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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
GIFFORD MEDICAL CENTER INC

Doing Business As

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

City or town, state or country, and ZIP + 4
RANDOLPH, VT 05060

**D Employer identification number**
03-0179418

**E Telephone number**
(802)728-4441

**G** Gross receipts $ 82,293,704

**F** Name and address of principal officer
JOSEPH L WOODIN
44 SOUTH MAIN STREET
RANDOLPH, VT 05060

**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 GIFFORDMED ORG

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

**L** Year of formation 1924

**M** State of legal domicile VT

## Part I Summary

**1** Briefly describe the organization's mission or most significant activities
NON-PROFIT ACUTE-CARE HOSPITAL PROVIDING HEALTHCARE ON AN INPATIENT AND OUTPATIENT BASIS

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

| | | | |
|---|---|---|---|
| **3** | Number of voting members of the governing body (Part VI, line 1a) | **3** | 17 |
| **4** | Number of independent voting members of the governing body (Part VI, line 1b) | **4** | 15 |
| **5** | Total number of individuals employed in calendar year 2010 (Part V, line 2a) | **5** | 683 |
| **6** | Total number of volunteers (estimate if necessary) | **6** | 130 |
| **7a** | Total unrelated business revenue from Part VIII, column (C), line 12 | **7a** | 159,599 |
| **b** | Net unrelated business taxable income from Form 990-T, line 34 | **7b** | -61,072 |

| | | Prior Year | Current Year |
|---|---|---|---|
| Revenue | **8** Contributions and grants (Part VIII, line 1h) | 541,977 | 847,593 |
| | **9** Program service revenue (Part VIII, line 2g) | 57,811,892 | 62,341,416 |
| | **10** Investment income (Part VIII, column (A), lines 3, 4, and 7d ) | 1,100,621 | 1,880,268 |
| | **11** Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 962,043 | 1,109,459 |
| | **12** Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 60,416,533 | 66,178,736 |
| Expenses | **13** Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) | 16,000 | 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) | 34,424,757 | 36,742,400 |
| | **16a** Professional fundraising fees (Part IX, column (A), line 11e) | 0 | 0 |
| | **b** Total fundraising expenses (Part IX, column (D), line 25) ▶188,827 | | |
| | **17** Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f) | 22,887,254 | 25,611,891 |
| | **18** Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) | 57,328,011 | 62,354,291 |
| | **19** Revenue less expenses Subtract line 18 from line 12 | 3,088,522 | 3,824,445 |

| | | Beginning of Current Year | End of Year |
|---|---|---|---|
| Net Assets or Fund Balances | **20** Total assets (Part X, line 16) | 61,389,592 | 63,195,707 |
| | **21** Total liabilities (Part X, line 26) | 31,253,047 | 32,199,986 |
| | **22** Net assets or fund balances Subtract line 21 from line 20 | 30,136,545 | 30,995,721 |

## 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**

****** | 2012-08-07
Signature of officer | Date

JOSEPH L WOODIN CEO
Type or print name and title

**Paid Preparer Use Only**

| Print/Type preparer's name | Preparer's signature | Date | Check if self-employed | PTIN |
|---|---|---|---|---|
| W JAY SIMMS | W JAY SIMMS | 2012-08-07 | ☐ | |

Firm's name ▶ TYLER SIMMS & STSAUVEUR CPAS PC — Firm's EIN ▶

Firm's address ▶ 19 MORGAN DRIVE
LEBANON, NH 03766 — Phone no ▶ (603) 653-0044

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

AS A COMMUNITY HOSPITAL, GIFFORD MEDICAL CENTER'S MISSION IS TO IMPROVE THE HEALTH OF THE PEOPLE WE SERVE BY PROVIDING AND ASSURING ACCESS TO AFFORDABLE AND HIGH-QUALITY HEALTH CARE, AND BY PROMOTING THE HEALTH AND WELL-BEING OF EVERYONE IN OUR SERVICE AREA

**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 $ 56,438,252 including grants of $ ) (Revenue $ 62,514,597 )

NON-PROFIT ACUTE-CARE HOSPITAL PROVIDING HEALTH CARE ON AN INPATIENT AND OUTPATIENT BASIS

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

THE HOSPITAL PROVIDED CHARITY CARE OF $718,463 FOR 1,826 PATIENTS DURING THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

**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** ▶ $ 56,438,252

## 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 | | No |
| 6 | Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I* | 6 | | No |
| 7 | Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II* | 7 | | No |
| 8 | Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III* | 8 | | No |
| 9 | Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV* | 9 | | No |
| 10 | Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V* | 10 | Yes | |
| 11 | If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable | | | |
| a | Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.* | 11a | Yes | |
| b | Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.* | 11b | | No |
| c | Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.* | 11c | | No |
| d | Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.* | 11d | | No |
| e | Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.* | 11e | Yes | |
| f | Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.* | 11f | | 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 | | No |
| 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 | Yes | |
| 19 | Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III* | 19 | | No |
| 20a | Did the organization operate one or more hospitals? *If "Yes," complete Schedule H* | 20a | Yes | |
| b | If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions) | 20b | Yes | |

**Part IV Checklist of Required Schedules** *(continued)*

| | | | | |
|---|---|---|---|---|
| **21** | Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II* | **21** | | No |
| **22** | Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III* | **22** | | No |
| **23** | Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J* | **23** | Yes | |
| **24a** | Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25* | **24a** | Yes | |
| **b** | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? | **24b** | | No |
| **c** | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? | **24c** | | No |
| **d** | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? | **24d** | | No |
| **25a** | **Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I* | **25a** | | No |
| **b** | Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I* | **25b** | | No |
| **26** | Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II* | **26** | Yes | |
| **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** | Yes | |
| **29** | Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M* | **29** | | No |
| **30** | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M* | **30** | | No |
| **31** | Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I* | **31** | | No |
| **32** | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II* | **32** | | No |
| **33** | Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I* | **33** | | No |
| **34** | Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1* | **34** | | No |
| **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 | 127 | | |
| 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 | 683 | | |
| 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 17 | | | |
| b | Enter the number of voting members included in line 1a, above, who are independent . . . . . 1b 15 | | | |
| 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 ▶

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 ▶

DAVID SANVILLE - CFO
PO BOX 2000
RANDOLPH, VT 05060
(802) 728-2228

## 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) JOSEPH L WOODIN CEO | 40 00 | X | | X | | | | 332,846 | 0 | 31,527 |
| (2) BOB WRIGHT CHAIR | 1 00 | X | | X | | | | 0 | 0 | 0 |
| (3) SHARON DIMMICK VICE CHAIR | 1 00 | X | | X | | | | 0 | 0 | 0 |
| (4) BRUCE MACDONALD TREASURER | 1 00 | X | | X | | | | 0 | 0 | 0 |
| (5) KAREN GILLESPIE-KORROW SECRETARY | 1 00 | X | | X | | | | 0 | 0 | 0 |
| (6) DAVID AINSWORTH TRUSTEE | 1 00 | X | | | | | | 0 | 0 | 0 |
| (7) WILLIAM BAUMANN TRUSTEE | 1 00 | X | | | | | | 0 | 0 | 0 |
| (8) LINDA CHUGKOWSKI TRUSTEE | 1 00 | X | | | | | | 0 | 0 | 0 |
| (9) LINCOLN CLARK TRUSTEE | 1 00 | X | | | | | | 0 | 0 | 0 |
| (10) JACK COWDREY TRUSTEE | 1 00 | X | | | | | | 0 | 0 | 0 |
| (11) RANDY GARNER TRUSTEE | 1 00 | X | | | | | | 0 | 0 | 0 |
| (12) BARBARA HARVEY TRUSTEE | 1 00 | X | | | | | | 0 | 0 | 0 |
| (13) PAUL KENDALL TRUSTEE | 1 00 | X | | | | | | 0 | 0 | 0 |
| (14) RICHARD MALLARY TRUSTEE | 1 00 | X | | | | | | 0 | 0 | 0 |
| (15) GUS MEYER TRUSTEE | 1 00 | X | | | | | | 0 | 0 | 0 |
| (16) BARBARA ROCHAT 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) DR MARCUS COXON<br>MEDICAL STAFF PRESIDENT | 1 00 | X | | | | | | 0 | 0 | 0 |
| (18) DAVID SANVILLE<br>CFO | 40 00 | X | | X | | | | 132,502 | 0 | 21,072 |
| (19) JON-RICHARD KNOFF<br>ANESTHESIOLOGIST | 40 00 | | | | | X | | 275,025 | 0 | 31,500 |
| (20) MARTIN JOHNS<br>PHYSICIAN | 40 00 | | | | | X | | 205,246 | 0 | 29,273 |
| (21) BESS E BRACKETT<br>PHYSICIAN | 40 00 | | | | | X | | 498,339 | 0 | 29,828 |
| (22) STEPHANIE LANDVATER<br>PHYSICIAN OFFSITE CLINIC | 40 00 | | | | | X | | 586,542 | 0 | 30,690 |
| (23) DENNIS HENZIG<br>ANESTHESIOLOGIST | 40 00 | | | | | X | | 270,787 | 0 | 27,103 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| **1b Sub-Total** . . . . . ▶ | | | | | | | | | | |
| **c Total from continuation sheets to Part VII, Section A** . . . . ▶ | | | | | | | | | | |
| **d Total (add lines 1b and 1c)** . . . . . ▶ | | | | | | | | 2,301,287 | 0 | 200,993 |

**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 ▶ 49

| | | | 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 |
|---|---|---|
| AMERICAN HEALTH CENTERS INC<br>100 GRIFFIN ROAD<br>PORTSMOUTH, NH 03801 | MEDICAL PRODUCTS PROVIDER | 654,916 |
| QUORUM HEALTH RESOURCES LLC<br>105 CONTINENTAL PLACE<br>BRENTWOOD, TN 37027 | MEDICAL PRODUCTS PROVIDER | 234,457 |
| CENTRAL VERMONT HOSPITAL<br>PO BOX 547<br>BARRE, VT 05641 | MEDICAL SERVICES | 226,438 |
| ZAMBEZI LLC<br>108 NORTH MAIN STREET<br>WHITE RIVER JUNCTION, VT 05001 | MEDICAL SERVICES | 153,228 |
| BENEFIT STRATEGIES LLC<br>PO BOX 1660<br>MANCHESTER, NH 03105 | EMPLOYEE BENEFIT SERVICES | 148,459 |

