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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

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning OCT 1, 2011 and ending JUN 30, 2012

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

C Name of organization
THE CHESHIRE MEDICAL CENTER

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address) 580 COURT STREET

Room/suite

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

F Name and address of principal officer ARTHUR NICHOLS
SAME AS C ABOVE

D Employer identification number
02-0354549

E Telephone number
(603) 354-5400

G Gross receipts $ 120,284,189.

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW.CHESHIRE-MED.COM

K Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation: 1980 **M** State of legal domicile: NH

Part I Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities: THE PRIMARY PURPOSE OF THE CHESHIRE MEDICAL CENTER IS TO ENSURE ACCESS TO QUALITY HEALTH CARE		
	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	18
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	17
	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	1125
	6	Total number of volunteers (estimate if necessary)	6	215
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	175,719.
	b	Net unrelated business taxable income from Form 990-T, line 34	7b	<106,173.>

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	733,247.	516,909.
	9	Program service revenue (Part VIII, line 2g)	148,687,291.	115,775,671.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,029,747.	637,151.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,277,877.	3,354,458.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	153,728,162.	120,284,189.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0.	0.
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	62,719,447.	46,503,524.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	91,101,239.	73,879,547.
	18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	153,820,686.	120,383,071.
	19	Revenue less expenses Subtract line 18 from line 12	<92,524.>	<98,882.>

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	127,769,556.	130,251,331.
	21	Total liabilities (Part X, line 26)	80,428,389.	79,483,485.
	22	Net assets or fund balances. Subtract line 21 from line 20	47,341,167.	50,767,846.

RECEIVED
NOV 14 2012
OGDEN, UT

SCANNED NOV 28 2012

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

▶ Signature of officer — Date 11/5/12

▶ JILL BATTY, CHIEF FINANCIAL OFFICER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name: MICHAEL A. BARBARITA, CPA	Preparer's signature	Date: 10/29/12	Check ☐ if self-employed	PTIN: P00801253
Firm's name ▶ WILLIAM STEELE & ASSOCIATES, P.C.			Firm's EIN ▶	02-0383073
Firm's address ▶ 40 STARK STREET MANCHESTER, NH 03101			Phone no.	(603)622-8881

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

SEE SCHEDULE O FOR ORGANIZATION MISSION STATEMENT CONTINUATION

9-17

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III [X]

1 Briefly describe the organization's mission:
THE PRIMARY PURPOSE OF THE CHESHIRE MEDICAL CENTER IS TO ENSURE ACCESS TO QUALITY HEALTH CARE SERVICES TO ALL RESIDENTS OF THE MONADNOCK REGION. THE ORGANIZATION'S CHARITABLE MISSION IS ENHANCED THROUGH THE OPERATION OF A JOINT OPERATING PARTNERSHIP AGREEMENT WITH THE

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 [X] 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 [X] No
If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured 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 $ 108,792,663. including grants of $ _____) (Revenue $ 117,395,955.)
THE CHESHIRE MEDICAL CENTER IS A COMMUNITY HEALTH CARE ORGANIZATION SERVING AS A REGIONAL REFERRAL CENTER FOR KEENE AND THE SURROUNDING SERVICE AREA. IT IS FULLY COMMITTED TO MEETING THE HEALTH CARE NEEDS OF THESE COMMUNITIES AND PROVIDING ACCESS TO QUALITY HEALTH CARE SERVICES AND PROGRAMS. AS A NON-PROFIT CORPORATION, THE CHESHIRE MEDICAL CENTER ACKNOWLEDGES ITS COMMITMENT TO PROVIDE SERVICES TO THE COMMUNITY. THESE SERVICES ARISE PRIMARILY FROM THE FOUR FOLLOWING GENERAL SERVICE CATEGORIES. 1) SUBSIDIZATION OF GOVERNMENT-SPONSORED HEALTHCARE PROGRAMS - PRINCIPALLY MEDICARE AND MEDICAID. 2) SPONSORSHIP AND/OR SUBSIDIZATION OF HEALTH-RELATED COMMUNITY SERVICES AND EDUCATIONAL PROGRAMS. 3) PROVISION OF HEALTHCARE AT NO CHARGE OR REDUCED CHARGE, ACCORDING TO FINANCIAL NEED. 4) PROVISION OF 24-HOUR

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

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

4d Other program services (Describe in Schedule O.)
(Expenses $ _____ including grants of $ _____) (Revenue $ _____)

4e **Total program service expenses** ▶ 108,792,663.

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	X	
2	Is the organization required to complete *Schedule B, Schedule of Contributors*?	2	X	
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		X
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	X	
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		X
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which 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		X
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		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
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		X
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	X	
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, line 10? *If "Yes," complete Schedule D, Part VI*	11a	X	
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	X	
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		X
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		X
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	X	
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		X
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	X	
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	X	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		X
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b	X	
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 United States? *If "Yes," complete Schedule F, Parts II and IV*	15		X
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 United States? *If "Yes," complete Schedule F, Parts III and IV*	16		X
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*	17		X
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		X
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		X
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	X	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	X	

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		X
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		X
23	Did the organization answer "Yes" to Part VII, Section A, line 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	X	
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 through 24d and complete Schedule K. If "No", go to line 25*	24a	X	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		X
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		X
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		X
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		X
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		X
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		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	27		X
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		X
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		X
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		X
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
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		X
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		X
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	X	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		X
b	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*	35b		X
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		X
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		X
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	X	

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	197		
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	X	
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	1125		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b	X	
	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	X	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b	X	
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		X
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		X
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5b		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5c		
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		6a		X
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?		6b		
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?				
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		X
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		X
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		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		X
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?		13a		
	Note. See the instructions for additional information the organization must report on Schedule O				
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		X
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 line 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 [X]

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 If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.	1a	18		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	17		
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			X
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			X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5			X
6	Did the organization have members or stockholders?	6		X	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a		X	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b			X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:				
a	The governing body?	8a		X	
b	Each committee with authority to act on behalf of the governing body?	8b		X	
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			X

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		X
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	X	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	X	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this was done*	12c	X	
13	Did the organization have a written whistleblower policy?	13	X	
14	Did the organization have a written document retention and destruction policy?	14	X	
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	X	
b	Other officers or key employees of the organization If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).	15b		X
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		X
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

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

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

[ ] Own website [ ] Another's website [X] Upon request

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

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

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

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. 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 (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) KATHI SNOW TRUSTEE	2.00	X						0.	0.	0.
(2) LARRY JAEGER, MD TRUSTEE	2.00	X						0.	0.	0.
(3) JAMES PUTNAM TRUSTEE	2.00	X						0.	0.	0.
(4) WALTER ROHR TRUSTEE	1.00	X						0.	0.	0.
(5) JAY KAHN CHAIR	3.00	X		X				0.	0.	0.
(6) MICHAEL NEWBOLD TRUSTEE	2.00	X						0.	0.	0.
(7) JOSEPH BERGMAN, MD TRUSTEE	2.00	X						196,262.	0.	0.
(8) SYLVIA MCBETH VICE CHAIR	2.00	X		X				0.	0.	0.
(9) MICHAEL ORMONT MED STAFF PRES	2.00	X						0.	0.	0.
(10) JUDY KALICH TRUSTEE	2.00	X						2,752.	0.	0.
(11) ROBERT MUCHA TREASURER	2.00	X		X				0.	0.	0.
(12) LESLIE PITTS, MD MEDICAL DIRECTOR	1.00	X		X				0.	0.	0.
(13) ARTHUR NICHOLS PRESIDENT	53.00	X		X				522,992.	0.	48,004.
(14) ED BERGERON TRUSTEE	2.00	X						0.	0.	0.
(15) STEVE HORTON TRUSTEE	2.00	X						0.	0.	0.
(16) MARY LOUISE CAFFREY SECRETARY	2.00	X		X				0.	0.	0.
(17) DON CARUSO CHIEF MEDICAL OFFICER	2.00	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 (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(18) BILL KELLEHER TRUSTEE	2.00	X						0.	0.	0.
(19) MARY ANN KRISTIANSEN TRUSTEE	2.00	X						0.	0.	0.
(20) GEOF MOLINA TRUSTEE	2.00	X						0.	0.	0.
(21) GREGG TEWKSBURY TRUSTEE	2.00	X						0.	0.	0.
(22) JILL BATTY VP FINANCE, CFO	52.00			X				261,743.	0.	45,103.
(23) CINDI COUGHLIN CNO	51.00			X				160,001.	0.	32,485.
(24) PAUL PEZONE VP SUPPORT SERVICES	51.00				X			162,774.	0.	30,460.
(25) JULIE GREEN VP HR	50.00					X		161,612.	0.	39,563.
(26) ERLI CHEN PHYSICIST	50.00					X		217,374.	0.	35,500.
1b Sub-total						▶		1,685,510.	0.	231,115.
c Total from continuation sheets to Part VII, Section A						▶		628,606.	0.	131,232.
d Total (add lines 1b and 1c)						▶		2,314,116.	0.	362,347.

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 26

		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	X	
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	X	
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		X

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 Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
QUEST DIAGNOSTICS, 5763 COLLECTION CENTER DRIVE, CHICAGO, IL 60693	LAB DIAGNOSTIC SERVICES	940,888.
AMERICAN CONSTRUCTION, INC 14 TERRACE ST, MARLBOROUGH, MA 03455	CONSTRUCTION MANAGERS	690,085.
NEW ENGLAND MEDICAL TRANSCRIPTION PO BOX 430, WOOLWICH, ME 04579	TRANSCRIPTION	578,780.
CARE COMMUNICATIONS 205 W WACKER DRIVE, CHICAGO, IL 60606	TRANSCRIPTION SERVICES	514,444.
MARY HITCHCOCK MEMORIAL ONE MEDICAL CENTER DR, LEBANON, NH 03755	LAB DIAGNOSTIC SERVICES	451,066.

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 25

SEE PART VII, SECTION A CONTINUATION SHEETS

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

(A) Name and title	(B) Average hours per week	(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			
(27) LARRY MILLER CHIEF CRNA	50.00					X		191,222.	0.	38,962.
(28) KRISTIN ROSSI CRNA	50.00					X		165,915.	0.	33,967.
(29) DENIS FORTIER PHARMACY DIRECTOR	50.00					X		146,552.	0.	34,532.
(30) KATHLEEN CRONIN VP NURSING OPERATIONS	26.00						X	124,917.	0.	23,771.
Total to Part VII, Section A, line 1c								628,606.		131,232.

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	1 a Federated campaigns	1a					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations	1d					
	e Government grants (contributions)	1e	161,327.				
	f All other contributions, gifts, grants, and similar amounts not included above	1f	355,582.				
	g Noncash contributions included in lines 1a-1f: $						
	h **Total.** Add lines 1a-1f			516,909.			
Program Service Revenue		Business Code					
	2 a PATIENT SERVICE REVENU	621300		115,751,593.	115,751,593.		
	b CONTRACT REVENUE	621300		24,078.	24,078.		
	c						
	d						
	e						
	f All other program service revenue						
	g **Total.** Add lines 2a-2f			115,775,671.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)			458,424.			458,424.
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
		(i) Real	(ii) Personal				
	6 a Gross rents						
	b Less rental expenses						
	c Rental income or (loss)						
	d Net rental income or (loss)						
		(i) Securities	(ii) Other				
	7 a Gross amount from sales of assets other than inventory	161969.	16,758.				
	b Less: cost or other basis and sales expenses	0.	0.				
	c Gain or (loss)	161969.	16,758.				
	d Net gain or (loss)			178,727.	16,758.		161,969.
	8 a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c). See Part IV, line 18	a					
	b Less: direct expenses	b					
	c Net income or (loss) from fundraising events						
	9 a Gross income from gaming activities. See Part IV, line 19	a					
	b Less. direct expenses	b					
	c Net income or (loss) from gaming activities						
	10 a 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					
	11 a MISC HEALTH REVENUE	621300		1122033.	1122033.		
	b PHARMACY & DRUGS	621300		860,006.			860,006.
	c FOOD SERVICE	621300		715,207.			715,207.
	d All other revenue	624410		657,212.	481,493.	175,719.	
	e **Total.** Add lines 11a-11d			3354458.			
	12 **Total revenue.** See instructions.			120,284,189.	117,395,955.	175,719.	2,195,606.

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).

Check if Schedule O contains a response to any question in this Part IX [X]

	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 United States. See Part IV, line 21				
2	Grants and other assistance to individuals in the United States. See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,073,581.	912,544.	161,037.	
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	30,686,110.	26,021,821.	4,664,289.	
8	Pension plan accruals and contributions (include section 401(k) and section 403(b) employer contributions)	4,670,595.	3,960,665.	709,930.	
9	Other employee benefits	7,685,234.	6,517,078.	1,168,156.	
10	Payroll taxes	2,388,004.	2,025,027.	362,977.	
11	Fees for services (non-employees).				
a	Management				
b	Legal	114,061.		114,061.	
c	Accounting	120,118.		120,118.	
d	Lobbying				
e	Professional fundraising services. See Part IV, line 17				
f	Investment management fees				
g	Other	411,903.	349,294.	62,609.	
12	Advertising and promotion	182,300.	182,300.		
13	Office expenses	243,956.	206,875.	37,081.	
14	Information technology				
15	Royalties				
16	Occupancy	5,148,839.	4,366,215.	782,624.	
17	Travel	130,041.	130,041.		
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	903,956.	766,555.	137,401.	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	5,887,071.	4,992,236.	894,835.	
23	Insurance	501,666.	425,413.	76,253.	
24	Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a	DRUGS, CHEMICALS, SUPPL	11,633,147.	11,633,147.		
b	BAD DEBTS	9,320,857.	9,320,857.		
c	CONTRACT LABOR	8,226,319.	8,226,319.		
d	MEDICAID ENHANCEMENT TA	5,744,610.	5,744,610.		
e	All other expenses SEE SCH O	25,310,703.	23,011,666.	2,299,037.	
25	**Total functional expenses** Add lines 1 through 24e	120383071.	108792663.	11,590,408.	0.
26	**Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ▶ [ ] if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing			1	
	2	Savings and temporary cash investments		22,641,220.	2	26,195,809.
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		15,478,992.	4	12,458,722.
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions)			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		2,207,852.	8	2,169,915.
	9	Prepaid expenses and deferred charges		1,916,756.	9	2,237,514.
	10a	Land, buildings, and equipment: cost or other basis Complete Part VI of Schedule D	10a 168,205,600.			
	b	Less: accumulated depreciation	10b 100,654,775.	69,166,511.	10c	67,550,825.
	11	Investments - publicly traded securities			11	
	12	Investments - other securities See Part IV, line 11		12,425,042.	12	13,832,078.
	13	Investments - program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets. See Part IV, line 11		3,933,183.	15	5,806,468.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		127,769,556.	16	130,251,331.
Liabilities	17	Accounts payable and accrued expenses		14,175,684.	17	13,737,267.
	18	Grants payable			18	
	19	Deferred revenue			19	24,699.
	20	Tax-exempt bond liabilities		26,384,372.	20	26,207,556.
	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		997,300.	23	801,064.
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		38,871,033.	25	38,712,899.
	26	**Total liabilities.** Add lines 17 through 25		80,428,389.	26	79,483,485.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		44,706,598.	27	47,712,572.
	28	Temporarily restricted net assets		2,634,569.	28	3,055,274.
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ [ ] and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building, or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		47,341,167.	33	50,767,846.
	34	Total liabilities and net assets/fund balances		127,769,556.	34	130,251,331.

