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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
THE CHESHIRE MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
580 COURT STREET

City or town, state or country, and ZIP + 4
KEENE, NH 03431

D Employer identification number
02-0354549

E Telephone number

G Gross receipts $ 153,728,162

F Name and address of principal officer
ARTHUR NICHOLS
580 COURT STREET
KEENE, NH 03431

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 CHESHIRE-MED COM

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1980 | **M** State of legal domicile NH

Part I Summary

1 Briefly describe the organization's mission or most significant activities
THE PRIMARY PURPOSE OF THE CHESHIRE MEDICAL CENTER IS TO ENSURE ACCESS TO QUALITY HEALTH CARE SERVICES TO ALL RESIDENTS OF THE MONADNOCK REGION THE ORGANIZATION'S CHARITABLE MISSION IS ENHANCED THROUGH THE OPERATION OF A JOINT OPERATING PARTNERSHIP AGREEMENT WITH THE HITCHCOCK CLINIC THE PURPOSE OF THE JOINT OPERATING PARTNERSHIP AGREEMENT IS TO PROVIDE A MORE EXTENSIVE AND EFFECTIVE HEALTH CARE DELIVERY SYSTEM TO THE COMMUNITIES IN THE MONADNOCK REGION BY ESTABLISHING JOINT PLANNING AND DECISION MAKING PROCESSES, INTERGRATING HEALTH CARE SERVICES AND ESTABLISHING MECHANISMS FOR THE REINVESTMENT OF RESOURCES TO IMPROVE COMMUNITY HEALTH THE FINANCIAL RESULTS OF THE JOINT OPERATING PARTNERSHIP ARE REPORTED ANNUALLY ON FORM 1065, US PARTNERSHIP RETURN OF INCOME

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	16
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	14
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	1,133
6	Total number of volunteers (estimate if necessary)	**6**	235
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	191,588
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-262,212

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	784,279	733,247
9	Program service revenue (Part VIII, line 2g)	153,761,651	148,687,291
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	432,176	1,029,747
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,041,232	3,277,877
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	158,019,338	153,728,162
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)	58,039,730	62,719,447
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	99,301,760	91,101,239
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	157,341,490	153,820,686
19	Revenue less expenses Subtract line 18 from line 12	677,848	-92,524

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	124,631,712	127,769,556
21	Total liabilities (Part X, line 26)	71,976,783	80,428,389
22	Net assets or fund balances Subtract line 21 from line 20	52,654,929	47,341,167

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

****** | 2012-04-30
Signature of officer | Date

JILL BATTY CHIEF FINANCIAL OFFICER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶ ☐	PTIN
MICHAEL A BARBARITA CPA	MICHAEL A BARBARITA CPA			

Firm's name ▶ WILLIAM STEELE & ASSOCIATES PC | Firm's EIN ▶

Firm's address ▶ 40 STARK STREET
MANCHESTER, NH 03101 | Phone no ▶ (603) 622-8881

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

THE PRIMARY PURPOSE OF THE CHESHIRE MEDICAL CENTER IS TO ENSURE ACCESS TO QUALITY HEALTH CARE SERVICES TO ALL RESIDENTS OF THE MONADNOCK REGION THE ORGANIZATION'S CHARITABLE MISSION IS ENHANCED THROUGH THE OPERATION OF A JOINT OPERATING PARTNERSHIP AGREEMENT WITH THE HITCHCOCK CLINIC THE PURPOSE OF THE JOINT OPERATING PARTNERSHIP AGREEMENT IS TO PROVIDE A MORE EXTENSIVE AND EFFECTIVE HEALTH CARE DELIVERY SYSTEM TO THE COMMUNITIES IN THE MONADNOCK REGION BY ESTABLISHING JOINT PLANNING AND DECISION MAKING PROCESSES, INTERGRATING HEALTH CARE SERVICES AND ESTABLISHING MECHANISMS FOR THE REINVESTMENT OF RESOURCES TO IMPROVE COMMUNITY HEALTH THE FINANCIAL RESULTS OF THE JOINT OPERATING PARTNERSHIP ARE REPORTED ANNUALLY ON FORM 1065, US PARTNERSHIP RETURN OF INCOME

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 $ 138,483,679 including grants of $) (Revenue $ 148,959,345)

THE CHESHIRE MEDICAL CENTER IS A COMMUNITY HEALTH CARE ORGANIZATION SERVING AS A REGIONAL REFERRAL CENTER FOR KEENE AND THE SURROUNDING SERVICE AREA IT IS FULLY COMMITTED TO MEETING THE HEALTH CARE NEEDS OF THESE COMMUNITIES AND PROVIDING ACCESS TO QUALITY HEALTH CARE SERVICES AND PROGRAMS AS A NON-PROFIT CORPORATION, THE CHESHIRE MEDICAL CENTER ACKNOWLEDGES ITS COMMITMENT TO PROVIDE SERVICES TO THE COMMUNITY THESE SERVICES ARISE PRIMARILY FROM THE FOUR FOLLOWING GENERAL SERVICE CATEGORIES 1) SUBSIDIZATION OF GOVERNMENT-SPONSORED HEALTHCARE PROGRAMS - PRINCIPALLY MEDICARE AND MEDICAID 2) SPONSORSHIP AND/OR SUBSIDIZATION OF HEALTH-RELATED COMMUNITY SERVICES AND EDUCATIONAL PROGRAMS 3) PROVISION OF HEALTHCARE AT NO CHARGE OR REDUCED CHARGE, ACCORDING TO FINANCIAL NEED 4) PROVISION OF 24-HOUR EMERGENCY ROOM SERVICES, WITHOUT REGARD FOR ABILITY TO PAY THE CHESHIRE MEDICAL CENTER, AS A MATTER OF POLICY AND PRACTICE HAS PROVIDED, AND WILL CONTINUE TO PROVIDE, A SIGNIFICANT CONTRIBUTION TO THE COMMUNITIES IT SERVES

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** ▶ $ 138,483,679

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	Yes	
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		No
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	Yes	
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		No
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		No
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**		No
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**		No
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**	136		
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**	1,133		
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** Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b** Yes	
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 16		
b	Enter the number of voting members included in line 1a, above, who are independent	1b 14		
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	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
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 ▶

MARY SHERWIN CONTROLLER
CHESHIRE MEDICAL CENTER 580 COURT
KEENE, NH 03431
(603) 354-5400

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) KATHI SNOW TRUSTEE	2 00	X						0	0	0
(2) LARRY JAEGER MD TRUSTEE	2 00	X						0	0	0
(3) JAMES PUTNAM CHAIR	2 00	X		X				0	0	0
(4) WALTER ROHR TRUSTEE	1 00	X						0	0	0
(5) JAY KAHN VICE CHAIR	3 00	X		X				0	0	0
(6) MICHAEL NEWBOLD TRUSTEE	2 00	X						0	0	0
(7) JANE BEAUCHAMP TRUSTEE	2 00	X						0	0	0
(8) JOSEPH BERGMAN MD TRUSTEE	2 00	X						194,388	0	0
(9) SYLVIA MCBETH SECRETARY	2 00	X		X				0	0	0
(10) MATTHEW GUILTINAN MD CMC MED STAFF PRES	2 00	X						0	0	0
(11) JUDY KALICH TRUSTEE	2 00	X						0	0	0
(12) RICK CHURCH TRUSTEE	1 00	X						0	0	0
(13) ROBERT MUCHA TREASURER	2 00	X						0	0	0
(14) LESLIE PITTS MD MEDICAL DIRECTOR	2 00	X		X				0	0	0
(15) ARTHUR NICHOLS PRESIDENT	53 00	X		X				496,516	0	52,509
(16) ED BERGERON TRUSTEE	1 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) JOSEPH HALLIDAY TRUSTEE	1 00	X						0	0	0
(18) STEVE HORTON TRUSTEE	2 00	X						0	0	0
(19) MARY LOUISE CAFFREY TRUSTEE	2 00	X						0	0	0
(20) JOHN SCHLEGELMILCH DHK MED STAFF PRES	3 00	X						0	0	0
(21) KATHLEEN CRONIN VP NURSING OPERATIONS	26 00			X				206,689	0	47,798
(22) JILL BATTY VP FINANCE, CFO	52 00			X				247,597	0	48,609
(23) CINDI COUGHLIN CNO	52 00			X				127,629	0	28,794
(24) JULIE GREEN VP HR	51 00					X		161,980	0	41,976
(25) PAUL PEZONE VP SUPPORT SERVICES	51 00					X		144,991	0	32,742
(26) ERLI CHEN PHYSICIST	50 00					X		210,894	0	37,752
(27) LARRY MILLER CHIEF CRNA	50 00					X		187,678	0	41,242
(28) KRISTIN ROSSI CRNA	50 00					X		160,704	0	35,237
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								2,139,066	0	366,659

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 ▶ 28

			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		No
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
HUTTER CONSTRUCTION 130 SPIT BROOK ROAD NASHUA, NH 03062	CONSTRUCTION MANAGERS	1,216,760
QUEST DIAGNOSTICS 5763 COLLECTION CENTER DRIVE CHICAGO, IL 60693	LAB DIAGNOSTIC SERVICES	886,820
NEW ENGLAND MEDICAL TRANSCRIPTION PO BOX 430 WOOLWICH, ME 04579	TRANSCRIPTION	624,106
MARY HITCHCOCK MEMORIAL ONE MEDICAL CENTER DR LEBANON, NH 03755	LAB DIAGNOSTIC SERVICES	477,123
HEALTHSOUTH OF CONCORD 254 PLEASANT ST NASHUA, NH 03301	REHAB PROGRAM MGT SVCS	390,380

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 ▶ 23

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					
	d Related organizations . . . 1d					
	e Government grants (contributions) 1e	268,467				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	464,780				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		733,247			
		Business Code				
Program Service Revenue	2a PATIENT SERVICE REVENU	621300	148,639,799	148,639,799		
	b CONTRACT REVENUE	621300	47,492	47,492		
	c					
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		148,687,291			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		624,673			624,673
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(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	405,074				
	b Less cost or other basis and sales expenses					
	c Gain or (loss)	405,074				
	d Net gain or (loss) . . . . . ▶		405,074			405,074
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a					
	b Less direct expenses . . . b					
	c Net income or (loss) from fundraising events . . ▶					
	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 PHARMACY & DRUGS	621300	1,196,036			1,196,036
	b FOOD SERVICE	621300	933,924			933,924
	c CHILD CARE CENTER	624410	591,649		191,588	400,061
	d All other revenue		556,268	272,054		284,214
	e **Total.** Add lines 11a–11d . . . . . ▶		3,277,877			
	12 **Total revenue.** See Instructions . . . ▶		153,728,162	148,959,345	191,588	3,843,982