**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 ▶ 11

**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 | 57,097 | | | |
| | d | Related organizations | 1d | | | | |
| | e | Government grants (contributions) | 1e | 245,286 | | | |
| | f | All other contributions, gifts, grants, and similar amounts not included above | 1f | 545,210 | | | |
| | g | Noncash contributions included in lines 1a-1f $ | | | | | |
| | h | **Total.** Add lines 1a-1f | | 847,593 | | | |
| Program Service Revenue | | | Business Code | | | | |
| | 2a | NET PATIENT SERVICES | 621990 | 62,341,416 | 62,341,416 | | |
| | b | | | | | | |
| | c | | | | | | |
| | d | | | | | | |
| | e | | | | | | |
| | f | All other program service revenue | | | | | |
| | g | **Total.** Add lines 2a–2f | | 62,341,416 | | | |
| | 3 | Investment income (including dividends, interest and other similar amounts) | | 358,945 | | | 358,945 |
| | 4 | Income from investment of tax-exempt bond proceeds | | | | | |
| | 5 | Royalties | | | | | |
| | | | (i) Real | (ii) Personal | | | |
| | 6a | Gross Rents | 103,177 | | | | |
| | b | Less rental expenses | 148,093 | | | | |
| | c | Rental income or (loss) | -44,916 | | | | |
| | d | Net rental income or (loss) | | -44,916 | | | -44,916 |
| | | | (i) Securities | (ii) Other | | | |
| | 7a | Gross amount from sales of assets other than inventory | 17,467,922 | 3,900 | | | |
| | b | Less cost or other basis and sales expenses | 15,964,649 | -14,150 | | | |
| | c | Gain or (loss) | 1,503,273 | 18,050 | | | |
| | d | Net gain or (loss) | | 1,521,323 | | | 1,521,323 |
| Other Revenue | 8a | Gross income from fundraising events (not including $ 57,097 of contributions reported on line 1c) See Part IV, line 18 | a 0 | | | | |
| | b | Less direct expenses | b 16,376 | | | | |
| | c | Net income or (loss) from fundraising events | | -16,376 | | | -16,376 |
| | 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 | OTHER INCOME | 900099 | 473,181 | 473,181 | | |
| | b | DAYCARE | 812900 | 347,214 | | 159,599 | 187,615 |
| | c | CAFETERIA & CATERING I | 900099 | 331,401 | | | 331,401 |
| | d | All other revenue | | 18,955 | | | 18,955 |
| | e | **Total.** Add lines 11a–11d | | 1,170,751 | | | |
| | 12 | **Total revenue.** See Instructions | | 66,178,736 | 62,814,597 | 159,599 | 2,356,947 |

## 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 | 524,256 | | 524,256 | |
| 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 | 27,651,279 | 25,986,171 | 1,586,286 | 78,822 |
| 8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions) | 979,153 | 920,190 | 56,172 | 2,791 |
| 9 Other employee benefits | 5,763,335 | 5,416,278 | 330,628 | 16,429 |
| 10 Payroll taxes | 1,824,377 | 1,714,516 | 104,660 | 5,201 |
| a Fees for services (non-employees) Management | | | | |
| b Legal | 53,080 | | 53,080 | |
| c Accounting | 62,475 | 18,730 | 43,745 | |
| d Lobbying | | | | |
| e Professional fundraising services *See Part IV, line 17* | | | | |
| f Investment management fees | | | | |
| g Other | | | | |
| 12 Advertising and promotion | 56,889 | 54,455 | 2,434 | |
| 13 Office expenses | 7,095,948 | 6,779,171 | 288,816 | 27,961 |
| 14 Information technology | | | | |
| 15 Royalties | | | | |
| 16 Occupancy | 844,986 | 844,986 | | |
| 17 Travel | 58,369 | 33,657 | 24,619 | 93 |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials | | | | |
| 19 Conferences, conventions, and meetings | | | | |
| 20 Interest | 1,001,001 | | 1,001,001 | |
| 21 Payments to affiliates | | | | |
| 22 Depreciation, depletion, and amortization | 2,953,808 | 2,953,808 | | |
| 23 Insurance | 1,138,229 | 1,138,229 | | |
| 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 BAD DEBT EXPENSE | 3,029,201 | 3,029,201 | | |
| b TAXES & LICENSES | 2,855,148 | 2,800,978 | 54,170 | |
| c PURCHASED SERVICES | 2,529,510 | 2,457,406 | 71,343 | 761 |
| d SERVICE CONTRACT EXPENS | 2,143,581 | 1,578,871 | 560,392 | 4,318 |
| e OTHER EXPENSES | 524,005 | 338,359 | 133,806 | 51,840 |
| f All other expenses | 1,265,661 | 373,246 | 891,804 | 611 |
| 25 **Total functional expenses.** Add lines 1 through 24f | 62,354,291 | 56,438,252 | 5,727,212 | 188,827 |
| 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 | | 4,953,499 | 1 | 6,830,594 |
| | 2 | Savings and temporary cash investments | | 2,425,290 | 2 | 1,700,425 |
| | 3 | Pledges and grants receivable, net | | 59,406 | 3 | 20,381 |
| | 4 | Accounts receivable, net | | 6,943,230 | 4 | 8,188,233 |
| | 5 | Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L | | 20,000 | 5 | 20,000 |
| | 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 | | 1,035,282 | 8 | 1,170,763 |
| | 9 | Prepaid expenses and deferred charges | | 989,988 | 9 | 1,300,846 |
| | 10a | Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* | 10a 52,293,945 | | | |
| | b | Less accumulated depreciation | 10b 26,876,333 | 26,640,357 | 10c | 25,417,612 |
| | 11 | Investments—publicly traded securities | | 17,990,385 | 11 | 18,157,344 |
| | 12 | Investments—other securities See Part IV, line 11 | | | 12 | |
| | 13 | Investments—program-related See Part IV, line 11 | | | 13 | |
| | 14 | Intangible assets | | 31,588 | 14 | 27,856 |
| | 15 | Other assets See Part IV, line 11 | | 300,567 | 15 | 361,653 |
| | 16 | **Total assets.** Add lines 1 through 15 (must equal line 34) | | 61,389,592 | 16 | 63,195,707 |
| Liabilities | 17 | Accounts payable and accrued expenses | | 7,028,815 | 17 | 7,640,268 |
| | 18 | Grants payable | | | 18 | |
| | 19 | Deferred revenue | | 41,077 | 19 | 37,966 |
| | 20 | Tax-exempt bond liabilities | | 20,398,439 | 20 | 20,009,096 |
| | 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 | | 283,496 | 23 | 90,288 |
| | 24 | Unsecured notes and loans payable to unrelated third parties | | | 24 | |
| | 25 | Other liabilities Complete Part X of Schedule D | | 3,501,220 | 25 | 4,422,368 |
| | 26 | **Total liabilities.** Add lines 17 through 25 | | 31,253,047 | 26 | 32,199,986 |
| 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 | | 28,715,934 | 27 | 29,510,942 |
| | 28 | Temporarily restricted net assets | | 950,872 | 28 | 1,015,040 |
| | 29 | Permanently restricted net assets | | 469,739 | 29 | 469,739 |
| | | **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 | | 30,136,545 | 33 | 30,995,721 |
| | 34 | Total liabilities and net assets/fund balances | | 61,389,592 | 34 | 63,195,707 |

## 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 | 66,178,736 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 62,354,291 |
| 3 | Revenue less expenses Subtract line 2 from line 1 | 3 | 3,824,445 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | 30,136,545 |
| 5 | Other changes in net assets or fund balances (explain in Schedule O) | 5 | -2,965,268 |
| 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 | 30,995,721 |

## 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 | | |

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493227021752

# 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
GIFFORD MEDICAL CENTER INC

**Employer identification number**
03-0179418

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Section A. Public Support

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

## Section B. Total Support

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

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

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

## Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

## Section A. Public Support

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

## Section B. Total Support

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

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

## Section C. Computation of Public Support Percentage

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

## Section D. Computation of Investment Income Percentage

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

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

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

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

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

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# SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

## Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

**2010**

**Open to Public Inspection**

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

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

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

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

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

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

| Name of the organization | Employer identification number |
|---|---|
| GIFFORD MEDICAL CENTER INC | 03-0179418 |

### 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 | | 20,037 |
| j | Total lines 1c through 1i | | | 20,037 |
| 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 | GIFFORD MEDICAL CENTER, INC IS A MEMBER OF THE VERMONT HOSPITAL ASSOCIATION AND THE AMERICAN HOSPITAL ASSOCIATION A PORTION OF THE DUES PAID TO THESE ORGANIZATIONS IS AVAILABLE FOR LOBBYING EXPENDITURES ON BEHALF OF GIFFORD MEDICAL CENTER AND THE OTHER MEMBER ORGANIZATIONS IN FURTHERANCE OF THEIR EXEMPT PURPOSES GIFFORD MEDICAL CENTER DOES NOT DIRECTLY PERFORM ANY LOBBYING ACTIVITIES |

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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**
GIFFORD MEDICAL CENTER INC

**Employer identification number**
03-0179418

## 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 | 3,836,630 | 28,100,136 | 27,594,808 | | |
| b Contributions | | 100,000 | 114,149 | | |
| c Investment earnings or losses | -83,617 | 224,040 | 469,829 | | |
| d Grants or scholarships | | | | | |
| e Other expenditures for facilities and programs | | 24,587,546 | 78,650 | | |
| f Administrative expenses | | | | | |
| g End of year balance | 3,753,013 | 3,836,630 | 28,100,136 | | |

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

- a Board designated or quasi-endowment ▶ 66 880 %
- b Permanent endowment ▶ 12 520 %
- c Term endowment ▶ 20 600 %

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

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

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

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

| Description of investment | (a) Cost or other basis (investment) | (b) Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|---|---|---|---|---|
| 1a Land | | 542,114 | | 542,114 |
| b Buildings | | 25,202,453 | 10,690,662 | 14,511,791 |
| c Leasehold improvements | | 2,726,462 | 1,182,092 | 1,544,370 |
| d Equipment | | 23,447,586 | 15,003,579 | 8,444,007 |
| e Other | | 375,330 | | 375,330 |
| **Total.** Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶ | | | | 25,417,612 |