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI [X]

1	Total revenue (must equal Part VIII, column (A), line 12)	1	120,284,189.
2	Total expenses (must equal Part IX, column (A), line 25)	2	120,383,071.
3	Revenue less expenses Subtract line 2 from line 1	3	<98,882.>
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	47,341,167.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	3,525,561.
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	50,767,846.

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 [X] 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		X
b	Were the organization's financial statements audited by an independent accountant?	2b	X	
c	If "Yes" to line 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	X	
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 [X] Both consolidated and separate 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		X
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		

SCHEDULE A (Form 990 or 990-EZ)

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

2011

Open to Public Inspection

Name of the organization	Employer identification number
THE CHESHIRE MEDICAL CENTER	02-0354549

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

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

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

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

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

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

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

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

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

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

9 ☐ An organization that normally receives: (1) more than 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 supported organization?		
(ii)	A family member of a person described in (i) above?		
(iii)	A 35% controlled entity of a person described in (i) or (ii) above?		

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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2011 (line 6, column (f) divided by line 11, column (f)) 14 %

15 Public support percentage from 2010 Schedule A, Part II, line 14 15 %

16a **33 1/3% support test - 2011.** 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 - 2010.** If the organization did not check a 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 - 2011.** 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 - 2010.** 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

15 Public support percentage for 2011 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	%

19a **33 1/3% support tests - 2011.** 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 - 2010.** 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 ▶ ☐

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

2011

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 35c (Proxy Tax), then

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

Name of organization	Employer identification number
THE CHESHIRE MEDICAL CENTER	02-0354549

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV.

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

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

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function 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 (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).

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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable 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)).**

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(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?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?	X		18,677.
j Total. Add lines 1c through 1i			18,677.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
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 carry over 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) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."**

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) nondeductible 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, Part II-A; and Part II-B, line 1 Also, complete this part for any additional information.

PART II-B, LINE 1, LOBBYING ACTIVITIES:

A PORTION OF AHA & NHHA DUES ARE ALLOCATED TO LOBBYING EXPENSE

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, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization: THE CHESHIRE MEDICAL CENTER

Employer identification number: 02-0354549

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can 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 education)
☐ Preservation of an historically important land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a through 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 Tax 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, and not on a historic structure listed in the National Register	2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 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 (ASC 958), 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 (ASC 958), 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 (ASC 958) 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 acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply).

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

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

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

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

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

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

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

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

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

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

		(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	2,634,569.	2,445,561.	1,479,480.	1,408,853.	
b	Contributions	154,965.	168,756.	164,317.		
c	Net investment earnings, gains, and losses	484,487.	299,947.	1,124,611.	88,740.	
d	Grants or scholarships					
e	Other expenditures for facilities and programs	218,747.	279,695.	322,848.	18,113.	
f	Administrative expenses					
g	End of year balance	3,055,274.	2,634,569.	2,445,561.	1,479,480.	

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a Board designated or quasi-endowment ▶ _____ %
b Permanent endowment ▶ _____ %
c Temporarily restricted endowment ▶ 100.00 %

The percentages in lines 2a, 2b, and 2c should equal 100%.

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)	X
(ii)	related organizations	3a(ii)	X
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 Land, Buildings, and Equipment. See Form 990, Part X, line 10

	Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a	Land		4,058,473.		4,058,473.
b	Buildings		75,296,902.	40,697,590.	34,599,312.
c	Leasehold improvements				
d	Equipment		88,850,225.	59,957,185.	28,893,040.
e	Other				
Total.	Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				67,550,825.

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) POOLED INVESTMENTS	12,887,231.	END-OF-YEAR MARKET VALUE
(B) FUNDED DEPR ACCOUNT	944,847.	END-OF-YEAR MARKET VALUE
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 12.) ▶	13,832,078.	

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
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Col (b) must 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
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. *(Column (b) must 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) Book value
(1)	Federal income taxes	
(2)	PENSION LIABILITY	31,070,695.
(3)	AMOUNTS PAYABLE TO THIRD PARTY	725,451.
(4)	MISCELLANEOUS OTHER LIABILITIES	545,152.
(5)	DUE TO DARTMOUTH HITCHCOCK	6,371,601.
(6)		
(7)		
(8)		
(9)		
(10)		
(11)		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25.)* ▶		38,712,899.

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 (ASC 740)

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	120,284,189.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	120,383,071.
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	<98,882.>
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	3,525,561.
9	Total adjustments (net). Add lines 4 through 8	9	3,525,561.
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	10	3,426,679.

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	119522663.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV.)	2d			
e	Add lines 2a through 2d			2e	0.
3	Subtract line 2e from line 1			3	119522663.
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	761,526.		
c	Add lines 4a and 4b			4c	761,526.
5	Total revenue Add lines 3 and 4c. *(This must equal Form 990, Part I, line 12.)*			5	120284189.

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

1	Total expenses and losses per audited financial statements			1	119621545.
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	119621545.
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	761,526.		
c	Add lines 4a and 4b			4c	761,526.
5	Total expenses. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 18.)*			5	120383071.

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, line 2; 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

PART V, LINE 4: INCOME FROM THE ENDOWMENTS ARE USED TO SUPPORT THE ORGANIZATION'S PROGRAMS.

PART XI, LINE 8 - OTHER ADJUSTMENTS:

PENSION LIABILITY ADJUSTMENT	2,833,621.
UNREALIZED GAINS ON INVESTMENTS	691,940.
TOTAL TO SCHEDULE D, PART XI, LINE 8	3,525,561.

Part XIV Supplemental Information *(continued)*

PART XII, LINE 4B - OTHER ADJUSTMENTS:

EXPENSES INCLUDED IN AFS REVENUE	761,526.

PART XIII, LINE 4B - OTHER ADJUSTMENTS:

EXPENSES INCLUDED IN AFS REVENUE	761,526.

SCHEDULE F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, 15, or 16.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization

THE CHESHIRE MEDICAL CENTER

Employer identification number

02-0354549

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b

1 **For grantmakers.** Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☐ Yes ☐ No

2 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.

3 Activities per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e.g., fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
CENTRAL AMERICA AND THE CARIBBEAN	0	0	INVESTMENTS IN INVESTMENT ENTITIES DOMICILED IN FOREIGN JURISDICTIONS		12887231.
3 a Sub-total	0	0			12,887,231.
b Total from continuation sheets to Part I	0	0			0.
c **Totals** (add lines 3a and 3b)	0	0			12,887,231.

LHA **For Paperwork Reduction Act Notice, see the Instructions for Form 990.** **Schedule F (Form 990) 2011**

132071
01-23-12

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than $5,000 Check this box if no one recipient received more than $5,000 ▶ ☐

Part II can be duplicated if additional space is needed

1 (a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter ▶

3 Enter total number of other organizations or entities ▶

Part III Grants and Other Assistance to Individuals Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 16.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)

Part IV Foreign Forms

1	Was the organization a U S. transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U S Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*	☐ Yes	☒ No
2	Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*	☐ Yes	☒ No
3	Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations. (see Instructions for Form 5471)*	☐ Yes	☒ No
4	Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)*	☐ Yes	☒ No
5	Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons With Respect To Certain Foreign Partnerships. (see Instructions for Form 8865)*	☐ Yes	☒ No
6	Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713)*	☐ Yes	☒ No

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

2011

Open to Public Inspection

Name of the organization

THE CHESHIRE MEDICAL CENTER

Employer identification number

02-0354549

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	X	
b	If "Yes," was it a written policy?	1b	X	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☒ Other 225 %	3a	X	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☒ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	X	
c	If the organization did 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 used 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	X	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	X	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	X	
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 eligible for free or discounted care?	5c		X
6a	Did the organization prepare a community benefit report during the tax year?	6a	X	
b	If "Yes," did the organization make it available to the public?	6b	X	

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 Worksheet 1)		1,577	2,046,132.		2,046,132.	1.84%
b Medicaid (from Worksheet 3, column a)			13,431,704.	3,417,656.	10,014,048.	9.02%
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs		1,577	15,477,836.	3,417,656.	12,060,180.	10.86%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	36	21,835	2,055,768.	52,927.	2,002,841.	1.80%
f Health professions education (from Worksheet 5)	9	442	269,602.	1,000.	268,602.	.24%
g Subsidized health services (from Worksheet 6)	2	271	326,472.		326,472.	.29%
h Research (from Worksheet 7)	1	150	178,012.		178,012.	.16%
i Cash and in-kind contributions for community benefit (from Worksheet 8)	6	588	90,935.		90,935.	.08%
j **Total.** Other Benefits	54	23,286	2,920,789.	53,927.	2,866,862.	2.57%
k **Total.** Add lines 7d and 7j	54	24,863	18,398,625.	3,471,583.	14,927,042.	13.43%

Part II Community Building Activities Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support	1	11,181	179,820.		179,820.	.16%
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building	4	2,605	109,946.		109,946.	.10%
7	Community health improvement advocacy	1		43,267.		43,267.	.04%
8	Workforce development						
9	Other						
10	Total	6	13,786	333,033.		333,033.	.30%

Part III Bad Debt, Medicare, & Collection Practices

				Yes	No
Section A. Bad Debt Expense					
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?		1	X	
2	Enter the amount of the organization's bad debt expense	2	3,821,552.		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy	3	955,388.		
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	33,966,584.		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	36,004,580.		
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	<2,037,996.>		
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	Did the organization have a written debt collection policy during the tax year?		9a	X	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI		9b	X	

Part IV Management Companies and Joint Ventures (see instructions)

(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 KEENE HEALTH ALLIANCE	INTEGRATING HEALTH CARE SERVICES TO PROVIDE EFFECTIVE DELIVERY SYSTEM	50.00%	.00%	.00%
2 NEW ENGLAND LIFE CARE, INC	A NOT-FOR-PROFIT HOME INFUSION THERAPY COOPERATIVE.	2.00%	.00%	.00%
3 NH LITHOTRIPSY	LITHOTRIPSY SERVICES	3.57%	.00%	.00%
4 NH IMAGING	IMAGING SERVICES	8.33%	.00%	.00%

Part V Facility Information

Section A. Hospital Facilities
(list in order of size, from largest to smallest)

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

Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)
1 CHESHIRE MEDICAL CENTER 580 COURT STREET KEENE, NH 03431	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility: CHESHIRE MEDICAL CENTER

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

			Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for tax year 2011)				
1	During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment (Needs Assessment)? If "No," skip to line 8	1	X	
	If "Yes," indicate what the Needs Assessment describes (check all that apply):			
a	[X] A definition of the community served by the hospital facility			
b	[X] Demographics of the community			
c	[X] Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	[X] How data was obtained			
e	[X] The health needs of the community			
f	[ ] Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	[X] The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	[X] The process for consulting with persons representing the community's interests			
i	[ ] Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	[ ] Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a Needs Assessment. 20 10			
3	In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	X	
4	Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		X
5	Did the hospital facility make its Needs Assessment widely available to the public?	5	X	
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply):			
a	[X] Hospital facility's website			
b	[X] Available upon request from the hospital facility			
c	[X] Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply):			
a	[ ] Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	[ ] Execution of the implementation strategy			
c	[X] Participation in the development of a community-wide community benefit plan			
d	[X] Participation in the execution of a community-wide community benefit plan			
e	[X] Inclusion of a community benefit section in operational plans			
f	[X] Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	[X] Prioritization of health needs in its community			
h	[X] Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	[ ] Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	X	
Financial Assistance Policy				
	Did the hospital facility have in place during the tax year a written financial assistance policy that			
8	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care. 225 %			
	If "No," explain in Part VI the criteria the hospital facility used.			

Part V Facility Information *(continued)* CHESHIRE MEDICAL CENTER

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care. 300 %			
	If "No," explain in Part VI the criteria the hospital facility used.			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	[X] Income level			
b	[X] Asset level			
c	[X] Medical indigency			
d	[ ] Insurance status			
e	[X] Uninsured discount			
f	[ ] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	[X] The policy was posted on the hospital facility's website			
b	[ ] The policy was attached to billing invoices			
c	[ ] The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	[X] The policy was posted in the hospital facility's admissions offices			
e	[ ] The policy was provided, in writing, to patients on admission to the hospital facility			
f	[X] The policy was available on request			
g	[ ] Other (describe in Part VI)			
Billing and Collections				
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	X	
15	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine patient's eligibility under the facility's FAP			
a	[X] Reporting to credit agency			
b	[X] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		X
	If "Yes," check all actions in which the hospital facility or a third party engaged:			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in line 16 (check all that apply):			
a	[ ] Notified patients of the financial assistance policy on admission			
b	[ ] Notified patients of the financial assistance policy prior to discharge			
c	[ ] Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d	[ ] Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e	[ ] Other (describe in Part VI)			

Part V Facility Information *(continued)* CHESHIRE MEDICAL CENTER

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	18	X	

If "No," indicate why:

- **a** ☐ The hospital facility did not provide care for any emergency medical conditions
- **b** ☐ The hospital facility's policy was not in writing
- **c** ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- **d** ☐ Other (describe in Part VI)

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.

