	X		X				0	0	0
(7) ROBERT J CONDON JR TRUSTEE	3 00	X						0	0	0
(8) BARBARA R DUCKETT TRUSTEE (PART YEAR)	3 00	X						0	0	0
(9) ROBIN C EICHERT TRUSTEE	3 00	X						0	0	0
(10) CHERI FRY TRUSTEE	3 00	X						0	0	0
(11) DAVID A HEDSTROM DDS TRUSTEE	3 00	X						0	0	0
(12) CAROLE MONROE TRUSTEE	3 00	X						0	0	0
(13) JOHN HALEY MD EX-OFFICIO W/VOTING RIGHTS	3 00	X						169,867	0	18,802
(14) AMY PFEIL EX-OFFICIO W/VOTING RIGHTS	3 00	X						0	0	0
(15) JAMES D POTTER MD EX-OFFICIO W/VOTING RIGHTS	3 00	X						167,015	0	30,890
(16) CHARLES J SEIGEL MD EX-OFFICIO W/VOTING RIGHTS	3 00	X						0	0	0

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) LUCAS SHIPPEE DO PART YEAR EX-OFFICIO W/VOTING RIGHTS	50 00	X						240,045	0	30,504
(18) PETER L GOSLINE CHIEF EXECUTIVE OFFICER	55 00	X		X				272,408	0	23,939
(19) RICHARD SCHEINBLUM VP FINANCE/CFO	50 00			X				163,600	0	8,582
(20) STEPHEN COFFMAN MD PHYSICIAN	50 00					X		422,237	0	20,039
(21) RICHARD FRECHETTE MD PHYSICIAN	50 00					X		211,782	0	34,842
(22) GREGORY KRIEBEL MD PHYSICIAN	50 00					X		209,816	0	32,068
(23) MARK STEVENS MD PHYSICIAN	50 00					X		201,900	0	34,674
(24) SACHIN DAVE MD PHYSICIAN	50 00					X		200,225	0	24,797
(25) JAMES HURLEY MD FORMER BOARD MEMBER	50 00						X	173,176	0	33,941
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,432,071	0	293,078

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 40

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	3	Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	4	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	5		No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
MONADNOCK ORTHOPAEDIC ASSOCIATES 458 OLD STREET ROAD SUITE 200 PETERBOROUGH, NH 03458	PHYSICIAN FEES	3,039,722
MONADNOCK REGION EMERGENCY PHYSICIANS 540 LAFAYETTE ROAD HAMPTON, NH 03842	CONTRACT PHYSICIAN SERVICES	1,596,000
MONADNOCK ANESTHESIA ASSOCIATES C/O SURGICAL SUITE PETERBOROUGH, NH 03458	CONTRACT PHYSICIAN SERVICES	1,095,483
HUTTER CONSTRUCTION PO BOX 257 810 TURNPIKE ROAD NEW IPSWICH, NH 03071	GENERAL CONTRACTOR	728,665
SODEXO INC & AFFILIATES 97 NORTH POLICY ROAD SALEM, NH 03079	DIETARY/FOOD SERVICE MGMT	632,821

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 19

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . .	1a				
	b Membership dues	1b				
	c Fundraising events	1c	18,866			
	d Related organizations . . .	1d				
	e Government grants (contributions)	1e	82,500			
	f All other contributions, gifts, grants, and similar amounts not included above	1f	1,776,789			
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		1,878,155			
Program Service Revenue		Business Code				
	2a NET PATIENT SERVICE RE	900099	71,948,625	71,948,625		
	b OTHER OPERATING REVENU	900099	1,443,155	1,443,155		
	c					
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		73,391,780			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		458,355			458,355
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
Other Revenue		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss) . . . . . ▶					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	6,338,918	900			
	b Less cost or other basis and sales expenses	5,822,239	364,268			
	c Gain or (loss)	516,679	-363,368			
	d Net gain or (loss) . . . . . ▶			153,311			153,311
	8a Gross income from fundraising events (not including $ 18,866 of contributions reported on line 1c) See Part IV, line 18 . . . a		12,015			
	b Less direct expenses . . . b		10,570			
	c Net income or (loss) from fundraising events . . ▶			1,445			1,445
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . ▶					
	10a Gross sales of inventory, less returns and allowances . a					
	b Less cost of goods sold . . b					
	c Net income or (loss) from sales of inventory . . ▶					
	Miscellaneous Revenue	Business Code				
	11a CAFETERIA/VENDING MACH	900099	410,126	410,126		
	b EMPLOYEE PHARMACY SALE	900099	376,947	376,947		
	c					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶		787,073			
	12 **Total revenue.** See Instructions . . . ▶		76,670,119	74,178,853	0	613,111

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U S See Part IV, line 21				
2 Grants and other assistance to individuals in the U S See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,105,867	613,523	492,344	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	29,310,065	26,183,028	2,909,289	217,748
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	713,310	639,938	68,022	5,350
9 Other employee benefits	4,682,601	4,057,631	612,311	12,659
10 Payroll taxes	2,024,893	1,782,435	227,996	14,462
a Fees for services (non-employees) Management				
b Legal	180,839	4,097	176,742	
c Accounting	49,000		49,000	
d Lobbying				
e Professional fundraising services *See Part IV, line 17*	42,108			42,108
f Investment management fees				
g Other	5,733,829	5,213,340	520,489	
12 Advertising and promotion	92,901	92,901		
13 Office expenses	1,414,561	734,146	649,630	30,785
14 Information technology	741,375	662,641	78,734	
15 Royalties				
16 Occupancy	3,091,669	2,860,764	230,905	
17 Travel	88,601	29,053	59,470	78
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	90,108	60,153	16,585	13,370
20 Interest	1,006,716	1,006,716		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	4,866,535	4,664,015	202,520	
23 Insurance	463,853	366,596	97,257	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a MED & PHARM SUPPLIES	6,501,262	6,498,030	3,232	
b PROVISION FOR BAD DEBT	3,742,600	3,742,600		
c OTHER MED EXP/SERVICE C	3,567,186	3,290,710	194,672	81,804
d NH MEDICAID ENHANCEMENT	3,168,993	3,168,993		
e DUES/LICENSES	338,074	118,977	218,329	768
f All other expenses	918,465	699,390	205,571	13,504
25 **Total functional expenses.** Add lines 1 through 24f	73,935,411	66,489,677	7,013,098	432,636
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		9,735,266	1	9,923,746
	2	Savings and temporary cash investments		9,568,104	2	5,360,993
	3	Pledges and grants receivable, net		1,972,789	3	473,874
	4	Accounts receivable, net		4,831,701	4	5,226,529
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L			6	
	7	Notes and loans receivable, net		175,953	7	129,269
	8	Inventories for sale or use		1,240,528	8	1,364,053
	9	Prepaid expenses and deferred charges		560,078	9	604,559
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 76,470,441			
	b	Less accumulated depreciation	10b 35,780,524	37,376,825	10c	40,689,917
	11	Investments—publicly traded securities		19,158,048	11	21,146,279
	12	Investments—other securities See Part IV, line 11		2,685,300	12	2,736,875
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		1,032,810	15	1,863,467
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		88,337,402	16	89,519,561
Liabilities	17	Accounts payable and accrued expenses		8,196,184	17	6,091,799
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		29,042,296	20	27,914,594
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties		1,040,870	23	561,375
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		6,338,383	25	9,138,845
	26	**Total liabilities.** Add lines 17 through 25		44,617,733	26	43,706,613
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		33,688,418	27	37,498,743
	28	Temporarily restricted net assets		3,126,586	28	1,357,888
	29	Permanently restricted net assets		6,904,665	29	6,956,317
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		43,719,669	33	45,812,948
	34	Total liabilities and net assets/fund balances		88,337,402	34	89,519,561

Part XI Reconcilliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI . . . . . ☑

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	76,670,119
2	Total expenses (must equal Part IX, column (A), line 25)	2	73,935,411
3	Revenue less expenses Subtract line 2 from line 1	3	2,734,708
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	43,719,669
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-641,429
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	45,812,948

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . . . ☑

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☑ Separate basis ☐ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Monadnock Community Hospital

Employer identification number
02-0222157

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3 ☑ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

_____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10 ☐ An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

	Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
Total									

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

Part III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	**15**	
16	Public support percentage from 2009 Schedule A, Part III, line 15	**16**	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	**17**	
18	Investment income percentage from **2009** Schedule A, Part III, line 17	**18**	

19a **33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

If the organization answered "Yes," to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35a (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization	Employer identification number
Monadnock Community Hospital	02-0222157

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

Part I-B Complete if the organization is exempt under section 501(c)(3).