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

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

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

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

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

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

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

| 1 (a) Description of Liability | (b) Amount |
|---|---|
| Federal Income Taxes | |
| DEFERRED ANNUTIES | 118,320 |
| LONG-TERM DEFERRED COMPENSATION | 177,681 |
| INTEREST RATE SWAP | 3,722,176 |
| ESTIMATED THIRD-PARTY PAYER SETTLEMENTS | 404,191 |
| | |
| | |
| | |
| | |
| | |
| **Total.** *(Column (b) should equal Form 990, Part X, col (B) line 25 )* ▶ | 4,422,368 |

**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 | 66,178,736 |
| 2 | Total expenses (Form 990, Part IX, column (A), line 25) | 2 | 62,354,291 |
| 3 | Excess or (deficit) for the year Subtract line 2 from line 1 | 3 | 3,824,445 |
| 4 | Net unrealized gains (losses) on investments | 4 | -2,303,206 |
| 5 | Donated services and use of facilities | 5 | |
| 6 | Investment expenses | 6 | |
| 7 | Prior period adjustments | 7 | |
| 8 | Other (Describe in Part XIV) | 8 | -662,062 |
| 9 | Total adjustments (net) Add lines 4 - 8 | 9 | -2,965,268 |
| 10 | Excess or (deficit) for the year per financial statements Combine lines 3 and 9 | 10 | 859,177 |

## 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 | 63,213,468 |
| 2 | Amounts included on line 1 but not on Form 990, Part VIII, line 12 | | | | |
| a | Net unrealized gains on investments | 2a | -2,303,206 | | |
| b | Donated services and use of facilities | 2b | | | |
| c | Recoveries of prior year grants | 2c | | | |
| d | Other (Describe in Part XIV) | 2d | -678,438 | | |
| e | Add lines **2a** through **2d** | | | 2e | -2,981,644 |
| 3 | Subtract line **2e** from line **1** | | | 3 | 66,195,112 |
| 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 | -16,376 | | |
| c | Add lines **4a** and **4b** | | | 4c | -16,376 |
| 5 | Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12 ) | | | 5 | 66,178,736 |

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

| | | | | | |
|---|---|---|---|---|---|
| 1 | Total expenses and losses per audited financial statements | | | 1 | 62,354,292 |
| 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 | 62,354,292 |
| 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 | | | |
| c | Add lines **4a** and **4b** | | | 4c | 0 |
| 5 | Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18 ) | | | 5 | 62,354,292 |

## Part XIV Supplemental Information

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

| Identifier | Return Reference | Explanation |
|---|---|---|
| DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS | PART V, LINE 4 | TEMPORARILY RESTRICTED NET ASSETS ARE USED FOR HEALTH CARE SERVICES AND CAPITAL PERMANENTLY RESTRICTED NET ASSETS ARE USED FOR INDIGENT CARE, COMMUNITY OUTREACH INITIATIVES, NURSING, BUILDINGS, MAINTENANCE AND OPERATIONS |
| PART XI, LINE 8 - OTHER ADJUSTMENTS | | UNREALIZED LOSS ON INTEREST RATE SWAP -682,228 DIRECT FUNDRAISING EXPENSES 16,376 OTHER NON-OPERATING GAIN 3,790 |
| PART XII, LINE 2D - OTHER ADJUSTMENTS | | UNREALIZED LOSS ON INTEREST RATE SWAP -682,228 OTHER NON-OPERATING GAIN 3,790 |

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**SCHEDULE G (Form 990 or 990-EZ)**

Department of the Treasury
Internal Revenue Service

# Supplemental Information Regarding Fundraising or Gaming Activities

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

OMB No 1545-0047

**2010**

**Open to Public Inspection**

Name of the organization
GIFFORD MEDICAL CENTER INC

**Employer identification number**
03-0179418

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

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

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

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

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

| **(i)** Name and address of individual or entity (fundraiser) | **(ii)** Activity | **(iii)** Did fundraiser have custody or control of contributions? Yes | No | **(iv)** Gross receipts from activity | **(v)** Amount paid to (or retained by) fundraiser listed in col **(i)** | **(vi)** Amount paid to (or retained by) organization |
|---|---|---|---|---|---|---|
| | | | | | | |
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| | | | | | | |
| **Total** . . . . . ▶ | | | | | | |

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

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

| | | (a) Event #1 LAST MILE RIDE (event type) | (b) Event #2 (event type) | (c) Other Events (total number) | (d) Total Events (Add col (a) through col (c)) |
|---|---|---|---|---|---|
| Revenue | 1 Gross receipts | 57,097 | | | 57,097 |
| | 2 Less Charitable contributions | 57,097 | | | 57,097 |
| | 3 Gross income (line 1 minus line 2) | | | | |
| Direct Expenses | 4 Cash prizes | | | | |
| | 5 Non-cash prizes | | | | |
| | 6 Rent/facility costs | | | | |
| | 7 Food and beverages | | | | |
| | 8 Entertainment | | | | |
| | 9 Other direct expenses | 16,376 | | | 16,376 |
| | 10 Direct expense summary Add lines 4 through 9 in column (d) ▶ | | | | 16,376 |
| | 11 Net income summary Combine lines 3 and 10 in column (d) ▶ | | | | -16,376 |

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

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

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

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

b If "No," Explain _____

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

b If "Yes," Explain _____

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

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

**13** Indicate the percentage of gaming activity operated in

| | | |
|---|---|---|
| **a** The organization's facility . . . . . | **13a** | |
| **b** An outside facility . . . . . | **13b** | |

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

Name ▶ ----------

Address ▶ ----------

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

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

**c** If "Yes," enter name and address

Name ▶ ----------

Address ▶ ----------

**16** Gaming manager information

Name ▶ ----------

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

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

☐ Director/officer ☐ Employee ☐ Independent contractor

**17** Mandatory distributions

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

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

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

| Identifier | ReturnReference | Explanation |
|---|---|---|

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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**
GIFFORD MEDICAL CENTER INC

**Employer identification number**
03-0179418

## 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<br>☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals<br>☐ 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<br>☐ 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<br>☐ 200% ☑ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ % | 3b | Yes | |
| c | If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care | | | |
| 4 | Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? | 4 | Yes | |
| 5a | Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? | 5a | Yes | |
| b | If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? | 5b | | No |
| c | If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care? | 5c | | |
| 6a | Does the organization prepare a community benefit report during the tax year? | 6a | | No |
| 6b | If "Yes," did the organization make it available to the public? | 6b | | |
| | 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) | | | 2,980,641 | 560,302 | 2,420,339 | 4 080 % |
| b Unreimbursed Medicaid (from Worksheet 3, column a) | | | 10,843,919 | 6,739,582 | 4,104,337 | 6 920 % |
| c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b) | | | | | | |
| d **Total** Financial Assistance and Means-Tested Government Programs | | | 13,824,560 | 7,299,884 | 6,524,676 | 11 000 % |
| **Other Benefits** | | | | | | |
| e Community health improvement services and community benefit operations (from (Worksheet 4) | | | 331,426 | 173,303 | 158,123 | 0 270 % |
| f Health professions education (from Worksheet 5) | | | 50,662 | | 50,662 | 0 090 % |
| g Subsidized health services (from Worksheet 6) | | | 5,940,901 | 4,871,622 | 1,069,279 | 1 800 % |
| h Research (from Worksheet 7) | | | | | | |
| i Cash and in-kind contributions to community groups (from Worksheet 8) | | | | | | |
| j **Total** Other Benefits | | | 6,322,989 | 5,044,925 | 1,278,064 | 2 160 % |
| k **Total.** Add lines 7d and 7j | | | 20,147,549 | 12,344,809 | 7,802,740 | 13 160 % |

**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 | | | 5,250 | | 5,250 | 0 010 % |
| 2 | Economic development | | | | | | |
| 3 | Community support | | | 425,552 | 273,836 | 151,716 | 0 260 % |
| 4 | Environmental improvements | | | | | | |
| 5 | Leadership development and training for community members | | | | | | |
| 6 | Coalition building | | | | | | |
| 7 | Community health improvement advocacy | | | | | | |
| 8 | Workforce development | | | | | | |
| 9 | Other | | | | | | |
| 10 | **Total** | | | 430,802 | 273,836 | 156,966 | 0 270 % |

**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 | 1,689,319 | | |
| 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 | 54,058 | | |
| 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 | 19,756,798 | | |
| 6 | Enter Medicare allowable costs of care relating to payments on line 5 | 6 | 18,686,453 | | |
| 7 | Subtract line 6 from line 5 This is the surplus or (shortfall) | 7 | 1,070,345 | | |
| 8 | Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used | | | | |

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

**Section C. Collection Practices**

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

**Part IV** **Management Companies and Joint Ventures**

| | (a) Name of entity | (b) Description of primary activity of entity | (c) Organization's profit % or stock ownership % | (d) Officers, directors, trustees, or key employees' profit % or stock ownership% | (e) Physicians' profit % or stock ownership % |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | | | | | |
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| 4 | | | | | |
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| 9 | | | | | |
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| 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 | GIFFORD MEDICAL CENTER INC<br>PO BOX 2000<br>RANDOLPH, VT 05060 | X | X | | | X | | X | | |
| | | | | | | | | | | |
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**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 I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $ 3029201 |

| Identifier | ReturnReference | Explanation |
| --- | --- | --- |
| | | PART III, LINE 4 WE USED THE AHA SCHEDULE H PROJECT BENCHMARK REPORT, WHICH STATES THAT FOR SMALL CRITICAL ACCESS HOSPITALS BAD DEBT EXPENSE IS AN AVERAGE OF 3 2% OF THE TOTAL EXPENSE |

| Identifier | ReturnReference | Explanation |
| --- | --- | --- |
| | | PART III, LINE 9B THE APPLICATION FOR AND APPROVAL OF FINANCIAL ASSISTANCE CAN OCCUR BEFORE, DURING, OR AFTER TREATMENT SO LONG AS THE ACCOUNT HAS NOT BEEN WRITTEN OFF TO BAD DEBT PRIOR TO RECEIPT OF A COMPLETED APPLICATION AND THE NECESSARY DOCUMENTATION ACCOUNTS SENT TO BAD DEBT AFTER REQUIRED INFORMATION HAS BEEN RECEIVED CAN BE RETURNED FROM COLLECTIONS FOR PROCESSING WITHOUT PENALTY TO THE APPLICANT GIFFORD MEDICAL CENTER, INC ENCOURAGES THE APPLICATION PROCESS TO BEGIN AS EARLY AS POSSIBLE |

| Identifier | ReturnReference | Explanation |
| --- | --- | --- |
| | | PART VI, LINE 2 STRATEGIC PLANNING |

| Identifier | ReturnReference | Explanation |
| --- | --- | --- |
| | | PART VI, LINE 3 PATIENTS ARE ADVISED OF COMMUNITY OUTREACH AND ARE ENCOURAGED TO SET UP AN APPOINTMENT TO MEET WITH APPROPRIATE THE GMC PERSONEL THE PATIENTS ARE ALSO DIRECTED TO GMC'S WEBSITE FOR AN EXPLANATIONS OF THE FREE CARE POLICY PROCESS |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | PART VI, LINE 4 THE ORGANIZATION IS A 25-BED HOSPITAL, WHICH PROVIDES GENERAL AND SPECIALTY SERVICES AND HAS A HOSPITAL-BASED 30-BED NURSING HOME UNIT IN ADDITION TO THE CLINICAL OFFICES LOCATED ON THE ORGANIZATION'S MAIN CAMPUS IN RANDOLPH, VERMONT, THE ORGANIZATION OPERATES COMMUNITY HEALTH CARE CENTERS LOCATED IN BETHEL, CHELSEA, ROCHESTER, SHARON, BERLIN ,RANDOLPH, AND WHITE RIVER JUNCTION, VERMONT |