- **a** ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- **b** ☒ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- **c** ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- **d** ☐ Other (describe in Part VI)

20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	20		X
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for any service provided to that patient? If "Yes," explain in Part VI.	21		X

Part V Facility Information *(continued)*

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year? 0

Name and address	Type of Facility (describe)

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions 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, 9, 10, 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.

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 $ 9320857.

PART II: THE MEDICAL CENTER HAS BEEN ACTIVELY ENGAGED SINCE THE SPRING OF 2006 IN VISION 2020: TO MAKE KEENE AND THE SURROUNDING REGION THE HEALTHIEST IN THE NATION BY THE YEAR 2020. VISION 2020 PROMOTES BROAD-BASED COMMUNITY HEALTH MESSAGING AND OTHER ENVIRONMENTAL STRATEGIES FOR PREVENTION AND WELLNESS. THE "CHAMPIONS PROGRAM" ENGAGES INDIVIDUALS AND ORGANIZATIONS TO TAKE STEPS TO IMPROVE HEALTH AT A PERSONAL AND INSTITUTIONAL LEVEL. THE MEDICAL CENTER PROVIDES STAFFING, OFFICE SPACE AND OVERALL LEADERSHIP FOR THIS INITIATIVE. MORE THAN 1400 COMMUNITY RESIDENTS, 60 LOCAL BUSINESSES, AND 8 SCHOOLS JOINED THE ASSOCIATED CHAMPIONS PROGRAM. THE ORGANIZATION IS A FOUNDING MEMBER OF THE COUNCIL FOR HEALTH COMMUNITIES WHICH HAS BEEN IN EXISTENCE FOR 15 YEARS AND HAS DEVELOPED A VARIETY OF PREVENTION, TRANSPORTATION, REFERRAL, AND HEALTH PROMOTION PROGRAMS.

Part VI Supplemental Information

PART III, LINE 4: CHESHIRE MEDICAL CENTER MANAGEMENT ESTIMATES THAT APPROXIMATELY 25% OF BAD DEBT EXPENSE (APPROXIMATELY 5 TIMES THE REGION'S POVERTY RATE) IS AN APPROPRIATE ESIMATION OF PATIENTS WHO WOULD HAVE BEEN ELIGIBLE FOR THE ORGANIZATION'S FINANCIAL ASSISTANCE PROGRAM BUT DID NOT APPLY. THIS ESTIMATION IS BASED ON THE RECOGNITION THAT THE FINANCIAL ASSISTANCE PROGRAM IS AVAILABLE TO RESIDENTS WITH INCOMES OF UP TO THREE TIMES THE FEDERALLY DEFINED POVERTY INCOME LEVELS AND THE ASSUMPTION THAT PATIENTS WHO CHOOSE NOT TO PAY THEIR BILLS ARE MORE LIKELY TO FALL WITHIN THE LOWER INCOME LEVELS. FOR 2012, THE ESTIMATED AMOUNT OF BAD DEBT EXPENSE (AT COST) ATTRIBUTABLE TO PATIENTS WHO WOULD HAVE BEEN ELIGIBLE FOR FINANCIAL ASSISTANCE IS $955,388.

PART III, LINE 8: THE MEDICARE COST REPORT FOR THE PERIOD ENDED JUNE 30, 2012 HAS NOT BEEN COMPLETED AS OF THE DUE DATE OF THIS FORM 990. THE MEDICARE REVENUE AND ALLOWABLE COST AMOUNTS REPORTED AT PART III, SECTION B ARE ESTIMATES BASED ON ALL AVAILABLE INFORMATION. THESE AMOUNTS WILL BE REVISED AFTER THE COST REPORTS ARE FILED.

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

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

Part VI | Supplemental Information

CHESHIRE MEDICAL CENTER:

PART V, SECTION B, LINE 3: NEEDS WERE PRIORITIZED BASED ON INPUT FROM A FULL DAY COMMUNITY SUMMIT WITH OVER 150 ATTENDEES. WORKGROUPS OF COMMUNITY MEMBERS MET TO IDENTIFY STRATEGIES FOR EACH IDENTIFIED NEED. MORE THAN 300 COMMUNITY RESIDENTS PARTICIPATED IN THE NEEDS ASSESSMENT AND PRIORITIZATION PROCESS.

CHESHIRE MEDICAL CENTER:

PART V, SECTION B, LINE 6I: THE ADOPTION AND EXECUTION OF THE IMPLEMENTATION STRATEGY ADDRESSING IDENTIFIED NEEDS IS CURRENTLY IN PROCESS.

PART VI, LINE 2: THE COMMUNITY NEEDS ASSESSMENT WAS COORDINATED WITH THE ASSISTANCE OF THE BROAD-BASED COMMUNITY HEALTH COALITION, THE COUNCIL FOR A HEALTHIER COMMUNITY. IN PROMOTING THE HEALTHIEST COMMUNITY INITIATIVE, KNOWN LOCALLY AS VISION 2020, THE COUNCIL IDENTIFIED COMMUNITY NEEDS TOWARD A GOAL OF BECOMING THE HEALTHIEST COMMUNITY IN THE NATION BY THE YEAR 2020. THE COUNCIL FORMED FIVE WORKGROUPS AROUND STRATEGIC THEMES INCLUDING: HEALTH STATUS, HEALTHCARE ACCESS; HEALTH LITERACY, WELLNESS, AND SOCIAL CAPITAL. THE WORKGROUPS MET FROM JANUARY 2008 - OCTOBER 2009 TO IDENTIFY KEY GOALS, KEY MEASURES, AND LOCAL COMMUNITY ASSETS. THIS WORK IS SUMMARIZED IN THE COMMUNITY NEEDS ASSESSMENT FOUND AT THE WEB SITE HEALTHIESTCOMMUNITY.ORG. WE HOSTED A PLANNING SUMMIT IN MAY OF 2010 TO IDENTIFY CONTRIBUTING FACTORS FOR EACH INDICATOR IN THE COMMUNITY ASSESSMENT. THE 215 ATTENDEES ALSO IDENTIFIED POSSIBLE PROGRAMS AND

Part VI | Supplemental Information

POLICIES TO ADDRESS EACH NEED. SUMMIT INFORMATION WILL BE USED TO DEVELOP ACTION PLANS DURING THE FALL AND WINTER OF 2010. CHESHIRE MEDICAL CENTER PROVIDES STAFF FOR THE VISION 2020 INITIATIVE AND FUNDED THE COMMUNITY ASSESSMENT PROCESS THROUGH AN EVALUATION PARTNERSHIP CONTRACT WITH ANTIOCH NEW ENGLAND UNIVERSITY.

THE COMMUNITY ADVISORY COMMITTEE, SERVING IN AN ADVISORY CAPACITY FOR BOTH HOME HEALTHCARE, HOSPICE AND COMMUNITY SERVICES, AND CHESHIRE MEDICAL CENTER/DARTMOUTH HITCHCOCK KEENE, REVIEWED AND COMMENTED ON THE COMMUNITY BENEFIT PLAN. THE REPORT IS AVAILABLE TO THE PUBLIC ON THE CHESHIRE MEDICAL CENTER WEBSITE: CHESHIREMED.ORG

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

Part VI Supplemental Information

TRAINED TO REFER PATIENTS TO THE FINANCIAL ASSISTANCE PROCESS. THE FINANCIAL ASSISTANCE APPLICATION PROCESS IS COMPREHENSIVE AND EVALUATES A PATIENT'S ELIGIBILITY FOR A VARIETY OF FEDERAL, STATE, AND LOCAL GOVERNMENT PROGRAMS IN ADDITION TO CMC'S INTERNALLY FUNDED FINANCIAL ASSISTANCE PROGRAM.

PART VI, LINE 4: THE MEDICAL CENTER IS THE ONLY HOSPITAL IN ITS PRIMARY SERVICE AREA (PSA). MANAGEMENT DEFINES ITS PSA AS THE CITY OF KEENE AND 19 GEOGRAPHICALLY PROXIMATE COMMUNITIES. TOWNS AND CITIES INCLUDED IN THE PSA INCLUDE ALSTEAD, CHESTERFIELD, FITZWILLIAM, GILSUM, HARRISVILLE/CHESHAM, KEENE, MARLBOROUGH, MARLOW, NELSON/MUNSONVILLE, RICHMOND, ROXBURY, STODDARD, SULLIVAN, SURRY, SWANZEY, TROY, WALPOLE, WESTMORELAND AND WINCHESTER, ALL LOCATED IN CHESHIRE COUNTY. ACCORDING TO THE 2010 CENSUS, THE MEDICAL CENTER'S PSA REPRESENTED APPROXIMATELY 5.01% OF NEW HAMPSHIRE'S POPULATION. THE PSA'S TOTAL POPULATION WAS 66,017 WITH 23,409 RESIDING IN KEENE, THE LARGEST COMMUNITY IN THE SERVICE AREA. AS OF 2010, 8,350 OR 12.65% OF THE MEDICAL CENTER'S PSA RESIDENTS WERE 65 YEARS OF AGE OR OLDER. APPROXIMATELY 2,744 RESIDENTS, OR 4.1% OF THE TOTAL PSA POPULATION, WERE 80 YEARS OF AGE OR OLDER. AS OF 2010, APPROXIMATELY 42% OF THE POPULATION OF THE MEDICAL CENTER'S PSA WAS 45 YEARS OF AGE OR OLDER. APPROXIMATELY 40% OF THE POPULATION OF THE MEDICAL CENTER'S PSA WAS BETWEEN 15 AND 44. AS OF AUGUST 2012, THE STATE UNEMPLOYMENT RATE WAS 5.7% AND THE UNEMPLOYMENT RATE FOR CHESHIRE COUNTY WAS 5.8%. ACCORDING TO THE 2010 CENSUS, THE POVERTY RATE FOR CHESHIRE COUNTY WAS 10% AS COMPARED TO 7.8% FOR THE STATE OF NEW HAMPSHIRE.

PART VI, LINE 5: A COMPLETE COPY OF THE ORGANIZATION'S COMMUNITY BENEFIT REPORT CAN BE FOUND AT:

Part VI | Supplemental Information

HTTP://WWW.CHESHIRE-MED.COM/IMAGES/STORIES/COMMHEALTH/COMMUNITY_BENEFITS_2012.PDF

THE MEDICAL CENTER PLAYS AN ACTIVE ROLE IN PROMOTING COMMUNITY HEALTH AND OFFERS EDUCATIONAL PROGRAMS INCLUDING CLASSES AND WORKSHOPS IN DIABETES AND ASTHMA, STRESS MANAGEMENT, NUTRITIONAL COUNSELING, SMOKING CESSATION, HEALTHY BACK, WEIGHT CONTROL, TIME MANAGEMENT AND BREAST SELF-EXAMINATION. IN ADDITION, THE MEDICAL CENTER WORKS WITH THE COUNCIL FOR A HEALTHIER COMMUNITY, COMPRISED OF COMMUNITY LEADERS, TO OFFER SEVERAL COMMUNITY PROGRAMS INCLUDING: CHESHIRE SMILES, A SCHOOL-BASED DENTAL HEALTH PROGRAM FOR CHILDREN IN GRADES K-3, PROVIDES SCREENING, PREVENTION AND RESTORATIVE DENTAL CARE FOR CHILDREN IN CHESHIRE COUNTY SCHOOLS. A PUBLIC HEALTH HYGIENIST HIRED BY THE MEDICAL CENTER IS ASSISTED BY AREA DENTISTS. CHESHIRE MEDICAL CENTER /DARTMOUTH-HITCHCOCK KEENE ALSO WORKS IN PARTNERSHIP WITH OTHER COMMUNITY HEALTH AND HUMAN SERVICE ORGANIZATIONS TO MEET THE DENTAL HEALTH NEEDS OF UNDERSERVED POPULATIONS SUCH AS THE CHRONICALLY MENTALLY ILL, PREGNANT WOMEN WHO CANNOT AFFORD DENTAL CARE, CHILDREN IDENTIFIED THROUGH THE SCHOOL BASED CHESHIRE SMILES PROGRAM, AND OTHERS. THE MEDICAL CENTER SPONSORS PATIENT VISITS AT DENTAL HEALTH WORKS, A PUBLIC/PRIVATE PROGRAM SERVING UNDERSERVED RESIDENTS OF CHESHIRE COUNTY. CHESHIRE COALITION FOR TOBACCO-FREE YOUTH IS COMMITTED TO REDUCING THE NUMBER OF YOUNG PEOPLE IN THE COMMUNITY WHO USE TOBACCO PRODUCTS. WORKING WITH LOCAL SCHOOLS, POLICE AND HEALTH PROVIDERS, THE COALITION HAS IMPLEMENTED VENDOR COMPLIANCE PROGRAMS, HAS PROVIDED A TOBACCO AVOIDANCE CURRICULUM FOR USE IN AREA SCHOOLS AND HAS PRODUCED ITS OWN TELEVISION AND RADIO PUBLIC SERVICE ANNOUNCEMENTS ADDRESSING TOBACCO USE. MEDICATION ASSISTANCE PROGRAM ADDRESSES THE CRITICAL NEED FOR PROGRAMS TO HELP LOW