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	1,272,819	1,081,896	190,923	
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	40,964,125	34,737,578	6,226,547	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	4,709,335	3,993,516	715,819	
9 Other employee benefits	12,505,262	10,604,462	1,900,800	
10 Payroll taxes	3,267,906	2,771,184	496,722	
a Fees for services (non-employees) Management				
b Legal	102,862		102,862	
c Accounting	131,460		131,460	
d Lobbying				
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees				
g Other	630,951	535,046	95,905	
12 Advertising and promotion	322,427	322,427		
13 Office expenses	362,157	307,109	55,048	
14 Information technology				
15 Royalties				
16 Occupancy	6,482,116	5,496,834	985,282	
17 Travel	188,089	188,089		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	1,237,450	1,049,358	188,092	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	7,830,568	6,640,322	1,190,246	
23 Insurance	1,203,491	1,020,560	182,931	
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 DRUGS, CHEMICALS, SUPPL	14,931,843	14,931,843		
b CONTRACT LABOR	11,011,623	11,011,623		
c BAD DEBTS	8,757,199	8,757,199		
d MEDICAL & SURG SUPPLIE	7,239,083	7,239,083		
e OTHER PURCHASED SERVICE	6,884,762	5,838,278	1,046,484	
f All other expenses	23,785,158	21,957,272	1,827,886	
25 **Total functional expenses.** Add lines 1 through 24f	153,820,686	138,483,679	15,337,007	0
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			1	
	2	Savings and temporary cash investments		14,984,165	2	22,641,220
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		18,778,536	4	15,478,992
	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			7	
	8	Inventories for sale or use		2,251,617	8	2,207,852
	9	Prepaid expenses and deferred charges		1,603,607	9	1,916,756
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 164,200,786			
	b	Less accumulated depreciation	10b 95,034,275	69,036,247	10c	69,166,511
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		11,988,185	12	12,425,042
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		5,989,355	15	3,933,183
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		124,631,712	16	127,769,556
Liabilities	17	Accounts payable and accrued expenses		11,798,315	17	14,175,684
	18	Grants payable			18	
	19	Deferred revenue		38,831	19	
	20	Tax-exempt bond liabilities		12,291,042	20	11,884,485
	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		14,959,855	23	15,497,187
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		32,888,740	25	38,871,033
	26	**Total liabilities.** Add lines 17 through 25		71,976,783	26	80,428,389
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		50,209,368	27	44,706,598
	28	Temporarily restricted net assets		2,445,561	28	2,634,569
	29	Permanently restricted net assets			29	
		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		52,654,929	33	47,341,167
	34	Total liabilities and net assets/fund balances		124,631,712	34	127,769,556

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	153,728,162
2	Total expenses (must equal Part IX, column (A), line 25)	2	153,820,686
3	Revenue less expenses Subtract line 2 from line 1	3	-92,524
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	52,654,929
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-5,221,238
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	47,341,167

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
THE CHESHIRE MEDICAL CENTER

Employer identification number
02-0354549

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 331/3% 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 331/3% 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).

Facts And Circumstances Test

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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
THE CHESHIRE MEDICAL CENTER	02-0354549

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?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		27,458
j	Total lines 1c through 1i			27,458
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	A PORTION OF AHA & NHHA DUES ARE ALLOCATED TO LOBBYING EXPENSE

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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
THE CHESHIRE MEDICAL CENTER

Employer identification number
02-0354549

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	2,445,561	1,479,480	1,408,853		
b Contributions	168,756	164,317			
c Investment earnings or losses	299,947	1,124,611	88,740		
d Grants or scholarships					
e Other expenditures for facilities and programs	279,695	322,848	18,113		
f Administrative expenses					
g End of year balance	2,634,569	2,445,561	1,479,480		

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

a Board designated or quasi-endowment ▶

b Permanent endowment ▶

c Term endowment ▶ 100 000 %

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)		No
(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		4,058,474		4,058,474
b Buildings		74,593,240	36,728,683	37,864,557
c Leasehold improvements				
d Equipment		85,549,072	58,305,592	27,243,480
e Other				
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				69,166,511

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		
(3) Other		
(A) POOLED INVESTMENTS	11,480,195	F
(B) FUNDED DEPR ACCOUNT	944,847	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	12,425,042	

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	
PENSION LIABILITY	33,904,316
AMOUNTS PAYABLE TO THIRD PARTY	712,384
MISCELLANEOUS OTHER LIABILITIES	548,138
DUE TO AFFILIATES	3,706,195
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	38,871,033

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	153,728,162
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	153,820,686
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-92,524
4	Net unrealized gains (losses) on investments	4	-596,500
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-4,624,738
9	Total adjustments (net) Add lines 4 - 8	9	-5,221,238
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-5,313,762

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	152,586,689
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
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	0
3	Subtract line **2e** from line **1**			3	152,586,689
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	1,141,473		
c	Add lines **4a** and **4b**			4c	1,141,473
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	153,728,162

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

1	Total expenses and losses per audited financial statements			1	152,679,213
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	152,679,213
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	1,141,473		
c	Add lines **4a** and **4b**			4c	1,141,473
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	153,820,686

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	INCOME FROM THE ENDOWMENTS ARE USED TO SUPPORT THE ORGANIZATION'S PROGRAMS
PART XI, LINE 8 - OTHER ADJUSTMENTS		PENSION LIABILITY ADJUSTMENT -4,624,738
PART XII, LINE 4B - OTHER ADJUSTMENTS		RECLASS FROM REVENUE TO EXPENSE 1,141,473
PART XIII, LINE 4B - OTHER ADJUSTMENTS		RECLASS FROM REVENUE TO EXPENSE 1,141,473

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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
THE CHESHIRE MEDICAL CENTER

Employer identification number
02-0354549

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 **225.000000000000 %**	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	Yes	
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		No
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)		1,945	2,734,383		2,734,383	1 780 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			16,343,984	7,239,010	9,104,974	5 920 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs		1,945	19,078,367	7,239,010	11,839,357	7 700 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)		16,272	2,466,971	75,741	2,391,230	1 550 %
f Health professions education (from Worksheet 5)		1,221	228,386	100	228,286	0 150 %
g Subsidized health services (from Worksheet 6)		335	242,529	9,915	232,614	0 150 %
h Research (from Worksheet 7)		50	153,597		153,597	0 100 %
i Cash and in-kind contributions to community groups (from Worksheet 8)		5,254	301,141		301,141	0 200 %
j **Total** Other Benefits		23,132	3,392,624	85,756	3,306,868	2 150 %
k **Total.** Add lines 7d and 7j		25,077	22,470,991	7,324,766	15,146,225	9 850 %

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	20,702		235,821		235,821	0 150 %
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building	4,420		122,093	54,656	67,437	0 040 %
7	Community health improvement advocacy			94,428		94,428	0 060 %
8	Workforce development						
9	Other						
10	**Total**	25,122		452,342	54,656	397,686	0 250 %

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	3,896,954		
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	974,238		
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	44,635,486
6	Enter Medicare allowable costs of care relating to payments on line 5	6	47,785,907
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-3,150,421
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	1 KEENE HEALTH ALLIANCE	INTEGRATING HEALTH CARE SERVICES TO PROVIDE EFFECTIVE DELIVERY SYSTEM	50 000 %	0 %	0 %
2	3 NEW ENGLAND LIFE CARE INC	A NOT-FOR-PROFIT HOME INFUSION THERAPY COOPERATIVE	2 000 %	0 %	0 %
3	4 NH LITHOTRIPSY	LITHOTRIPCY SERVICES	3 750 %	0 %	0 %
4	5 NH IMAGING	IMAGING SERVICES	8 330 %	0 %	0 %
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	CHESHIRE MEDICAL CENTER 580 COURT STREET KEENE, NH 03431	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? _____

	Name and address	Type of Facility (Describe)
1		
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

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 II THE MEDICAL CENTER HAS BEEN ACTIVELY ENGAGED SINCE THE SPRING OF 2006 IN VISION 2020 TO MAKE KEENE AND THE SURROUNDING REGION THE HEALTHIEST IN THE NATION BY THE YEAR 2020 OVER THE PAST THREE YEARS THE ORGANIZATION HAS FOCUSED ON STREAMLINING AND IMPROVING INTERNAL OPERATIONS TO CREATE THE STRENGTH NECESSARY TO LEAD AND FACILITATE THIS INITIATIVE WITHIN THE BROADER COMMUNITY MANAGEMENT HAS CREATED COMMUNITY-BASED WORKGROUPS TO DEFINE THE OBJECTIVES, TASKS, AND CHANGES NECESSARY TO ACHIEVE VISION 2020 THE CAMPUS HAS BUILT ON ITS EXISTING STRONG RELATIONSHIPS WITH OTHER REGIONAL PROVIDERS, AGENCIES, AND BUSINESSES TO SUPPORT THE PLAN AND HAS STARTED IMPLEMENTING A VARIETY OF PILOT PROGRAMS RELATED TO POPULATION HEALTH MANAGEMENT AND EMPLOYEE WELLNESS THE ORGANIZATION IS A FOUNDING MEMBER OF THE COUNCIL FOR HEALTH COMMUNITIES WHICH HAS BEEN IN EXISTENCE FOR MORE THAN 10 YEARS AND HAS DEVELOPED A VARIETY OF PREVENTION, TRANSPORTATION, REFERRAL, AND HEALTH PROMOTION PROGRAMS

Identifier	ReturnReference	Explanation
		PART III, LINE 4 CHESHIRE MEDICAL CENTER MANAGEMENT ESTIMATES THAT APPROXIMATELY 25% OF BAD DEBT EXPENSE (APPROXIMATELY 5 TIMES THE REGION'S POVERTY RATE) IS AN APPROPRIATE ESIMATION OF PATIENTS WHO WOULD HAVE BEEN ELIGIBLE FOR THE ORGANIZATION'S FINANCIAL ASSISTANCE PROGRAM BUT DID NOT APPLY THIS ESTIMATION IS BASED ON THE RECOGNITION THAT THE FINANCIAL ASSISTANCE PROGRAM IS AVAILABLE TO RESIDENTS WITH INCOMES OF UP TO THREE TIMES THE FEDERALLY DEFINED POVERTY INCOME LEVELS AND THE ASSUMPTION THAT PATIENTS WHO CHOOSE NOT TO PAY THEIR BILLS ARE MORE LIKELY TO FALL WITHIN THE LOWER INCOME LEVELS FOR 2011, THE ESTIMATED AMOUNT OF BAD DEBT EXPENSE (AT COST) ATTRIBUTABLE TO PATIENTS WHO WOULD HAVE BEEN ELIGIBLE FOR FINANCIAL ASSISTANCE IS $974,238

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THIS SHORTFALL SHOULD BE CONSIDERED COMMUNITY BENEFIT BECAUSE WE ARE THE ONLY HOSPITAL/MEDICAL CENTER IN CHESHIRE COUNTY, NEW HAMPSHIRE AND WE ARE DESIGNATED BY CMS AS A MEDICARE DEPENDENT HOSPITAL (MDH) DUE TO GREATER THAN 60% OF OUR AVERAGE DAILY CENSUS BEING COMPRISED OF MEDICARE PATIENTS OUR PRESENCE IN THE COMMUNITY ALLOWS THE RESIDENTS OF CHESHIRE COUNTY, ESPECIALLY THE ELDERLY POPULATION, TO RECEIVE COMPREHENSIVE HOSPITAL AND MEDICAL SERVICES CLOSE TO HOME

Identifier	ReturnReference	Explanation
		PART III, LINE 9B SYSTEMS ARE IN PLACE TO CAPTURE FINANCIAL ASSISTANCE ACCOUNTS PRIOR TO A BILL GOING TO THE PATIENT