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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**
GIFFORD MEDICAL CENTER INC

**Employer identification number**
03-0179418

## 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<br>☐ First-class or charter travel ☐ Housing allowance or residence for personal use<br>☐ Travel for companions ☐ Payments for business use of personal residence<br>☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees<br>☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef) | | | |
| **b** | If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain | **1b** | | |
| **2** | Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a? | **2** | | |
| **3** | Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply<br>☑ Compensation committee ☑ Written employment contract<br>☑ Independent compensation consultant ☑ Compensation survey or study<br>☑ 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** | Yes | |
| **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** | | No |
| **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 L WOODIN | (i) | 332,846 | 0 | 0 | 12,250 | 19,277 | 364,373 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (2) DAVID SANVILLE | (i) | 132,502 | 0 | 0 | 6,885 | 14,187 | 153,574 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (3) JON-RICHARD KNOFF | (i) | 275,025 | 0 | 0 | 12,250 | 19,250 | 306,525 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (4) MARTIN JOHNS | (i) | 205,246 | 0 | 0 | 10,508 | 18,765 | 234,519 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (5) BESS E BRACKETT | (i) | 498,339 | 0 | 0 | 10,577 | 19,251 | 528,167 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (6) STEPHANIE LANDVATER | (i) | 586,542 | 0 | 0 | 12,250 | 18,440 | 617,232 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (7) DENNIS HENZIG | (i) | 270,787 | 0 | 0 | 12,250 | 14,853 | 297,890 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ( 8 ) | | | | | | | | |
| ( 9 ) | | | | | | | | |
| ( 10 ) | | | | | | | | |
| ( 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 5 | IN ADDITION TO THEIR SALARIES, PHYSICIANS EMPLOYED BY GIFFORD MEDICAL CENTER,INC RECEIVE A YEAR-END BONUS BASED ON A PERCENTAGE OF TOTAL GROSS CHARGES ABOVE A CERTAIN AMOUNT PERCENTAGES AND MAXIMUM AMOUNTS ARE DETAILED IN EACH PHYSICIAN'S CONTRACT |

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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
GIFFORD MEDICAL CENTER INC

**Employer identification number**
03-0179418

## 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 | VERMONT EDUCATIONAL AND HEALTH BUILDING FINANCING AGENCY | 23-7154467 | 9241608B3 | 09-01-2010 | 20,430,000 | TO FINANCE GIFFORD'S CAPITAL PROJECT | | X | | X | | X |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |

## Part II Proceeds

| | | A | B | C | D |
|---|---|---|---|---|---|
| 1 | Amount of bonds retired | 20,430,000 | | | |
| 2 | Amount of bonds legally defeased | | | | |
| 3 | Total proceeds of issue | | | | |
| 4 | Gross proceeds in reserve funds | | | | |
| 5 | Capitalized interest from proceeds | 119,693 | | | |
| 6 | Proceeds in refunding escrow | | | | |
| 7 | Issuance costs from proceeds | | | | |
| 8 | Credit enhancement from proceeds | | | | |
| 9 | Working capital expenditures from proceeds | | | | |
| 10 | Capital expenditures from proceeds | | | | |
| 11 | Other spent proceeds | | | | |
| 12 | Other unspent proceeds | | | | |
| 13 | Year of substantial completion | | | | |

| | | 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 ▶ | | | | | | | | |
| 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 ▶ | | | | | | | | |
| 6 | Total of lines 4 and 5 | | | | | | | | |
| 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 | DEUTCHE BANK | | | | | | | |
| c | Term of hedge | 26 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 L** (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

# Transactions with Interested Persons

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

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

OMB No 1545-0047

**2010**

**Open to Public Inspection**

**Name of the organization**
GIFFORD MEDICAL CENTER INC

**Employer identification number**
03-0179418

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

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

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

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

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

## Part II Loans to and/or From Interested Persons.

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

| (a) Name of interested person and purpose | (b) Loan to or from the organization? To | (b) Loan to or from the organization? From | (c) Original principal amount | (d) Balance due | (e) In default? Yes | (e) In default? No | (f) Approved by board or committee? Yes | (f) Approved by board or committee? No | (g) Written agreement? Yes | (g) Written agreement? No |
|---|---|---|---|---|---|---|---|---|---|---|
| (1) MARTIN JOHNS MD ASSISTANCE WITH COST OF SELLING RANDOLPH PROPERTY | | X | 20,000 | 20,000 | | No | | No | Yes | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| Total . . . . . ▶ $ | | | | 20,000 | | | | | | |

## Part III Grants or Assistance Benefitting Interested Persons.

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

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

**Part IV** **Business Transactions Involving Interested Persons.**

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

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? | |
|---|---|---|---|---|---|
| | | | | Yes | No |
| (1) KAREN GILLESPIE-KORROW | OWNER OF RANDOLPH FUEL AND OIL COMPANY | 371,581 | GIFFORD MEDICAL CENTER, INC PURCHASED FUEL AT FAIR-MARKET-VALUE FROM THIS COMPANY | | No |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

**Part V** **Supplemental Information**

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

| Identifier | Return Reference | Explanation |
|---|---|---|

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|---|---|---|

**SCHEDULE O**
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

# Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

**2010**

**Open to Public Inspection**

**Name of the organization**
GIFFORD MEDICAL CENTER INC

**Employer identification number**
03-0179418

| Identifier | Return Reference | Explanation |
|---|---|---|
| FORM 990, PART VI, SECTION A, LINE 6 | | GMC HAS VOLUNTEER CORPORATORS |

| Identifier | Return Reference | Explanation |
|---|---|---|
| FORM 990, PART VI, SECTION A, LINE 7A | | GMC HAS VOLUNTEER CORPORATORS THAT ELECT THE GOVERNING BODY |

| Identifier | Return Reference | Explanation |
|---|---|---|
| FORM 990, PART VI, SECTION B, LINE 11 | | THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES REVIEWS THE FORM 990 BEFORE FILING |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | FORM 990, PART VI, SECTION B, LINE 12C | GIFFORD REQUIRES BOARD MEMBERS TO COMPLETE A YEARLY CONFLICT OF INTEREST SURVEY |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | FORM 990, PART VI, SECTION B, LINE 15 | GIFFORD USES A BOARD COMPENSATION COMMITTEE WITH INPUT AND DATA FROM A VARIETY OF INDEPENDENT SOURCES (I E. MGMA, VTNH SALARY DATA, MILLBROOK PARNERS, INC , AND CROES-OLIVA CONSULTING) IN CONJUNCTION WITH INTERNAL EQUITY |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | FORM 990, PART VI, SECTION C, LINE 19 | THE ORGANIZATION MAKES ITS CONFLICT OF INTEREST POLICY AVAILABLE UPON REQUEST THE FINANCIAL STATEMENTS ARE AVAILABLE ON THE ORGANIZATION'S WEBSITE, ANOTHER'S WEBSITE, AND UPON REQUEST |

| Identifier | Return Reference | Explanation |
|---|---|---|
| CHANGES IN NET ASSETS OR FUND BALANCES | FORM 990, PART XI, LINE 5 | NET UNREALIZED LOSSES ON INVESTMENTS -2,303,206 UNREALIZED LOSS ON INTEREST RATE SWAP -682,228 DIRECT FUNDRAISING EXPENSES 16,376 OTHER NON-OPERATING GAIN 3,790 TOTAL TO FORM 990, PART XI, LINE 5 -2,965,268 |

# GIFFORD MEDICAL CENTER, INC.
# AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS
## AND
## INDEPENDENT AUDITORS' REPORT

## FOR THE YEARS ENDED
## SEPTEMBER 30, 2011 AND 2010

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

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2011 AND 2010**

TYLER, SIMMS & ST. SAUVEUR, P.C.
Certified Public Accountants & Business Consultants

# INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Gifford Medical Center, Inc. and Subsidiaries

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gifford Medical Center, Inc. and Subsidiaries as of September 30, 2011 and 2010, and the consolidated results of their operations, changes in their net assets and their consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Tyler, Simms and St. Sauveur, CPAs, P.C.