Part VI Supplemental Information

INCOME PEOPLE AFFORD MEDICATIONS. THE MEDICATION ASSISTANCE PROGRAM AT THE MEDICAL CENTER WAS INITIATED IN MARCH, 1999. IT WAS THE FIRST HOSPITAL-BASED PROGRAM OF ITS KIND IN THE STATE OF NEW HAMPSHIRE AND WAS THE FIRST RECIPIENT OF THE NEW HAMPSHIRE MEDICATION BRIDGE AWARD. ADVOCATES FOR HEALTHY YOUTH (AFHY) IS A COMMUNITY COALITION SUPPORTED BY THE MEDICAL CENTER WHICH HAS BEEN WORKING CLOSELY WITH COMMUNITY HEALTH PROVIDERS, KEENE STATE COLLEGE, ANTIOCH UNIVERSITY NEW ENGLAND, KEENE PARKS AND RECREATION CENTER, AND AREA SCHOOLS TO ADDRESS THE EPIDEMIC OF CHILDHOOD OBESITY. IN 2005, AFHY COMPLETED IMPLEMENTATION OF A PILOT PROGRAM IN TWO AREA SCHOOLS. IN 2006 THE PROGRAM EXPANDED EFFORTS BY OFFERING SMALL GRANTS TO SCHOOLS AND AFTER SCHOOL PROGRAMS TO SUPPORT COSTS OF PHYSICAL ACTIVITY AND NUTRITION PROGRAMS. GRANT PROJECTS INCORPORATED THE KEY LESSONS LEARNED DURING THE PILOT PROJECT. IN 2007, AFHY BEGAN TAKING STEPS TO IMPLEMENT THE 5-2-1-0 COMMUNITY PUBLIC MESSAGING CAMPAIGN TO EDUCATE FAMILIES ABOUT CHILDHOOD OBESITY AND TO ADVOCATE HEALTH PROMOTION OPTIONS TO PREVENT OR REDUCE OBESITY. THE PROGRAM IS NOW WORKING WITH LOCAL SCHOOLS AND AFTERSCHOOL PROGRAMS TO IMPLEMENT THE COORDINATED APPROACH TO CHILD HEALTH (CATCH) PROGRAM. THE CHESHIRE HEALTHY EATING ACTIVE LIVING (HEAL) INITIATIVE CREATED THE TURN A NEW LEAF MENU LABELING PROGRAM IN LOCAL RESTAURANTS. THIS INITIATIVE IS ALSO AVAILABLE IN THE LOCAL COMMUNITY KITCHEN TO BRING HEALTHY EATING OPTIONS TO OUR MOST VULNERABLE POPULATION. SENIOR PASSPORT PROGRAM IS DESIGNED TO SERVE THE MEDICAL CENTER'S COMMUNITIES' ELDERS. PASSPORT MEMBERSHIP, WHICH IS OFFERED AT NO COST TO THOSE SIXTY YEARS AND OLDER, ENTITLES HOLDERS TO ENJOY LOW COST, HEART HEALTHY MEALS IN THE MEDICAL CENTER CAFETERIA, AND ATTEND WORKSHOPS AND HEALTH LECTURES WITH A SENIOR FOCUS. A NEWSLETTER IS SENT QUARTERLY TO PASSPORT HOLDERS. AS A PROGRAM OF THE VISION 2020 INITIATIVE, THE HEALTHY COMMUNITY CHAMPIONS PROGRAM HAS

Part VI | Supplemental Information

ENROLLED 1000 MEMBERS THAT HAVE MADE A COMMITMENT TO ACTIVELY ENGAGE IN IMPROVING THEIR HEALTH AND THE HEALTH OF OTHERS WHERE THEY LIVE, LEARN, WORK AND PLAY. THE TOTAL EXPENDITURES ASSOCIATED WITH THESE AND OTHER PROGRAMS FOR THE NINE MONTH PERIOD ENDING 6/30/12 IS $5,246,027.

PART VI, LINE 7, LIST OF STATES RECEIVING COMMUNITY BENEFIT REPORT:

NH

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, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization

THE CHESHIRE MEDICAL CENTER

Employer identification number

02-0354549

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☒ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax indemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	X	
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	X	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director Explain in Part III.			
	☒ Compensation committee	☒ Written employment contract		
	☒ Independent compensation consultant	☒ Compensation survey or study		
	☐ Form 990 of other organizations	☒ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	4a		X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b		X
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.			
	Only section 501(c)(3) and 501(c)(4) organizations 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		X
b	Any related organization?	5b		X
	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		X
b	Any related organization?	6b		X
	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	X	
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		X
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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(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 as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 JOSEPH BERGMAN, MD	(i)	196,262.	0.	0.	0.	0.	196,262.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
2 ARTHUR NICHOLS	(i)	370,745.	106,750.	45,497.	27,735.	20,269.	570,996.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
3 JILL BATTY	(i)	215,843.	0.	45,900.	22,835.	22,268.	306,846.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
4 CINDI COUGHLIN	(i)	129,528.	0.	30,473.	17,119.	15,366.	192,486.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
5 PAUL PEZONE	(i)	126,654.	0.	36,120.	14,461.	15,999.	193,234.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
6 JULIE GREEN	(i)	124,311.	0.	37,301.	20,897.	18,666.	201,175.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
7 ERLI CHEN	(i)	187,079.	0.	30,295.	19,817.	15,683.	252,874.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
8 LARRY MILLER	(i)	169,222.	0.	22,000.	20,990.	17,972.	230,184.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
9 KRISTIN ROSSI	(i)	143,915.	0.	22,000.	22,000.	11,967.	199,882.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
10 DENIS FORTIER	(i)	113,706.	0.	32,846.	15,157.	19,375.	181,084.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
11 KATHLEEN CRONIN	(i)	104,587.	0.	20,330.	13,722.	10,049.	148,688.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II Also complete this part for any additional information

PART I, LINE 1A: CHESHIRE MEDICAL CENTER DOES NOT REIMBURSE EXPENSES FOR FIRST CLASS TRAVEL, HOUSING ALLOWANCE, HEALTH OR SOCIAL CLUB DUES, PERSONAL SERVICES, BUSINESS USE OF PERSONAL RESIDENCE, DISCRETIONARY SPENDING ACCOUNTS, OR PROVIDE TAX INDEMNIFICATION OR GROSS UP PAYMENTS.

CHESIRE MEDICAL CENTER DOES REIMBURSE BOARD MEMBERS FOR COMPANION TRAVEL TO BUSINESS RELATED MEETING UNDER SPECIFIC CIRCUMSTANCES. ALL REIMBURSEMENTS ARE REPORTED ON FORM 1099 ISSUED TO THE BOARD MEMBER. ONE REIMBURSEMENT WAS MADE IN CALENDAR 2011.

PART I, LINE 7: SENIOR MANAGEMENT IS ELIGIBLE FOR AN INCENTIVE COMP PAYMENT AT THE DISCRETION OF THE BOARD BASED ON, BUT NOT DIRECTLY RELATED TO, OVERALL ORGANIZATIONAL FINANCIAL PERFORMANCE AND OTHER DISCRETIONARY MEASURES.

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 Part VI.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047
2011
Open to Public Inspection

Name of the organization
THE CHESHIRE MEDICAL CENTER

Employer identification number
02-0354549

Part I Bond Issues SEE PART VI FOR COLUMN (F) CONTINUATIONS

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased Yes	(g) Defeased No	(h) On behalf of issuer Yes	(h) On behalf of issuer No	(i) Pooled financing Yes	(i) Pooled financing No
A	NH HEALTH & EDUCATION FACILITIES AUTHORITY	02-0279866	NONE	08/27/09	15,000,000.	REFUND COMMERCIAL DEBT, AQUISITION		X		X		X
B												
C												
D												

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	15,000,000.			
4	Gross proceeds in reserve funds	5,667,081.			
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	244,244.			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds	578,012.			
10	Capital expenditures from proceeds	8,510,663.			
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2009			

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D 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 Yes	A No	B Yes	B No	C Yes	C No	D Yes	D 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 of bond-financed property?		X						
b If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c Are there any research agreements that may result in private business use of bond-financed property?		X						
d If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
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 ▶	.00 %		%		%		%	
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 ▶	.00 %		%		%		%	
6 Total of lines 4 and 5	.00 %		%		%		%	
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 qualified hedge with respect to the bond issue?	X							
b Name of provider	TD BANK NA							
c Term of hedge	7.0000000							
d Was the hedge superintergrated?		X						
e Was the hedge terminated?		X						
4a Were gross proceeds invested in a guaranteed investment contract (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 Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations ☐ Yes ☒ No

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K.

SCHEDULE K, PART I, BOND ISSUES:

(A) ISSUER NAME: NH HEALTH & EDUCATION FACILITIES AUTHORITY

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K.

(F) DESCRIPTION OF PURPOSE:

REFUND COMMERCIAL DEBT, AQUISITION OF EQUIPMENT, RENOVATIONS

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 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047
2011
Open to Public Inspection

Name of the organization: THE CHESHIRE MEDICAL CENTER

Employer identification number: 02-0354549

FORM 990, PART I, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

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

FORM 990, PART III, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

HITCHCOCK CLINIC. THE PURPOSE OF THE JOINT OPERATING PARTNERSHIP AGREEMENT IS TO PROVIDE A MORE EXTENSIVE AND EFFECTIVE HEALTH CARE DELIVERY SYSTEM TO THE COMMUNITIES IN THE MONADNOCK REGION BY ESTABLISHING JOINT PLANNING AND DECISION MAKING PROCESSES, INTERGRATING HEALTH CARE SERVICES AND ESTABLISHING MECHANISMS FOR THE REINVESTMENT OF RESOURCES TO IMPROVE COMMUNITY HEALTH. THE FINANCIAL RESULTS OF THE JOINT OPERATING PARTNERSHIP ARE REPORTED ANNUALLY ON FORM 1065, US PARTNERSHIP RETURN OF INCOME.

FORM 990, PART III, LINE 4A, PROGRAM SERVICE ACCOMPLISHMENTS:

EMERGENCY ROOM SERVICES, WITHOUT REGARD FOR ABILITY TO PAY. THE CHESHIRE MEDICAL CENTER, AS A MATTER OF POLICY AND PRACTICE HAS

Name of the organization: THE CHESHIRE MEDICAL CENTER

Employer identification number: 02-0354549

PROVIDED, AND WILL CONTINUE TO PROVIDE, A SIGNIFICANT CONTRIBUTION TO THE COMMUNITIES IT SERVES.

FORM 990, PART VI, SECTION A, LINE 6: THE SOLE MEMBER OF THE CHESHIRE MEDICAL CENTER IS THE CHESHIRE HEALTH FOUNDATION

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

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

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

FORM 990, PART VI, SECTION B, LINE 15A: CHESHIRE MEDICAL CENTER/DARTMOUTH HITCHCOCK KEENE HAS RETAINED YAFFE & COMPANY, INC. TO PROVIDE CONSULTATION TO THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES REGARDING EXECUTIVE COMPENSATION, BENEFITS, AND PERQUISITES. YAFFE & COMPANY, INC. IS A INDEPENDENT CONSULTING FIRM WITH 35 YEARS OF SERVICE AND PROVIDES SERVICES TO NOT-FOR-PROFIT HOSPITALS AND HEALTH SYSTEMS. FURTHER YAFFE & COMPANY,

Name of the organization: THE CHESHIRE MEDICAL CENTER

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INC. HAS BEEN ENGAGED DIRECTLY BY THE BOARD OF TRUSTEES OF CHESHIRE MEDICAL CENTER THROUGH ITS EXECUTIVE COMMITTEE TO ONLY PROVIDE SERVICES TO THE BOARD.

AN EXECUTIVE COMMITTEE D/B/A COMPENSATION COMMITTEE CHARTER AND COMPENSATION PHILOSOPHY (APPROVED BY THE BOARD) DOCUMENTS THE COMPENSATION REVIEW PROCESS AND GUIDELINES SO AS TO PROVIDE AN ORDERLY STRUCTURE FOR EXECUTIVE TOTAL COMPENSATION DECISIONS. ANNUALLY, A MULTI-TIERED APPROACH USING INDEPENDENT COMPARABILITY DATA IS UTILIZED TO GAUGE APPROPRIATE COMPARATIVE MARKET LEVELS OF COMPENSATION AND BENEFITS. AN ANNUAL PERFORMANCE EVALUATION IS BASED ON SUBJECTIVE AND OBJECTIVE CRITERIA WHICH FLOW FROM THE STRATEGIC PLAN. BY WAY OF QUESTIONNAIRE, BOARD MEMBERS PARTICIPATE IN THE PERFORMANCE REVIEW PROCESS AND A SUMMARY REPORT IS SHARED WITH THE CEO. VARIABLE PAY IS AWARDED BASED ON ACHIEVEMENT OF SPECIFIC QUALITATIVE AND QUANTITATIVE GOALS. IN CONJUNCTION WITH THE EXECUTIVE COMMITTEE, CHALLENGING AND MEASURABLE GOALS ARE ESTABLISHED FOR THE OFFICE OF THE PRESIDENT WHICH PROVIDES AN ALIGNMENT BETWEEN EXECUTIVE COMPENSATION AND ACHIEVEMENT OF THE HOSPITAL'S STRATEGIC GOALS."

KEY EMPLOYEE COMPENSATION IS SET AT THE DISCRETION OF THE CEO BASED ON PERFORMANCE & MARKET DATA.

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

FORM 990, PART IX, LINE 24E, ALL OTHER FUNCTIONAL EXPENSES:

Name of the organization: THE CHESHIRE MEDICAL CENTER

Employer identification number: 02-0354549

MEDICAL & SURG. SUPPLIES :	
PROGRAM SERVICE EXPENSES	5,220,965.
MANAGEMENT AND GENERAL EXPENSES	0.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	5,220,965.
OTHER PURCHASED SERVICES :	
PROGRAM SERVICE EXPENSES	4,126,012.
MANAGEMENT AND GENERAL EXPENSES	739,568.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	4,865,580.
JOA GAINSHARE :	
PROGRAM SERVICE EXPENSES	2,628,800.
MANAGEMENT AND GENERAL EXPENSES	471,200.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	3,100,000.
PHYSICIAN FEES :	
PROGRAM SERVICE EXPENSES	3,059,542.
MANAGEMENT AND GENERAL EXPENSES	0.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	3,059,542.
MAINTENANCE CONTRACTS :	
PROGRAM SERVICE EXPENSES	1,713,198.
MANAGEMENT AND GENERAL EXPENSES	307,083.
FUNDRAISING EXPENSES	0.

