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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 10-01-2011 and ending 09-30-2012

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization New London Hospital Association Inc Doing Business As _____ Number and street (or P O box if mail is not delivered to street address) Room/suite 273 County Road _____ City or town, state or country, and ZIP + 4 New London, NH 03257	D Employer identification number 02-0222171 E Telephone number (603) 526-5339 G Gross receipts \$ 65,498,787
F Name and address of principal officer Bruce King 273 County Road New London, NH 03257		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
J Website: ▶ www.newlondonhospital.org		
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation 1918 M State of legal domicile NH

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities NLHA is a rural community Critical Access Hospital with an extended care center _____ _____ _____ 2 Check this box <input type="checkbox"/> 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 19 4 Number of independent voting members of the governing body (Part VI, line 1b) 4 16 5 Total number of individuals employed in calendar year 2011 (Part V, line 2a) 5 644 6 Total number of volunteers (estimate if necessary) 6 163 7a Total unrelated business revenue from Part VIII, column (C), line 12 7a 111,912 b Net unrelated business taxable income from Form 990-T, line 34 7b -35,584		
Revenue	8 Contributions and grants (Part VIII, line 1h) 1,061,718 9 Program service revenue (Part VIII, line 2g) 56,580,492 10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) 441,947 11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) 3,460 12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) 58,087,617	Prior Year	Current Year
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3) 0 14 Benefits paid to or for members (Part IX, column (A), line 4) 0 15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) 32,317,756 16a Professional fundraising fees (Part IX, column (A), line 11e) 0 b Total fundraising expenses (Part IX, column (D), line 25) ▶ 205,622 17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) 26,029,889 18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25) 58,347,645 19 Revenue less expenses Subtract line 18 from line 12 -260,028	0	0
Net Assets or Fund Balances	20 Total assets (Part X, line 16) 57,974,951 21 Total liabilities (Part X, line 26) 33,308,576 22 Net assets or fund balances Subtract line 21 from line 20 24,666,375	Beginning of Current Year	End of Year

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	2013-07-08 Date	
	Donald Griffin CFO Type or print name and title		
Paid Preparer's Use Only	Preparer's signature ▶ Barbara J McGuan CPA Date 2013-07-08 Check if self-employed <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions) P00219457 Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ Berry Dunn McNeil & Parker LLC PO Box 1100 Portland, ME 041041100 EIN ▶ 01-0523282 Phone no ▶ (207) 775-2387	

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

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III Yes No

1 Briefly describe the organization's mission

New London Hospital is a 25-bed rural community Critical Access Hospital with a 58-bed long term extended care center dedicated to serving the Lake Sunapee region in central New Hampshire New London Hospital provides safe quality care for every patient, every time in partnership with patients, families and healthcare providers

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the 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 \$ 33,686,692 including grants of \$) (Revenue \$ 45,592,729)

Hospital services to patients New London Hospital Association, Inc (NLHA) is the principal provider of primary and secondary health care for 15 towns in Sullivan and Merrimack counties in New Hampshire The hospital provides acute and primary health care - from emergency services to family medical practice to surgical care - and essential wellness and prevention services for the 34,000 residents in its service area, a significant proportion of whom are uninsured, underinsured and/or dependent on Medicaid/Medicare benefits This includes a large elderly population and a significant number of rural, low-income families

4b (Code) (Expenses \$ 10,133,718 including grants of \$) (Revenue \$ 8,585,768)

Physician practices In a recent community health needs assessment access to primary care is identified as a central community need As a result, the hospital is committed to providing care in central locations throughout the service area, specifically Newport and New London NLHA employs forty-one providers Twenty-three provide primary care including pediatrics, and eighteen are specialists covering general surgery, anesthesiology, orthopaedics, neurology, emergency medicine, hospitalists, gynecology, rheumatology, and ear, nose and throat

4c (Code) (Expenses \$ 3,845,307 including grants of \$) (Revenue \$ 4,571,493)

Nursing Home The Clough Center is a 58-bed extended nursing care facility located within New London Hospital The Clough Center provides a warm and caring environment for its residents who benefit from health services personalized to meet their individual needs, including special meals, physical, occupational and speech therapy, personalized exercise sessions, and individual attention by highly skilled providers who have immediate access to the comprehensive services of a hospital and pharmacy

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

4e Total program service expenses \$ 47,665,717

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

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a		No
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)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

Table with columns for question number, question text, and Yes/No columns. Includes rows for 1a-1b, 2a-2b, 3a-3b, 4a-4b, 5a-5c, 6a-6b, 7a-7h, 8, 9a-9b, 10a-10b, 11a-11b, 12a-12b, 13a-13c, and 14a-14b.

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

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

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a (19), 1b (16), 2 (No), 3 (Yes), 4 (No), 5 (No), 6 (No), 7a (No), 7b (No), 8a (Yes), 8b (Yes), 9 (No).

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

Table with 3 columns: Question, Yes, No. Rows include: 10a (No), 10b, 11a (No), 11b, 12a (Yes), 12b (Yes), 12c (Yes), 13 (Yes), 14 (Yes), 15a (Yes), 15b (Yes), 16a (No), 16b.