Lebanon, New Hampshire
December 22, 2011



Tyler Simms & St Sauveur PC • 19 Morgan Drive • Lebanon NH 03766 • Ph 603-653-0044 • Fax 603-653-0209
www.tss-cpa.com

**GIFFORD MEDICAL CENTER, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**SEPTEMBER 30, 2011 AND 2010**

| | 2011 | 2010 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 6,830,594 | $ 4,953,499 |
| Short-term investments | 960,895 | 1,015,041 |
| Patient accounts receivable, net | 8,208,233 | 6,963,230 |
| Other receivables | 260,484 | 182,299 |
| Current portion of pledges receivable, net | 20,381 | 59,406 |
| Inventories | 1,170,763 | 1,035,282 |
| Prepaid expenses | 1,300,846 | 989,988 |
| Total current assets | 18,752,196 | 15,198,745 |
| ASSETS LIMITED AS TO USE | | |
| Internally designated | 16,563,412 | 16,868,561 |
| Long-term investments | 2,333,462 | 2,532,073 |
| Total assets limited as to use | 18,896,874 | 19,400,634 |
| PROPERTY AND EQUIPMENT, net | 25,417,612 | 26,640,357 |
| OTHER ASSETS | | |
| Bond issuance costs, net | 101,169 | 118,268 |
| Intangible assets, net | 22,068 | 25,800 |
| Goodwill | 5,788 | 5,788 |
| Total other assets | 129,025 | 149,856 |
| Total assets | $ 63,195,707 | $ 61,389,592 |
| **LIABILITIES AND NET ASSETS** | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | $ 4,833,896 | $ 4,439,830 |
| Accrued salaries and related amounts | 2,806,372 | 2,588,985 |
| Estimated third-party payor settlements | 404,191 | 42,205 |
| Deferred revenue | 37,966 | 41,077 |
| Interest rate swaps | 3,722,176 | 3,039,948 |
| Current portion of long-term debt | 408,685 | 356,137 |
| Current portion of capital lease obligations | 83,655 | 186,821 |
| Current portion of deferred annuities | 17,157 | 25,998 |
| Total current liabilities | 12,314,098 | 10,721,001 |
| LONG-TERM DEBT, excluding current portion | 19,600,411 | 20,042,302 |
| CAPITAL LEASE OBLIGATIONS, excluding current portion | 6,633 | 96,675 |
| DEFERRED ANNUITIES, excluding current portion | 101,163 | 141,514 |
| LONG-TERM DEFERRED COMPENSATION | 177,681 | 251,555 |
| Total liabilities | 32,199,986 | 31,253,047 |
| COMMITMENTS AND CONTINGENCIES | - | - |
| NET ASSETS | | |
| Unrestricted | 29,510,942 | 28,715,934 |
| Temporarily restricted | 1,015,040 | 950,872 |
| Permanently restricted | 469,739 | 469,739 |
| Total net assets | 30,995,721 | 30,136,545 |
| Total liabilities and net assets | $ 63,195,707 | $ 61,389,592 |

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

**GIFFORD MEDICAL CENTER, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

| | 2011 | 2010 |
|---|---|---|
| Unrestricted revenues, gains and other support | | |
| Net patient service revenue | $ 62,341,416 | $ 57,811,892 |
| Other operating revenues | 1,371,121 | 1,149,226 |
| Net assets released from restrictions used for operations | 255,173 | 130,665 |
| Total operating revenue | 63,967,710 | 59,091,783 |
| Expenses | | |
| Salaries and wages | 28,121,260 | 26,545,581 |
| Employee benefits | 8,621,140 | 7,879,176 |
| Supplies and other | 8,703,340 | 8,310,123 |
| Contracted services | 6,206,343 | 6,133,309 |
| Vermont provider tax | 2,579,970 | 1,725,519 |
| Insurance | 1,138,229 | 1,082,842 |
| Depreciation and amortization | 2,953,808 | 2,778,271 |
| Interest | 1,001,001 | 554,908 |
| Provision for bad debt | 3,029,201 | 2,318,282 |
| Total expenses | 62,354,292 | 57,328,011 |
| Income from operations | 1,613,418 | 1,763,772 |
| Non-operating gains (losses) | | |
| Investment income (loss), net | (440,988) | 1,114,481 |
| Other income (expense) | 3,790 | (12,247) |
| Gain (loss) on disposal of fixed assets | 18,050 | (13,902) |
| Loss on early retirement of bond | - | (150,716) |
| Contributions and program support, net of annuity expenses | 66,415 | 73,966 |
| Total non-operating gains (losses) | (352,733) | 1,011,582 |
| Excess of revenues over expenses | 1,260,685 | 2,775,354 |
| Other changes in unrestricted net assets | | |
| Unrealized loss on interest rate swap | (682,228) | (805,143) |
| Reclassed investment income (loss) on endowed funds | 29,744 | (60,545) |
| Net assets released for capital expenditures | 186,807 | 190,225 |
| | (465,677) | (675,463) |
| Increase in unrestricted net assets | 795,008 | 2,099,891 |
| Unrestricted net assets, beginning of year | 28,715,934 | 26,616,043 |
| Unrestricted net assets, end of year | $ 29,510,942 | $ 28,715,934 |

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

## GIFFORD MEDICAL CENTER, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
## FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

| | 2011 | 2010 |
|---|---|---|
| Unrestricted net assets | | |
| Excess of revenues over expenses | $ 1,260,685 | $ 2,775,354 |
| Reclassed investment income (loss) on endowed funds | 29,744 | (60,545) |
| Unrealized loss on interest rate swap | (682,228) | (805,143) |
| Net assets released for capital expenditure | 186,807 | 190,225 |
| Change in unrestricted net assets | 795,008 | 2,099,891 |
| Temporarily restricted net assets | | |
| Contributions | 535,892 | 196,863 |
| Reclassed investment income (loss) on endowed funds | (29,744) | 60,545 |
| Net assets released from restrictions for operations | (255,173) | (130,665) |
| Net assets released for capital acquisition | (186,807) | (190,225) |
| Change in temporarily restricted net assets | 64,168 | (63,482) |
| Permanently restricted net assets | | |
| Contributions | - | 100,000 |
| Change in permanently restricted net assets | - | 100,000 |
| Change in net assets | 859,176 | 2,136,409 |
| Net assets, beginning of year | 30,136,545 | 28,000,136 |
| Net assets, end of year | $ 30,995,721 | $ 30,136,545 |

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

**GIFFORD MEDICAL CENTER, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

| | 2011 | 2010 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ 859,176 | $ 2,136,409 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Provision for bad debts | 3,029,201 | 2,318,282 |
| Depreciation and amortization | 2,953,808 | 2,778,271 |
| (Gain) loss on disposal of fixed assets | (18,050) | 13,902 |
| Loss on early retirement of bond | - | 150,716 |
| Realized gain on sale of investments | (1,503,273) | (896,629) |
| Change in net unrealized losses on investments | 2,303,206 | 42 |
| Change in value of interest rate swap agreement | 682,228 | 805,143 |
| Change in allowance on pledges receivable | - | (19,399) |
| (Increase) decrease in: | | |
| Patient accounts receivable | (4,274,204) | (2,144,550) |
| Other receivables | (78,185) | (34,525) |
| Inventories | (135,481) | (117,264) |
| Prepaid expenses | (310,858) | (251,412) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 394,066 | (348,467) |
| Accrued salaries and related amounts | 217,387 | 207,727 |
| Estimated third-party payor settlements | 361,986 | (630,083) |
| Deferred revenue | (3,111) | 3,333 |
| Net cash provided by operating activities | 4,477,896 | 3,971,496 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (1,696,082) | (3,105,894) |
| Proceeds from sales of property and equipment | 3,900 | 750 |
| Proceeds from sale of investments | 17,467,922 | 10,181,025 |
| Purchases of investments | (17,709,949) | (10,609,718) |
| Net change in pledges receivable | 39,025 | 83,225 |
| Purchase of intangible asset | - | (26,111) |
| Purchase of goodwill | - | (5,788) |
| Net change in deferred annuities | (49,192) | 18,818 |
| Net cash used in investing activities | (1,944,376) | (3,463,693) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net change in long-term deferred compensation | (73,874) | 14,155 |
| Principal payments on long-term debt | (389,343) | (36,254) |
| Principal payments on capital lease obligations | (193,208) | (187,013) |
| Net cash used in financing activities | (656,425) | (209,112) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,877,095 | 298,691 |
| CASH AND CASH EQUIVALENTS, beginning of year | 4,953,499 | 4,654,808 |
| CASH AND CASH EQUIVALENTS, end of year | $ 6,830,594 | $ 4,953,499 |

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

## GIFFORD MEDICAL CENTER, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## SEPTEMBER 30, 2011 AND 2010

### 1. BUSINESS ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### BUSINESS ORGANIZATION:

Nature of Business – Gifford Medical Center, Inc. (Hospital) is a not-for-profit organization incorporated under the laws of the State of Vermont for the purpose of providing health care services. The Hospital is a 25-bed hospital, providing general and specialty services and has a hospital-based 30-bed nursing home unit. In addition to the clinical offices located on the Hospital's main campus in Randolph, Vermont, the Hospital operates community health care centers located in Bethel, Chelsea, Rochester, Sharon, Berlin and White River Junction, Vermont.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting – The financial statements, which are presented on the accrual basis of accounting, have been prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. Under FASB ASC Topic 958, all not-for-profit organizations are required to provide a balance sheet, a statement of operations and a statement of cash flows. ASC Topic 958 requires reporting amounts for the Hospital's total assets, liabilities and net assets in a balance sheet; reporting the change in an organization's net assets in a statement of operations; and reporting the change in its cash and cash equivalents in a statement of cash flows.

ASC Topic 958 also requires net assets and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted and unrestricted – be displayed in a balance sheet and that the amounts of change in each of those classes of net assets be displayed in a statement of operations.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of Gifford Medical Center, Inc. and its subsidiaries, Elder Care and the Foundation (collectively referred to as the Organization). All significant intercompany balances and transactions have been eliminated in consolidation.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

## 1. BUSINESS ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Use of Estimates – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include highly liquid investments purchased with an original maturity of three months or less, excluding amounts whose use is limited by the board designation or debt agreements.

Patient Accounts Receivable – Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Standard charges for services to patients are recorded as revenue when services are rendered. Provisions are made in the accounts for estimated uncollectible amounts based on experience and any unusual circumstances, which may affect the ability of patients to meet their obligations.

Investments and Investment Income – 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 and unrealized losses on investments, interest and dividends) is included in excess of revenues over expenses and non-operating gains (losses) unless the income is restricted by donor or law.

The Hospital adopted ASC Topic 825, effective October 1, 2008, relative to its investments to consolidate all investment performance activity from unrestricted investments within the non-operating gains (losses) section of the statement of operations.

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

Assets Limited as to Use – Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and which it may at its discretion subsequently use for other purposes, and assets set aside under debt indenture agreements.