Name of the organization: THE CHESHIRE MEDICAL CENTER

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TOTAL EXPENSES	2,020,281.
DATA PROCESSING FEES :	
PROGRAM SERVICE EXPENSES	1,669,508.
MANAGEMENT AND GENERAL EXPENSES	299,251.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	1,968,759.
FOOD & FOOD SUPPLIES :	
PROGRAM SERVICE EXPENSES	748,180.
MANAGEMENT AND GENERAL EXPENSES	0.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	748,180.
CHILDCARE CENTER EXPENSE :	
PROGRAM SERVICE EXPENSES	716,739.
MANAGEMENT AND GENERAL EXPENSES	0.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	716,739.
RENTAL AND LEASE EXPENSE :	
PROGRAM SERVICE EXPENSES	561,967.
MANAGEMENT AND GENERAL EXPENSES	100,730.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	662,697.
MAINTENANCE & REPAIR :	
PROGRAM SERVICE EXPENSES	537,981.

Name of the organization: THE CHESHIRE MEDICAL CENTER

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MANAGEMENT AND GENERAL EXPENSES	96,431.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	634,412.
DUES & SUBSCRIPTIONS :	
PROGRAM SERVICE EXPENSES	324,315.
MANAGEMENT AND GENERAL EXPENSES	58,132.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	382,447.
INSTRUMENTS & MINOR EQUIPMENT :	
PROGRAM SERVICE EXPENSES	290,470.
MANAGEMENT AND GENERAL EXPENSES	52,065.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	342,535.
COLLECTION EXPENSE :	
PROGRAM SERVICE EXPENSES	327,665.
MANAGEMENT AND GENERAL EXPENSES	0.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	327,665.
POSTAGE :	
PROGRAM SERVICE EXPENSES	248,298.
MANAGEMENT AND GENERAL EXPENSES	44,506.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	292,804.

Name of the organization: THE CHESHIRE MEDICAL CENTER

Employer identification number: 02-0354549

MISCELLANEOUS EXPENSE :	
PROGRAM SERVICE EXPENSES	228,934.
MANAGEMENT AND GENERAL EXPENSES	41,035.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	269,969.
LICENSES & TAXES :	
PROGRAM SERVICE EXPENSES	140,103.
MANAGEMENT AND GENERAL EXPENSES	25,113.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	165,216.
COMPUTERS:	
PROGRAM SERVICE EXPENSES	114,624.
MANAGEMENT AND GENERAL EXPENSES	20,546.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	135,170.
LINENS & APPAREL :	
PROGRAM SERVICE EXPENSES	112,358.
MANAGEMENT AND GENERAL EXPENSES	0.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	112,358.
RECRUITMENT :	
PROGRAM SERVICE EXPENSES	64,892.
MANAGEMENT AND GENERAL EXPENSES	11,631.
FUNDRAISING EXPENSES	0.

Name of the organization: THE CHESHIRE MEDICAL CENTER

Employer identification number: 02-0354549

TOTAL EXPENSES	76,523.
QUALITY CONTROL :	
PROGRAM SERVICE EXPENSES	52,871.
MANAGEMENT AND GENERAL EXPENSES	9,477.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	62,348.
BANK FEES :	
PROGRAM SERVICE EXPENSES	43,812.
MANAGEMENT AND GENERAL EXPENSES	7,853.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	51,665.
AFFILIATION EXPENSES :	
PROGRAM SERVICE EXPENSES	38,514.
MANAGEMENT AND GENERAL EXPENSES	6,903.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	45,417.
COURIER FEES :	
PROGRAM SERVICE EXPENSES	29,722.
MANAGEMENT AND GENERAL EXPENSES	5,327.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	35,049.
BOND FEES :	
PROGRAM SERVICE EXPENSES	8,121.

Name of the organization: THE CHESHIRE MEDICAL CENTER
Employer identification number: 02-0354549

MANAGEMENT AND GENERAL EXPENSES	1,456.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	9,577.
TRUSTEE DEVELOPMENT :	
PROGRAM SERVICE EXPENSES	4,075.
MANAGEMENT AND GENERAL EXPENSES	730.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	4,805.
TOTAL OTHER EXPENSES ON FORM 990, PART IX, LINE 24E, COL A	25,310,703.
FORM 990, PART XI, LINE 5, CHANGES IN NET ASSETS:	
PENSION LIABILITY ADJUSTMENT	2,833,621.
UNREALIZED GAINS ON INVESTMENTS	691,940.
TOTAL TO FORM 990, PART XI, LINE 5	3,525,561.

SCHEDULE R (Form 990)
Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047
2011
Open to Public Inspection

Name of the organization
THE CHESHIRE MEDICAL CENTER

Employer identification number
02-0354549

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) Section 512(b)(13) controlled entity? No
CHESHIRE HEALTH FOUNDATION - 02-0202220 580 COURT STREET KEENE, NH 03431	MANAGEMENT OF ENDOWMENT FUNDS	NEW HAMPSHIRE	501(C)(3)	LINE 11B, II			X

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2011

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
KEENE HEALTH ALLIANCE - 30-0179297, 580 COURT STREET, KEENE, NH 03431	HEALTHCARE	NH		MEDICAL CARE				X	N/A	X		50.00%

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
KEENE HEALTH SERVICES - 02-0374997 580 COURT STREET KEENE, NH 03431	INVESTMENTS REAL ESTATE	NH	CHESHIRE HEALTH FOUNDATION	C CORP			100.00%
KEENE HEALTH REALTY - 02-0374998 580 COURT STREET KEENE, NH 03431	INVESTMENTS REAL ESTATE	NH	KEENE HEALTH SERVICES	C CORP			100.00%
KEENE HEALTH ENTERPRISES - 02-0374999 580 COURT STREET KEENE, NH 03431	INVESTMENTS REAL ESTATE	NH	KEENE HEALTH SERVICES	C CORP			100.00%

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

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

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

(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) CHESHIRE HEALTH FOUNDATION	C	212,631.	CASH
(2) CHESHIRE HEALTH FOUNDATION	D	1,437,331.	CASH
(3) CHESHIRE HEALTH FOUNDATION	J	54,000.	CASH
(4) CHESHIRE HEALTH FOUNDATION	M	740,566.	CASH
(5)			
(6)			

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners sec 501(c)(3) orgs ? Yes	(e) No	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

Part VII Supplemental Information

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

Form **1128** (Rev January 2008)
Department of the Treasury
Internal Revenue Service

Application To Adopt, Change, or Retain a Tax Year

▶ See separate instructions.

OMB No 1545-0134

Attachment Sequence No **148**

Part I General Information

Important: All filers must complete Part I and sign below See instructions

Type or Print

Name of filer (If a joint return is filed, also enter spouse's name) (see instructions)	Filer's identifying number
THE CHESHIRE MEDICAL CENTER	02-0354549
Number, street, and room or suite no (If a P O box, see instructions)	Service Center where income tax return will be filed
580 COURT STREET	OGDEN, UT
City or town, state, and ZIP code	Filer's area code and telephone number/Fax number
KEENE, NH 03431	603-354-5400 603-354-5419
Name of applicant, if different than the filer (see instructions)	**Applicant's identifying number** (see instructions)
Name of person to contact (if not the applicant or filer, attach a power of attorney)	Contact person's area code and telephone number/Fax number
MICHAEL A. BARBARITA	(603) 610-8004 (603) 647-4520

1 Check the appropriate box(es) to indicate the type of applicant (see instructions).

- ☐ Individual
- ☐ Partnership
- ☐ Estate
- ☐ Domestic corporation
- ☐ S corporation
- ☐ Personal service corporation (PSC)
- ☐ Cooperative (sec. 1381(a))
- ☐ Controlled foreign corporation (CFC) (sec 957)
- ☐ Foreign sales corporation (FSC) or Interest-charge domestic international sales corporation (IC-DISC)
- ☐ Specified foreign corporation (SFC) (sec 898)
- ☐ 10/50 corporation (sec 904(d)(2)E))
- ☐ Trust
- ☐ Passive foreign investment company (PFIC) (sec. 1297)
- ☐ Other foreign corporation
- ☒ Tax-exempt organization
- ☐ Homeowners Association (sec 528)
- ☐ Other _____ (Specify entity and applicable Code section)

2 a Approval is requested to (check one) (see instructions)

☐ Adopt a tax year ending ▶ _____ (Partnerships and PSCs Go to Part III after completing Part I)

☒ Change to a tax year ending ▶ JUNE 30 ☐ Retain a tax year ending ▶ _____

b If changing a tax year, indicate the date the present tax year ends ▶ JUNE 30

c If adopting or changing a tax year, the first return or short period return will be filed for the tax year beginning ▶ OCTOBER 1 , 20 11 , and ending ▶ JUNE 30 , 20 12

3 Is the applicant's present tax year, as stated on line 2b above, also its current financial reporting year? ▶ ☒ **Yes** ☐ **No**

If "No," attach an explanation

4 Indicate the applicant's present overall method of accounting

☐ Cash receipts and disbursements method ☒ Accrual method

☐ Other method (specify) ▶ _____

5 State the nature of the applicant's business or principal source of income

TAX-EXEMPT HOSPITAL

Signature - All Filers (See Who Must Sign in the instructions.)

Under penalties of perjury, I declare that I have examined this application, 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 filer) is based on all information of which preparer has any knowledge.

Filer*

11/7/2012
Signature and date

Jill I. Batty, Chief Financial Officer
Name and title (print or type)

Preparer (other than filer)

Michael A CPA 10/29/12
Signature of individual preparing the application and date

MICHAEL A BARBARITA CPA
Name of individual preparing the application

William Steele & Assoc. P.C.
40 Stark St., Manchester, NH 03101
ID # 02-0383073
Name of firm preparing the application

*If the application is filed on behalf of a controlled foreign corporation or a 10/50 corporation by a controlling domestic shareholder, see instructions

Part II Automatic Approval Request (see instructions)

- Identify the revenue procedure under which this automatic approval request is filed ▶ . . . . . .

Section A - Corporations (Other Than S Corporations or Personal Service Corporations) (Rev. Proc. 2006-45, or its successor)

		Yes	No
1	Is the applicant a corporation (including a homeowners association (section 528)) that is requesting a change in tax year **and** is not precluded from using the automatic approval rules under section 4 of Rev. Proc 2006-45 (or its successor)? (see instructions) ▶		
2	Does the corporation intend to elect to be an S corporation for the tax year immediately following the short period? If "Yes" and the corporation is electing to change to a permitted tax year, file Form 1128 as an attachment to Form 2553		
3	Is the applicant a corporation requesting a concurrent change for a CFC, FSC or IC-DISC? (see instructions) ▶		
	Section B - Partnerships, S Corporations, Personal Service Corporations (PCSs), and Trusts (Rev. Proc. 2006-46, or its successor)		
4	Is the applicant a partnership, S corporation, PSC, or trust that is requesting a tax year **and** is not precluded from using the automatic approval rules under section 4 of Rev Proc 2006-46 (or its successor)? (see instructions) ▶		
5	Is the partnership, S corporation, PSC, or trust requesting to change to its required tax year or a partnership, S corporation, or PSC that wants to change to a 52-53 week tax year ending with reference to such tax year? ▶		
6	Is the partnership, S corporation, or PSC (other than a member of a tiered structure) requesting a tax year that coincides with its natural business year described in section 4.01(2) of Rev. Proc. 2006-46 (or its successor)? Attach a statement showing gross receipts for the most recent 47 months (See instructions for information required to be submitted) ▶		
7	Is the S corporation requesting an ownership tax year? (see instructions) ▶		
8	Is the applicant a partnership requesting a concurrent change pursuant to section 6.09 of Rev Proc 2006-45 (or its successor) or section 5.04(8) of Rev Proc 2002-39 (or its successor)? (see instructions) ▶		
	Section C - Individuals (Rev. Proc. 2003-62, or its successor) (see instructions)		
9	Is the applicant an individual requesting a change from a fiscal year to a calendar year? ▶		
	Section D - Tax-Exempt Organizations (Rev. Proc. 76-10 or 85-58) (see instructions)		
10	Is the applicant a tax-exempt organization requesting a change? ▶	X	

Part III Ruling Request (All applicants requesting a ruling must complete Section A and any other section that applies to the entity. See instructions) **(Rev. Proc. 2002-39, or its successor)**

	Section A - General Information	Yes	No
1	Is the applicant a partnership, S corporation, personal service corporation, or trust that is under examination by the IRS, before an appeals office, or a Federal court? ▶ If "Yes," see the instructions for information that must be included on an attached explanation.		
2	Has the applicant changed its annual accounting period at any time within the most recent 48-month period ending with the last month of the requested tax year? ▶ If "Yes" and a letter ruling was issued granting approval to make the change, attach a copy of the letter ruling, or if not available, an explanation including the date approval was granted. If a letter ruling was not issued, indicate when and explain how the change was implemented		
3	Within the most recent 48-month period, has any accounting period application been withdrawn, not perfected, denied, or not implemented? ▶ If "Yes," attach an explanation		
4a	Is the applicant requesting to establish a business purpose under section 5 02(1) of Rev Proc. 2002-39 (or its successor)? ▶ If "Yes," attach an explanation of the legal basis supporting the requested tax year (see instructions)		
b	If your business purpose is based on one of the natural business year tests under section 5.03, check the applicable box ☐ Annual business cycle test ☐ Seasonal business test ☐ 25-percent gross receipts test Attach a statement showing gross receipts from sales and services (and inventory cost if applicable) for the test period (see instructions)		
5	Enter the taxable income or (loss) for the 3 tax years immediately preceding the year of change and for the short period If necessary, estimate the amount for the short period. Short period $ _____ First preceding year $ _____ Second preceding year $ _____ Third preceding year $ _____ **Note:** *Individuals, enter adjusted gross income Partnerships and S corporations, enter ordinary income Section 501(c) organizations, enter unrelated business taxable income Estates, enter adjusted total income All other applicants, enter taxable income before net operating loss deduction and special deductions*		