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE COMMUNITY NEEDS ASSESSMENT WAS COORDINATED WITH THE ASSISTANCE OF THE BROAD-BASED COMMUNITY HEALTH COALITION, THE COUNCIL FOR A HEALTHIER COMMUNITY IN PROMOTING THE HEALTHIEST COMMUNITY INITIATIVE, KNOWN LOCALLY AS VISION 2020, THE COUNCIL IDENTIFIED COMMUNITY NEEDS TOWARD A GOAL OF BECOMING THE HEALTHIEST COMMUNITY IN THE NATION BY THE YEAR 2020 THE COUNCIL FORMED FIVE WORKGROUPS AROUND STRATEGIC THEMES INCLUDING HEALTH STATUS, HEALTHCARE ACCESS, HEALTH LITERACY, WELLNESS, AND SOCIAL CAPITAL THE WORKGROUPS MET FROM JANUARY 2008 - OCTOBER 2009 TO IDENTIFY KEY GOALS, KEY MEASURES, AND LOCAL COMMUNITY ASSETS THIS WORK IS SUMMARIZED IN THE COMMUNITY NEEDS ASSESSMENT FOUND AT THE WEB SITE HEALTHIESTCOMMUNITY ORG WE HOSTED A PLANNING SUMMIT IN MAY OF 2010 TO IDENTIFY CONTRIBUTING FACTORS FOR EACH INDICATOR IN THE COMMUNITY ASSESSMENT THE 215 ATTENDEES ALSO IDENTIFIED POSSIBLE PROGRAMS AND POLICIES TO ADDRESS EACH NEED SUMMIT INFORMATION WILL BE USED TO DEVELOP ACTION PLANS DURING THE FALL AND WINTER OF 2010 CHESHIRE MEDICAL CENTER PROVIDES STAFF FOR THE VISION 2020 INITIATIVE AND FUNDED THE COMMUNITY ASSESSMENT PROCESS THROUGH AN EVALUATION PARTNERSHIP CONTRACT WITH ANTIOCH NEW ENGLAND UNIVERSITY THE COMMUNITY ADVISORY COMMITTEE, SERVING IN AN ADVISORY CAPACITY FOR BOTH HOME HEALTHCARE, HOSPICE AND COMMUNITY SERVICES, AND CHESHIRE MEDICAL CENTER/DARTMOUTH HITCHCOCK KEENE, REVIEWED AND COMMENTED ON THE COMMUNITY BENEFIT PLAN THE REPORT IS AVAILABLE TO THE PUBLIC ON THE CHESHIRE MEDICAL CENTER WEBSITE CHESHIREMED ORG

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 CMC IS COMMITTED TO PROVIDING MEDICALLY NECESSARY CARE TO PATIENTS REGARDLESS OF THEIR ABILITY TO PAY FOR SERVICES NON-EMERGENCY PATIENTS SIGN A FINANCIAL RESPONSIBILITY STATEMENT UPON ADMISSION TO CERTIFY RECOGNITION OF THEIR RESPONSIBILITY FOR PAYMENT OF THEIR BILLS HOWEVER, THERE WILL BE INSTANCES WHERE THE PATIENT, DUE TO THE LACK OF FUNDS OR THIRD PARTY COVERAGE, WILL NOT BE ABLE TO MEET THIS OBLIGATION CMC NOTIFIES PATIENTS OF THEIR POTENTIAL TO OBTAIN ASSISTANCE THROUGH THE REGISTRATION AND BILLING PROCESSES UPON REGISTRATION, PATIENTS WITHOUT INSURANCE ARE OFFERED THE OPPORTUNITY TO APPLY FOR FINANCIAL ASSISTANCE IN ADDITION, RECEPTIONISTS AND CLINICIANS IN ALL AREAS ARE EDUCATED TO REFER PATIENTS TO THE FINANCIAL ASSISTANCE PROCESS IN THE EVENT PATIENTS EXPRESS CONCERNS WITH THEIR ABILITY TO PAY FOR SERVICES THE APPLICATION INFORMATION IS POSTED ON THE INTRANET AND BROCHURES DESCRIBING THE PROGRAM ARE READILY AVAILABLE TO PATIENTS PATIENTS ARE INFORMED OF THE PROGRAM AVAILABILITY ON ANY INVOICES THEY RECEIVE AND INDIVIDUALS WHO ATTEMPT TO COLLECT PATIENT BALANCES ARE ALSO TRAINED TO REFER PATIENTS TO THE FINANCIAL ASSISTANCE PROCESS THE FINANCIAL ASSISTANCE APPLICATION PROCESS IS COMPREHENSIVE AND EVALUATES A PATIENTS ELIGIBILITY FOR A VARIETY OF FEDERAL, STATE, AND LOCAL GOVERNMENT PROGRAMS IN ADDITION TO CMC'S INTERNALLY FUNDED FINANCIAL ASSISTANCE PROGRAM

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 THE MEDICAL CENTER IS THE ONLY HOSPITAL IN ITS PRIMARY SERVICE AREA (PSA) MANAGEMENT DEFINES ITS PSA AS THE CITY OF KEENE AND 19 GEOGRAPHICALLY PROXIMATE COMMUNITIES TOWNS AND CITIES INCLUDED IN THE PSA INCLUDE ALSTEAD, CHESTERFIELD, FITZWILLIAM, GILSUM, HARRISVILLE/CHESHAM, KEENE, MARLBOROUGH, MARLOW, NELSON/MUNSONVILLE, RICHMOND, ROXBURY, STODDARD, SULLIVAN, SURRY, SWANZEY, TROY, WALPOLE, WESTMORELAND AND WINCHESTER, ALL LOCATED IN CHESHIRE COUNTY ACCORDING TO THE 2010 CENSUS, THE MEDICAL CENTER'S PSA REPRESENTED APPROXIMATELY 5 01% OF NEW HAMPSHIRES POPULATION THE PSA'S TOTAL POPULATION WAS 66,017 WITH 23,409 RESIDING IN KEENE, THE LARGEST COMMUNITY IN THE SERVICE AREA AS OF 2010, 8,350 OR 12 65% OF THE MEDICAL CENTER'S PSA RESIDENTS WERE 65 YEARS OF AGE OR OLDER APPROXIMATELY 2,744 RESIDENTS, OR 4 1% OF THE TOTAL PSA POPULATION, WERE 80 YEARS OF AGE OR OLDER AS OF 2010, APPROXIMATELY 42% OF THE POPULATION OF THE MEDICAL CENTERS PSA WAS 45 YEARS OF AGE OR OLDER APPROXIMATELY 40% OF THE POPULATION OF THE MEDICAL CENTERS PSA WAS BETWEEN 15 AND 44, THE AS OF FEBRUARY 2010, THE STATE UNEMPLOYMENT RATE WAS 5 2% AND THE UNEMPLOYMENT RATE FOR CHESHIRE COUNTY WAS 5 5% ACCORDING TO THE 2010 CENSUS, THE POVERTY RATE FOR CHESHIRE COUNTY WAS 10% AS COMPARED TO 7 8% FOR THE STATE OF NEW HAMPSHIRE

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 A COMPLETE COPY OF THE ORGANIZATION'S COMMUNITY BENEFIT REPORT CAN BE FOUND AT HTTP //WWW CHESHIRE-MED COM/IMAGES/STORIES/COMMHEALTH/COMMUNITY_BENEFITS_2011 PDFTHE MEDICAL CENTER PLAYS AN ACTIVE ROLE IN PROMOTING COMMUNITY HEALTH AND OFFERS EDUCATIONAL PROGRAMS INCLUDING CLASSES AND WORKSHOPS IN DIABETES AND ASTHMA, STRESS MANAGEMENT, NUTRITIONAL COUNSELING, SMOKING CESSATION, HEALTHY BACK, WEIGHT CONTROL, TIME MANAGEMENT AND BREAST SELF-EXAMINATION IN ADDITION, THE MEDICAL CENTER WORKS WITH THE COUNCIL FOR A HEALTHIER COMMUNITY, COMPRISED OF COMMUNITY LEADERS, TO OFFER SEVERAL COMMUNITY PROGRAMS INCLUDING CHESHIRE SMILES, A SCHOOL-BASED DENTAL HEALTH PROGRAM FOR CHILDREN IN GRADES K-3, PROVIDES SCREENING, PREVENTION AND RESTORATIVE DENTAL CARE FOR CHILDREN IN CHESHIRE COUNTY SCHOOLS A PUBLIC HEALTH HYGIENIST HIRED BY THE MEDICAL CENTER IS ASSISTED BY AREA DENTISTS CHESHIRE MEDICAL CENTER /DARTMOUTH-HITCHCOCK KEENE ALSO WORKS IN PARTNERSHIP WITH OTHER COMMUNITY HEALTH AND HUMAN SERVICE ORGANIZATIONS TO MEET THE DENTAL HEALTH NEEDS OF UNDERSERVED POPULATIONS SUCH AS THE CHRONICALLY MENTALLY ILL, PREGNANT WOMEN WHO CANNOT AFFORD DENTAL CARE, CHILDREN IDENTIFIED THROUGH THE SCHOOL BASED CHESHIRE SMILES PROGRAM, AND OTHERS THE MEDICAL CENTER SPONSORS PATIENT VISITS AT DENTAL HEALTH WORKS, A PUBLIC/PRIVATE PROGRAM SERVING UNDERSERVED RESIDENTS OF CHESHIRE COUNTY CHESHIRE COALITION FOR TOBACCO-FREE YOUTH IS COMMITTED TO REDUCING THE NUMBER OF YOUNG PEOPLE IN THE COMMUNITY WHO USE TOBACCO PRODUCTS WORKING WITH LOCAL SCHOOLS, POLICE AND HEALTH PROVIDERS, THE COALITION HAS IMPLEMENTED VENDOR COMPLIANCE PROGRAMS, HAS PROVIDED A TOBACCO AVOIDANCE CURRICULUM FOR USE IN AREA SCHOOLS AND HAS PRODUCED ITS OWN TELEVISION AND RADIO PUBLIC SERVICE ANNOUNCEMENTS ADDRESSING TOBACCO USE MEDICATION ASSISTANCE PROGRAM ADDRESSES THE CRITICAL NEED FOR PROGRAMS TO HELP LOW INCOME PEOPLE AFFORD MEDICATIONS THE MEDICATION ASSISTANCE PROGRAM AT THE MEDICAL CENTER WAS INITIATED IN MARCH, 1999 IT WAS THE FIRST HOSPITAL-BASED PROGRAM OF ITS KIND IN THE STATE OF NEW HAMPSHIRE AND WAS THE FIRST RECIPIENT OF THE NEW HAMPSHIRE MEDICATION BRIDGE AWARD ADVOCATES FOR HEALTHY YOUTH (AFHY) IS A COMMUNITY COALITION SUPPORTED BY THE MEDICAL CENTER WHICH HAS BEEN WORKING CLOSELY WITH COMMUNITY HEALTH PROVIDERS, KEENE STATE COLLEGE, ANTIOCH UNIVERSITY NEW ENGLAND, KEENE PARKS AND RECREATION CENTER, AND AREA SCHOOLS TO ADDRESS THE EPIDEMIC OF CHILDHOOD OBESITY IN 2005, AFHY COMPLETED IMPLEMENTATION OF A PILOT PROGRAM IN TWO AREA SCHOOLS IN 2006 THE PROGRAM EXPANDED EFFORTS BY OFFERING SMALL GRANTS TO SCHOOLS AND AFTER SCHOOL PROGRAMS TO SUPPORT COSTS OF PHYSICAL ACTIVITY AND NUTRITION PROGRAMS GRANT PROJECTS INCORPORATED THE KEY LESSONS LEARNED DURING THE PILOT PROJECT IN 2007, AFHY BEGAN TAKING STEPS TO IMPLEMENT THE 5-2-1-0 COMMUNITY PUBLIC MESSAGING CAMPAIGN TO EDUCATE FAMILIES ABOUT CHILDHOOD OBESITY AND TO ADVOCATE HEALTH PROMOTION OPTIONS TO PREVENT OR REDUCE OBESITY THE PROGRAM IS NOW WORKING WITH LOCAL SCHOOLS AND AFTERSCHOOL PROGRAMS TO IMPLEMENT THE COORDINATED APPROACH TO CHILD HEALTH (CATCH) PROGRAM THE CHESHIRE HEALTHY EATING ACTIVE LIVING (HEAL) INITIATIVE CREATED THE TURN A NEW LEAF MENU LABELING PROGRAM IN LOCAL RESTAURANTS THIS INITIATIVE IS ALSO AVAILABLE IN THE LOCAL COMMUNITY KITCHEN TO BRING HEALTHY EATING OPTIONS TO OUR MOST VULNERABLE POPULATION SENIOR PASSPORT PROGRAM IS DESIGNED TO SERVE THE MEDICAL CENTER'S COMMUNITIES' ELDERS PASSPORT MEMBERSHIP, WHICH IS OFFERED AT NO COST TO THOSE SIXTY YEARS AND OLDER, ENTITLES HOLDERS TO ENJOY LOW COST, HEART HEALTHY MEALS IN THE MEDICAL CENTER CAFETERIA, AND ATTEND WORKSHOPS AND HEALTH LECTURES WITH A SENIOR FOCUS A NEWSLETTER IS SENT QUARTERLY TO PASSPORT HOLDERS AS A PROGRAM OF THE VISION 2020 INITIATIVE, THE HEALTHY COMMUNITY CHAMPIONS PROGRAM HAS ENROLLED 1000 MEMBERS THAT HAVE MADE A COMMITMENT TO ACTIVELY ENGAGE IN IMPROVING THEIR HEALTH AND THE HEALTH OF OTHERS WHERE THEY LIVE, LEARN, WORK AND PLAY THE TOTAL EXPENDITURES ASSOCIATED WITH THESE AND OTHER PROGRAMS FOR PERIOD ENDING 9/30/11 IS $6,438,937