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed NH
18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply. Own website, Another's website, Upon request.
19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization. Donald Griffin, 273 County Road, New London, NH 03257, (603) 526-5372.

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

(A) Name and Title	(B) Average hours per week 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			
See Additional Data Table										
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)							3,406,239	0	211,143	

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 **▶**45

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

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
Dartmouth Hitchcock Clinic 1 Medical Center Drive Lebanon, NH 03756	Physician Staffing & Lab Services	952,793
Upper Valley Neurology Neurosurgery PC 106 Hanover St Lebanon, NH 03766	Physician Services	796,377
New England Alliance for Health LLC 1 Medical Center Drive Lebanon, NH 03756	Management Services	657,738
American Health Centers Inc 10 Commerce Park North Unit 10 Bedford, NH 03110	Diagnostic Imaging Services	519,564
Big Mikes Cleaning & Maintenance 57 Reed Farm Road Newport, NH 03773	Cleaning Services	178,620
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 ▶ 16		

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns 1a					
	b	Membership dues 1b					
	c	Fundraising events 1c			60,107		
	d	Related organizations 1d					
	e	Government grants (contributions) 1e			154,577		
	f	All other contributions, gifts, grants, and similar amounts not included above 1f			1,282,233		
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f		1,496,917			
Program Service Revenue			Business Code				
	2a	Patient Revenue	621400	96,220,573	96,220,573		
	b	Physician Services	621110	3,521,324	3,521,324		
	c	Child Care	624410	283,268	171,356	111,912	
	d	Cafeteria	900099	140,344	140,344		
	e	Contractual/Char Adj	621400	-41,303,607	-41,303,607		
	f	All other program service revenue					
g	Total. Add lines 2a-2f		58,861,902				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		372,503		372,503	
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
	6a	(i) Real		(ii) Personal			
		b	Gross rents				
		c	Less rental expenses				
		d	Rental income or (loss)				
	d	Net rental income or (loss)					
	7a	(i) Securities		(ii) Other			
		b	Gross amount from sales of assets other than inventory	4,670,286	3,000		
		c	Less cost or other basis and sales expenses	4,474,813	0		
		d	Gain or (loss)	195,473	3,000		
	d	Net gain or (loss)		198,473		198,473	
	8a	Gross income from fundraising events (not including \$ 60,107 of contributions reported on line 1c) See Part IV, line 18					
	a				94,179		
b	Less direct expenses b			92,664			
c	Net income or (loss) from fundraising events		1,515		1,515		
9a	Gross income from gaming activities See Part IV, line 19						
a							
b	Less direct expenses b						
c	Net income or (loss) from gaming activities						
10a	Gross sales of inventory, less returns and allowances						
a							
b	Less cost of goods sold b						
c	Net income or (loss) from sales of inventory						
Miscellaneous Revenue		Business Code					
11a							
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d						
12	Total revenue. See Instructions		60,931,310	58,749,990	111,912	572,491	

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

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	2,401,165	1,584,968	816,197	
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	25,362,360	20,315,250	4,903,879	143,231
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	47,103	37,730	9,373	
9	Other employee benefits	3,241,415	2,596,374	637,740	7,301
10	Payroll taxes	1,572,454	1,259,536	302,240	10,678
11	Fees for services (non-employees)				
a	Management				
b	Legal	254,711	204,024	50,687	
c	Accounting	131,087	105,001	26,086	
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees	56,918	45,591	11,327	
g	Other	4,934,952	3,952,897	982,055	
12	Advertising and promotion	200,654	160,724	28,091	11,839
13	Office expenses	2,160,806	1,730,806	408,875	21,125
14	Information technology	553,472	443,331	110,141	
15	Royalties				
16	Occupancy	1,611,433	1,290,758	316,551	4,124
17	Travel	107,490	86,099	14,607	6,784
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	173,127	138,675	33,912	540
20	Interest	914,542	732,548	181,994	
21	Payments to affiliates	167,374	134,067	33,307	
22	Depreciation, depletion, and amortization	3,636,928	2,913,179	723,749	
23	Insurance	645,559	517,093	128,466	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Bad Debt Expense	2,941,149	2,941,149		
b	Medicaid Enhancement Ta	2,194,918	2,194,918		
c	Medical Supplies	2,075,552	2,075,552		
d	Drugs and Pharmaceutica	1,504,021	1,504,021		
e					
f	All other expenses	875,686	701,426	174,260	
25	Total functional expenses. Add lines 1 through 24f	57,764,876	47,665,717	9,893,537	205,622
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing	6,198,610	1	7,832,625
	2 Savings and temporary cash investments	1,435,340	2	2,107,677
	3 Pledges and grants receivable, net	568,429	3	221,530
	4 Accounts receivable, net	6,947,286	4	7,034,343
	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)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	1,002,338	8	988,908
	9 Prepaid expenses and deferred charges	543,702	9	462,985
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	66,603,469		
	b Less accumulated depreciation	36,582,186	10c	30,021,283
	11 Investments—publicly traded securities	6,782,749	11	9,705,309
	12 Investments—other securities See Part IV, line 11		12	
	13 Investments—program-related See Part IV, line 11		13	
	14 Intangible assets	315,079	14	303,792
	15 Other assets See Part IV, line 11	2,986,396	15	3,414,281
16 Total assets. Add lines 1 through 15 (must equal line 34)	57,974,951	16	62,092,733	
Liabilities	17 Accounts payable and accrued expenses	6,481,106	17	5,292,720
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities	16,415,000	20	16,175,000
	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	631,306	23	151,601
	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	9,781,164	25	11,779,728
	26 Total liabilities. Add lines 17 through 25	33,308,576	26	33,399,049
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	22,468,215	27	26,286,652
	28 Temporarily restricted net assets	307,685	28	404,043
	29 Permanently restricted net assets	1,890,475	29	2,002,989
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> 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	24,666,375	33	28,693,684	
34 Total liabilities and net assets/fund balances	57,974,951	34	62,092,733	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	60,931,310
2	Total expenses (must equal Part IX, column (A), line 25)	2	57,764,876
3	Revenue less expenses Subtract line 2 from line 1	3	3,166,434
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	24,666,375
5	Other changes in net assets or fund balances (explain in Schedule O)	5	860,875
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	28,693,684