		Yes	No
6	Corporations only, enter the losses or credits, if any, that were generated or that expired in the short period Generated / Expiring Net operating loss . . . . $ _____ $ _____ Capital loss . . . . . $ _____ $ _____ Unused credits . . . . . $ _____ $ _____		
7	Enter the amount of deferral, if any, resulting from the change (see section 5 05(1), (2), (3) and 6 01(7) of Rev. Proc 2002-39, or its successor) . . . . . ▶ $ _____		
8 a	Is the applicant a U S shareholder in a CFC? . . . . . ▶		
	If "Yes," attach a statement for each CFC providing the name, address, identifying number, tax year, the percentage of total combined voting power of the applicant, and the amount of income included in the gross income of the applicant under section 951 for the 3 tax years immediately before the short period and for the short period.		
b	Will each CFC concurrently change its tax year? . . . . . ▶		
	If "Yes" to line 8b, go to Part II, line 3		
	If "No," attach a statement explaining why the CFC will not be conforming to the tax year requested by the U S shareholder		
9 a	Is the applicant a U.S shareholder in a PFIC as defined in section 1297? . . . . . ▶		
	If "Yes," attach a statement providing the name, address, identifying number, and tax year of the PFIC, the percentage of interest owned by the applicant, and the amount of distributions or ordinary earnings and net capital gain from the PFIC included in the income of the applicant		
b	Did the applicant elect under section 1295 to treat the PFIC as a qualified electing fund? . . . . . ▶		
10 a	Is the applicant a member of a partnership, a beneficiary of a trust or estate, a shareholder of an S corporation, a shareholder of an IC-DISC, or a shareholder of an FSC? . . . . . ▶		
	If "Yes," attach a statement providing the name, address, identifying number, type of entity (partnership, trust, estate, S corporation, IC-DISC, or FSC), tax year, percentage of interest in capital and profits, or percentage of interest of each IC-DISC or FSC and the amount of income received from each entity for the first preceding year and for the short period Indicate the percentage of gross income of the applicant represented by each amount		
b	Will any partnership concurrently change its tax year to conform with the tax year requested? . . . . . ▶		
c	If "Yes" to line 10b, has any Form 1128 been filed for such partnership? . . . . . ▶		
11	Does the applicant or any related entity currently have any accounting method, tax year, ruling, or technical advice request pending with the IRS National Office? . . . . . ▶		
	If "Yes," attach a statement explaining the type of request (method, tax year, etc.) and the specific issues involved in each request		
12	Is **Form 2848,** Power of Attorney and Declaration of Representative, attached to this application? . . . . . ▶		
13	Does the applicant request a conference of right (in person or by telephone) with the IRS National Office, if the IRS proposes to disapprove the application? . . . . . ▶		
14	Enter amount of **user fee** attached to this application (see instructions) . . . . . ▶ $		

Section B - Corporations (other than S corporations and controlled foreign corporations) (see instructions)

		Yes	No
15	Enter the date of incorporation ▶		
16 a	Does the corporation intend to elect to be an S corporation for the tax year immediately following the short period? . . . . . ▶		
b	If "Yes," will the corporation be going to a permitted S corporation tax year? . . . . . ▶		
	If "No" to line 16b, attach an explanation		
17	Is the corporation a member of an affiliated group filing a consolidated return? . . . . . ▶		
	If "Yes," attach a statement providing **(a)** the name, address, identifying number used on the consolidated return, tax year, and Service Center where the applicant files the return, **(b)** the name, address, and identifying number of each member of the affiliated group, **(c)** the taxable income (loss) of each member for the 3 years immediately before the short period and for the short period, and **(d)** the name of the parent corporation		
18 a	Personal service corporations (PSCs) Attach a statement providing each shareholder's name, type of entity (individual, partnership, corporation, etc), address, identifying number, tax year, percentage of ownership, and amount of income received from the PSC for the first preceding year and the short period		
b	If the PSC is using a tax year other than the required tax year, indicate how it obtained its tax year ☐ Grandfathered (attach copy of letter ruling) ☐ Section 444 election (date of election _____) ☐ Letter ruling (date of letter ruling _____ (attach copy))		

Section C - S Corporations (see instructions)

		Yes	No
19	Enter the date of the S corporation election. ▶		
20	Is any shareholder applying for a corresponding change in tax year? . . . . . ▶ If "Yes," each shareholder requesting a corresponding change in tax year must file a separate Form 1128 to get advance approval to change its tax year		
21	If the corporation is using a tax year other than the required tax year, indicate how it obtained its tax year ☐ Grandfathered (attach copy of letter ruling) ☐ Section 444 election (date of election _____) ☐ Letter ruling (date of letter ruling _____ (attach copy))		
22	Attach a statement providing each shareholder's name, type of shareholder (individual, estate, qualified subchapter S Trust, electing small business trust, other trust, or exempt organization), address, identifying number, tax year, percentage of ownership, and the amount of income each shareholder received from the S corporation for the first preceding year and for the short period		

Section D - Partnerships (see instructions)

		Yes	No
23	Enter the date the partnership's business began ▶		
24	Is any partner applying for a corresponding change in tax year? . . . . . ▶		
25	Attach a statement providing each partner's name, type of partner (individual, partnership, estate, trust, corporation, S corporation, IC-DISC, etc.), address, identifying number, tax year, and the percentage of interest in capital and profits.		
26	Is any partner a shareholder of a PSC as defined in Regulations section 1 441-3(c)? . . . . . ▶ If "Yes," attach a statement providing the name, address, identifying number, tax year, percentage of interest in capital and profits, and the amount of income received from each PSC for the first preceding year and for the short period		
27	If the partnership is using a tax year other than the required tax year, indicate how it obtained its tax year ☐ Grandfathered (attach copy of letter ruling) ☐ Section 444 election (date of election _____) ☐ Letter ruling (date of letter ruling _____ (attach copy))		

Section E - Controlled Foreign Corporations (CFC)

								Yes	No
28	Attach a statement for each U S shareholder (as defined in section 951(b)) providing the name, address, identifying number, tax year, percentage of total value and percentage of total voting power, and the amount of income included in gross income under section 951 for the 3 tax years immediately before the short period and for the short period.								

Section F - Tax-Exempt Organizations

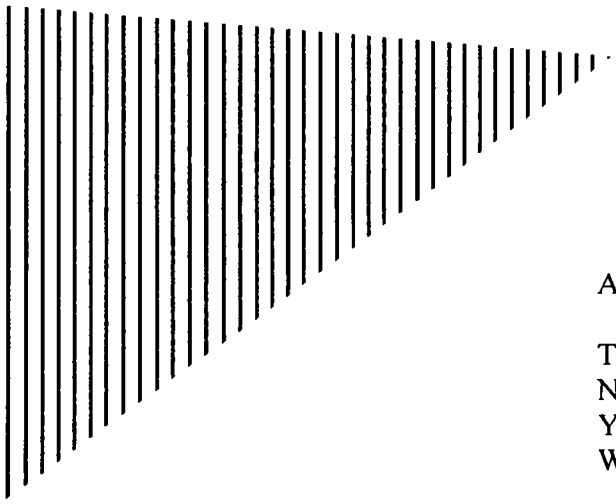
								Yes	No
29	Type of organization	☐	Corporation	☐	Trust	☐	Other (specify) ▶		
30	Date of organization ▶								
31	Code section under which the organization is exempt. ▶								
32	Is the organization required to file an annual return on Form 990, 1120-C, 990-PF, 990-T, 1120-H, or 1120-POL? ▶								
33	Enter the date the tax exemption was granted. ▶ _____ Attach a copy of the letter ruling granting exemption If a copy of the letter ruling is not available, attach an explanation								
34	If the organization is a private foundation, is the foundation terminating its status under section 507? . . . . . ▶								

Section G - Estates

35	Enter the date the estate was created ▶
36 a	Attach a statement providing the name, identifying number, address, and tax year of each beneficiary and each person who is an interested party of any portion of the estate
b	Based on the adjusted total income of the estate entered in Part III, Section A, line 5, attach a statement showing the distribution deduction and the taxable amounts distributed to each beneficiary for the 2 tax years immediately before the short period and for the short period

Section H - Passive Foreign Investment Companies

37	If the applicant is a passive foreign investment company, attach a statement providing each U.S shareholder's name, address, identifying number, and percentage of interest owned



AUDITED FINANCIAL STATEMENTS

The Cheshire Medical Center
Nine-Month Period Ended June 30, 2012 and
Year Ended September 30, 2011
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

The Cheshire Medical Center

Audited Financial Statements

Nine-Month Period Ended June 30, 2012 and Year Ended September 30, 2011

Contents

Ernst & Young LLP
200 Clarendon Street
Boston MA 02116
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www ey com

Report of Independent Auditors

The Board of Trustees
The Cheshire Medical Center

We have audited the accompanying balance sheets of The Cheshire Medical Center (the Medical Center) as of June 30, 2012 and September 30, 2011, and the related statements of operations and changes in net assets, and cash flows for the nine-month period ended June 30, 2012 and the year ended September 30, 2011. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Medical Center's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cheshire Medical Center at June 30, 2012 and September 30, 2011, and the results of its operations and changes in net assets, and its cash flows for the nine-month period ended June 30, 2012 and the year ended September 30, 2011, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the accompanying financial statements, in 2012, the Medical Center changed its method of accounting for insurance claims and related insurance recoveries.

Ernst & Young LLP

September 27, 2012

The Cheshire Medical Center

Balance Sheets

	June 30 2012	September 30 2011
Assets		
Current assets:		
Cash and cash equivalents	**$ 26,195,809**	$ 22,641,220
Accounts receivable from patients, less allowance for uncollectible accounts (2012 – $6,855,000; 2011 – $6,637,000)	**12,458,722**	15,478,992
Inventory	**2,169,916**	2,207,852
Prepaid expenses and other	**2,237,514**	1,916,756
Due from Cheshire Health Foundation *(Note 3)*	**1,437,331**	538,134
Funds held by trustee under debt agreements *(Note 7)*	**775,353**	265,856
Total current assets	**45,274,645**	43,048,810
Investments *(Note 4)*	**13,832,078**	12,425,042
Property, plant, and equipment, less accumulated depreciation (2012 – $100,654,775; 2011 – $95,034,275) *(Notes 6 and 7)*	**67,550,825**	69,166,511
Other assets	**1,782,039**	940,855
Assets whose use is limited:		
Funds held by trustee under debt agreements *(Note 7)*	**1,074,645**	1,110,199
Total assets	**$ 129,514,232**	$ 126,691,417

	June 30 2012	September 30 2011
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 4,800,800**	$ 5,286,164
Accrued salaries and related amounts	**2,291,350**	2,867,839
Accrued earned time	**2,846,799**	2,289,851
Amounts payable to third-party payors	**725,451**	712,384
Due to Dartmouth-Hitchcock *(Note 1)*	**6,371,601**	4,244,329
Medicaid Enhancement Tax liability *(Note 12)*	**1,100,000**	1,250,000
Current portion of capital lease obligations	**183,797**	196,237
Current portion of long-term debt	**744,630**	735,670
Total current liabilities	**19,064,428**	17,582,474
Other liabilities	**33,601,764**	35,318,011
Capital lease obligations *(Note 8)*	**617,267**	801,064
Long-term debt, less current portion *(Note 7)*	**25,462,927**	25,648,701
Net assets:		
Unrestricted	**47,712,572**	44,706,598
Temporarily restricted	**3,055,274**	2,634,569
Total net assets	**50,767,846**	47,341,167
Total liabilities and net assets	**$ 129,514,232**	$ 126,691,417

See accompanying notes.

The Cheshire Medical Center

Statements of Operations and Changes in Net Assets

	Nine-Month Period Ended June 30 2012	Year Ended September 30 2011
Net patient service revenues *(Note 2)*	**$ 115,850,935**	$ 148,742,029
Other revenues	**2,886,070**	2,776,044
Net assets released from restriction for operations	**218,747**	279,695
	118,955,752	151,797,768
Expenses:		
Salaries and wages	**39,863,303**	52,987,555
Employee benefits	**15,011,770**	21,140,280
Physician fees	**3,018,871**	3,972,568
Supplies and other	**36,552,358**	47,732,798
Medicaid Enhancement Tax	**5,744,610**	5,312,400
Provision for bad debts	**9,320,859**	8,757,199
Interest	**784,159**	1,035,688
Depreciation and amortization	**5,887,072**	7,830,568
	116,183,002	148,769,056
Income from operations before effect of interest rate swap and expense relating to joint provision of medical services	**2,772,750**	3,028,712
Effect of interest rate swap	**(119,796)**	(201,762)
Expense relating to joint provision of medical services *(Note 1)*	**(3,100,000)**	(3,429,000)
Loss from operations	**(447,046)**	(602,050)
Non-operating gain, net	**85,770**	188,123
Deficiency of revenues and net gains (losses) over expenses	**(361,276)**	(413,927)

The Cheshire Medical Center

Statements of Operations and Changes in Net Assets (continued)

	Nine-Month Period Ended June 30 2012	Year Ended September 30 2011
Deficiency of revenues and net gains (losses) over expenses	**(361,276)**	(413,927)
Change in net unrealized gain (loss) on investments	**533,629**	(464,408)
Pension liability adjustments	**2,833,621**	(4,624,435)
Increase (decrease) in unrestricted net assets	**3,005,974**	(5,502,770)
Temporarily restricted net assets:		
Investment income	**289,890**	360,796
Realized gains	**36,286**	71,246
Contributions	**154,965**	168,756
Change in net unrealized gain (loss) on investments	**158,311**	(132,095)
Net assets released from restriction	**(218,747)**	(279,695)
Increase in temporarily restricted net assets	**420,705**	189,008
Increase (decrease) in net assets	**3,426,679**	(5,313,762)
Net assets at beginning of period	**47,341,167**	52,654,929
Net assets at end of period	**$ 50,767,846**	$ 47,341,167

See accompanying notes.