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	NH

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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
THE CHESHIRE MEDICAL CENTER

Employer identification number
02-0354549

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**	Yes	
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**	Yes	
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**		No
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) JOSEPH BERGMAN MD	(i)	194,388	0	0	0	0	194,388	0
	(ii)	0	0	0	0	0	0	0
(2) ARTHUR NICHOLS	(i)	348,825	103,053	44,638	31,410	21,099	549,025	0
	(ii)	0	0	0	0	0	0	0
(3) KATHLEEN CRONIN	(i)	158,487	0	48,202	30,350	17,448	254,487	0
	(ii)	0	0	0	0	0	0	0
(4) JILL BATTY	(i)	222,697	0	24,900	26,510	22,099	296,206	0
	(ii)	0	0	0	0	0	0	0
(5) CINDI COUGHLIN	(i)	115,667	0	11,962	14,597	14,197	156,423	0
	(ii)	0	0	0	0	0	0	0
(6) JULIE GREEN	(i)	124,589	0	37,391	23,476	18,500	203,956	0
	(ii)	0	0	0	0	0	0	0
(7) PAUL PEZONE	(i)	124,991	0	20,000	14,461	18,281	177,733	0
	(ii)	0	0	0	0	0	0	0
(8) ERLI CHEN	(i)	180,886	0	30,008	22,243	15,509	248,646	0
	(ii)	0	0	0	0	0	0	0
(9) LARRY MILLER	(i)	165,682	0	21,996	23,375	17,867	228,920	0
	(ii)	0	0	0	0	0	0	0
(10) KRISTIN ROSSI	(i)	138,704	0	22,000	16,435	18,802	195,941	0
	(ii)	0	0	0	0	0	0	0
(11)								
(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 1A	CHESHIRE MEDICAL CENTER DOES NOT REIMBURSE EXPENSES FOR FIRST CLASS TRAVEL, HOUSING ALLOWANCE, HEALTH OR SOCIAL CLUB DUES, PERSONAL SERVICES, BUSINESS USE OF PERSONAL RESIDENCE, DISCRETIONARY SPENDING ACCOUNTS, OR PROVIDE TAX INDEMNIFICATION OR GROSS UP PAYMENTS CHESIRE MEDICAL CENTER DOES REIMBURSE BOARD MEMBERS FOR COMPANION TRAVEL TO BUSINESS RELATED MEETING UNDER SPECIFIC CIRCUMSTANCES ALL REIMBURSEMENTS ARE REPORTED ON FORM 1099 ISSUED TO THE BOARD MEMBER ONE REIMBURSEMENT WAS MADE IN CALENDAR YEAR 2010
	PART I, LINE 7	SENIOR MANAGEMENT IS ELIGIBLE FOR AN INCENTIVE COMP PAYMENT AT THE DISCRETION OF THE BOARD BASED ON, BUT NOT DIRECTLY RELATED TO, OVERALL ORGANIZATIONAL FINANCIAL PERFORMANCE AND OTHER DISCRETIONARY MEASURES

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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
THE CHESHIRE MEDICAL CENTER

Employer identification number
02-0354549

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	NH HEALTH & EDUCATION FACILITIES AUTHORITY	02-0279866		08-27-2009	15,000,000	REFUND COMMERCIAL DEBT, AQUISITION OF EQUIPMENT, RENOVATIONS		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	15,000,000			
4	Gross proceeds in reserve funds	5,667,081			
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	244,244			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds	578,012			
10	Capital expenditures from proceeds	8,510,663			
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2009			

		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						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	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						
2	Are there any lease arrangements that may result in private business use of bond-financed property?		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						
b	Are there any research agreements that may result in private business use of bond-financed property?		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						
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 %						
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 %						
6	Total of lines 4 and 5		0 %						
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	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							
2	Is the bond issue a variable rate issue?	X							
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X							
b	Name of provider	TD BANK NA							
c	Term of hedge	7 000000000000							
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?		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 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
THE CHESHIRE MEDICAL CENTER

Employer identification number
02-0354549

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		THE SOLE MEMBER OF THE CHESHIRE MEDICAL CENTER IS THE CHESHIRE HEALTH FOUNDATION

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A		THE BOARD OF TRUSTEES CONSISTS OF NO FEWER THAN 15 VOTING MEMBERS WHICH INCLUDES THE PRESIDENT/CEO AND PRESIDENT OF THE MEDICAL STAFF OTHER MEMBERS ARE NOMINATED BY THE CHESHIRE HEALTH FOUNDATION GOVERNANCE COMMITTEE AND ELECTED BY THE FOUNDATION BOARD

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		COPY OF 990 IS AVAILABLE FOR ANY BOARD MEMBER TO REVIEW PRIOR TO FILING THE BOARD HAS FORMALLY DELEGATED REVIEW OF THE 990 TO THE FINANCE AND AUDIT COMMITTEE COMMITTEE MEMBERS RECEIVE COPIES OF THE 990 AND IT IS REVIEWED IN A MEETING PRIOR TO FILING

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	OFFICER, BOARD MEMBERS AND KEY EMPLOYEES ANNUALLY DISCLOSE POTENTIAL CONFLICTS OF INTEREST AND ARE REQUIRED TO RECUSE THEMSELVES FROM ALL BOARD ACTIVITY RELATED TO ALL CONFLICTS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	CHESHIRE MEDICAL CENTER/DARTMOUTH HITCHCOCK KEENE HAS RETAINED YAFFE & COMPANY, INC TO PROVIDE CONSULTATION TO THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES REGARDING EXECUTIVE COMPENSATION, BENEFITS, AND PERQUISITES YAFFE & COMPANY, INC IS A INDEPENDENT CONSULTING FIRM WITH 35 YEARS OF SERVICE AND PROVIDES SERVICES TO NOT-FOR-PROFIT HOSPITALS AND HEALTH SYSTEMS FURTHER YAFFE & COMPANY, INC HAS BEEN ENGAGED DIRECTLY BY THE BOARD OF TRUSTEES OF CHESHIRE MEDICAL CENTER THROUGH ITS EXECUTIVE COMMITTEE TO ONLY PROVIDE SERVICES TO THE BOARD AN EXECUTIVE COMMITTEE D/B/A COMPENSATION COMMITTEE CHARTER AND COMPENSATION PHILOSOPHY (APPROVED BY THE BOARD) DOCUMENTS THE COMPENSATION REVIEW PROCESS AND GUIDELINES SO AS TO PROVIDE AN ORDERLY STRUCTURE FOR EXECUTIVE TOTAL COMPENSATION DECISIONS ANNUALLY, A MULTI-TIERED APPROACH USING INDEPENDENT COMPARABILITY DATA IS UTILIZED TO GAUGE APPROPRIATE COMPARATIVE MARKET LEVELS OF COMPENSATION AND BENEFITS AN ANNUAL PERFORMANCE EVALUATION IS BASED ON SUBJECTIVE AND OBJECTIVE CRITERIA WHICH FLOW FROM THE STRATEGIC PLAN BY WAY OF QUESTIONNAIRE, BOARD MEMBERS PARTICIPATE IN THE PERFORMANCE REVIEW PROCESS AND A SUMMARY REPORT IS SHARED WITH THE CEO VARIABLE PAY IS AWARDED BASED ON ACHIEVEMENT OF SPECIFIC QUALITATIVE AND QUANTITATIVE GOALS IN CONJUNCTION WITH THE EXECUTIVE COMMITTEE, CHALLENGING AND MEASURABLE GOALS ARE ESTABLISHED FOR THE OFFICE OF THE PRESIDENT WHICH PROVIDES AN ALIGNMENT BETWEEN EXECUTIVE COMPENSATION AND ACHIEVEMENT OF THE HOSPITAL'S STRATEGIC GOALS "

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	CMC MAKES GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS AVAILABLE TO MEMBERS OF THE PUBLIC UPON REQUEST, THROUGH ITS ANNUAL REPORT, AND THROUGH STATE AND FEDERAL FILINGS