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

(a) Name	**(b)** Address	**(c)** EIN	**(d)** Amount paid from filing organization's funds If none, enter -0-	**(e)** Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Part II-A **Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).**

A Check ☐ if the filing organization belongs to an affiliated group
B Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		389
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		12,149
j	Total lines 1c through 1i			12,538
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of $2,000 or less?	2		
3	Did the organization agree to carryover lobbying and political expenditures from the prior year?	3		

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures **(do not include amounts of political expenses for which the section 527(f) tax was paid).**		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1i. Also, complete this part for any additional information

Identifier	Return Reference	Explanation
Explanation of Other Lobbying Activities	Part II-B, Line 1i	Monadnock Community Hospital is a member of the NH Hospital Association and the American Hospital Association A portion of the dues paid to these organizations is available for lobbying expenditures on behalf of Monadnock Hospital in furtherance of its exempt purpose Monadnock Hospital does not directly perform any lobbying activities NHHA, Portion of dues available for lobbying $8,807 AHA, Portion of dues available for lobbying $3,342 In addition, MCH hosts an annual legislative breakfast, which is a bipartisan event to which legislators, local politicians and other public officials are invited to discuss health care issues in New Hampshire and current and proposed legislation The total cost of this forum was $389

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Monadnock Community Hospital

Employer identification number
02-0222157

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

			Held at the End of the Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	10,031,251	10,623,404	10,282,555		
b Contributions	884,501	1,266,761	1,164,871		
c Investment earnings or losses	93,759	200,900	-100,136		
d Grants or scholarships					
e Other expenditures for facilities and programs	2,695,306	2,059,814	723,886		
f Administrative expenses					
g End of year balance	8,314,205	10,031,251	10,623,404		

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶ 16 330 %
- b Permanent endowment ▶ 83 670 %
- c Term endowment ▶ 0 %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

		Yes	No
(i) unrelated organizations	3a(i)	Yes	
(ii) related organizations	3a(ii)		No
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		842,124		842,124
b Buildings		30,689,746	13,008,519	17,681,227
c Leasehold improvements		4,374,354	1,045,172	3,329,182
d Equipment		38,920,049	21,726,833	17,193,216
e Other		1,644,168		1,644,168
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				40,689,917

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
INTEREST RATE SWAP AGREEMENTS	4,525,901
ESTIMATED THIRD-PARTY SETTLEMENTS	4,612,944
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	9,138,845

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	76,670,119
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	73,935,411
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	2,734,708
4	Net unrealized gains (losses) on investments	4	80,138
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-721,567
9	Total adjustments (net) Add lines 4 - 8	9	-641,429
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	2,093,279

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	75,596,054
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	80,138		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	80,138
3	Subtract line **2e** from line **1**			3	75,515,916
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b	1,154,203		
c	Add lines **4a** and **4b**			4c	1,154,203
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	76,670,119

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	73,502,775
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	0
3	Subtract line **2e** from line **1**			3	73,502,775
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b	432,636		
c	Add lines **4a** and **4b**			4c	432,636
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	73,935,411

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
Description of Intended Use of Endowment Funds	Part V, Line 4	Temporarily restricted assets are available for health care services, including the purchase of equipment and providing health education and programs The income and dividends on permanently restricted net assets are generally used to support health care services and for capital purchases of property and equipment
Description of Uncertain Tax Positions Under FIN 48	Part X	The audited financial statements for the year ended September 30, 2011 contain the following paragraph pertaining to income taxes in Footnote 1 "The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code Management evaluated the Hospital's tax positions and concluded the Hospital has maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment to or disclosure in the accompanying financial statements With few exceptions, the Hospital is no longer subject to tax examination by the U S federal or state tax authorities for years prior to 2008 "
Part XI, Line 8 - Other Adjustments		Change in fair value of interest rate swap agreements -721,567
Part XII, Line 4b - Other Adjustments		Fundraising Expenses 432,636 Decrease in fair value of interest rate swap agreement 721,567
Part XIII, Line 4b - Other Adjustments		Fundraising Expenses 432,636

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SCHEDULE G (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than $15,000 on Form 990-EZ, line 6a.
Attach to Form 990 or Form 990-EZ. See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Monadnock Community Hospital

Employer identification number
02-0222157

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1 Indicate whether the organization raised funds through any of the following activities Check all that apply

- **a** ☑ Mail solicitations
- **b** ☐ Internet and e-mail solicitations
- **c** ☐ Phone solicitations
- **d** ☑ In-person solicitations
- **e** ☑ Solicitation of non-government grants
- **f** ☑ Solicitation of government grants
- **g** ☑ Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☑ **Yes** ☐ **No**

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least $5,000 by the organization Form 990-EZ filers are not required to complete this table

(i) Name and address of individual or entity (fundraiser)	**(ii)** Activity	**(iii)** Did fundraiser have custody or control of contributions? Yes	**(iii)** No	**(iv)** Gross receipts from activity	**(v)** Amount paid to (or retained by) fundraiser listed in col **(i)**	**(vi)** Amount paid to (or retained by) organization
Ghiorsi & Sorrenti 255 Madison Avenue Wyckoff, NJ 07481	See Schedule G, Part IV		No	0	41,035	0
Total . . . . . ▶					41,035	

3 List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing

Part II **Fundraising Events.** Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than $15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than $5,000.

		(a) Event #1 MCH GOLF CLASSIC (event type)	(b) Event #2 (event type)	(c) Other Events (total number)	(d) Total Events (Add col (a) through col (c))
Revenue	1 Gross receipts	30,881			30,881
	2 Less Charitable contributions	18,866			18,866
	3 Gross income (line 1 minus line 2)	12,015			12,015
Direct Expenses	4 Cash prizes				
	5 Non-cash prizes				
	6 Rent/facility costs	5,750			5,750
	7 Food and beverages	3,153			3,153
	8 Entertainment				
	9 Other direct expenses	1,667			1,667
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				10,570
	11 Net income summary Combine lines 3 and 10 in column (d) ▶				1,445

Part III **Gaming.** Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than $15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (Add col (a) through col (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Non-cash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	
	7 Direct expense summary Add lines 2 through 5 in column (d) ▶				
	8 Net gaming income summary Combine lines 1 and 7 in column (d) ▶				

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," Explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," Explain _____

11 Does the organization operate gaming activities with nonmembers? . . . . . ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? . . . . . ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	**13a**	
b An outside facility	**13b**	

14 Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶ ----------

Address ▶ ----------

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? . . . . . ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ $ _____ and the amount of gaming revenue retained by the third party ▶ $ _____

c If "Yes," enter name and address

Name ▶ ----------

Address ▶ ----------

16 Gaming manager information

Name ▶ ----------

Gaming manager compensation ▶ $ ----------

Description of services provided ▶ ----------

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? . . . . . ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ $

Part IV Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation
Explanation of Fundraising Payments	Schedule G, Part I, Line 2b, Column (v)	Professional fees paid for capital campaign counsel and services

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Monadnock Community Hospital

Employer identification number
02-0222157

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other _____ %	3b	Yes	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . .	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			1,735,485		1,735,485	2 470 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			6,439,136	4,672,321	1,766,815	2 520 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			8,174,621	4,672,321	3,502,300	4 990 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			986,126		986,126	1 400 %
f Health professions education (from Worksheet 5)			68,375		68,375	0 100 %
g Subsidized health services (from Worksheet 6)			1,006,821		1,006,821	1 430 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			105,123		105,123	0 150 %
j **Total** Other Benefits			2,166,445		2,166,445	3 080 %
k **Total.** Add lines 7d and 7j			10,341,066	4,672,321	5,668,745	8 070 %

Part II **Community Building Activities** during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**						

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	2,033,379		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	184,254		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	18,831,215		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	18,715,202		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	116,013		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?		9a	Yes	
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI		9b	Yes	

Part IV **Management Companies and Joint Ventures**

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Monadnock Community Hospital 452 Old Street Road Peterborough, NH 03458	X	X			X		X		

Part V **Facility Information** *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? **13**

Name and address	Type of Facility (Describe)
1 See Additional Data Table	

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		Part I, Line 3c N/A

Identifier	ReturnReference	Explanation
		Part I, Line 6a N/A

Identifier	ReturnReference	Explanation
		Part I, Line 7 Charity Care and Means Tested Programs use the cost to charge ratio as their methodology This hospital calculates the ratio in a manner consistent with worksheet 2, Patient Care Charges to Patient Care Expenses, to arrive at the ratio of cost to charges

Identifier	ReturnReference	Explanation
		Part I, Line 7g Included in the subsidized health services activities reported for FY 2011 are unreimbursed costs of $1,006,821 attributed to an Outpatient Behavioral Health Practice

Identifier	ReturnReference	Explanation
		Part I, Line 7, Column (f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is $ 3742600

Identifier	ReturnReference	Explanation
		Part II N/A

Identifier	ReturnReference	Explanation
		Part III, Line 4 The amount reported on Part III line 2 was derived by applying the cost to charge ratio against the amount of bad debt expense reported on Form 990, Part IX, line 25, column (A) ($3,742,600) Accounts written off to bad debt include gross charges being written off less any payments received against those charges Any cash collected on accounts previously written off is included as an offset to bad debt expense as recoveries of bad debt The hospital calculates the ratio in a manner consistent with worksheet 2, Patient Care Charges to Patient Care Expenses, to arrive at the ratio of costs to charges We estimated the amount of charity care in bad debt expense based on the number of applications for charity care denied due to lack of complete documentation against the average charity care write off at cost per qualified patient We believe the amount is minimal based on our extensive efforts to educate patients and staff about our various payment plans and financial grant programs to ensure that patients who qualify for any of our programs utilize them Depending on the specific circumstances a patient may be eligible for charity care, discounted care, payment programs, or a combination of the above Due to these efforts, we feel that amounts written off to bad debt that could qualify as charity care is minimal Footnote 1 to the audited financial statements of the hospital contains the following to address bad debt Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances Management provides for probable uncollectible amounts through a charge to operations and a credit to the allowance for doubtful accounts based on its assessment of individual accounts and historical adjustments Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable

Identifier	ReturnReference	Explanation
		Part III, Line 8 Medicare allowable costs for the Medicare cost report are reported in accordance with CMS guidelines using the cost to charge ratio methodology

Identifier	ReturnReference	Explanation
		Part III, Line 9b As of 9/30/2011 Monadnock Community Hospital has a written Credit and Collection policy Described within that policy are the collection practices and bad debt processes that are followed for patients who are known to qualify for charity care or financial assistance The organization maintains a Financial Grant Program (FGP) database which is maintained by the Social Services department of MCH The Patient Financial Services (PFS) staff reference this database for approval status and eligibility amounts, identifying any account(s) where the discount will apply Internal FGP insurance plans are applied to those accounts and related discount amounts are adjusted in the billing system Remaining balances are expected to be paid in full by the patient Payment plans may be requested by the patient and are established by the Financial Grant Coordinator based on the patient's available income and assets Accounts are annotated to reflect payment arrangements During bad debt processing, designated staff evaluate accounts listed as collection review for potential bad debt write off This process includes an examination of account history for indication of FGP application

Identifier	ReturnReference	Explanation
Monadnock Community Hospital		Part V, Section B, Line 13g The complete financial assistance policy is available upon request and in the waiting rooms and instructions on how to find out more about financial assistance are posted on the website and published in a brochure that is attached to billing invoices and available in the admissions office Additionally, the financial assistance program is communicated to all employees during the orientation process

Identifier	ReturnReference	Explanation
Monadnock Community Hospital		Part V, Section B, Line 17e Line E Description from Credit and Collections Policy The Hospital Patient Financial Services Department shall develop and implement billing and collection procedures designed to maintain an adequate cash flow, keep accounts receivable at an acceptable level, and identify and write-off bad debts in a timely fashion Monadnock Community Hospital contracts with an Agency to process all self pay and self pay after insurance balance statements/letters I Self pay accounts and self-pay balances remaining after insurance adjudication shall be transferred to the Agency on a weekly basis The cycle for collections is a three statements and/or letters and two phone call series spaced approximately thirty (30) days apart The statements shall include a Previous balance (unless this is the first statement) b Activity since last statement (except those accounts that went to a $0 00 balance) c Current balance due d Telephone number(s) for inquiries concerning the statement e Status or reminder message where appropriate f Availability for the use of a credit card for payment g Information regarding FGP and Medication Bridge Program h Return envelope II In the event that statements or letters are returned by the postal service as undeliverable for reasons such as "Moved, left no forwarding address","Forwarding order expired"or "No such address" the Agency will indicate on the daily report 'mail returned' PFS staff will review system for correct address and will make corrections within the computer system and correspondence will be re-mailed If no correct or current information can be obtained, the specific account(s) shall be flagged for referral to an outside collection agency equipped to handle this type of situation (see Bad Debt Processing)

Identifier	ReturnReference	Explanation
Monadnock Community Hospital		Part V, Section B, Line 21 The State of NH does not allow healthcare providers to bill auto insurance companies directly in regards to a Motor Vehicle accident The patient, when treated, has the choice to either be billed directly and they will in turn bill their auto insurance company or we can bill their health insurance company directly

Identifier	ReturnReference	Explanation
		Part VI, Line 2 The State of NH, under RSA 7 32-f, requires every healthcare charitable trust, either alone or in conjunction with other healthcare charitable trusts in its community, to conduct a Community Needs Assessment to assist in determining the activities to be included in its community benefits plan The needs assessment process includes consultation with members of the public, community organizations, service providers, and local government officials in the entity's service area to identify and prioritize the community needs that the health care entity can address directly or in collaboration with others The Community Needs Assessment is updated at least every 5 years, most recently in 2008 In 2007, the Regional Community Benefits Steering Committee was formed to prepare a single 2008 Community Benefits Needs Assessment for the Monadnock Region The work group consisted of representatives from multiple organizations, including Monadnock Community Hospital Based on the needs assessment and community engagement process, the priority needs and health concerns of the community MCH serves include access to care - driven by financial barriers and/or availability of primary care, availability of behavioral health care, general socioeconomic issues, and transportation services Monadnock Community Hospital used this information to help focus its community benefit efforts to meet the priority needs identified in the community benefit plan In addition, other needs or services not specifically identified in the community needs assessment, but addressed under the organization's community benefit plan include availability of dental or oral health care (via the organization's Monadnock Healthy Teeth to Toes program which focuses on dental hygiene and care, nutrition, and daily physical activity for children ages kindergarten to third grade) and availability of prescription medication (via the organization's Medication Bridge program designed to help eligible patients apply for assistance programs that provide free or discounted prescription medications)

Identifier	ReturnReference	Explanation
		Part VI, Line 3 MCH is committed to providing quality healthcare to anyone in need of services, regardless of ability to pay We understand patients may not have the finances to pay for their healthcare services and medications, and do not want this to prevent anyone from receiving necessary treatment As part of the hospital's mission to the communities we serve, we have developed programs to help meet the needs of our patients who meet income eligibility Through our Financial Grant and Medication Bridge Programs, we have been providing financial assistance to those qualifying for many years We reach out to our patients in many different ways to ensure they are aware that help is available and to guide them through the process Brochures and signage are posted in high traffic areas and all employees of MCH are informed about the FGP during orientation When a patient goes through the registration process at the hospital the staff are trained to inform uninsured or underinsured patients about the Monadnock Community Hospital Financial Grant and the New Hampshire Health Access programs and that there is assistance available within the hospital to help with the application process In addition, any time a patient calls customer service, the representative is trained to help identify and offer support to patients who may require financial assistance Patients may qualify for free care, discounted care, payment plans or a combination of the above Assistance is also provided in applying to federal and state programs for those who qualify

Identifier	ReturnReference	Explanation
		Part VI, Line 4 The hospital's primary service area consists of 14 towns, including Antrim, Bennington, Dublin, Francestown, Greenfield, Greenville, Hancock, Jaffrey, Mason, New Ipswich, Peterborough, Rindge, Sharon, and Temple The hospital serves the general population of the primary service area referenced above

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Monadnock Community Hospital is a critical access hospital located in the Monadnock Region of NH Our mission is to improve the health and well-being of our community The hospital is served by a board of trustees consisting of local citizens active in their community and its organizations The majority of the board is not employed by the hospital and consists of local community and business representatives as well as medical staff The hospital is committed to giving back to the community to the greatest extent possible Monadnock Community Hospital supports thousands of individuals and families with free or reduced-fee services and programs Our Financial Grant program administered by the Social Services department helps families and individuals in need with access to health care and other available community services such as catastrophic care, fuel assistance, meals on wheels, food banks and visiting nurses Other examples of the hospital's effort to reach our patients beyond traditional hospital services include access to free or reduced cost medications through our Medication Bridge program, educating children on the importance of good oral hygiene, eating health, and daily physical activity through our Monadnock Healthy Teeth to Toes program, training for community agencies such as local volunteer fire and rescue personnel, prevention and wellness education including nutrition, smoking cessation and dealing with stress, providing regular community seminars regarding timely health topics, and screenings for important health issues such as breast cancer These are just a few of the many areas where we are reaching out to others to assure they are cared for well

Identifier	ReturnReference	Explanation
		Part VI, Line 7 N/A

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	NH

Additional Data

Software ID:
Software Version:
EIN: 02-0222157
Name: Monadnock Community Hospital

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility (list in order of size, measured by total revenue per facility, from largest to smallest) How many non-hospital facilities did the organization operate during the tax year? **13** Name and address	Type of Facility (Describe)
Monadnock Orthopaedic Associates 458 Old Street Road Wellness Center Peterborough, NH 03458	Medical practice
Bond Wellness Center 458 Old Street Road Wellness Center Peterborough, NH 03458	Fitness center and rehabilitation services
Monadnock Regional Pediatrics 454 Old Street Road MAB Building Peterborough, NH 03458	Physician practice
Jaffrey Family MedicinePT Satellite 82 Peterborough Street Jaffrey, NH 03452	Outpatient physician office
Monadnock Family Care 454 Old Street Road MAB Building Peterborough, NH 03458	Physician practice
Peterborough Internal Medicine 454 Old Street Road MAB Building Peterborough, NH 03458	Physician practice
Monadnock Surgical Associates 454 Old Street Road MAB Building Peterborough, NH 03458	Physician practice
Monadnock Internists 454 Old Street Road MAB Building Peterborough, NH 03458	Physician practice
New Ipswich Family MedicinePT Satellite 821 Turnpike Road New Ipswich, NH 03071	Outpatient physician office
Monadnock Behavioral Health 458 Old Street Road Wellness Center Peterborough, NH 03458	Physician practice
Antrim Medical Group 12 Elm Street Antrim, NH 03440	Outpatient physician office
Rindge Family Practice 31 Sonja Drive Suite 2 Rindge, NH 03461	Outpatient physician office
Neurology Center 458 Old Street Road Wellness Center Peterborough, NH 03458	Physician practice

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Monadnock Community Hospital