## 1. BUSINESS ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Donor-Restricted Gifts – Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications to intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Property and Equipment – Additions to property and equipment are capitalized at cost or fair market value at the time of donation. Expenditures for repairs and maintenance are expensed when incurred and betterments are capitalized. The Hospital's policy is to capitalize betterments greater than $3,500 with a useful life greater than 3 years. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the asset's useful life. Such amortization is included in depreciation and amortization in the financial statements.

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

Financing Costs – The costs incurred to obtain long-term financing are being amortized by the straight-line method, which approximates the bonds outstanding method; over the repayment period of the related debt.

Interest Rate Swap – The Hospital uses an interest rate swap contract to mitigate the cash flow exposure of interest rate movements on variable-rate debt. The Hospital has adopted FASB ASC Topic 815, *Accounting for Derivative Instruments and Hedging Activities*, to account for its interest rate swap contract. The interest rate swap contract has not been designated as a cash flow hedge and thus is included within non-operating gains (losses).

## 1. BUSINESS ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Net Patient Service Revenue – The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts to be received from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Changes in these estimates are reflected in consolidated financial statements in the year in which they occur.

Charity Care – The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Excess of Revenues Over Expenses – The consolidated statements of operations includes excess of revenues over expenses. Effective in fiscal year 2009, the Organization adopted ASC Topic 825 (formerly SFAS No. 159). With the adoption of Topic 825, unrealized gains and losses on investments are now included in non-operating gains in the accompanying consolidated statements of operations. Changes in unrestricted net assets, which are excluded from this measure consistent with industry practice, include the change in unrealized gains and losses on investments and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets) and changes in the value of the interest rate swap agreements are excluded from excess of revenues over expenses, consistent with industry practices.

Income Taxes – The Hospital, Elder Care and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (Code), and are, therefore, exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

## 1. BUSINESS ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Functional Expenses – The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services were as follows for the years ended September 30:

| | 2011 | 2010 |
|---|---|---|
| Health care services | $ 34,732,126 | $ 32,983,058 |
| General and administrative | 27,234,377 | 23,959,105 |
| Fundraising | 387,789 | 385,848 |
| | $ 62,354,292 | $ 57,328,011 |

Reclassifications – Certain amounts in the 2010 consolidated financial statements have been reclassified to conform to the current year's presentation.

## 2. RECENT ACCOUNTING PRONOUNCEMENTS:

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Fair Value Measurement and Disclosure Topic 820 – Improving Disclosures about Fair Value Measurement.* Update 2010-06 provides guidance clarifying certain existing fair value measurement disclosure requirements and provides for additional fair value measurement disclosures. Specifically, the guidance clarifies that assets and liabilities must be assigned levels by major class of asset or liability. Additionally, the guidance requires disclosures about valuation techniques and the pertinent inputs utilized in those techniques for the particular assets and liabilities classified as Level II or Level III instruments. The guidance was effective for years beginning after December 15, 2010. The adoption of this guidance did not have a material impact on the Organization's financial statements.

In July 2011, the FASB issued Accounting Standards Update (ASU) No. 2010-07, *Health Care Entities Topic 954 – Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities.* The amendments in the ASU require that health care entities change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowance and discounts). Additionally, health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient services revenue (net of contractual allowances and discounts), as well as qualitative and quantitative information about change in

## 2. RECENT ACCOUNTING PRONOUNCEMENTS (continued):

the allowance for doubtful accounts. The amendments are effective for periods ending after December 15, 2012, with early adoption permitted. The Organization adopted the provisions of ASU 2010-07 during 2011 (see Note 8).

In August 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-23, *Health Care Entities Topic 954 – Measuring Charity Care for Disclosure*. The amendments in the ASU require that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing charity care. Amendments in this ASU also require disclosure of the method used to identify or determine such costs. The amendments in this ASU are effective for fiscal years beginning after December 15, 2010.

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Fair Value Measurement and Disclosure Topic 820 – Amendments to Achieve Common Fair Value Measurement and Disclosure Required in U.S. GAAP and IFRS.* Update 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurement. Some of the amendments included in 2011-04 clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. In addition, 2011-04 clarifies specific disclosure requirements of Topic 820 that will not pertain to nonpublic entities, including information about transfers between Level I and Level II instruments, information about the sensitivity of fair value measurement for Level III instruments to changes in unobservable inputs, and the categorization in the fair value hierarchy of those items not presented at fair value on the statement of financial position but for which disclosure of fair value would otherwise be required. Update 2011-04 is effective for years beginning after December 15, 2011.

## 3. NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE:

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

**Medicare**- Effective June 1, 2001, the Hospital was granted Critical Access Hospital (CAH) status. Under CAH, the Hospital is reimbursed reasonable allowable cost for its inpatient acute, swing/sub-acute and outpatient services provided to Medicare patients. CAHs can provide outpatient, emergency and limited inpatient services and receive reasonable cost for their services. The program requires the Organization to have an average length of stay limit of 96 hours, be part of a network with one acute care hospital

3. NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE (continued):

and have no more than 25 inpatient beds that can be used for either acute or skilled nursing facility level of care. The nursing home unit is not impacted by the CAH designation. Medicare has implemented a prospective payment system for nursing facilities in accordance with the Balanced Budget Act of 1997. Providers of care to nursing facility residents eligible for "Part A" Medicare benefits are paid on a prospective basis, with no retrospective settlement. The prospective payment is based on the scoring attributed to the acuity level of the resident at a rate determined by Federal guidelines.

The physician practices are reimbursed predominately on a fee schedule basis. The Medicare fiscal intermediary has audited the Hospital's Medicare cost reports through 2009.

**Medicaid**- Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined rates are not subject to retroactive adjustment. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a combination of fee schedule and rates paid under an ambulatory payment classification system with no retroactive settlements. All of the Hospital's Medicaid cost reports have been audited by the fiscal intermediary through 2009. The Hospital's nursing facility is reimbursed on a prospectively determined per diem rate.

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

Revenue from the Medicare program accounted for approximately 33 percent of the Hospital's gross patient revenue for the year ended 2011. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2011 net patient service revenue increased approximately $414,000 due to adjustments to allowances previously estimated that are no longer necessary as a result of final settlements and adjustments based upon filed cost reports.

## 3. NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE (continued):

Patient service revenue and contractual and other allowances for the years ended September 30 are as follows:

| | 2011 | 2010 |
|---|---|---|
| Gross patient service revenue | $ 100,468,144 | $ 95,189,702 |
| Less provision for: | | |
| Contractual adjustments under third-party reimbursement programs | 37,408,265 | 36,676,530 |
| Charity care and other discounts | 718,463 | 701,280 |
| | 38,126,728 | 37,377,810 |
| Net patient service revenue | $ 62,341,416 | $ 57,811,892 |
| Patient accounts receivable | $ 13,709,351 | $ 11,863,776 |
| Estimated contractual allowances | (3,954,150) | (3,484,293) |
| Estimated allowance for doubtful accounts | (1,546,968) | (1,416,253) |
| Patient accounts receivable, net | $ 8,208,233 | $ 6,963,230 |

## 4. COMMUNITY BENEFIT:

The Hospital's charity care program is designed to assist those patients who are either uninsured, underinsured or have limited financial resources that impact their ability to fully pay for their hospital care. Before completing an application for charity care, patients are first asked to investigate whether or not they may be eligible for Medicare, Medicaid, Veteran's Benefits or other governmental or public assistance programs.

The Hospital's qualifications for charity care are as follows:

- Charity care is limited to medically necessary services.
- Patient's family income must be at or below 300% of the current Federal Poverty Income Guidelines for their applicable family size.

## 4. COMMUNITY BENEFIT (continued):

Total charity care provided, net of payments from patients, was $718,463 and $701,280 for the years ended September 30, 2011 and 2010, respectively. During the years ended September 30, 2011 and 2010, payments received from patients were $14,889 and $31,139, respectively.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies and equivalent service statistics. The following information measures the level of the charity care provided during the years ended September 30:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| Inpatient | 58 | 3.2% | 52 | 2.9% |
| Outpatient | 1,768 | 96.8% | 1,726 | 97.1% |
| Total | 1,826 | 100.0% | 1,778 | 100.0% |

The total inpatient days of care for charity care as a percent of total days of care account for .40% and .76% as of September 30, 2011 and 2010, respectively. The total outpatient and clinic visits for charity care as a percent of total outpatient and clinic visits account for .59% and .60% as of September 30, 2011 and 2010, respectively.

In addition, the Hospital also incurred losses in the treatment of Medicare and Medicaid patients. Both of these government programs reimburse for medical services at less than billed charges to provide these services. The Hospital incurred the following contractual losses during the years ended September 30:

| | 2011 | 2010 |
|---|---|---|
| Inpatient and outpatient services: | | |
| Medicare | $ 13,751,000 | $ 13,854,000 |
| Medicaid | 12,705,000 | 12,181,000 |
| | $ 26,456,000 | $ 26,035,000 |

In summary, total and tangible value of community benefits provided by the Hospital was approximately $27,174,000 for 2011 and $26,736,000 for 2010. The Hospital also provided benefits upon which no monetary value can be placed.