Identifier	Return Reference	Explanation
ALL OTHER FUNCTIONAL EXPENSES	FORM 990, PART X, LINE 24F	MEDICAID ENHANCEMENT TAX PROGRAM SERVICE EXPENSES 5,312,400 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 5,312,400 PHYSICIAN FEES PROGRAM SERVICE EXPENSES 4,012,512 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 4,012,512 JOA GAINSHARE PROGRAM SERVICE EXPENSES 2,907,792 MANAGEMENT AND GENERAL EXPENSES 521,208 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 3,429,000 MAINTENANCE CONTRACTS PROGRAM SERVICE EXPENSES 2,025,397 MANAGEMENT AND GENERAL EXPENSES 363,043 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 2,388,440 DATA PROCESSING FEES PROGRAM SERVICE EXPENSES 1,847,976 MANAGEMENT AND GENERAL EXPENSES 331,241 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 2,179,217 FOOD & FOOD SUPPLIES PROGRAM SERVICE EXPENSES 978,418 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 978,418 CHILDCARE CENTER EXPENSE PROGRAM SERVICE EXPENSES 962,163 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 962,163 MAINTENANCE & REPAIR PROGRAM SERVICE EXPENSES 678,063 MANAGEMENT AND GENERAL EXPENSES 121,540 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 799,603 RENTAL AND LEASE EXPENSE PROGRAM SERVICE EXPENSES 672,853 MANAGEMENT AND GENERAL EXPENSES 120,606 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 793,459 DUES & SUBSCRIPTIONS PROGRAM SERVICE EXPENSES 435,163 MANAGEMENT AND GENERAL EXPENSES 78,001 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 513,164 MISCELLANEOUS EXPENSE PROGRAM SERVICE EXPENSES 393,010 MANAGEMENT AND GENERAL EXPENSES 70,445 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 463,455 INSTRUMENTS & MINOR EQUIPMENT PROGRAM SERVICE EXPENSES 349,162 MANAGEMENT AND GENERAL EXPENSES 62,586 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 411,748 POSTAGE PROGRAM SERVICE EXPENSES 326,739 MANAGEMENT AND GENERAL EXPENSES 58,567 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 385,306 COLLECTION EXPENSE PROGRAM SERVICE EXPENSES 362,161 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 362,161 LICENSES & TAXES PROGRAM SERVICE EXPENSES 202,183 MANAGEMENT AND GENERAL EXPENSES 36,240 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 238,423 AFFILIATION EXPENSES PROGRAM SERVICE EXPENSES 134,854 MANAGEMENT AND GENERAL EXPENSES 24,172 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 159,026 LINENS & APPAREL PROGRAM SERVICE EXPENSES 130,177 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 130,177 BANK FEES PROGRAM SERVICE EXPENSES 61,431 MANAGEMENT AND GENERAL EXPENSES 11,011 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 72,442 QUALITY CONTROL PROGRAM SERVICE EXPENSES 59,355 MANAGEMENT AND GENERAL EXPENSES 10,639 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 69,994 RECRUITMENT PROGRAM SERVICE EXPENSES 42,096 MANAGEMENT AND GENERAL EXPENSES 7,546 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 49,642 COURIER FEES PROGRAM SERVICE EXPENSES 37,657 MANAGEMENT AND GENERAL EXPENSES 6,750 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 44,407 MANGEMENT SERVICES PROGRAM SERVICE EXPENSES 14,303 MANAGEMENT AND GENERAL EXPENSES 2,564 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 16,867 BOND FEES PROGRAM SERVICE EXPENSES 7,352 MANAGEMENT AND GENERAL EXPENSES 1,318 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 8,670 TRUSTEE DEVELOPMENT PROGRAM SERVICE EXPENSES 2,282 MANAGEMENT AND GENERAL EXPENSES 409 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 2,691 PATIENT VALUABLES PROGRAM SERVICE EXPENSES 1,773 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 1,773

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -596,500 PENSION LIABILITY ADJUSTMENT -4,624,738 TOTAL TO FORM 990, PART XI, LINE 5 -5,221,238

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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
THE CHESHIRE MEDICAL CENTER

Employer identification number
02-0354549

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) CHESHIRE HEALTH FOUNDATION 580 COURT STREET KEENE, NH 03431 02-0202220	MANAGEMENT OF ENDOWMENT FUNDS	NH	501(C)(3)	LINE 11B, II			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
(1) KEENE HEALTH ALLIANCE 580 COURT STREET KEENE, NH03431 30-0179297	HEALTHCARE	NH		MEDICAL CARE	1,341,000			No		Yes		50 000 %

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
(1) KEENE HEALTH SERVICES 580 COURT STREET KEENE, NH03431 02-0374997	INVESTMENTS REAL ESTATE	NH	CHESHIRE HEALTH FOUNDATION	C	-18,278	-4,199,176	100 000 %
(2) KEENE HEALTH REALTY 580 COURT STREET KEENE, NH03431 02-0374998	INVESTMENTS REAL ESTATE	NH	KEENE HEALTH SERVICES	C	-58,029	-762,261	100 000 %
(3) KEENE HEALTH ENTERPRISES 580 COURT STREET KEENE, NH03431 02-0374999	INVESTMENTS REAL ESTATE	NH	KEENE HEALTH SERVICES	C			100 000 %

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	Yes	
d Loans or loan guarantees to or for other organization(s)	1d	Yes	
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	Yes	
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	Yes	
n Sharing of paid employees	1n	Yes	
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	Yes	
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) CHESHIRE HEALTH FOUNDATION	C	235,647	CASH
(2) CHESHIRE HEALTH FOUNDATION	D	538,134	CASH
(3) CHESHIRE HEALTH FOUNDATION	J	72,000	CASH
(4) CHESHIRE HEALTH FOUNDATION	M	1,082,126	CASH
(5) CHESHIRE HEALTH FOUNDATION	R	5,000,000	CASH
(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

AUDITED FINANCIAL STATEMENTS

The Cheshire Medical Center
Years Ended September 30, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

The Cheshire Medical Center

Audited Financial Statements

Years Ended September 30, 2011 and 2010

Contents

Ernst & Young LLP
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Report of Independent Auditors

The Board of Trustees
The Cheshire Medical Center

We have audited the accompanying balance sheets of The Cheshire Medical Center (the Medical Center) as of September 30, 2011 and 2010, and the related statements of operations and changes in net assets, and cash flows for the years then ended These financial statements are the responsibility of the Medical Center'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 Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement We were not engaged to perform an audit of the Medical Center's internal control over financial reporting Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting Accordingly, we express no such opinion An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 Cheshire Medical Center at September 30, 2011 and 2010, and the results of its operations and changes in net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States

Ernst + Young LLP

January 4, 2012

The Cheshire Medical Center

Balance Sheets

	September 30 2011	2010
Assets		
Current assets		
Cash, including cash equivalents (2011 – $0, 2010 – $6,789,336)	**$ 22,641,220**	$ 14,984,165
Accounts receivable from patients, less allowance for uncollectible accounts (2011 – $6,637,000, 2010 – $7,762,000)	**15,478,992**	18,778,536
Inventory	**2,207,852**	2,251,617
Prepaid expenses and other	**1,916,756**	1,603,607
Due from Cheshire Health Foundation *(Note 3)*	**538,134**	4,292,361
Funds held by trustee under debt agreements *(Note 7)*	**265,856**	283,715
Total current assets	**43,048,810**	42,194,001
Investments *(Note 4)*	**12,425,042**	11,988,185
Property, plant, and equipment, less accumulated depreciation (2011 – $95,034,275, 2010 – $88,769,483) *(Notes 6 and 7)*	**69,166,511**	69,036,247
Other assets	**374,136**	421,344
Assets whose use is limited		
Funds held by trustee under debt agreements *(Note 7)*	**1,110,199**	3,557,153
Total assets	**$ 126,124,698**	$ 127,196,930

	September 30	
	2011	**2010**
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	**$ 5,286,164**	$ 4,881,295
Accrued salaries and related amounts	**2,867,839**	3,093,631
Accrued earned time	**2,289,851**	2,444,727
Amounts payable to third-party payors	**712,384**	3,097,738
Due to Dartmouth-Hitchcock *(Note 1)*	**4,244,329**	2,565,218
Medicaid Enhancement Tax liability *(Note 12)*	**1,250,000**	–
Current portion of capital lease obligations	**196,237**	96,096
Current portion of long-term debt	**735,670**	699,169
Total current liabilities	**17,582,474**	16,877,874
Other liabilities	**34,751,292**	31,208,494
Capital lease obligations *(Note 8)*	**801,064**	104,704
Long-term debt, less current portion *(Note 7)*	**25,648,701**	26,350,929
Net assets		
Unrestricted	**44,706,598**	50,209,368
Temporarily restricted	**2,634,569**	2,445,561
Total net assets	**47,341,167**	52,654,929
Total liabilities and net assets	**$ 126,124,698**	$ 127,196,930

See accompanying notes.

The Cheshire Medical Center

Statements of Operations and Changes in Net Assets

	Year Ended September 30	
	2011	**2010**
Net patient service revenues *(Note 2)*	**$ 148,742,029**	$ 153,475,051
Other revenues	**2,776,044**	2,705,017
Net assets released from restriction for operations	**279,695**	223,494
	151,797,768	156,403,562
Expenses		
Salaries and wages	**52,987,555**	54,641,135
Employee benefits	**21,140,280**	22,051,571
Physician fees	**3,972,568**	3,863,392
Supplies and other	**47,732,798**	44,467,710
Medicaid Enhancement Tax	**5,312,400**	7,167,247
Provision for bad debts	**8,757,199**	8,496,964
Interest	**1,035,688**	1,026,025
Depreciation and amortization	**7,830,568**	7,674,237
	148,769,056	149,388,281
Income from operations before effect of interest rate swap and expense relating to joint provision of medical services	**3,028,712**	7,015,281
Effect of interest rate swap	**(201,762)**	(484,871)
Expense relating to joint provision of medical services *(Note 1)*	**(3,429,000)**	(5,957,000)
(Loss) income from operations	**(602,050)**	573,410
Non-operating gain (loss), net	**188,123**	(319,165)
(Deficiency) excess of revenues and net gains (losses) over expenses	**(413,927)**	254,245

The Cheshire Medical Center

Statements of Operations and Changes in Net Assets (continued)

	Year Ended September 30	
	2011	**2010**
(Deficiency) excess of revenues and net gains (losses) over expenses	**$ (413,927)**	$ 254,245
Change in net unrealized (loss) gain on investments	**(464,408)**	682,946
Net assets released from restriction for purchase of equipment	**–**	99,354
Pension liability adjustments	**(4,624,435)**	(9,626,682)
Transfers to Foundation	**–**	(140,231)
Other	**–**	(654,196)
Decrease in unrestricted net assets	**(5,502,770)**	(9,384,564)
Temporarily restricted net assets		
Investment income	**360,796**	327,019
Realized gains (losses)	**71,246**	(48,173)
Contributions	**168,756**	164,317
Change in net unrealized (loss) gain on investments	**(132,095)**	191,570
Net assets released from restriction	**(279,695)**	(322,848)
Other	**–**	654,196
Increase in temporarily restricted net assets	**189,008**	966,081
Decrease in net assets	**(5,313,762)**	(8,418,483)
Net assets at beginning of year	**52,654,929**	61,073,412
Net assets at end of year	**$ 47,341,167**	$ 52,654,929

See accompanying notes.