Employer identification number
02-0222157

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☑ Compensation committee ☐ Written employment contract ☑ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) JOHN HALEY MD	(i)	165,230	0	4,637	5,850	12,952	188,669	0
	(ii)	0	0	0	0	0	0	0
(2) JAMES D POTTER MD	(i)	160,816	0	6,199	5,684	25,206	197,905	0
	(ii)	0	0	0	0	0	0	0
(3) LUCAS SHIPPEE DO PART YEAR	(i)	219,261	0	20,784	5,741	24,763	270,549	0
	(ii)	0	0	0	0	0	0	0
(4) PETER L GOSLINE	(i)	229,340	25,000	18,068	8,192	15,747	296,347	0
	(ii)	0	0	0	0	0	0	0
(5) RICHARD SCHEINBLUM	(i)	163,300	0	300	5,768	2,814	172,182	0
	(ii)	0	0	0	0	0	0	0
(6) STEPHEN COFFMAN MD	(i)	418,531	3,339	367	0	20,039	442,276	0
	(ii)	0	0	0	0	0	0	0
(7) RICHARD FRECHETTE MD	(i)	205,943	0	5,839	7,347	27,495	246,624	0
	(ii)	0	0	0	0	0	0	0
(8) GREGORY KRIEBEL MD	(i)	204,607	0	5,209	7,342	24,726	241,884	0
	(ii)	0	0	0	0	0	0	0
(9) MARK STEVENS MD	(i)	197,072	0	4,828	7,175	27,499	236,574	0
	(ii)	0	0	0	0	0	0	0
(10) SACHIN DAVE MD	(i)	197,736	0	2,489	2,962	21,835	225,022	0
	(ii)	0	0	0	0	0	0	0
(11) JAMES HURLEY MD	(i)	168,327	0	4,849	6,178	27,763	207,117	0
	(ii)	0	0	0	0	0	0	0
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8 Also complete this part for any additional information

Identifier	Return Reference	Explanation
	Part I, Line 4b	MCH sponsors a split-dollar life insurance employee benefit program for certain officers and key employees Split-dollar life insurance is an arrangement in which the employee is the owner of the life insurance policy and the premiums are paid by both the employer and employee Pursuant to MCH's split-dollar agreement, and the collateral assignment therein, the employer's share of the policy premiums paid is recovered either upon termination of the policy or at the death of the participant Note that the split-dollar arrangement is part of an employee benefit program and economically not a direct extension of credit Furthermore, the reportable compensation of the respective employees includes the annual value of the life insurance coverage The present value of the policies is reported on MCH's balance sheet in Part X, Line 15 as an Other Asset The reported present value of this asset as of 9/30/11 was $467,638 No premiums were paid during the fiscal year ended 9/30/11
	Part I, Line 7	MCH compensates physicians utilizing productivity targets based on RVU (relative value units) In addition, the Compensation Committee recommends to the full board annually the variable pay award that may be issued to the Hospital's CEO The payment of the award is discretionary and is subject to meeting the pre-determined goals of the organization

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Monadnock Community Hospital

Employer identification number
02-0222157

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	NHBFA Revenue Bonds Series 2009	02-1304598	999999DA0	08-01-2009	9,750,000	Funding capital projects		X		X		X
B	NHBFA Revenue Bonds Series 2007	02-1304598	64468KBH8	10-15-2007	20,230,000	Advance refunding of the Series 1997 & 2004 revenue bonds & refinance note		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	9,750,000	20,230,000		
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow	15,100,045	15,100,045		
7	Issuance costs from proceeds	101,086	201,040		
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	9,648,914	4,928,915		
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2011	2010		

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X				
15	Were the bonds issued as part of an advance refunding issue?		X	X					
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X				
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X				

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X				
b	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?		X		X				
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %		0 %					
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %		0 %					
6	Total of lines 4 and 5	0 %		0 %					
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X				
2	Is the bond issue a variable rate issue?	X		X					
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X				
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X	X					
b	Name of provider	TRANSAMERICA		TRANSAMERICA					
c	Term of GIC	1 166700000000		1 166700000000					
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X					
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?		X		X				

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Monadnock Community Hospital

Employer identification number
02-0222157

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1 (a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	(c) Corrected? No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ $

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) No	(f) Approved by board or committee? Yes	(f) No	(g) Written agreement? Yes	(g) No
Total . . . . . ▶ $										

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Lara K Scheinblum MD	Spouse to CFO	104,529	Dr Scheinblum is the spouse of Richard Scheinblum, who is MCH'S CFO and listed in Part VII Dr Scheinblum is compensated as an employee of MCH The W-2 compensation paid is in accordance with MCH'S standard employment practices and policies		No

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Monadnock Community Hospital

Employer identification number
02-0222157

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		A draft of the Form 990 is initially reviewed in detail by key finance employees Thereafter, the final draft is presented to the full board prior to filing with the IRS Each member of the board is provided with a draft of the Form 990 in advance of the board meeting

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	On an annual basis, the organization provides all administrators/directors/managers, Board members and medical staff members with the Conflict of Interest policy Said members are required to complete a new Conflict of Interest disclosure on an annual basis Any conflicts of interest noted are reviewed by the Chair of the Board, in conjunction with the Corporate Compliance Officer If the conflict of interest appears to meet the policy definitions requiring full Board review, the President of the Board takes this to the full Board meeting, and it is discussed, and appropriate action is taken (in compliance with state and federal requirements) The conflict of interest statement requires signatories to inform the Hospital of any conflict of interest that occurs at any time throughout the year If a conflict of interest arises during the year, it is reviewed by the Compliance Officer, and if necessary, is taken to the Board President/Board The Compliance Officer confers with legal counsel with regard to conflicts of interest, if there is any question regarding the potential conflict

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The organization has a written executive compensation policy and procedure Under this policy, the Compensation Committee, delegated representatives of the Board of Trustees, has the power and responsibility to determine the Hospital's approach to executive compensation and review the performance of the CEO The Compensation Committee has the responsibility to set, monitor and review the base salary of the CEO The Committee maintains minutes of sessions and final recommendations and determinations in accordance with the Board of Trustee guidelines Annually, market data is reviewed by the Committee to determine the appropriate salary for the Hospital's CEO based upon identified standards At the end of the time period, the Committee reviews to what extent stated goals were met and recommends an amount for the variable pay award to be approved by the full board

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Monadnock Community Hospital files audited financial statements annually with the New Hampshire Attorney General's Charitable Trust Unit and informs the Director of Charitable Trusts of pecuniary benefit transactions that have occurred between MCH and a board member or officer Notices of such transactions of $5,000 or more are also published in the local newspaper in accordance with NH RSA 7 19-A, II(D) Current copies of the Bylaws, Conflict of Interest Policy and Form 990 are on file with the Charitable Trust Unit

Identifier	Return Reference	Explanation
Reportable Compensation for Services as Physician	Form 990, Part VII, Section A, Column D	The 2010 compensation reported for Dr John Haley and Dr Lucas Shippee was paid by Monadnock Community Hospital for their services as full-time physicians Dr Haley and Dr Shippee were not compensated for their services as ex-officio voting members of MCH'S Board of Trustees Dr James Hurley is listed as a former board member in accordance with IRS instructions All of the 2010 compensation reported for Dr Hurley was paid by Monadnock Community Hospital for his services as a full-time physician

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 80,138 Change in fair value of interest rate swap agreements -721,567 Total to Form 990, Part XI, Line 5 -641,429

Identifier	Return Reference	Explanation
Audit Review Process	Form 990, Part XI, Line 2C	The Audit Committee oversees the audit process for Monadnock Hospital The audit process for the financial statements did not change from the prior year Independent accountants performed the audit for the fiscal years ended 9/30/10 and 9/30/11

Identifier	Return Reference	Explanation
Disposal of Property and Equipment	Form 990, Part VIII, Line 7C, Column (ii)	The loss of $363,358 reported for other assets is the remaining book value of depreciated assets disposed of upon the move into the new building and the disposal of software that no longer met the needs of the Hospital

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Monadnock Community Hospital

Employer identification number
02-0222157

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Monadnock Health Services - INACTIVE 452 Old Street Road Peterborough, NH 03458 02-0420789	Inactive	NH	501(C)(3)	11 Type I	N/A		No

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

		Yes	No
1	During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a	Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	**1a**	**No**
b	Gift, grant, or capital contribution to other organization(s)	**1b**	**No**
c	Gift, grant, or capital contribution from other organization(s)	**1c**	**No**
d	Loans or loan guarantees to or for other organization(s)	**1d**	**No**
e	Loans or loan guarantees by other organization(s)	**1e**	**No**
f	Sale of assets to other organization(s)	**1f**	**No**
g	Purchase of assets from other organization(s)	**1g**	**No**
h	Exchange of assets	**1h**	**No**
i	Lease of facilities, equipment, or other assets to other organization(s)	**1i**	**No**
j	Lease of facilities, equipment, or other assets from other organization(s)	**1j**	**No**
k	Performance of services or membership or fundraising solicitations for other organization(s)	**1k**	**No**
l	Performance of services or membership or fundraising solicitations by other organization(s)	**1l**	**No**
m	Sharing of facilities, equipment, mailing lists, or other assets	**1m**	**No**
n	Sharing of paid employees	**1n**	**No**
o	Reimbursement paid to other organization for expenses	**1o**	**No**
p	Reimbursement paid by other organization for expenses	**1p**	**No**
q	Other transfer of cash or property to other organization(s)	**1q**	**No**
r	Other transfer of cash or property from other organization(s)	**1r**	**No**

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization See instructions regarding exclusion for certain investment partnerships