## 5. INVENTORIES:

The major classes of inventories are stated at the lower of cost or market on a first-in, first-out basis as follows:

| | 2011 | 2010 |
|---|---|---|
| Operating room | $ 796,202 | $ 740,793 |
| Central supplies and other | 151,082 | 120,620 |
| Pharmacy | 58,469 | 55,232 |
| Laboratory | 33,173 | 29,620 |
| Nursing | 36,576 | 14,641 |
| Clinics | 95,261 | 74,376 |
| | $ 1,170,763 | $ 1,035,282 |

## 6. PROPERTY AND EQUIPMENT:

A summary of property and equipment follows:

| | 2011 | 2010 |
|---|---|---|
| Land | $ 542,114 | $ 542,114 |
| Land improvements | 2,437,719 | 2,391,862 |
| Buildings | 25,202,453 | 24,957,010 |
| Leasehold improvements | 288,743 | 285,093 |
| Fixed equipment | 6,996,054 | 6,846,673 |
| Major moveable equipment | 16,451,532 | 15,378,615 |
| Other assets | 126,055 | 112,952 |
| Construction-in-progress | 249,275 | 171,729 |
| | 52,293,945 | 50,686,048 |
| LESS: Accumulated depreciation | (26,876,333) | (24,045,691) |
| | $ 25,417,612 | $ 26,640,357 |
| Depreciation expense | $ 2,936,709 | $ 2,769,321 |
| Amortization expense | 17,099 | 8,950 |
| | $ 2,953,808 | $ 2,778,271 |

## 6. PROPERTY AND EQUIPMENT (continued):

Construction-in-progress consisted of the following as of September 30, 2011:

| | 2011 | Estimated Cost to Complete | Expected Completion Date |
|---|---|---|---|
| Electronic Medical Records | $ 149,123 | $ 700,000 | Ongoing |
| Nursing Home | 35,294 | 10,130,000 | 2013 |
| MOB Air Handling | 975 | 124,000 | 2012 |
| Salt Shed Replacement | 230 | 34,700 | 2012 |
| CPSI Modules | 500 | unknown | unknown |
| Monitors for PACU | 63,153 | 78,000 | 2012 |
| | $ 249,275 | | |

## 7. PLEDGES RECEIVABLE:

The Organization's pledges receivable consist of unconditional promises for contributions receivable in subsequent years. The following represents amounts promised to be contributed to the Organization during the years ended September 30:

| | 2011 | 2010 |
|---|---|---|
| In less than one year | $ 23,381 | $ 62,406 |
| | 23,381 | 62,406 |
| Less allowance for uncollectible pledges | (3,000) | (3,000) |
| Less net present value allowance | - | - |
| | $ 20,381 | $ 59,406 |

## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following method and assumptions were used in estimating the fair value of financial instruments:

Cash and cash equivalents – The carrying amount reported in the balance sheet for cash and cash equivalents approximates fair value due to its short-term nature.

## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued):

Patient accounts receivable – Gross patient accounts receivable net of allowances as reported in the balance sheet approximates fair value due to its short-term nature.

Internally designated investments and assets limited as to use – Fair values are based on quoted market prices.

Accounts payable and accrued expenses – The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates fair-value due to its short-term nature.

Due to third-party payors – The carrying amount reported in the balance sheet for amounts due to third-party payors approximates fair-value due to its short-term nature.

Interest rate swap – The fair value of the Organization's interest rate swap is based on quoted market interest rates.

Investments consisted of the following as of September 30:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | COST | MARKET | COST | MARKET |
| Cash and cash equivalents | $ 698,814 | $ 698,814 | $ 1,446,735 | $ 1,446,735 |
| Certificate of deposit | 1,001,611 | 1,001,611 | 978,555 | 978,555 |
| Corporate bonds | 1,741,261 | 1,724,783 | - | - |
| Mutual funds | 5,622,654 | 5,699,980 | 5,830,939 | 6,624,397 |
| Marketable equity securities | 11,639,986 | 10,471,318 | 10,632,739 | 11,044,623 |
| U.S. Government obligations | 228,725 | 261,263 | 298,427 | 321,365 |
| | $ 20,933,051 | $ 19,857,769 | $ 19,187,395 | $ 20,415,675 |

FASB ASC Topics 820 and 825 (formerly SFAS No. 157 and 159) prioritize, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued):

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include listed equities held in the name of the Hospital, and exclude listed equities and other securities held indirectly through commingled funds.

- Level II – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

- Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Judgment about inputs into the determination of fair value shall be developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of September 30, 2011 by FASB ASC Topics 820 and 825 (formerly SFAS No. 157 and 159) valuation hierarchy defined above:

| | Level I | Level II | Level III | Fair Value |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 698,814 | $ - | $ - | $ 698,814 |
| Certificate of deposit | 1,001,611 | - | - | 1,001,611 |
| Corporate bonds | 1,724,783 | - | - | 1,724,783 |
| Mutual funds | 5,699,980 | - | - | 5,699,980 |
| Marketable equity securities | 10,471,318 | - | - | 10,471,318 |
| U.S. Government obligations | 261,263 | - | - | 261,263 |
| Total assets at fair value | $ 19,857,769 | $ - | $ - | $ 19,857,769 |
| **Liabilities** | | | | |
| Interest rate swap | $ - | $ 3,722,176 | $ - | $ 3,722,176 |
| Total liabilities at fair value | $ - | $ 3,722,176 | $ - | $ 3,722,176 |

## 9. LONG-TERM DEBT:

In August 2010, the Organization, in conjunction with the Vermont Educational and Health Building Financing Agency, (the "Agency"), issued $20,430,000 of tax-exempt revenue bonds (2010 Series A) to extinguish the existing 2006 Series A bonds and to pay certain costs incurred in the authorization and issuance of the bonds. Pursuant to the debenture agreement, the Organization has granted the Agency a security interest in gross receipts. Proceeds in the amount of $20,315,000 were utilized to extinguish the 2006 Series A bonds. Accordingly, the Organization wrote off $150,716 of unamortized bond financing costs related to the 2006 Series A bond, and recognized it as Loss on Early Retirement of Bond in the in the accompanying Consolidated Statements of Operations.

In May 2006, the Organization, in conjunction with the Vermont Educational and Health Building Financing Agency (the "Agency"), issued $20,315,000 of tax-exempt revenue bonds (2006 Series A) to finance the Organization's capital projects, to extinguish the 2003 Series A bonds and to pay certain costs incurred in the authorization and issuance of the bonds. Pursuant to the debenture agreement, the Organization granted the Agency a security interest in gross receipts and certain monies held by the Bond Trustee. Further, payment of principal on the bonds was supported by an irrevocable letter of credit with a financial institution. The bond was retired in conjunction with the issuance of the 2010 Series A Bonds.

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

| | 2011 | 2010 |
|---|---|---|
| Vermont Educational and Health Buildings Financing Agency daily variable rate (2.12% at September 30, 2011) 2010 Series A hospital revenue bonds. The bonds mature in September 2030, but contain a 7-year put provision allowing a redemption option by the Agency in September 2017 and 2024. The face amount of the bond is $20,430,000 and is payable in monthly installments. | $ 20,009,096 | $ 20,398,439 |
| Less current portion | 408,685 | 356,137 |
| Long-term debt, excluding current portion | $ 19,600,411 | $ 20,042,302 |

Under the terms of the revenue bond indenture, the Hospital is required to maintain certain deposits with a trustee. Such assets are included in assets limited as to use on the accompanying consolidated balance sheets. The indenture agreement also places limits on the incurrence of additional borrowings and requires that the Organization satisfy certain measures of financial performance as long as the bonds are outstanding. As of September 30, 2011, the Organization was in compliance with the bond covenants.

## 9. LONG-TERM DEBT (continued):

Swap Agreements – Cash flow hedges that use simple derivatives to offset the variability of expected future cash flows. Management uses derivative instruments in concert with other techniques to reduce or eliminate the risk of fluctuation in interest rates, and prohibits the use of derivatives for speculative activities. The Organization had two interest rate swap agreements on the 2006 Series A bonds. Under the terms of the first interest rate swap, the Organization paid a fixed rate of 3.774% on the outstanding balance of the bonds. The second interest rate swap enhanced the mechanics of the first interest rate swap by referencing a longer-term LIBOR index. The 2006 Series A bonds were retired in conjunction with the issuance of the 2010 Series A bonds. As a result of the new bond issuance, the fixed interest rate swap transferred to the 2010 Series A bonds at a fixed interest rate of 3.774%. Under FASB ASC Topic 815 (formerly SFAS No. 133), *Accounting for Derivative Instruments and Hedging Activities*, the interest rate swap agreements qualify as cash flow hedges. Based on retroactive and prospective performance, the interest rate swap agreements have been effective in hedging the variability of the expected future cash flows. As a result, in accordance with Topic 815, the Organization recorded a liability for the interest rate swap agreements as a change in unrestricted net assets of $3,722,176 and $3,039,948 for the years ended September 30, 2011 and 2010, respectively.

Scheduled principal repayments on long-term debt for the next five years and thereafter are as follows:

| | |
|---|---|
| 2012 | $ 408,685 |
| 2013 | 430,973 |
| 2014 | 453,429 |
| 2015 | 477,054 |
| 2016 | 501,911 |
| Thereafter | 17,737,044 |
| | $ 20,009,096 |

## 10. CAPITAL LEASE OBLIGATIONS:

The Hospital leases certain equipment under capital lease obligations. A summary of the capital lease obligations as of September 30 is as follows:

| | 2011 | 2010 |
|---|---|---|
| Capital lease obligation, with an interest rate imputed at 8.57%, due in monthly installments of $7,459, through August 2011, collateralized by equipment. | $ 3,082 | $ 74,922 |
| Capital lease obligation, with an interest rate imputed at 7.75%, due in monthly installments of $9,968, through May 2012, collateralized by equipment. | 68,013 | 177,706 |
| Capital lease obligation, with an interest rate imputed at 7.33%, due in monthly installments of $1,129, through March 2013, collateralized by equipment. | 19,193 | 30,868 |
| | 90,288 | 283,496 |
| Less current portion | 83,655 | 186,821 |
| Capital lease obligations, excluding current portion | $ 6,633 | $ 96,675 |

Scheduled payments on capital lease obligations are as follows:

| | |
|---|---|
| 2012 | $ 84,646 |
| 2013 | 6,775 |
| | 91,421 |
| Less amount representing interest under capital lease obligations | 1,133 |
| | 90,288 |
| Less current portion | 83,655 |
| Capital lease obligation, excluding current portion | $ 6,633 |

During 2007, the Hospital entered into an agreement with a leasing company that allows for the purchase of up to $1.5 million in major moveable equipment. Purchases under this agreement qualify as capital lease obligations. Availability for purchases related to the agreement was $779,924 at September 30, 2011.

## 11. SPLIT INTEREST ANNUITIES:

The Organization administers various charitable gift annuities. A gift annuity provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term. At the end of the annuity's term, the remaining assets are available for the Organization's use. The portion of the gift attributable to the present value of the future benefits to be received by the Organization is recorded in the statement of changes in net assets as a temporarily restricted contribution in the period the trust is established. Such contributions totaled $20,000 and $39,624 in 2011 and 2010, respectively. The present value of the estimated future payments ($118,320 at September 30, 2011) is calculated using effective interest rates ranging from 4.0% to 8.8%. The corresponding asset to satisfy the future payments was $202,883 and $202,324 in 2011 and 2010, respectively.