The Cheshire Medical Center

Statements of Cash Flows

	Year Ended September 30 2011	2010
Operating activities and net realized investment gains		
Decrease in net assets	**$ (5,313,762)**	$ (8,418,483)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities and net realized investment gains		
Depreciation and amortization	**7,830,568**	7,674,237
Change in net unrealized loss (gain) on investments	**596,503**	(874,516)
Change in fair value of interest rate swap	**34,768**	330,623
Increase (decrease) in cash from certain working capital and other items		
Accounts receivable from patients, net	**3,299,544**	(3,487,835)
Inventory, prepaid expenses, and other current assets	**(269,384)**	(957,527)
Due from Cheshire Health Foundation	**3,754,227**	(550,762)
Due to Dartmouth-Hitchcock	**1,679,111**	3,085,389
Accounts payable, accrued expenses, and other liabilities	**5,162,899**	7,424,936
Accrued salaries, wages, and earned time	**(380,668)**	(352,042)
Amounts payable to third-party payors	**(2,385,354)**	(736,049)
Net cash provided by operating activities and net realized investment gains	**14,008,452**	3,137,971
Investing activities		
Purchase of property, plant, and equipment, net	**(6,912,880)**	(9,847,522)
Increase in investments	**(1,036,803)**	(288,593)
Decrease in assets whose use is limited	**2,464,813**	3,217,590
Net cash used in investing activities	**(5,484,870)**	(6,918,525)
Financing activities		
Payment of long-term debt and capital leases	**(866,527)**	(735,190)
Net cash used in financing activities	**(866,527)**	(735,190)
Increase (decrease) in cash and cash equivalents	**7,657,055**	(4,515,744)
Cash and cash equivalents at beginning of year	**14,984,165**	19,499,909
Cash and cash equivalents at end of year	**$ 22,641,220**	$ 14,984,165
Non-cash transactions		
Equipment acquired through capital lease	**$ 997,301**	$ –

See accompanying notes.

The Cheshire Medical Center

Notes to Financial Statements

September 30, 2011

1. Significant Accounting Policies

Organization

The Cheshire Medical Center (the Medical Center) is a not-for-profit acute care hospital serving residents of southwestern New Hampshire and the Connecticut River Valley The Cheshire Health Foundation (the Foundation), a not-for-profit corporation, functions as the parent company to the Medical Center, and is the sole member of the Medical Center The Foundation carries on fund-raising activities and manages related investments

Effective October 1, 1998, the Medical Center entered into a Partnership Agreement (the Agreement) with Dartmouth-Hitchcock, which combined the operations of Dartmouth-Hitchcock's Keene Division and the Medical Center By creating a Joint Operating Board and a unified management team to manage the clinical, administrative, and financial operations of the combined entities, the Agreement recognizes the value of health care organizations working together to better meet patient and community needs Both entities are pursuing opportunities to improve the quality and efficiency of health care delivery through the Agreement The Agreement also provides for the financial sharing between the entities of combined operating results As of September 30, 2011 and 2010, the Medical Center owed $10,559,854 and $7,130,854, respectively, under this Agreement At September 30, 2011 and 2010, Dartmouth-Hitchcock owed the Medical Center $6,315,525 and $4,565,636, respectively, for amounts incurred by the Medical Center on behalf of Dartmouth-Hitchcock for capital and operating activities

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes Actual results could differ from those estimates

Operating Indicator

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses Peripheral or incidental transactions are reported as non-operating gains, and include realized gains and losses on securities, investment income, and contributions

1. Significant Accounting Policies (continued)

Net Patient Service Revenues

Net patient service revenues are 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, including Medicare and Medicaid Retroactive adjustments are accrued in the period the related services are rendered, and adjusted in future periods as final settlements are determined

Charity Care

The Medical Center has a formal charity care policy under which patient care is provided to patients who meet certain criteria without charge, or at amounts less than its established rates

Contributions

Contributions are reported as non-operating gains unless restricted by the donor, in which case they are reported as direct additions to restricted net assets Contributions whose restrictions lapse, expire, or are otherwise met in the same reporting period as the contribution was received are recorded as unrestricted support in that year

Cash Equivalents

Cash equivalents include short-term investments which have a maturity of three months or less when purchased Cash equivalents exclude amounts whose use is limited by board designation or under revenue bond agreements

Inventories

Inventories of supplies and drugs are stated at the lower of cost or market, determined on a weighted-average basis

1. Significant Accounting Policies (continued)

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost, or fair value at time of donation, less accumulated depreciation The Medical Center's policy is to capitalize expenditures for major improvements, and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets The provision for depreciation is determined by the straight-line method at rates intended to amortize the cost of related assets over their estimated useful lives

Bond Issuance Costs and Original Issue Discount

Bond issuance costs and original issue discount are being amortized by the bonds' outstanding method over the repayment period of the bonds

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess of revenues and net losses over expenses unless the income or loss is restricted by donor or law Unrealized gains and losses on investments are excluded from the excess of revenues and net losses over expenses Alternative investments consist primarily of limited partnership interests which are reported using the equity method of accounting Under the equity method, the Medical Center recognizes its share of the increase or decrease in the limited partnerships' fair value in non-operating gains (losses) Certain of the limited partnerships may hold some securities without readily determinable fair values and, consequently, the general partner may estimate fair value for such securities These estimates may differ significantly from the values that would have been used had a ready market existed, and may also differ significantly from the values at which such investments may be sold, and the differences could be material Periodically, the Medical Center reviews investments where the market value is below cost, and in cases where the decline is considered to be other than temporary, an adjustment is recorded to realize the loss

Temporarily Restricted Net Assets

Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets

1. Significant Accounting Policies (continued)

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose When a donor restriction expires (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 statement of operations and changes in net assets as either net assets released from restrictions (for non-capital-related items) or as net assets released from restrictions used for purchase of fixed assets (capital-related items) Contributions whose restrictions lapse, expire, or are otherwise met in the same reporting period as the contribution was received are recorded as unrestricted support in that year

Pension Plan

The Medical Center closed its non-contributory defined benefit pension plan to new participants on March 31, 2008 Benefits had been based on years of service and the employee's average compensation in the last five consecutive plan years out of the latest ten years immediately preceding termination of employment, which produces the highest average The plan has frozen existing participants' years of service, but will continue to apply credit for compensation increases The Medical Center's funding policy is to contribute the amount recommended by the Medical Center's actuary to fulfill Employee Retirement Income Security Act of 1974 requirements The plan's measurement date is September 30

The Medical Center established a qualified defined contribution pension plan (the Pension Plan or the Plan) under Section 403(b) of the Internal Revenue Code (the Code), covering all eligible employees, effective as of July 1, 2008 Annual contributions to the Pension Plan are determined by applying the specified plan rates to the employees' gross salaries The benefit expense recorded under the Pension Plan was $2,289,388 and $2,378,592 for the years ended September 30, 2011 and 2010, respectively

Employee Fringe Benefits

The Medical Center has an earned time plan under which each employee earns paid leave for each pay period worked These hours of paid leave may be used for vacations, holidays, or illnesses Hours earned but not used are vested with the employee The Medical Center accrues a liability for such paid leave as it is earned

1. Significant Accounting Policies (continued)

Professional Liability Loss Contingencies

The Medical Center is insured for professional liability through a claims-made policy with an insurance carrier The possibility exists, as a normal risk of doing business, that professional liability claims in excess of insurance coverage may be asserted against the Medical Center The Medical Center has established a reserve to cover professional liability exposure which may not be covered by insurance

Recent Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (FASB) issued amended guidance relating to measuring charity care for disclosures The amended guidance requires that the level of charity care provided be presented based on the direct and indirect costs of the charity services provided Separate disclosure of the amount of any cash reimbursements received for providing charity care must also be disclosed The amended guidance is effective for fiscal years beginning after December 15, 2010 The Medical Center will adopt the disclosures required by the amended guidance for periods beginning after December 15, 2010

In August 2010, the FASB issued amended guidance related to the presentation of insurance claims and related insurance recoveries Under the new guidance, anticipated insurance recoveries and estimated liabilities for medical malpractice claims or similar contingent liabilities will be presented separately on the balance sheet The guidance is effective for fiscal years beginning after December 15, 2010 The Medical Center will adopt the presentation changes to the balance sheet for periods beginning after December 15, 2010

In July 2011, the FASB issued new guidance, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts* The guidance requires certain health care entities to present the bad debt expense associated with the patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) rather than operating expense The guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 31, 2011, with early adoption permitted

1. Significant Accounting Policies (continued)

Subsequent Events

The Medical Center evaluated the impact of events subsequent to the balance sheet date, for potential recognition in the financial statements, through January 4, 2012, representing the date at which the financial statements were issued

Reclassifications

Certain amounts for the year ended September 30, 2010 have been reclassified to be consistent with the presentation of the amounts for the year ended September 30, 2011 The reclassifications had no effect on the excess of revenues over expenses, or the increase in total net assets, or on total net assets as previously reported

2. Net Patient Service Revenues

The following summarizes net patient service revenues

	Year Ended September 30	
	2011	**2010**
Gross patient service revenues	**$ 317,000,817**	$ 303,863,504
Less contractual allowances (primarily Medicare and Medicaid)	**168,258,788**	150,388,453
Net patient service revenues	**$ 148,742,029**	$ 153,475,051

The Medical Center maintains contracts with the Social Security Administration (Medicare) and the State of New Hampshire Division of Health and Human Services (Medicaid) The Medical Center is paid a prospectively determined fixed price for Medicare and Medicaid inpatient acute care services depending on the type of illness, or the patient's diagnostic-related group classification Outpatient services are based upon a prospective standard rate for procedures performed or services rendered Capital costs and certain Medicaid outpatient services are also reimbursed on a prospectively determined fixed price The Medical Center receives payment for other Medicare and Medicaid inpatient and outpatient services on a reasonable cost basis, which is settled with retroactive adjustments upon completion and audit of related cost-finding reports

2. Net Patient Service Revenues (continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation The Medical Center believes that it is in compliance with all 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 Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in net patient service revenues in the year that such amounts become known There is at least a reasonable possibility that recorded estimates could change by a material amount in the near term The impact of changes in estimates, including prior year settlements, was to increase net revenues by approximately $3,095,248 and $2,977,105 in 2011 and 2010, respectively Revenues from the Medicare and Medicaid programs accounted for approximately 36% and 6%, respectively, of the Medical Center's net patient service revenues for the year ended September 30, 2011

Revenues from the Medicare and Medicaid programs accounted for approximately 33% and 9%, respectively, of the Medical Center's net patient service revenues for the year ended September 30, 2010

The Medical Center also maintains contracts with Blue Cross and various other payors, which pay the Medical Center for services based on charges with varying discounts or fee schedules

The Medical Center does not pursue collection of amounts determined to qualify as charity care, therefore, they are not reported as revenues The Medical Center rendered charity care in accordance with its formal charity care policy, which, at established charges, amounted to $6,144,682 and $5,619,620 for the years ended September 30, 2011 and 2010, respectively The Medical Center receives reimbursement for a portion of its uncompensated care costs through the New Hampshire Disproportionate Share Hospital Program

3. Related-Party Transactions

In the absence of donor restrictions, the Foundation has discretionary control over the distribution of its funds, the timing of such distributions, and the purposes for which such funds are to be used The Foundation's funds are distributed to the Medical Center or others in amounts, and in periods, determined by the Foundation's Board of Trustees, who may also

3. Related-Party Transactions (continued)

restrict the use of general funds for specific purposes Contributions made by the Foundation to the Medical Center during the years ended September 30, 2011 and 2010, amounted to $235,647 and $176,112, respectively, and were restricted for building and equipment additions, free care, and education