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation

THE MONADNOCK COMMUNITY HOSPITAL

Audited Financial Statements

Years Ended September 30, 2011 and 2010

Table of Contents

INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Monadnock Community Hospital

We have audited the accompanying balance sheets of The Monadnock Community Hospital (the Hospital) as of September 30, 2011 and 2010, and the related statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Monadnock Community Hospital as of September 30, 2011 and 2010, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Baker Newman & Noyes

Limited Liability Company

Manchester, New Hampshire
January 19, 2012

THE MONADNOCK COMMUNITY HOSPITAL

BALANCE SHEETS

September 30, 2011 and 2010

ASSETS

	2011	2010
Current assets:		
Cash and cash equivalents	$ 9,925,812	$ 9,737,331
Accounts receivable, net (notes 2 and 4)	5,226,529	4,831,701
Current portion of notes receivable	55,785	56,277
Other receivables	1,104,985	255,952
Current portion of pledges receivable	364,408	879,937
Inventories	1,364,053	1,240,528
Prepaid expenses	604,559	560,078
Total current assets	18,646,131	17,561,804
Assets limited as to use (notes 4, 6 and 16)	29,242,081	32,409,387
Medical office building and related assets, net of accumulated depreciation of $1,398,083 in 2011 and $1,428,132 in 2010 (note 8)	2,021,542	2,164,859
Property and equipment, net (notes 7 and 8)	38,668,375	35,211,966
Notes receivable, less current portion	73,484	119,676
Other:		
Pledges receivable, less current portion (note 5)	109,466	92,852
Debt issuance costs, net	290,844	322,234
Other assets	467,638	454,624
	867,948	869,710
Total assets	$89,519,561	$88,337,402

LIABILITIES AND NET ASSETS

	2011	2010
Current liabilities.		
Accounts payable and accrued expenses	$ 3,456,447	$ 5,521,892
Accrued payroll and amounts withheld	2,635,352	2,674,292
Estimated third-party payor settlements (note 3)	4,612,944	2,962,049
Current portion of long-term debt and capital lease obligations	1,050,994	1,179,198
Total current liabilities	11,755,737	12,337,431
Long-term debt and capital lease obligations, less current portion (note 8)	27,852,975	28,903,968
Interest rate swap agreements (notes 8 and 16)	4,097,901	3,376,334
Total liabilities	43,706,613	44,617,733
Commitments and contingencies (notes 1 and 12)		
Net assets:		
Unrestricted net assets	37,498,743	33,688,418
Temporarily restricted net assets (note 9)	1,357,888	3,126,586
Permanently restricted net assets (note 9)	6,956,317	6,904,665
Total net assets	45,812,948	43,719,669
Total liabilities and net assets	$89,519,561	$88,337,402

See accompanying notes.

THE MONADNOCK COMMUNITY HOSPITAL

STATEMENTS OF OPERATIONS

Years Ended September 30, 2011 and 2010

	2011	2010
Unrestricted revenue and other support:		
Net patient service revenue (notes 3 and 10)	$71,948,625	$69,662,406
Other revenue	2,230,228	2,314,637
Net assets released from restrictions for operations	105,541	124,525
Total unrestricted revenue and other support	74,284,394	72,101,568
Expenses (note 14):		
Salaries and benefits (note 11)	37,586,517	37,043,591
Supplies and other	22,667,561	22,704,049
Insurance	463,853	686,503
Provision for bad debts	3,742,600	3,339,006
Depreciation and amortization (note 7)	4,866,535	4,333,432
Interest (note 8)	1,006,716	860,327
New Hampshire Medicaid enhancement tax (note 3)	3,168,993	3,461,215
Total expenses	73,502,775	72,428,123
Income (loss) from operations	781,619	(326,555)
Nonoperating gains (losses):		
Investment income (note 6)	932,850	713,874
Unrestricted contributions, net of fundraising expenses	479,963	1,401,883
Other expense (note 8)	(280,868)	(44,914)
Nonoperating gains, net	1,131,945	2,070,843
Excess of revenues, support and nonoperating gains over expenses	1,913,564	1,744,288
Net unrealized gains on investments (note 6)	28,563	675,523
Decrease in fair value of interest rate swap agreements, qualifying as hedges (note 8)	(721,567)	(1,434,260)
Net assets released from restrictions used to purchase property and equipment	2,589,765	1,935,289
Increase in unrestricted net assets	$ 3,810,325	$ 2,920,840

See accompanying notes.

THE MONADNOCK COMMUNITY HOSPITAL

STATEMENTS OF CHANGES IN NET ASSETS

Years Ended September 30, 2011 and 2010

	2011	2010
Unrestricted net assets:		
Excess of revenues, support and nonoperating gains over expenses	$ 1,913,564	$ 1,744,288
Net unrealized gains on investments (note 6)	28,563	675,523
Decrease in fair value of interest rate swap agreements (note 8)	(721,567)	(1,434,260)
Net assets released from restrictions used to purchase property and equipment	2,589,765	1,935,289
Increase in unrestricted net assets	3,810,325	2,920,840
Temporarily restricted net assets:		
Contributions (note 5)	884,424	1,266,244
Net investment income (note 6)	42,184	48,272
Net assets released from restrictions for operations (note 9)	(105,541)	(124,525)
Net assets released from restrictions used to purchase property and equipment	(2,589,765)	(1,935,289)
Decrease in temporarily restricted net assets	(1,768,698)	(745,298)
Permanently restricted net assets:		
Contributions	77	517
Net unrealized gains on perpetual trusts (note 6)	51,575	152,628
Increase in permanently restricted net assets	51,652	153,145
Increase in net assets	2,093,279	2,328,687
Net assets, beginning of year	43,719,669	41,390,982
Net assets, end of year	$45,812,948	$43,719,669

See accompanying notes.

THE MONADNOCK COMMUNITY HOSPITAL

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	$ 2,093,279	$ 2,328,687
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,866,535	4,333,432
Loss on disposal of property and equipment	363,369	–
Realized and unrealized gains on investments, net	(596,817)	(1,097,023)
Interest rate swaps	721,567	1,564,483
Decrease in interest rate swap loan	(48,000)	–
Provision for bad debts	3,742,600	3,339,006
Restricted contributions and investment income	(926,685)	(1,315,033)
(Increase) decrease in:		
Accounts receivable	(4,137,428)	(3,026,560)
Pledges receivable	–	10,737
Inventories	(123,525)	(188,647)
Prepaid expenses	(44,481)	(232,655)
Notes and other receivables	(802,349)	56,813
Other assets	(13,014)	(44,024)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,065,445)	725,717
Accrued payroll and amounts withheld	(38,940)	135,457
Due to/from third-party payors	1,650,895	3,495,027
Net cash provided by operating activities	4,641,561	10,085,417
Cash flows from investing activities:		
Purchases of property and equipment	(8,511,606)	(10,979,612)
Proceeds on sale of investments	6,338,918	6,821,935
Purchases of investments	(2,574,795)	(2,975,899)
Net cash used by investing activities	(4,747,483)	(7,133,576)
Cash flows from financing activities:		
Principal payments on long-term debt and capital lease obligations	(1,131,197)	(955,997)
Restricted contributions and investment income	1,425,600	2,006,558
Debt issuance costs	–	(10,504)
Net cash provided by financing activities	294,403	1,040,057
Net increase in cash and cash equivalents	188,481	3,991,898
Cash and cash equivalents at beginning of year	9,737,331	5,745,433
Cash and cash equivalents at end of year	$ 9,925,812	$ 9,737,331
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,006,716	$ 860,327

Supplemental disclosure of noncash investing and financing activities:
In 2010, the Hospital entered into capital lease obligations in the amount of $630,606.
In 2010, the Hospital settled an existing interest rate swap agreement by issuing debt totaling $480,000 (see Note 8).
These items are not included in the above statements of cash flows

See accompanying notes

1. Description of Organization and Summary of Significant Accounting Policies

Organization

The Monadnock Community Hospital (the Hospital) is a not-for-profit, acute care hospital located in Peterborough, New Hampshire.

In August 1997, the Hospital and Capital Region Health Care Corporation (CRHC) formalized an agreement to affiliate for the purpose of creating an integrated health care delivery network. Accordingly, CRHC became the sole corporate member of the Hospital, effective October 1, 1997. The accounts of CRHC and related affiliates were not included in the Hospital's financial statements. This affiliation with CRHC was terminated during 2010 The members of the Hospital effective February 1, 2010 are the elected and ex-officio members of the Board of Trustees.

The accounting policies that affect the more significant elements of the financial statements are summarized below:

Basis of Accounting

The accompanying financial statements have been prepared on an accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas which are affected by the use of estimates are the allowance for doubtful accounts and contractual adjustments, the allowance for uncollectible pledges, estimated third-party payor settlements and insurance reserves

Cash and Cash Equivalents

Cash and cash equivalents include all demand deposit accounts and investments with original maturities of three months or less when purchased, excluding assets limited as to use.

Accounts Receivable

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

Inventories

Inventories of supplies and pharmaceuticals are carried at the lower of cost or market. Costs are determined on the first-in, first-out (FIFO) basis.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Assets Limited as to Use

Assets limited as to use include assets held by trustees under indenture agreements, designated assets set aside by the Board of Trustees, over which the Board retains control and may, at its discretion, subsequently use for other purposes, and donor-restricted investments.