The Cheshire Medical Center

Statements of Cash Flows

	Nine-Month Period Ended June 30 2012	Year Ended September 30 2011
Operating activities and net realized investment gains		
Increase (decrease) in net assets	**$ 3,426,679**	$ (5,313,762)
Adjustments to reconcile change in net assets to net cash provided by operating activities and net realized investment gains:		
Depreciation and amortization	**5,887,072**	7,830,568
Change in net unrealized (gain) loss on investments	**(691,940)**	596,503
Change in fair value of interest rate swap	**(2,986)**	34,768
Increase (decrease) in cash from certain working capital and other items:		
Accounts receivable from patients, net	**3,020,270**	3,299,544
Inventory, prepaid expenses, and other assets	**(1,161,994)**	(269,384)
Due from Cheshire Health Foundation	**(899,197)**	3,754,227
Due to Dartmouth-Hitchcock	**2,127,272**	1,679,111
Accounts payable, accrued expenses, and other liabilities	**(2,348,625)**	5,162,899
Accrued salaries, wages, and earned time	**(19,541)**	(380,668)
Amounts payable to third-party payors	**13,067**	(2,385,354)
Net cash provided by operating activities and net realized investment gains	**9,350,077**	14,008,452
Investing activities		
Purchase of property, plant, and equipment, net	**(4,233,398)**	(6,912,880)
Increase in investments, net	**(715,096)**	(1,036,803)
(Increase) decrease in assets whose use is limited	**(473,943)**	2,464,813
Net cash used in investing activities	**(5,422,437)**	(5,484,870)
Financing activities		
Payment of long-term debt and capital leases	**(373,051)**	(866,527)
Net cash used in financing activities	**(373,051)**	(866,527)
Increase in cash and cash equivalents	**3,554,589**	7,657,055
Cash and cash equivalents at beginning of period	**22,641,220**	14,984,165
Cash and cash equivalents at end of period	**$ 26,195,809**	$ 22,641,220
Non-cash transactions		
Equipment acquired through capital lease	**$ –**	$ 997,301

See accompanying notes.

The Cheshire Medical Center

Notes to Financial Statements

June 30, 2012

1. Significant Accounting Policies

Organization

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

Effective October 1, 1998, the Medical Center entered into a Partnership Agreement (the Agreement) with Dartmouth-Hitchcock Medical Center, which combined the operations of Dartmouth-Hitchcock's Keene Division and the Medical Center. By creating a Joint Operating Board and a unified management team to manage the clinical, administrative, and financial operations of the combined entities, the Agreement recognizes the value of health care organizations working together to better meet patient and community needs. Both entities are pursuing opportunities to improve the quality and efficiency of health care delivery through the Agreement. The Agreement also provides for the financial sharing between the entities of combined operating results. As of June 30, 2012 and September 30, 2011, the Medical Center owed $13,659,854 and $10,559,854, respectively, under this Agreement. At June 30, 2012 and September 30, 2011, Dartmouth-Hitchcock owed the Medical Center $7,288,253 and $6,315,525, respectively, for amounts incurred by the Medical Center on behalf of Dartmouth-Hitchcock for capital and operating activities.

During fiscal year 2012, the Medical Center changed its fiscal year end from September 30 to June 30.

Use of Estimates

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

1. Significant Accounting Policies (continued)

Operating Indicator

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

Net Patient Service Revenues

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors, including Medicare and Medicaid. Retroactive adjustments are accrued in the period the related services are rendered, and adjusted in future periods as final settlements are determined.

Charity Care

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

Contributions

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

Cash Equivalents

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

Inventories

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

1. Significant Accounting Policies (continued)

Property, Plant, and Equipment

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

Bond Issuance Costs and Original Issue Discount

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

Investments

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

Temporarily Restricted Net Assets

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

1. Significant Accounting Policies (continued)

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

Pension Plan

The Medical Center closed its non-contributory defined benefit pension plan to new participants on March 31, 2008. Benefits had been based on years of service and the employee's average compensation in the last five consecutive plan years out of the latest ten years immediately preceding termination of employment, which produces the highest average. The plan has frozen existing participants' years of service, but will continue to apply credit for compensation increases. The Medical Center's funding policy is to contribute the amount recommended by the Medical Center's actuary to fulfill Employee Retirement Income Security Act of 1974 requirements. In fiscal 2012, the plan's measurement date was changed from September 30 to June 30.

The Medical Center established a qualified defined contribution pension plan (the Pension Plan or the Plan) under Section 403(b) of the Internal Revenue Code (the Code), covering all eligible employees, effective as of July 1, 2008. Annual contributions to the Pension Plan are determined by applying the specified plan rates to the employees' gross salaries. The benefit expense recorded under the Pension Plan was $1,721,324 and $2,289,388 for the nine-month period ended June 30, 2012 and the year ended September 30, 2011, respectively.

Employee Fringe Benefits

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

1. Significant Accounting Policies (continued)

Professional Liability Loss Contingencies

The Medical Center is insured for professional liability through a claims-made policy with an insurance carrier. The possibility exists, as a normal risk of doing business, that professional liability claims in excess of insurance coverage may be asserted against the Medical Center. Beginning October 1, 2011, the Medical Center began presenting the anticipated insurance recoveries and estimated liabilities for medical malpractice claims separately on the balance sheet, resulting in an increase of $800,000 at June 30, 2012, to other assets and other liabilities.

Recent Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (FASB) issued amended guidance relating to measuring charity care for disclosure. The amended guidance requires that the level of charity care provided be presented based on the direct and indirect costs of the charity services provided. Separate disclosure of the amount of any cash reimbursements received for providing charity care must also be disclosed. The amended guidance is effective for fiscal years beginning after December 15, 2010. The Medical Center adopted the disclosures required by the amended guidance beginning October 1, 2011.

In August 2010, the FASB issued amended guidance related to the presentation of insurance claims and related insurance recoveries. Under the new guidance, anticipated insurance recoveries and estimated liabilities for medical malpractice claims or similar contingent liabilities will be presented separately on the balance sheet. The guidance is effective for fiscal years beginning after December 15, 2010. The Medical Center adopted the presentation changes to the balance sheet beginning October 1, 2011, resulting in an increase to other assets and other liabilities of $800,000 at June 30, 2012.

In July 2011, the FASB issued new guidance, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts*. The guidance requires certain health care entities to present the bad debt expense associated with the patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) rather than operating expense. The guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011, with early adoption permitted. The Medical Center will adopt the presentation changes to the statement of operations in fiscal 2013.

1. Significant Accounting Policies (continued)

Subsequent Events

The Medical Center evaluated the impact of events subsequent to the balance sheet date, for potential recognition in the financial statements, through September 27, 2012, representing the date at which the financial statements were issued.

Reclassifications

Certain amounts for the year ended September 30, 2011 have been reclassified to be consistent with the presentation of the amounts for the nine-month period ended June 30, 2012. The reclassifications had no effect on the deficiency of revenues over expenses, or the increase in total net assets, or on total net assets as previously reported.

2. Net Patient Service Revenues

The following summarizes net patient service revenues:

	Nine-Month Period Ended June 30 2012	Year Ended September 30 2011
Gross patient service revenues	**$ 263,912,446**	$ 317,000,817
Less contractual allowances	**148,061,511**	168,258,788
Net patient service revenues	**$ 115,850,935**	$ 148,742,029

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

2. Net Patient Service Revenues (continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Medical Center believes that it is in compliance with all laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in net patient service revenues in the year that such amounts become known. There is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. The impact of changes in estimates, including prior year settlements, was to increase net revenues by $465,253 and $3,095,248 in 2012 and 2011, respectively. Revenues from the Medicare and Medicaid programs accounted for approximately 35% and 4%, respectively, of the Medical Center's net patient service revenues for the nine-month period June 30, 2012. Revenues from the Medicare and Medicaid programs accounted for approximately 36% and 6%, respectively, of the Medical Center's net patient service revenues for the year ended September 30, 2011.

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

The Medical Center does not pursue collection of amounts determined to qualify as charity care; therefore, they are not reported as revenues. The Medical Center rendered charity care in accordance with its formal charity care policy, which, at established charges, amounted to $5,240,866 and $6,144,682 for the nine-month period ended June 30, 2012 and the year ended September 30, 2011, respectively. The net cost of charity includes the direct and indirect cost of providing charity care services, offset by revenues received from financial assistance donations. The cost is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care. The cost of charity care provided during the nine-month period ended June 30, 2012 and the year ended September 30, 2011 was $2,046,162 and $2,603,641, respectively. Donations received to offset charity services provided totaled $104,176 and $133,742 for the nine-month period ended June 30, 2012 and the year ended September 30, 2011, respectively.

3. Related-Party Transactions

In the absence of donor restrictions, the Foundation has discretionary control over the distribution of its funds, the timing of such distributions, and the purposes for which such funds are to be used. The Foundation's funds are distributed to the Medical Center or others in amounts, and in periods, determined by the Foundation's Board of Trustees, who may also restrict the use of general funds for specific purposes. Contributions made by the Foundation to the Medical Center during the nine-month period ended June 30, 2012 and the year ended September 30, 2011, amounted to $212,631 and $235,647, respectively, and used to support community programs.

At June 30, 2012 and September 30, 2011, the Foundation owed the Medical Center $1,437,331 and $538,134, respectively, for amounts incurred by the Medical Center on behalf of the Foundation for construction and operating activities.

For the nine-month period ended June 30, 2012 and the year ended September 30, 2011, the Medical Center paid $122,625 and $161,525, respectively, to the Foundation for the use of building space.

4. Investments

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

	June 30 2012	September 30 2011
Cash	$ 944,847	$ 944,847
Pooled investments	12,887,231	11,480,195
	$ 13,832,078	$ 12,425,042

4. Investments (continued)

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

	June 30 2012	September 30 2011
Cash and cash equivalents	$ –	$ 1,100,000
Money market mutual funds	**596,133**	891,306
Domestic equity securities	**2,582,821**	2,550,743
Domestic equity mutual funds	**5,017,229**	4,604,686
International equity mutual funds	**7,000,269**	6,430,267
Global equity mutual funds	**654,108**	672,556
U.S. Government fixed income mutual funds	**2,044,441**	1,961,536
Domestic bond fixed income mutual funds	**3,068,031**	2,807,496
Alternative investments:		
Commingled commodities fund	**666,420**	680,864
Combined REIT fund	**879,422**	712,167
Global fixed income commingled fund	**1,566,364**	1,510,929
Long/short hedge fund	**2,892,226**	1,638,396
Multi-strategy hedge fund	**3,070,813**	1,732,101
	$ 30,038,277	$ 27,293,047

Management continually reviews its investment portfolio, and evaluates whether declines in the fair value of securities should be considered other than temporary. Factored into this evaluation are the general market conditions, management's intent and ability to hold the securities, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors, and the length of time and extent to which the market value has been less than cost. During the nine months ended June 30, 2012, the Foundation recorded a realized loss for other-than-temporary declines in the fair value of investments of $442,206. Gross unrealized losses in the pooled investments held by the Foundation at June 30, 2012 and September 30, 2011, are $27,012 and $815,903, respectively, of which $182,254 had been in an unrealized loss position for over a year as of September 30, 2011. At June 30, 2012, there were no investments that had been in an unrealized loss position over one year. The Foundation has the intent and ability to hold these investments.

5. Fair Value of Financial Instruments

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

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

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

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

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

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

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

5. Fair Value of Financial Instruments (continued)

The financial instruments of the Medical Center which are carried at fair value as of June 30, 2012, are classified in the table below in the three categories described above:

	Level 1	Level 2	Level 3	Total
Assets				
Cash	**$ 944,847**	**$ –**	**$ –**	**$ 944,847**
Funds held by trustee under revenue bond agreement:				
Cash and cash equivalents	**1,849,998**	**–**	**–**	**1,849,998**
	$ 2,794,845	**$ –**	**$ –**	**$ 2,794,845**
Liabilities				
Interest rate swap agreement	**$ –**	**$ 545,152**	**$ –**	**$ 545,152**

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

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

5. Fair Value of Financial Instruments (continued)

The Medical Center reported $12,887,231 of pooled investments held by the Foundation as of June 30, 2012. These investments are reported as the Medical Center's interests in the fair value of the pool. The fair value of the pooled investments is classified in the table below in the three categories described above:

	Level 1	Level 2	Level 3	Total
Assets				
Money market mutual funds	$ 596,133	$ –	$ –	$ 596,133
Domestic equity securities	2,582,822	–	–	2,582,822
Domestic equity mutual funds	4,309,091	708,138	–	5,017,229
International equity mutual funds	7,000,269	–	–	7,000,269
Global equity mutual funds	654,108	–	–	654,108
U.S. Government fixed income mutual funds	2,044,441	–	–	2,044,441
Domestic bond fixed income mutual funds	3,068,031	–	–	3,068,031
	$ 20,254,895	$ 708,138	$ –	20,963,033
Alternative investments recorded on the equity method of accounting				9,075,244
Total investments				$ 30,038,277

5. Fair Value of Financial Instruments (continued)

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

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 1,100,000	$ –	$ –	$ 2,044,847
Money market mutual funds	891,306	–	–	891,306
Domestic equity securities	2,550,743	–	–	2,550,743
Domestic equity mutual funds	3,957,089	647,597	–	4,604,686
International equity mutual funds	6,430,267	–	–	6,430,267
Global equity mutual funds	672,556	–	–	672,556
U.S. Government fixed income mutual funds	1,961,536	–	–	1,961,536
Domestic bond fixed income mutual funds	2,807,496	–	–	2,807,496
	$ 20,370,993	$ 647,597	$ –	21,018,590
Alternative investments recorded on the equity method of accounting				6,274,457
Total investments				$ 27,293,047