At September 30, 2011 and 2010, the Foundation owed the Medical Center $538,134 and $4,292,361, respectively, for amounts incurred by the Medical Center on behalf of the Foundation for construction and operating activities

For the years ended September 30, 2011 and 2010, The Medical Center paid $161,525 and $168,000, respectively, to the Foundation for the use of building space

4. Investments

Investments are carried at fair value, and include amounts held in common trust funds consisting of short-term fixed income securities and amounts pooled with the investments of the Foundation

	September 30	
	2011	**2010**
Cash	**$ 944,847**	$ 944,751
Pooled investments	**11,480,195**	11,043,434
	$ 12,425,042	$ 11,988,185

4. Investments (continued)

Pooled investments held by the Foundation (including amounts held on behalf of the Medical Center) consisted of the following at fair value

	September 30 2011	2010
Cash and cash equivalents	**$ 2,044,847**	$ 1,244,750
Money market mutual funds	**891,306**	664,329
Domestic equity securities	**2,550,743**	3,594,808
Domestic equity mutual funds	**4,604,686**	6,099,431
International equity mutual funds	**6,430,267**	10,176,703
Global equity mutual funds	**672,556**	–
U S Government fixed income mutual funds	**1,961,536**	2,344,226
Domestic bond fixed income mutual funds	**2,807,496**	4,689,409
Alternative investments		
Commingled commodities fund	**680,864**	823,545
Combined REIT fund	**712,167**	821,349
Global fixed income commingled fund	**1,510,929**	–
Long/short hedge fund	**1,638,396**	892,325
Multi-strategy hedge fund	**1,732,101**	1,639,737
	$ 28,237,894	$ 32,990,612

Management continually reviews its investment portfolio, and evaluates whether declines in the fair value of securities should be considered other than temporary Factored into this evaluation are the general market conditions, management's intent and ability to hold the securities, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors, and the length of time and extent to which the market value has been less than cost During the year ended September 30, 2010, the Foundation recorded a realized loss for other-than-temporary declines in the fair value of investments of $595,282 Gross unrealized losses in the pooled investments held by the Foundation at September 30, 2011 and 2010, are approximately $815,903 and $175,557, respectively, of which $182,254 and $168,882 had been in an unrealized loss position for over a year as of September 30, 2011 and 2010, respectively The Foundation has the intent and ability to hold these investments

5. Fair Value of Financial Instruments

On October 1, 2008, the Medical Center adopted the methods of calculating fair value defined in Accounting Standards Codification (ASC) 820-10 to value its financial assets and liabilities, where applicable ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value ASC 820-10 applies to other accounting pronouncements that require or permit fair value measurements, and does not require new fair value measurements Fair value measurements are applied based on the unit of account from the reporting entity's perspective

The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements

ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date The three levels are defined as follows

Level 1 Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities The fair value hierarchy gives the highest priority to Level 1 inputs

Level 2 Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data

Level 3 Unobservable inputs are used when little or no market data is available The fair value hierarchy gives the lowest priority to Level 3 inputs

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement In determining fair value, the Medical Center uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, and considers non-performance risk in its assessment of fair value

5. Fair Value of Financial Instruments (continued)

The financial instruments of the Medical Center which are carried at fair value as of September 30, 2011, are classified in the table below in the three categories described above

	Level 1	Level 2	Level 3	Total
Assets				
Cash	**$ 944,847**	**$ –**	**$ –**	**$ 944,847**
Funds held by trustee under revenue bond agreement				
Cash and cash equivalents	**426,055**	**–**	**–**	**426,055**
U S Government issues	**950,000**	**–**	**–**	**950,000**
	$ 2,320,902	**$ –**	**$ –**	**$ 2,320,902**
Liabilities				
Interest rate swap agreements	**$ –**	**$ 548,138**	**$ –**	**$ 548,138**

The financial instruments of the Medical Center which are carried at fair value as of September 30, 2010, are classified in the table below in the three categories described above

	Level 1	Level 2	Level 3	Total
Assets				
Cash	$ 944,751	$ –	$ –	$ 944,751
Funds held by trustee under revenue bond agreement				
Cash and cash equivalents	3,340,868	–	–	3,340,868
U S Government issues	500,000	–	–	500,000
	$ 4,785,619	$ –	$ –	$ 4,785,619
Liabilities				
Interest rate swap agreements	$ –	$ 513,370	$ –	$ 513,370

5. Fair Value of Financial Instruments (continued)

The Medical Center reported $11,480,195 of pooled investments held by the Foundation as of September 30, 2011 These investments are reported at the Medical Center's interests in the fair value of the pool The fair value of the pooled investments is classified in the table below in the three categories described above

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	**$ 2,044,847**	**$ –**	**$ –**	**$ 2,044,847**
Money market mutual funds	**891,306**	**–**	**–**	**891,306**
Domestic equity securities	**2,550,743**	**–**	**–**	**2,550,743**
Domestic equity mutual funds	**–**	**4,604,686**	**–**	**4,604,686**
International equity mutual funds	**–**	**6,430,267**	**–**	**6,430,267**
Global equity mutual funds	**–**	**672,556**	**–**	**672,556**
U S Government fixed income mutual funds	**–**	**1,961,536**	**–**	**1,961,536**
Domestic bond fixed income mutual funds	**–**	**2,807,496**	**–**	**2,807,496**
	$ 5,486,896	**$16,476,541**	**$ –**	**21,963,437**
Alternative investments recorded on the equity basis of accounting				**6,274,457**
Total investments				**$28,237,894**

5. Fair Value of Financial Instruments (continued)

The Medical Center reported $11,043,434 of pooled investments held by the Foundation as of September 30, 2010 These investments are reported at the Medical Center's interests in the fair value of the pool The fair value of the pooled investments is classified in the table below in the three categories described above

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 1,244,750	$ –	$ –	$ 1,244,750
Money market mutual funds	664,329	–	–	664,329
Domestic equity securities	3,594,808	–	–	3,594,808
Domestic equity mutual funds	–	6,099,431	–	6,099,431
International equity mutual funds	–	10,176,703	–	10,176,703
U S Government fixed income mutual funds	–	2,344,226	–	2,344,226
Domestic bond fixed income mutual funds	–	4,689,409	–	4,689,409
	$ 5,503,887	$23,309,769	$ –	28,813,656
Alternative investments recorded on the equity basis of accounting				4,176,956
Total investments				$ 32,990,612

5. Fair Value of Financial Instruments (continued)

The following is a summary of investments (by major class) that have restrictions on the Foundation's ability to redeem its investment at the measurement date and any unfunded capital commitments as of September 30, 2011 (including investments accounted for using the equity method)

Description of Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled commodities fund	$ 680,864	$ –	Monthly	5 days
Domestic equity mutual fund	647,597	–	Monthly	10 days
Global fixed income commingled fund	1,510,929	–	Monthly	10 business days
Commingled REIT fund	712,167	–	Monthly	15 days
Multi-strategy hedge fund	1,296,257	–	Annually	65 days
Long/short hedge fund	2,738,396	–	Annually	95 days
Multi-strategy hedge fund	435,844	–	Semi-annually	75 days
	$ 8,022,054	$ –		

Financial instruments in the Medical Center's defined benefit pension plan carried at fair value as of September 30, 2011, are classified in the table below in the three categories described above

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	**$ 329,414**	**$ –**	**$ –**	**$ 329,414**
Money market mutual funds	**162**	**–**	**–**	**162**
Domestic equity securities	**4,688,946**	**–**	**–**	**4,688,946**
Domestic equity mutual funds	**–**	**6,733,031**	**–**	**6,733,031**
International equity mutual funds	**–**	**11,216,879**	**–**	**11,216,879**
Global equity mutual funds	**–**	**944,503**	**–**	**944,503**
U S Government income mutual funds	**–**	**3,549,238**	**–**	**3,549,238**
Domestic bond fixed income mutual funds	**–**	**4,986,614**	**–**	**4,986,614**
Alternative securities				
Commingled REIT fund	**–**	**1,004,502**	**–**	**1,004,502**
Commingled commodities fund	**–**	**–**	**1,072,154**	**1,072,154**
Global fixed income commingled fund	**–**	**–**	**2,365,587**	**2,365,587**
Multi-strategy hedge fund	**–**	**–**	**4,482,545**	**4,482,545**
	$ 5,018,522	**$ 28,434,767**	**$ 7,920,286**	**$ 41,373,575**

5. Fair Value of Financial Instruments (continued)

Financial instruments in the Medical Center's defined benefit pension plan carried at fair value as of September 30, 2010, are classified in the table below in the three categories described above

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 304,500	$ –	$ –	$ 304,500
Money market mutual funds	7,463	–	–	7,463
Domestic equity securities	4,466,872	–	–	4,466,872
Domestic equity mutual funds	–	7,646,936	–	7,646,936
International equity mutual funds	–	12,957,812	–	12,957,812
U S Government fixed income mutual funds	–	2,898,713	–	2,898,713
Domestic bond fixed income mutual funds	–	5,951,609	–	5,951,609
Alternative securities				
Commingled REIT fund	–	1,030,712	–	1,030,712
Commingled commodities fund	–	–	1,033,597	1,033,597
Multi-strategy hedge fund	–	–	4,018,909	4,018,909
	$ 4,778,835	$30,485,782	$5,052,506	$40,317,123

Fair value for Level 1 is based upon quoted market prices Fair value for Level 2 assets is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets Inputs are obtained from various sources including market participants, dealers, and brokers Level 3 assets consist of alternative investments that are not redeemable in the near term The valuation for alternative investments included in Level 2 and 3 are stated at fair value, as estimated in an unquoted market Fair value for alternative investments is determined for each investment using net asset values as a practical expedient, as permitted by generally accepted accounting principles, rather than using another valuation method to independently estimate fair value The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values Furthermore, while the Medical Center believes its valuation methods are appropriate and

5. Fair Value of Financial Instruments (continued)

consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date

The fair value for interest rate swap agreements is primarily determined using techniques consistent with the market approach, and includes observable inputs such as interest rates and credit spreads

The fair value of long-term debt is reported in the accompanying balance sheets at principal value, less unamortized discount or premium, which totaled $26,384,371 at September 30, 2011 The fair value of these obligations at September 30, 2011, as estimated based on quoted market prices for similar bonds, totaled $26,621,478

During the years ended September 30, 2011 and 2010, the changes in the fair value of the financial instruments in the Medical Center's defined pension plan measured using significant unobservable inputs (Level 3) were composed of the following

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2011	**2010**
Beginning balance at October 1	**$ 5,052,506**	$ 3,754,401
Net realized and unrealized gains	**122,505**	338,105
Purchases, issuances, and settlements	**2,745,275**	960,000
Ending balance at September 30	**$ 7,920,286**	$ 5,052,506

6. Property, Plant, and Equipment

The major categories of property, plant, and equipment are as follows

	September 30 2011	2010
Land	**$ 69,632**	$ 69,632
Land improvements	**3,988,841**	3,988,841
Buildings	**74,593,241**	74,303,185
Fixed equipment	**23,829,052**	22,981,714
Major movable equipment	**59,204,923**	55,988,132
	161,685,689	157,331,504
Less accumulated depreciation	**95,034,275**	88,769,483
	66,651,414	68,562,021
Renovations in progress	**2,515,097**	474,226
Total property, plant, and equipment	**$ 69,166,511**	$ 69,036,247