Investments

Investments are carried at fair value in the accompanying balance sheets. The Hospital has recorded net unrealized gains/losses on investments in the accompanying statements of operations and changes in net assets as a component of the change in net assets, but not as a component of the excess of revenues, support and nonoperating gains over expenses. Declines in fair value below the cost of investments are evaluated to determine if they are other-than-temporary. If such declines are determined to be other-than-temporary, an impairment charge is recognized within nonoperating losses. Realized gains and losses are determined on the specific identification method, however, mutual fund realized gains and losses are determined on the average cost method.

Investment Policies

The Hospital's investment policies provide guidance for the prudent and skillful management of invested assets with the objective of preserving capital and maximizing returns The invested assets include endowment, specific purpose and board designated (unrestricted) funds.

Endowment funds are identified as permanent in nature, intended to provide support for current or future operations and other purposes identified by the donor. These funds are managed with disciplined longer-term investment objectives and strategies designed to accommodate relevant, reasonable, or probable events.

Specific purpose funds are temporary in nature, restricted as to time or purpose as identified by the donor or grantor. These funds have various intermediate/long-term time horizons associated with specific identified spending objectives

Board designated funds have various intermediate/long-term time horizons associated with specific spending objectives as determined by the Board of Trustees.

Management of these assets is to increase, with minimum risk, the inflation adjusted principal and income of the endowment funds over the long term. The Hospital targets a diversified asset allocation that places emphasis on achieving its long-term return objectives within prudent risk constraints.

Property and Equipment

Property and equipment is stated at cost or, if donated, at fair value at the date of donation, less accumulated depreciation. The Hospital's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the life of the related assets. When assets are retired or disposed of, the assets and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the accompanying statements of operations.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Depreciation is computed using the straight-line method in a manner intended to amortize the cost of the assets over their estimated useful lives. Equipment under capital lease is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment Costs of construction and acquisition of assets not yet placed in service are included in capital improvements and no depreciation expense is recorded.

Bond Issuance Costs/ Original Issue Discount or Premium

Bond issuance costs are being amortized using an accelerated amortization method, which approximates the effective interest method, over the life of the respective bonds. Bond premiums and discounts are amortized over the term of the bond using primarily the straight-line method which is not materially different than the level yield method.

Earned Time

The Hospital provides and accrues for paid time off for vacation, holiday and sick leave under an earned time system for nonexempt employees. Hours earned, but not used, are capped and vested with the employee.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specified time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity. Investment income, as well as realized and unrealized gains from permanently restricted net assets, are available for various uses as prescribed by the donors.

In accordance with the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), the Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund; (b) the purpose of the organization and the donor-restricted endowment fund; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of the organization; and (g) the investment policies of the organization

Spending Policy for Appropriation of Assets for Expenditure

Spending policies may be adopted by the Hospital, from time to time, to provide a stream of funding for the support of key programs. The spending policies are structured in a manner to ensure that the purchasing power of the assets is maintained while providing the desired level of annual funding to the programs. The Hospital evaluates its spending policies on an annual basis.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Donor-Restricted Contributions

Donated investments, supplies and equipment are reported at fair value at the date of receipt. Unconditional promises to give cash and other assets are reported at fair value at the date of the receipt of the promise. All gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Excess of Revenues, Support and Nonoperating Gains Over Expenses

The accompanying statements of operations include excess of revenues, support and nonoperating gains over expenses. Changes in unrestricted net assets which are excluded from excess of revenues, support and nonoperating gains over expenses, consistent with industry practice, include net assets released from restrictions used for the purposes of acquiring long-lived assets, net unrealized gains/losses on investments and the changes in the fair value of interest rate swap agreements deemed to be effective hedges.

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, including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Changes in these estimates are reflected in the accompanying financial statements in the year in which they occur. During 2011 and 2010, net patient service revenue in the accompanying statements of operations increased approximately $650,000 and $321,000, respectively, due to changes in prior year estimates. Services rendered to individuals from whom payment is expected and ultimately not received is written off and included as part of the provision for bad debts

Revenues from the Medicare and Medicaid programs accounted for approximately 31% and 2%, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2011, and 32%, and 3%, respectively, for the year ended September 30, 2010. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

Activities directly associated with services related to acute and ancillary care services are considered to be operating activities and are included as patient service revenue. Revenue which is not related to patient medical care and which is normal to the day-to-day operations of the Hospital is included in other revenue.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Financial Assistance Program

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a financial assistance patient by reference to certain established policies of the Hospital. Essentially, these policies define the financial assistance program as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes federally established poverty guidelines. The financial assistance program is measured based on the Hospital's established rates. These charges are not included in net patient service revenue. The costs and expenses incurred in providing these services are included in operating expenses.

Self-Insurance Programs

The Hospital self-insures its employee health and dental benefits and has estimated and accrued amounts to meet its expected obligations under the program. The plan is administered by an insurance company which assists in determining the current funding requirements of participants under the terms of the plan and the liability for claims and assessments that would be payable at any given point in time. The Hospital recognizes revenue for services provided to employees of the Hospital during the year. Stop loss insurance coverage is in effect which mitigates the Hospital's exposure to loss on an individual and aggregate basis Estimated unpaid claims, and those claims incurred but not reported at September 30, 2011 and 2010, have been recorded as a liability of approximately $408,000 and $376,000, respectively.

Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management evaluated the Hospital's tax positions and concluded the Hospital has maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment to or disclosure in the accompanying financial statements. With few exceptions, the Hospital is no longer subject to tax examination by the U.S federal or state tax authorities for years prior to 2008.

Advertising Costs

The Hospital expenses advertising costs as incurred, and such costs totaled approximately $93,000 and $86,000 for the years ended September 30, 2011 and 2010, respectively.

Derivatives and Hedging Activities

The interest rate swap agreements held by the Hospital meet the definition of derivative instruments and, consequently, the Hospital is required to record as an asset or liability the fair value of the interest rate swap agreements described in Note 8. The Hospital is exposed to repayment loss equal to any net amounts receivable under the swap agreements (not the notional amounts) in the event of nonperformance of the other parties to the swap agreements. However, the Hospital does not anticipate nonperformance and does not obtain collateral from the other parties.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain 2010 amounts have been reclassified to permit comparison with the 2011 financial statements presentation format.

Subsequent Events

Management of the Hospital evaluated events occurring between the end of its fiscal year and January 19, 2012, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-07, *Health Care Entities* (Topic 954): *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The ASU is effective for fiscal years and interim periods beginning after December 31, 2011, with early adoption permitted Changes to the presentation of the provision for bad debts related to patient service revenue in the statement of operations is applied retrospectively to all prior periods presented. The ASU states that a health care entity that recognizes significant amounts of patient service revenue at the time the services are rendered even though it does not assess the patient's ability to pay, must present bad debts as a reduction of net patient revenue and not as a separate item in operating expenses The change in presentation, as required by this guidance, is not expected to significantly impact the Hospital's financial position, results of operations or cash flows

In August 2010, the FASB issued ASU No. 2010-23 which provides amended guidance for the measurement of charity care for disclosure. The objective of ASU No. 2010-23 is to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. To accomplish that, this guidance requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care. This amendment also requires disclosure of the method used to identify or determine such costs. The ASU is effective for the year ending September 30, 2012. The Hospital does not expect that the impact of this accounting pronouncement will be significant to its financial statements.

In August 2010, the FASB issued ASU No 2010-24 which addresses the diversity in the accounting for medical malpractice and similar liabilities and their related anticipated insurance recoveries by health care entities that mostly have netted insurance recoveries against the accrued liability, although some have presented the anticipated insurance recovery and the liability on a gross basis. The amendments to Topic 954 clarify that a health care entity should not net insurance recoveries against a related claim liability; the amount of the claim liability should be determined without consideration of insurance recoveries. This ASU is effective for the Hospital for the fiscal year ending September 30, 2012. The Hospital does not expect that the impact of this pronouncement will be significant to its financial statements.

2. Accounts Receivable

Accounts receivable are stated net of estimated contractual allowances and allowances for doubtful accounts. Accounts receivable consists of the following at September 30:

	2011	2010
Accounts receivable	$12,960,501	$12,390,923
Estimated contractual allowances	(4,155,226)	(4,707,045)
Estimated allowance for doubtful accounts	(3,578,746)	(2,852,177)
	$ 5,226,529	$ 4,831,701

3. Estimated Third-Party Settlements

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

Medicare

The Hospital was granted critical access hospital (CAH) designation on December 27, 2004. As a result of this designation, the Hospital is entitled to cost-based reimbursement from Medicare for services provided to Medicare beneficiaries Inpatient acute care services rendered to Medicare program beneficiaries are paid under a cost reimbursement methodology. Outpatient services are paid based on a combination of rate schedules and reimbursed cost. The Hospital is reimbursed for cost reimbursable items at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary The Hospital's Medicare cost reports have been settled through September 30, 2008.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to certain limitations. The Hospital is reimbursed at an interim rate with final settlement determined after submission of annual costs reported by the Hospital and audits thereof by the State of New Hampshire Division of Audit The Hospital's Medicaid cost reports have been final settled through September 30, 2008

Anthem

Inpatient and outpatient services rendered to Anthem subscribers are reimbursed at submitted charges less a discount withholding or through a per diem or fee schedule. The amounts paid to the Hospital are not subject to any retroactive adjustments.