5. Fair Value of Financial Instruments (continued)

The following is a summary of investments (by major class) that have restrictions on the Foundation's ability to redeem its investments at the measurement date and any unfunded capital commitments as of June 30, 2012 (including investments accounted for using the equity method):

Description of Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled commodities fund	$ 666,420	$ –	Monthly	5 days
Domestic equity mutual fund	708,138	–	Monthly	10 days
Global fixed income commingled fund	1,566,363	–	Monthly	10 business days
Commingled REIT fund	879,422	–	Monthly	15 days
Multi-strategy hedge fund	1,009,274	–	Annually	65 days
Multi-strategy hedge fund	708,090	–	Annually	90 days
Long/short hedge fund	2,892,226	–	Annually	95 days
Multi-strategy hedge fund	1,011,268	–	Annually	95 days
Multi-strategy hedge fund	342,181	–	Semi-annually	75 days
	$ 9,783,382	$ –		

Financial instruments in the Medical Center's defined benefit pension plan carried at fair value as of June 30, 2012, are classified in the table below in the three categories described above:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	**$ 295,332**	**$ –**	**$ –**	**$ 295,332**
Domestic equity securities	**4,074,869**	**–**	**–**	**4,074,869**
Domestic equity mutual funds	**6,281,940**	**876,656**	**–**	**7,158,596**
International equity mutual funds	**5,355,405**	**5,745,668**	**–**	**11,101,073**
Global equity mutual funds	**1,009,663**	**–**	**–**	**1,009,663**
U S. Government income mutual funds	**3,227,325**	**–**	**–**	**3,227,325**
Domestic bond fixed income mutual funds	**4,940,800**	**–**	**–**	**4,940,800**
Alternative securities:				
Commingled REIT fund	**–**	**1,240,412**	**–**	**1,240,412**
Commingled commodities fund	**–**	**–**	**1,050,591**	**1,050,591**
Global fixed income commingled fund	**–**	**–**	**2,362,138**	**2,362,138**
Multi-strategy hedge fund	**–**	**–**	**9,435,236**	**9,435,236**
	$ 25,185,334	**$ 7,862,736**	**$12,847,965**	**$ 45,896,035**

5. Fair Value of Financial Instruments (continued)

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

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 329,414	$ –	$ –	$ 329,414
Money market mutual funds	162	–	–	162
Domestic equity securities	4,688,946	–	–	4,688,946
Domestic equity mutual funds	5,854,250	878,781	–	6,733,031
International equity mutual funds	5,481,515	5,735,364	–	11,216,879
Global equity mutual funds	944,503	–	–	944,503
U.S. Government income mutual funds	3,549,238	–	–	3,549,238
Domestic bond fixed income mutual funds	4,986,614	–	–	4,986,614
Alternative securities.				
Commingled REIT fund	–	1,004,502	–	1,004,502
Commingled commodities fund	–	–	1,072,154	1,072,154
Global fixed income commingled fund	–	–	2,365,587	2,365,587
Multi-strategy hedge fund	–	–	4,482,545	4,482,545
	$ 25,834,642	$ 7,618,647	$ 7,920,286	$ 41,373,575

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

5. Fair Value of Financial Instruments (continued)

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

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

Long-term debt is reported in the accompanying balance sheets at principal value, less unamortized discount or premium, which totaled $26,207,557 at June 30, 2012. The fair value of these obligations at June 30, 2012, as estimated based on quoted market prices for similar bonds, totaled $26,389,763.

During the nine-month period ended June 30, 2012 and the year ended September 30, 2011, the changes in the fair value of the financial instruments in the Medical Center's defined pension plan measured using significant unobservable inputs (Level 3), were composed of the following:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	June 30 2012	**September 30 2011**
Beginning balance at October 1	**$ 7,920,286**	$ 5,052,506
Net realized and unrealized gains	**316,020**	122,505
Purchases and issuances	**6,900,000**	2,750,000
Settlements	**(2,288,341)**	(4,725)
Ending balance at June 30 and September 30	**$ 12,847,965**	$ 7,920,286

6. Property, Plant, and Equipment

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

	June 30 2012	September 30 2011
Land	$ 69,632	$ 69,632
Land improvements	3,988,841	3,988,841
Buildings	75,296,902	74,593,241
Fixed equipment	24,515,648	23,829,052
Major movable equipment	62,067,971	59,204,923
	165,938,994	161,685,689
Less accumulated depreciation	100,654,775	95,034,275
	65,284,219	66,651,414
Renovations in progress	2,266,606	2,515,097
Total property, plant, and equipment	$ 67,550,825	$ 69,166,511

7. Long-Term Debt

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

	June 30 2012	September 30 2011
New Hampshire Health and Education Facilities Authority Revenue Bonds:		
Series 2009 bonds with a variable interest rate computed based on .69 times the one-month LIBOR as defined in the agreement, 2.06% at June 30, 2012. Principal is payable in annual installments ranging from $279,630 to $318,534 through the mandatory redemption date of August 26, 2019, at which time a balloon payment of $11,997,825 is due	$ 14,297,990	$ 14,499,886
Series 1998 bonds with interest from 4.875% to 5.125% per year, and payable in annual sinking fund installments ranging from $465,000 to $1,005,000 through July 1, 2028	12,080,000	12,080,000
Less unamortized original issue discount	(170,433)	(195,515)
	26,207,557	26,384,371
Less current portion	744,630	735,670
Long-term debt – net	$ 25,462,927	$ 25,648,701

7. Long-Term Debt (continued)

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

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

The Medical Center uses an interest rate swap agreement in order to manage its interest rate risk associated with its outstanding debt. The swap effectively converts interest rates on variable rate bonds to a fixed rate. On August 27, 2009, the Medical Center and the Foundation entered into an interest rate swap agreement, effectively converting $7,500,000 of Series 2009 bonds to a fixed-rate basis of 4.31% through August 26, 2016. The interest rate swap agreement meets the definition of a derivative instrument under ASC 815. Consequently, the fair value of the swap of $(545,152) and $(548,138) at June 30, 2012 and September 30, 2011, respectively, is reported in the accompanying balance sheets in other liabilities. The change in fair value was $2,986 and $(34,768) for the nine-month period ended June 30, 2012 and the year ended September 30, 2011, respectively. Cash flows under the swaps netted to payments of $122,782 and $166,994 in 2012 and 2011, respectively. Both the change in fair value and the cash flows under the swap are included in the effect of interest rate swap in the statements of operations and changes in net assets. While the swap serves as an economic hedge, it does not qualify as an accounting hedge under ASC 815.

7. Long-Term Debt (continued)

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

	June 30 2012	September 30 2011
Debt service	**$ 775,353**	$ 265,856
Debt service reserve	**1,074,645**	1,110,199
	$ 1,849,998	$ 1,376,055

Aggregate annual principal payments required under the long-term debt agreements and the promissory note for fiscal years ending June 30, 2013 through 2017, are $744,630, $782,039, $819,999, $858,534, and $902,670, respectively.

For the nine-month period ended June 30, 2012 and the year ended September 30, 2011, the Medical Center paid interest of $567,903 and $946,276, respectively.

The Medical Center has entered into an unsecured open line-of-credit agreement with a local bank in the amount of $2,500,000, of which $870,000 is required for the letter of credit. As of June 30, 2012 and September 30, 2011, $1,630,000 remains available. In addition, the Medical Center also has a standby letter of credit of approximately $870,000 that is required for its self-insured workers' compensation program.

8. Leases

Rent expense of $447,125 and $508,299 for medical equipment, building space, and pharmacy dispensers was incurred during the nine-month period ended June 30, 2012 and the year ended September 30, 2011, respectively, under non-cancelable operating lease agreements covering a term greater than one year.

At June 30, 2012 and September 30, 2011, assets recorded under a capital lease totaled $722,262, with accumulated amortization of $180,565 and $72,226, respectively. The cost and accumulated amortization of the equipment are included in property, plant, and equipment.

8. Leases (continued)

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

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

	Operating Leases	Capital Leases
2013	$ 743,539	$ 229,858
2014	627,683	229,858
2015	382,815	229,858
2016	351,853	229,858
2017	181,668	–
	$ 2,287,558	919,432
Less portion representing interest		(118,368)
Net lease obligations		$ 801,064

9. Pension Plan

Reconciliation of Funded Status and Accumulated Benefit Obligation

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

	Nine-Month Period Ended June 30 2012	Year Ended September 30 2011
Changes in benefit obligation		
Projected benefit obligation at beginning of period	**$ (75,276,729)**	$ (70,711,596)
Interest cost	**(2,515,345)**	(3,414,557)
Benefits and expenses paid	**1,262,796**	1,449,405
Change in assumptions	**(2,588,544)**	(5,686,863)
Experience gain	**1,611,066**	3,086,882
Projected benefit obligation at end of period	**(77,506,756)**	(75,276,729)
Changes in plan assets		
Fair value of plan assets at beginning of period	**41,373,575**	40,317,123
Actual return on plan assets	**4,182,044**	(813,784)
Contributions by plan sponsor	**1,603,212**	3,319,641
Benefits and expenses paid	**(1,262,796)**	(1,449,405)
Fair value of plan assets at end of period	**45,896,035**	41,373,575
Funded status		
Funded status of the plan	**$ (31,610,721)**	$ (33,903,154)
Accumulated benefit obligation	**$ 70,282,153**	$ 61,915,574

The underfunded status of the Plan of $31,610,721 and $33,903,154 at June 30, 2012 and September 30, 2011, respectively, is reported in the accompanying balance sheets in other liabilities.

9. Pension Plan (continued)

Included in other changes in unrestricted net assets at June 30, 2012 and September 30, 2011, are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service costs of $617,264 and $782,996, respectively, and unrecognized actuarial losses of $30,453,431 and $33,121,320, respectively. The prior service cost and actuarial loss included as other changes in unrestricted net assets, and expected to be recognized in net periodic pension cost during the fiscal year ending June 30, 2013, is $220,976 and $2,270,560, respectively.

Net periodic pension cost includes the following components:

	Nine-Month Period Ended June 30 2012	Year Ended September 30 2011
Interest cost	**$ 2,515,345**	$ 3,414,557
Expected return on plan assets	**(2,346,662)**	(3,103,476)
Prior service cost amortization	**165,732**	220,976
Recognized actuarial loss	**1,809,985**	1,671,830
	$ 2,144,400	$ 2,203,887

The weighted-average assumptions used to develop pension expense as of June 30, 2012 and September 30, 2011, are as follows:

	Nine-Month Period Ended June 30 2012	Year Ended September 30 2011
Discount rate	**4.61%**	5.11%
Expected return on plan assets	**7.50**	7.50
Rate of compensation increase	**4.00**	4.00

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

9. Pension Plan (continued)

The weighted-average assumptions used to develop the projected benefit obligation as of June 30, 2012 and September 30, 2011, are as follows:

	Nine-Month Period Ended June 30 2012	Year Ended September 30 2011
Discount rate	**3.96%**	4.61%
Rate of compensation increase	**2.50**	4.00

Plan Assets

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

Asset Class	Policy Range
Domestic equity	20-30%
International equity	20-30%
Flexible capital	15-25%
Core bond	8-12%
Deflation hedging (U.S. Treasuries)	4-6%
Global fixed income	4-6%
Inflation hedging	8-12%
U.S. TIPS	2-3%
Commodities	2-3%
Natural resources	2-3%
Real estate	2-3%

9. Pension Plan (continued)

The Pension Plan's weighted-average asset allocations at June 30, 2012 and September 30, 2011, by asset category, are as follows:

Asset Category	Plan Assets at June 30 2012	Plan Assets at September 30 2011
Cash and cash equivalents	–%	1%
Domestic equity mutual funds	16	16
International equity mutual funds	24	27
Global equity mutual funds	2	2
Domestic equity securities	9	11
U.S. Government fixed income mutual funds	7	9
Domestic bond fixed income mutual funds	11	12
Alternative securities:		
Commingled REIT fund	3	2
Commingled commodities fund	2	3
Global fixed income commingled fund	5	6
Multi-strategy hedge fund	21	11
	100%	100%

Contributions

The Medical Center expects to contribute $4,076,252 to its Pension Plan in 2013.

Estimated Future Benefit Payments

Benefit payments are estimated to be paid as follows:

	Pension Benefits
Fiscal years:	
2013	$ 1,935,702
2014	2,110,111
2015	2,283,719
2016	2,523,426
2017	2,823,054
Years 2018–2022	18,774,857

10. Functional Expenses

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

	Nine-Month Period Ended June 30 2012	Year Ended September 30 2011
Health care services	**$ 94,364,227**	$ 122,325,745
General and administrative	**21,818,775**	26,443,311
	$ 116,183,002	$ 148,769,056

11. Concentration of Credit Risk

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

	June 30 2012	September 30 2011
Medicare	**29%**	29%
Medicaid	**5**	3
Commercial insurance and other	**24**	19
Patients	**27**	28
Blue Cross	**15**	21
	100%	100%

12. Taxes

The Medical Center is a not-for-profit corporation as described in Section 501(c)(3) of the Code, and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Medical Center has losses from unrelated business income activities of approximately $3,430,000. A deferred tax asset for these losses of approximately $1,372,000 is offset by a corresponding valuation allowance of the same amount.

12. Taxes (continued)

The Medical Center is subject to a New Hampshire Medicaid Enhancement Tax of 5.5% on certain of its net patient service revenues. The Medical Center previously received 100% of the tax payment amount as reimbursement under the Disproportionate Share Hospital program. During fiscal 2010, the state of New Hampshire revised its programs related to the calculation of payments due under the Disproportionate Share Hospital program and the calculation and collection of the Medicaid Enhancement Tax, which will result in differences in the amounts received from and paid into the two programs. The reimbursements of $0 and $4,840,871 for the nine-month period ended June 30, 2012 and the year ended September 30, 2011, respectively, have been recorded in net patient service revenue. Of the amount expensed for the nine-month period ended June 30, 2012 and the year ended September 30, 2011, $1,100,000 and $1,250,000, respectively, is recorded as a liability.

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