## 12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes at September 30:

| | 2011 | 2010 |
|---|---|---|
| Health care services and capital | $ 241,983 | $ 148,071 |
| Unexpended income from permanently restricted funds | 773,057 | 802,801 |
| | $ 1,015,040 | $ 950,872 |

Permanently restricted net assets are restricted to the following at September 30:

| | 2011 | 2010 |
|---|---|---|
| Investments to be held in perpetuity, the income from which is expendable to support: | | |
| Indigent care | $ 227,585 | $ 227,585 |
| Community outreach initiatives | 12,604 | 12,604 |
| Nursing | 35,025 | 35,025 |
| Buildings and maintenance | 40,996 | 40,996 |
| Operations | 53,529 | 53,529 |
| Unrestricted | 100,000 | 100,000 |
| | $ 469,739 | $ 469,739 |

## 13. ENDOWMENT:

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Hospital to retain as a fund of perpetual duration.

Return Objectives and Risk Parameters – The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Spending Policy and How the Investment Objectives Relate to the Spending Policy – The Hospital's policy is to appropriate for distribution each year 4 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Hospital considered the long-term expected return on its endowment. Accordingly, over the long term, the Hospital expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the Hospital's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund as of September 30, 2011 –

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 773,057 | $ 469,739 | $ 1,242,796 |
| Board-designated endowment funds | 2,510,217 | - | - | 2,510,217 |
| Total funds | $ 2,510,217 | $ 773,057 | $ 469,739 | $ 3,753,013 |
| Endowment net assets, beginning of year | $ 2,564,090 | $ 802,801 | $ 469,739 | $ 3,836,630 |
| Investment return: | | | | |
| Investment income | 62,650 | 28,573 | - | 91,223 |
| Net appreciation (realized and unrealized) | (116,523) | (58,317) | - | (174,840) |
| Total investment return | (53,873) | (29,744) | - | (83,617) |
| Contributions | - | - | - | - |
| Appropriation of endowment assets for expenditure | - | - | - | - |
| Other changes: | | | | |
| Transfers to remove board-designated endowment funds | - | - | - | - |
| Endowment net assets, end of year | $ 2,510,217 | $ 773,057 | $ 469,739 | $ 3,753,013 |

## 14. CONCENTRATION OF CREDIT RISK:

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

| | 2011 | 2010 |
|---|---|---|
| Medicare | 32% | 29% |
| Medicaid | 15% | 18% |
| Commercial | 24% | 29% |
| Blue Cross | 24% | 14% |
| Self pay | 5% | 10% |
| | 100% | 100% |

The Hospital maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes it is not exposed to any significant risk on cash and cash equivalents.

## 15. COMMITMENTS AND CONTINGENCIES:

Professional Liability Insurance – The Organization is covered under a claims-made medical malpractice insurance policy. Should the policy not be renewed or replaced with equivalent insurance, claims based on occurrence during its term but reported subsequently would be uninsured. The Organization intends to renew coverage on a claims made basis and anticipates that such coverage will be available. The possibility exists, which is a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the Organization. As of September 30, 2011 and 2010, no such claims were known to exist. The Organization has recorded a tail coverage accrual for current services rendered by certain professionals that may result in future claims. At September 30, 2011 and 2010, the Organization had $739,177 and $624,560, respectively, recorded as a liability in accrued expenses in the accompanying consolidated balance sheet related to tail coverage.

Operating Leases – The Organization leases various equipment and facilities under operating leases expiring at various dates through 2017. Total rental expense was $544,193 and $727,114 for the years ended September 30, 2011 and 2010, respectively.

## 15. COMMITMENTS AND CONTINGENCIES (continued):

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2011, that have initial or remaining lease terms in excess of one year:

| | |
|---|---|
| 2012 | $ 431,486 |
| 2013 | 294,976 |
| 2014 | 199,339 |
| 2015 | 122,349 |
| 2016 | 122,349 |
| Thereafter | 81,566 |
| Total future minimum lease payments | $ 1,252,065 |

Litigation – In the normal course of business, the Hospital may be involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or results from operations.

During 2011, the Hospital settled a contract dispute with another hospital where the Hospital agreed to pay $350,000 to that organization in accordance with the arbitration agreement.

During 2011, the Hospital had notified the State of Vermont of inaccuracies included in their disproportionate share and tax formulas. As of September 30, 2011, the Hospital was still negotiating with the State on a favorable settlement.

Self-Funded Health Insurance – The Hospital entered into a service agreement with MVP Select Care, Inc. during February of 2011. The service agreement establishes the Hospital as being self-funded for employee health benefits. The Hospital has the discretionary authority and control over the operation and management of the plan including the right to terminate or amend the plan when deemed necessary. MVP will provide administrative services for the Hospital under the provisions outlined in the service agreement. As of September 30, 2011, the Hospital has recorded a liability of $739,177 for medical payments.

Construction – The Board of Trustees voted in November to approve Phase I of a long-term strategic plan to construct a 30-bed nursing home and renovation of other facilities. The total cost of the construction is estimated at $10.1 million and is expected to be complete in fiscal year 2013.

340B Drug Purchasing Program – As part of the Patient Protection and Affordable Care Act (PPACA), critical access hospitals are now able to access the 340B Drug Pricing Program. The Act permits eligible entities to access significant discounts on drugs purchased through the 340B program. During 2011, the Hospital accessed this program and has arrangements with local pharmacies and a company to administer the program.

## 16. RENTAL INCOME:

The Hospital is a lessor of real estate and equipment under various operating leases. Future rental income due under non-cancelable leases with remaining lease terms in excess of one year as of September 30, 2011 are as follows:

| | |
|---|---|
| 2012 | $ 54,371 |
| 2013 | 38,880 |
| 2014 | 38,880 |
| 2015 | 6,480 |
| 2016 | 6,480 |
| Thereafter | - |
| | $ 145,091 |

## 17. CASH FLOW INFORMATION:

The Hospital paid interest in the amount of $1,001,001 and $554,908 during the years ended September 30, 2011 and 2010, respectively.

## 18. PENSION PLAN AND DEFERRED COMPENSATION:

The Hospital adopted a defined contribution pension plan covering all employees meeting age and service requirements. The plan provides for immediate vesting of all eligible employees. The Hospital's policy is to fund pension costs at the rate of 4% of the gross wages paid to eligible employees. In 2011 and 2010, the Board of Trustees approved an additional 1% of matching contributions to eligible employees. Contributions for the years ended September 30, 2011 and 2010 were $996,345 and $1,007,580, respectively, and are included in employee benefits expense in the consolidated statements of operations. Included in accrued expenses is an accrual for the pension plan to fund employer matching contributions that are due the plan. The total accrual for matching funds included in accrued expenses was $15,000 as of September 30, 2010.

In addition, the Organization adopted a 457(f) Deferred Compensation Plan during 2006. The Plan allows for individual contributions for certain employees. A liability of $177,681 and $251,555 has been recorded on the accompanying consolidated balance sheet related to this plan for 2011 and 2010, respectively.

## 19. RELATED PARTY TRANSACTIONS:

The Gifford Hospital Auxiliary, Inc. (Auxiliary) was established to provide funds to support the operation of the Hospital. The Auxiliary's bylaws provide that the proceeds from fundraising activities shall be expended for purposes jointly approved by the Board of Trustees of the Hospital and the Board of Directors of the Auxiliary. The Auxiliary made a $300,000 pledge to the Hospital during fiscal year 2006. The amount paid to the Hospital as a pledge payment was $30,000 in 2011 which fulfilled the total amount pledged. In 2011, the Auxiliary contributed $79,860 to other purposes approved by the Board of Trustees.

During 2009, the Hospital, with two other Vermont hospitals formed a not-for-profit organization, Vermont Hospital Shared Service Network (VEHSSN). The group's purpose is to add value through reduced expenses and improved quality by joint negotiation of purchasing medical insurance, shared services with information technology and cooperative recruitment and staffing of physicians and allied health professionals and to identify other opportunities to enhance service, quality and productivity. The Hospital's initial investment into VEHSSN was $10,000. During the year ended September 30, 2011, the Hospital expensed $15,000 for dues, $23,333 for a benefit package related to the Organization and $15,000 related to executive director compensation. During the year ended September 30, 2009, the initial investment of $10,000 was expensed on the Hospital's books for legal expenses that were incurred during the formation.

During 2011, the Hospital became the beneficiary of a life insurance policy on an officer of the Hospital. The face amount of the policy is $1,797,000. The annual premium of $26,734 has been paid and is included in prepaid assets and insurance expense. As of September 30, 2011, the policy has not recognized a cash surrender value.

## 20. HEALTH CARE IMPROVEMENT TAX:

Effective July 1, 1991, a health care improvement tax was imposed on hospitals, nursing homes and home health agencies as part of a program to upgrade services in Vermont. The State of Vermont pays the Hospital with funds received from the health care improvement trust fund and federal matching funds. Hospitals in Vermont are assessed a certain percentage of net patient service revenue which is determined annually by the General Assembly. The following tax was paid and disproportionate share funds received as of September 30:

| | 2011 | 2010 |
|---|---|---|
| Disproportionate share | $ 560,302 | $ 975,804 |
| Medicaid assessment expensed | 2,579,970 | 1,725,519 |
| | $ (2,019,668) | $ (749,715) |

## 21. SUBSEQUENT EVENTS:

These statements have been prepared in accordance with FASB ASC Subtopic 855-50, *Subsequent Events*. Subtopic 855-50 requires the Hospital to recognize the effect of events that occur after the balance sheet date, September 30, 2011, but before the financial statements are available to be issued only if they provide additional evidence about a condition that existed as of September 30, 2011. In addition, Subtopic 855-50 requires disclosure consideration of significant subsequent events related to conditions that did not exist as of the balance sheet date but in effect make the financial statements misleading if not disclosed to the user. In addition, Subtopic 855-50 requires the Hospital to disclose the date at which the financial statements were issued or were made available for issue (December 22, 2011) and how the date was determined.

The Hospital has reviewed events occurring after September 30, 2011 through December 22, 2011, the date the board of trustees accepted the final draft of the financial statements and made them available to be issued. The Hospital does not believe that any events requiring recognition have occurred between the period of September 30, 2011 and the report date, December 22, 2011. The Hospital has not reviewed events occurring after the report date for their potential impact on the information contained in these financial statements.