3. Estimated Third-Party Settlements (Continued)

Other

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

The Hospital has made a provision in the financial statements for estimated final settlements to be paid as a result of the retroactive provision for third-party reimbursement programs.

Medicaid Enhancement Tax and Medicaid Disproportionate Share

Under the State of New Hampshire's tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.5% of the Hospital's net patient service revenues, with certain exclusions. The amount of tax incurred by the Hospital for fiscal 2011 and 2010 was $3,168,993 and $3,461,215, respectively. The Hospital has accrued $608,466 in MET at September 30, 2011 Prior to 2010, the MET was offset by disproportionate share payments of identical amounts to the Hospital and other New Hampshire hospitals.

In the fall of 2010, in order to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. In 2011, the Hospital recognized disproportionate share payments totaling $3,152,663. In 2010, the Hospital recognized disproportionate share payments totaling $3,461,215.

As part of the State's biennial budget process for the two-year period ending June 30, 2013, it eliminated disproportionate share payments to certain New Hampshire hospitals, excluding hospitals classified as critical access. In December 2011, critical access hospitals in the State of New Hampshire received 75% of the disproportionate share funding due the hospitals covering the State's fiscal year ended June 30, 2012, which are reflected in the amounts above.

In response to the State's actions, certain New Hampshire hospitals have collectively filed a lawsuit against the State. At the date of these financial statements, the Hospital had elected not to join this lawsuit, since the State's biennial budget is slated to provide disproportionate share funding to critical access hospitals.

The Hospital has amended MET returns for State fiscal years 2009 through 2011 based upon further guidance provided that certain exclusions can be deducted from net patient service revenues. The State Department of Revenue Administration has audited these returns; however, the outcome of the amended returns and related audits is uncertain at the date of these financial statements.

4. Concentration of Credit Risk

Financial instruments which subject the Hospital to credit risk consist of cash and cash equivalents, accounts receivable and investments. The Hospital maintains cash accounts in financial institutions which are insured by federal agencies up to $250,000. The risk with respect to cash equivalents is minimized by the Hospital's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Hospital's accounts receivable are primarily due from third-party payors, and amounts are presented net of expected contractual allowances and uncollectible amounts. Individual investments that exceeded 10% of total investments include the Dreyfus Cash Management Fund as of September 30, 2011 and 2010. This investment represented approximately 15% and 27% of total investments as of September 30, 2011 and 2010, respectively.

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross patient accounts receivable at September 30, 2011 and 2010 was as follows:

	2011	2010
Medicare	28%	31%
Medicaid	6	6
Anthem	10	11
Other third-party payors	23	25
Patients	33	27
	100%	100%

5. Pledges Receivable

Pledges receivable consist of unconditional promises for contributions receivable in subsequent years The following represents amounts promised to be contributed to the Hospital during the years ended September 30:

	2011	2010
In one year or less	$ 858,567	$ 879,937
Between one and five years	262,167	803,071
	1,120,734	1,683,008
Present value discount	(19,042)	(63,715)
Allowance for uncollectible pledges ($494,159 and $-0- of which is allocated to the current portion of pledges receivable at September 30, 2011 and 2010, respectively)	(627,818)	(646,504)
	$ 473,874	$ 972,789

During 2008, the Hospital began the process of constructing a $22 million expansion to its current facility. The Hospital has held a capital campaign to support a portion of this expansion As of September 30, 2011, approximately $6,400,000 has been pledged or received in support of this campaign.

6. Assets Limited as to Use and Restricted Funds

The composition of assets limited as to use at September 30, 2011 and 2010 is set forth in the following table. Investments are stated at fair value.

	2011	2010
Held by trustee:		
Cash and cash equivalents	$ 1,819,168	$ 6,909,812
Board designated, donor restricted and long-term investments:		
Cash and cash equivalents	3,539,759	2,656,227
Marketable equity securities	12,851,552	11,179,775
Mutual funds	986,299	1,447,226
U S. Treasury obligations	7,017,029	6,531,047
Corporate and foreign bonds	291,399	–
Interests in perpetual trusts	2,736,875	2,685,300
Bequest receivable	–	1,000,000
	27,422,913	25,499,575
	$29,242,081	$32,409,387

Amounts held by trustee represent disbursement funds related to funds drawn on the Series 2009 Revenue Bonds issue that have not yet been released to the Hospital as of year-end date. Funds released from this account are used to pay for costs incurred in conjunction with the ongoing construction project.

As a result of bequests, the Hospital is the beneficiary of two trust funds, one of which is administered by an outside trustee and the other administered by the Hospital. The terms of the perpetual trusts require that income or a percentage of income be paid to the Hospital in perpetuity, however, distribution of principal is not permitted under the terms of the trusts. The amounts recorded in the accompanying balance sheets represent the fair values of the assets upon notification of the trusts' existence, which are adjusted annually to reflect the appreciation or depreciation in the fair value of the assets. Offsetting amounts are included in permanently restricted net assets. Income distributed to the Hospital from these trusts is included in the accompanying statement of operations as investment income.

6. Assets Limited as to Use and Restricted Funds (Continued)

Investment income and realized and unrealized gains (losses) on investments are summarized as follows:

	2011	2010
Unrestricted:		
Investment income	$ 416,171	$ 445,002
Net realized gains on investments	516,679	268,872
Net unrealized gains on investments	28,563	675,523
	961,413	1,389,397
Restricted:		
Investment income	42,184	48,272
Net unrealized gains on perpetual trusts	51,575	152,628
	93,759	200,900
	$1,055,172	$1,590,297

The following table summarizes the aggregate unrealized losses on investments held at September 30, 2011 and 2010.

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2011						
Marketable equity securities	$1,207,822	$(263,392)	$1,846,254	$(399,416)	$3,054,076	$(662,808)
Mutual funds	–	–	380,463	(71,936)	380,463	(71,936)
Fixed income	141,494	(1,209)	–	–	141,494	(1,209)
	$1,349,316	$(264,601)	$2,226,717	$(471,352)	$3,576,033	$(735,953)
2010						
Marketable equity securities	$ 736,603	$ (61,449)	$1,475,021	$(294,854)	$2,211,624	$(356,303)
Mutual funds	–	–	415,473	(59,106)	415,473	(59,106)
Fixed income	403,832	(5,047)	–	–	403,832	(5,047)
	$1,140,435	$ (66,496)	$1,890,494	$(353,960)	$3,030,929	$(420,456)

8. Long-Term Debt and Capital Lease Obligations

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

	2011	2010
New Hampshire Business Finance Authority (NHBFA) in conjunction with Revenue Bonds:		
Series 2009 with variable rate interest subject to an interest rate swap agreement (see below)	$ 9,579,594	$ 9,726,296
Series 2007 with varying interest at daily rates determined by the remarketing agent. The Bonds include an option to convert to a fixed rate in future periods and are subject to an interest rate swap agreement (see below)	18,335,000	18,840,000
Interest rate swap loan (see below)	428,000	476,000
Capital lease obligations with interest rates ranging from 3.25% to 8.00%, due in monthly installments ranging from $2,368 to $55,076, with maturity dates ranging from November 2011 to April 2014, collateralized by equipment	561,375	1,040,870
	28,903,969	30,083,166
Less current portion	(1,050,994)	(1,179,198)
	$27,852,975	$28,903,968

On August 1, 2009 the Hospital, in connection with NHBFA, issued $9,750,000 of tax-exempt revenue bonds. The Series 2009 Revenue Bonds were issued for the purpose of funding certain capital projects.

The Series 2009 Revenue Bonds consist of serial bonds which mature annually in amounts ranging from $154,686 in 2012 to $5,425,160 in 2029. The bonds bear interest at a variable rate equal to the sum of (1) the one month LIBOR multiplied by 69% plus (2) a percentage factor (dependent on the debt service coverage ratio maintained, ranges from 3% to 4%) multiplied by 69% The interest rate at September 30, 2011 was 2.91%. Interest only payments were made on the bonds for the first twelve months after issuance and thereafter, principal and interest payments are made with the balance due in full in October 2019 at the demand of the bondholders and, in the absence of such demand, the bonds are due in full in October 2029. The Hospital has granted NHBFA a first security in all gross receipts and substantially all property and equipment of the Hospital.

On October 15, 2007, the Hospital, in connection with NHBFA, issued $20,230,000 of tax-exempt revenue bonds. The Series 2007 Revenue Bonds were issued for the purpose of advance refunding all of the Series 1997 and 2004 Revenue Bonds, and also the refinancing of the note payable to Rural Utilities Services, with additional proceeds to be used for funding certain capital projects.

8. Long-Term Debt and Capital Lease Obligations (Continued)

The Series 2007 Revenue Bonds mature annually in amounts ranging from $525,000 in 2012 to $1,235,000 in 2033. The bonds bear interest at varying daily interest rates determined by the remarketing agent and include an option to convert to a fixed rate in future periods. The interest rate at September 30, 2011 was 2.91%, including letter of credit fees, remarketing fees and the associated swap agreements. The bonds are secured by a letter of credit in the amount of $19,036,142 from a financial institution, which expires September 30, 2017. This letter of credit may be extended on each October 15 of 2012 through 2016 for an additional period at the financial institution's discretion upon request by the Hospital. If the letter is not renewed, the bonds are subject to mandatory tender for purchase via a draw on the letter of credit at a price equal to 100% of the principal amount thereof, plus accrued interest Additionally, the Hospital has granted the financial institution a first security in all gross revenues and receipts and substantially all equipment of the Hospital.