7. Long-Term Debt

The following is a description of the terms of long-term debt

	September 30 2011	2010
New Hampshire Health and Education Facilities Authority Revenue Bonds		
Series 2009 bonds with a variable interest rate computed based on a 69 times the One-Month LIBOR as defined in the agreement, 2 05% at September 30, 2011 Principal is payable in annual installments ranging from $270,670 to $308,328 through the mandatory redemption date of August 26, 2016	**$ 14,499,886**	$ 14,759,056
Series 1998 bonds with interest from 4 875% to 5 125% per year, and payable in annual sinking fund installments ranging from $465,000 to $1,005,000 through July 1, 2028	**12,080,000**	12,520,000
Less unamortized original issue discount	**(195,515)**	(228,958)
	26,384,371	27,050,098
Less current portion	**735,670**	699,169
Long-term debt – net	**$ 25,648,701**	$ 26,350,929

7. Long-Term Debt (continued)

On August 27, 2009, the Medical Center and the Foundation, in connection with the New Hampshire Health and Education Facilities Authority (the Authority), issued $15,000,000 of tax-exempt Revenue Bonds (Series 2009) The proceeds of these bonds were used to pay off the VHA of New England outstanding promissory notes of the Medical Center and the Bank of America promissory note held by the Foundation, and to finance the purchase of equipment and renovations The Medical Center granted the Authority a security interest in its gross receipts under the terms of the bond agreement

On September 1, 1998, the Medical Center, in connection with the Authority, issued $16,570,000 of tax-exempt Revenue Bonds (Series 1998) The proceeds of these bonds were used to advance refund the outstanding Series 1989 Revenue Bonds, and to finance the purchase of equipment and renovations The Medical Center granted the Authority a security interest in its gross receipts under the terms of the bond agreement

The Medical Center uses an interest rate swap agreement in order to manage its interest rate risk associated with its outstanding debt The swap effectively converts interest rates on variable rate bonds to a fixed rate On August 27, 2009, the Medical Center and the Foundation entered into an interest rate swap agreement, effectively converting $7,500,000 of Series 2009 bonds to a fixed-rate basis of 4 31% through August 26, 2016 The interest rate swap agreement meets the definition of a derivative instrument under ASC 815 Consequently, the fair value of the swap of $(548,138) and $(513,370) at September 30, 2011 and 2010, respectively, is reported in the accompanying balance sheets in other liabilities The change in fair value during the year was $(34,768) and $(330,623) for the years ended September 30, 2011 and 2010, respectively Cash flows under the swaps netted to payments of approximately $166,994 and $154,248 in 2011 and 2010, respectively Both the change in fair value and the cash flows under the swap are included in the effect of interest rate swap in the statements of operations and changes in net assets While the swap serves as an economic hedge, it does not qualify as an accounting hedge under ASC 815

7. Long-Term Debt (continued)

The Medical Center's agreement with the Authority provides for the establishment of various funds, the use of which is limited to approved project costs and debt service These funds are administered by a trustee and invested in cash and cash equivalents, as well as fixed income securities, and income on certain of these funds is similarly limited Amounts held by trustees are as follows

	September 30	
	2011	**2010**
Debt service	**$ 265,856**	$ 283,715
Capital equipment fund	**–**	2,463,986
Debt service reserve	**1,110,199**	1,093,167
	$ 1,376,055	$ 3,840,868

Aggregate annual principal payments required under the long-term debt agreements and the promissory note for fiscal years ending September 30, 2012 through 2016, are $735,670, $772,682, $810,226, $848,328, and $13,912,980, respectively

For the years ended September 30, 2011 and 2010, the Medical Center paid interest of $946,276 and $954,408, respectively

The Medical Center has entered into an unsecured open line of credit agreement with a local bank in the amount of $2,500,000 of which $870,000 is required for the letter of credit As of September 30, 2011 and 2010, $1,630,000 and $1,750,000, respectively, remains available In addition, the Medical Center also has a standby letter of credit of approximately $870,000 that is required for its self-insured workers' compensation program

8. Leases

Rent expense of $508,299 and $393,906 for medical equipment, building space, and pharmacy dispensers was incurred during the years ended September 30, 2011 and 2010, respectively, under non-cancelable operating lease agreements covering a term greater than one year

At September 30, 2011 and 2010, assets recorded under a capital lease totaled $722,262 and $555,762, with accumulated amortization of $72,226 and $441,650, respectively The cost and accumulated amortization of the equipment are included in property, plant, and equipment

8. Leases (continued)

Amortization expense for these assets is included in depreciation and amortization expense in the statements of operations and changes in net assets

Future minimum lease payments under non-cancelable operating leases, and under capital leases, are as follows

	Operating Leases	Capital Leases
2012	$ 560,765	$ 229,858
2013	548,822	229,858
2014	519,489	229,858
2015	214,161	229,858
2016	170,185	229,858
	$ 2,013,422	1,149,290
Less portion representing interest		(151,989)
Net lease obligations		$ 997,301

9. Pension Plan

Reconciliation of Funded Status and Accumulated Benefit Obligation

A reconciliation of the changes in the Pension Plan's projected benefit obligation and the fair value of assets, and the accumulated benefit obligation of the Plan as of both periods, follows

	Year Ended September 30	
	2011	**2010**
Changes in benefit obligation		
Projected benefit obligation at beginning of year	**$ (70,711,596)**	$ (56,314,877)
Interest cost	**(3,414,557)**	(3,385,627)
Benefits and expenses paid	**1,449,405**	1,231,840
Change in assumptions	**(5,686,863)**	(8,981,406)
Experience gain (loss)	**3,086,882**	(3,261,526)
Projected benefit obligation at end of year	**(75,276,729)**	(70,711,596)
Changes in plan assets		
Fair value of plan assets at beginning of year	**40,317,123**	34,867,647
Actual return on plan assets	**(813,784)**	3,628,468
Contributions by plan sponsor	**3,319,641**	3,052,848
Benefits and expenses paid	**(1,449,405)**	(1,231,840)
Fair value of plan assets at end of year	**41,373,575**	40,317,123
Funded status		
Funded status of the plan	**$ (33,903,154)**	$ (30,394,473)
Accumulated benefit obligation	**$ 61,915,574**	$ 54,841,456

The underfunded status of the Plan of $33,903,154 and $30,394,473 at September 30, 2011 and 2010, respectively, is reported in the accompanying balance sheets in other liabilities

9. Pension Plan (continued)

Included in other changes in unrestricted net assets at September 30, 2011 and 2010, are the following amounts that have not yet been recognized in net periodic pension cost unrecognized prior service costs of $782,996 and $1,003,972, respectively and unrecognized actuarial losses of $33,121,320 and $28,275,909, respectively The prior service cost and actuarial loss included as other changes in unrestricted net assets, and expected to be recognized in net periodic pension cost during the fiscal year ended September 30, 2012, is $220,976 and $2,326,695, respectively

Net periodic pension cost includes the following components

	2011	2010
Interest cost	**$ 3,414,557**	$ 3,385,627
Expected return on plan assets	**(3,103,476)**	(2,697,646)
Prior service cost amortization	**220,976**	264,294
Recognized actuarial loss	**1,671,830**	1,421,134
	$ 2,203,887	$ 2,373,409

The weighted-average assumptions used to develop pension expense as of September 30, 2011 and 2010, are as follows

	Year Ended September 30	
	2011	**2010**
Discount rate	**5.11%**	5 75%
Expected return on plan assets	**7.50**	7 50
Rate of compensation increase	**4.00**	4 00

To develop the expected long-term rate of return on Plan assets' assumption, the Medical Center considered the historical return and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio

9. Pension Plan (continued)

The weighted-average assumptions used to develop the projected benefit obligation as of September 30, 2011 and 2010, are as follows

	Year Ended September 30	
	2011	**2010**
Discount rate	**4.61%**	5 11%
Rate of compensation increase	**4.00**	4 00

Plan Assets

The Plan's investment objectives are to achieve long-term growth in excess of long-term inflation, and to provide a rate of return that meets or exceeds the actuarial expected long-term rate of return on Plan assets over a long-term time horizon In order to minimize risk, the Plan aims to minimize the variability in yearly returns The Plan also aims to diversify its holdings among sectors, industries, and companies No more than 5% of the Plan's portfolio (excluding U S government securities and cash) may be held in an individual company's stocks or bonds, and no more than 20% in a single industry (25% for fixed income)

The Pension Plan's weighted-average asset allocations at September 30, 2011 and 2010, by asset category, are as follows

	Plan Assets at September 30	
Asset Category	**2011**	**2010**
Cash and cash equivalents	**1%**	1%
Domestic equity mutual funds	**16**	19
International equity mutual funds	**27**	31
Global equity mutual funds	**2**	–
Domestic equity securities	**11**	11
U S Government fixed income mutual funds	**9**	7
Domestic bond fixed income mutual funds	**12**	15
Alternative securities		
Commingled REIT fund	**2**	3
Commingled commodities fund	**3**	3
Global fixed income commingled fund	**6**	–
Multi-strategy hedge fund	**11**	10
	100%	100%

9. Pension Plan (continued)

Contributions

The Medical Center expects to contribute $2,137,616 to its Pension Plan in 2012

Estimated Future Benefit Payments

Benefit payments are estimated to be paid as follows

	Pension Benefits
Fiscal years	
2012	$ 1,710,031
2013	1,829,868
2014	2,140,984
2015	2,377,600
2016	2,660,396
Years 2017 – 2021	18,508,385

10. Functional Expenses

The Medical Center provides general health care services to residents within its geographic location, including inpatient, outpatient, and emergency care Expenses related to providing these services are as follows

	Year Ended September 30	
	2011	**2010**
Health care services	**$ 122,325,745**	$ 121,166,517
General and administrative	**26,443,311**	28,221,764
	$ 148,769,056	$ 149,388,281

11. Concentration of Credit Risk

The Medical Center grants credit without collateral to the insured under third-party payor agreements The mix of receivables from patients and third-party payors was as follows

	September 30	
	2011	**2010**
Medicare	**29%**	32%
Medicaid	**3**	3
Commercial insurance and other	**19**	15
Patients	**28**	32
Blue Cross	**21**	18
	100%	100%

12. Taxes

The Medical Center is a not-for-profit corporation as described in Section 501(c)(3) of the Code, and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code The Medical Center has losses from unrelated business income activities of approximately $3,160,000 A deferred tax asset for these losses of approximately $1,264,000 is offset by a corresponding valuation allowance of the same amount

The Medical Center is subject to a New Hampshire Medicaid Enhancement Tax of 5 5% on certain of its net patient services revenues The Medical Center previously received 100% of the tax payment amount as reimbursement under the Disproportionate Share Hospital program During fiscal 2010, the State of New Hampshire revised its programs related to the calculation of payments due under the Disproportionate Share Hospital program and the calculation and collection of the Medicaid Enhancement Tax, which will result in differences in the amounts received from and paid into the two programs The reimbursements of $4,840,871 and $7,373,428 for the years ended September 30, 2011 and 2010, respectively, have been recorded in net patient service revenue Of the amount expensed for the year ended September 30, 2011, $1,250,000 is recorded as a liability at September 30, 2011

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