Concurrent with the August 1, 2009 NHBFA bond issuance, the Hospital executed an interest rate swap agreement to hedge its exposure to the volatility of interest payments on its variable rate Series 2009 Revenue Bonds. At September 30, 2011, an interest rate swap agreement was outstanding at a notional amount totaling approximately $9.6 million. The swap agreement hedges the Hospital's interest exposure by effectively converting interest payments from variable rates to a fixed rate of 2 9%. The swap agreement, which expires in October 2019, is designated as a cash flow hedge of the underlying variable rate interest payments, and changes in the fair value of the swap agreement are reported as a change in unrestricted net assets. The swap agreement had fair value of $(1,163,942) and $(1,009,732) as of September 30, 2011 and 2010, respectively.

Concurrent with the October 15, 2007 NHBFA bond issuance, the Hospital executed an interest rate swap agreement to hedge its exposure to the volatility of interest payments on a portion of its variable rate Series 2007 Revenue Bonds. At September 30, 2011, an interest rate swap agreement was outstanding at a notional amount totaling approximately $11.3 million. The swap agreement hedges the Hospital's interest exposure by effectively converting interest payments from variable rates to a fixed rate of 3.57%. The swap agreement, which expires in October 2033, is designated as a cash flow hedge of the underlying variable rate interest payments, and changes in the fair value of the swap agreement are reported as a change in unrestricted net assets. The swap agreement had fair value of $(2,508,508) and $(2,113,503) as of September 30, 2011 and 2010, respectively.

The Hospital had a third interest rate swap agreement with a financial institution, which was originally issued in connection with the 2004 New Hampshire Health and Education Facilities Authority (NHHEFA) bonds, which were refunded during 2008. During 2010, the Hospital replaced this 2004 swap agreement with a new 2010 swap agreement that effectively hedges a portion of the 2007 NHBFA bonds. This newly issued swap agreement contains an additional interest rate spread, which in turn provides that the issuing bank make a cash payment to fund the payoff of the 2004 swap agreement on behalf of the Hospital. Accordingly, the Hospital recognized an interest rate swap loan liability of $480,000 during 2010, which represents the fair value of the 2004 swap at the time it was replaced. This loan is being amortized by the Hospital over the life of the new swap agreement. At September 30, 2011, an interest rate swap agreement was outstanding relating to the 2010 swap at a notional amount totaling approximately $7.5 million. The 2010 swap agreement hedges the Hospital's interest exposure by effectively converting interest payments from variable rates to a fixed rate of 2.76%. The swap agreement, which expires September 2020, is designated as a cash flow hedge of the underlying variable rate interest payments, and changes in the fair value of the swap agreement are reported as a change in unrestricted net assets. The swap agreement had a fair value of $(425,451) and $(253,099) as of September 30, 2011 and 2010, respectively

9. Temporarily and Permanently Restricted Net Assets (Continued)

Permanently restricted net assets of $6,956,317 and $6,904,665 at September 30, 2011 and 2010, respectively, are to be held in perpetuity and include two perpetual trusts (Note 6). The income and dividends on permanently restricted net assets are generally expendable to support health care services and capital purchases at the discretion of the Hospital and are principally recorded as net assets released from restrictions for the purchase of property and equipment.

During the years ended September 30, 2011 and 2010, $105,541 and $124,525, respectively, have been reclassified from temporarily restricted net assets to unrestricted net assets (recorded as net assets released from restrictions for operations).

Activity in fiscal 2011 and 2010 related to endowment funds was as follows:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
2011			
Balances, beginning of year	$(368,390)	$ 22,249	$ 3,220,405
Contributions (including receipt of prior bequest)	–	–	1,000,077
Interest and dividends	–	88,694	–
Realized and unrealized gains on investments	168,045	–	–
Appropriation for expenditure	–	(88,694)	–
Balances, end of year	$(200,345)	$ 22,249	$ 4,220,482
2010			
Balances, beginning of year	$(592,940)	$ 22,249	$ 3,219,888
Contributions	–	–	517
Interest and dividends	–	97,203	–
Realized and unrealized gains on investments	224,550	–	–
Appropriation for expenditure	–	(97,203)	–
Balances, end of year	$(368,390)	$ 22,249	$ 3,220,405

10. Net Patient Service Revenue

Net patient service revenue consists of the following for the years ended September 30:

	2011	2010
Gross patient service revenue:		
Routine services	$ 16,602,154	$ 16,073,445
Ancillary services	102,394,117	95,112,092
	118,996,271	111,185,537
Deductions from revenue:		
Contractual adjustments and administrative write offs	(47,006,008)	(41,706,569)
Financial assistance program	(3,194,301)	(3,277,777)
Disproportionate share funding (note 3)	3,152,663	3,461,215
	(47,047,646)	(41,523,131)
Net patient service revenue	$ 71,948,625	$ 69,662,406

11. Employee Benefit Plans

The Hospital has a tax-sheltered annuity plan covering substantially all of its employees. Participating employees become eligible for employer contributions following the completion of two years of service, as defined, and attainment of age 21. Employer contributions are determined based on a percentage of employees' salaries. Benefit expense related to this plan for the years ended September 30, 2011 and 2010 amounted to approximately $744,000 and $755,000, respectively.

In 2010, the Hospital also offered to certain physicians the option to participate in an Internal Revenue Code Section 457 deferred compensation plan to which the Hospital may make a discretionary contribution. The Hospital made no contributions to the Plan for the years ended September 30, 2011 and 2010.

12. Commitments and Contingencies

The Hospital has purchased a commercial insurance policy that provides for comprehensive general liability and professional liability coverages on a claims made basis. As of September 30, 2011, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage nor are there any unasserted claims or incidents for which an accrual has not been made. The Hospital intends to continue coverage on a claims made basis with a commercial carrier and anticipates that such coverage will be available

During 2009, the Hospital entered into a construction contract to expand the current facilities Costs of construction were estimated at approximately $15 5 million. As of September 30, 2011, the project was substantially complete and the remaining contractual commitment was approximately $112,000.

13. Volunteer Services (Unaudited)

In 2011 and 2010, total volunteer service hours received by the Hospital were approximately 12,000 and 14,000, respectively. The volunteers provide nonspecialized services to the Hospital, none of which have been recognized as revenue or expense in the statements of operations.

14. Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses, excluding the New Hampshire Medicaid enhancement tax, related to providing these services are as follows for the years ended September 30, 2011 and 2010:

	2011	2010
Health care services	$63,378,679	$62,247,109
General and administrative, including interest	6,955,103	6,719,799
	$70,333,782	$68,966,908

Fundraising related expenses were approximately $432,000 and $325,000 for the years ended September 30, 2011 and 2010, respectively.

15. Financial Assistance Program and Community Benefits (Unaudited)

The Hospital maintains records to identify and monitor the level of financial assistance it provides. These records include the amount of charges foregone for services and supplies furnished under its financial assistance program, the estimated cost of those services and supplies, and equivalent service statistics. The following information measures the level of financial assistance provided during the years ended September 30, 2011 and 2010.

	2011	2010
Charges foregone, based on established rates	$3,194,000	$3,278,000
Estimated costs incurred to provide financial assistance	$1,957,000	$2,115,000
Equivalent percentage of financial assistance services to all services	2.68%	2.95%

In addition to the financial assistance identified above, the Hospital does not receive full payment from the Medicare and Medicaid programs for the cost of services to certain poor and elderly patients served In 2011 and 2010, the Hospital incurred costs in excess of payments in these programs amounting to approximately $4,502,000 and $4,515,000, respectively.

The Hospital also provides other services to the community at no cost or reduced cost, such as screenings, clinics, etc. The cost of providing these services was approximately $2,166,000 and $2,589,000 for the years ended September 30, 2011 and 2010, respectively.

16. Fair Value of Financial Instruments

Fair value of a financial instrument is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including the System's own credit risk

The FASB's codification establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are.

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Hospital performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the fiscal year ended September 30, 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent with prior years.

16. Fair Value of Financial Instruments (Continued)

The following presents the change in Level 3 instruments for the years ended September 30:

	Interest Rate Swaps	
	2011	2010
Balance, beginning of period	$ (3,376,334)	$ (2,291,851)
Swap payoff (see Note 8)	–	480,000
Total unrealized losses, net of payments:		
Included in statement of operations	–	(130,223)
Included in changes in net assets	(721,567)	(1,434,260)
Balance, end of period	$ (4,097,901)	$ (3,376,334)

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

The following methods and assumptions were used by the Hospital in estimating the "fair value" of other financial instruments in the accompanying financial statements and notes thereto:

Cash and cash equivalents: The carrying amounts reported in the accompanying statements of financial position for these financial instruments approximate their fair values.

Accounts and other receivables, pledges receivable, notes receivable, accounts payable and estimated third-party payor settlements: The carrying amounts reported in the accompanying statements of financial position approximate their respective values as these financial instruments have short-term maturities or are recorded at amounts that approximate fair value.

Long-term debt: The fair value of substantially all long-term debt approximates its carrying value due to the variable rate interest terms.