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

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2011

Open to Public Inspection

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.

Department of the Treasury
Internal Revenue Service

Name of the organization
New London Hospital Association Inc

Employer identification number

02-0222171

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 **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?
 (i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?
 (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)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(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?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
Total									

Part II Support Schedule for Organizations Described in IRC 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 (Explain in Part IV.) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	

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

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 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 <input type="checkbox"/>		
b 33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
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 <input type="checkbox"/>		
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 <input type="checkbox"/>		
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 <input type="checkbox"/>		

Part III Support Schedule for Organizations Described in IRC 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 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

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

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

Facts And Circumstances Test

Explanation

SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

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.

2011

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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, line 35c (Proxy Tax), then

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

Name of the organization New London Hospital Association Inc

Employer identification number

02-0222171

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 on behalf of or in opposition to candidates for public office 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?
4a Was a correction made?
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?
5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received and promptly and directly delivered to a separate political organization.

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														
<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>		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		
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														
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-														
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?		<input type="checkbox"/> Yes <input type="checkbox"/> 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 non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a Volunteers?		No	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c Media advertisements?		No	
d Mailings to members, legislators, or the public?		No	
e Publications, or published or broadcast statements?		No	
f Grants to other organizations for lobbying purposes?		No	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i Other activities? If "Yes," describe in Part IV	Yes		9,634
j Total lines 1c through 1i			9,634
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	Per information provided by the NH Hospital Association (NHHA), the NHHA percentage of dues expended for lobbying purposed was 19.47%. The percentage of American Hospital Association dues expended for lobbying purposed was 23.98%.

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2011

Open to Public Inspection

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization New London Hospital Association Inc

Employer identification number 02-0222171

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), 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?
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?

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

Table with 2 columns: Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06.

- 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year
4 Number of states where property subject to conservation easement is located
5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?
6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year
7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year
8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?
9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

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

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

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

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

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

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

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

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

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

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

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

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	1,890,475	1,928,036	1,870,163	1,870,163	
b Contributions					
c Investment earnings or losses	227,326	77,754	90,988	2,996	
d Grants or scholarships					
e Other expenditures for facilities and programs	96,967	90,305	30,386	132	
f Administrative expenses	17,845	25,010	2,729	2,864	
g End of year balance	2,002,989	1,890,475	1,928,036	1,870,163	

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

- a** Board designated or quasi-endowment
- b** Permanent endowment 100 000 %
- c** Term endowment

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

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

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

Part VI 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		941,274		941,274
b Buildings		35,924,124	14,086,043	21,838,081
c Leasehold improvements		419,333	295,830	123,503
d Equipment		27,814,095	21,575,503	6,238,592
e Other		1,504,643	624,810	879,833
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				30,021,283

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	60,931,310
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	57,764,876
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	3,166,434
4	Net unrealized gains (losses) on investments	4	916,108
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-55,233
9	Total adjustments (net) Add lines 4 - 8	9	860,875
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	4,027,309

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	
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	
3	Subtract line 2e from line 1	3	
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	
c	Add lines 4a and 4b	4c	
5	Total Revenue Add lines 3 and 4c . (This should equal Form 990, Part I, line 12)	5	

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

1	Total expenses and losses per audited financial statements	1	
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	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c . (This should equal Form 990, Part I, line 18)	5	

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Description of Intended Use of Endowment Funds	Part V, Line 4	The income from the Endowment Funds is used to assist in the payment of the hospitals program-related expenses
Part XI, Line 8 - Other Adjustments		Unrealized Loss on Interest Rate Swap -167,747 Change in beneficial interest in perpetual trust 112,514 Total to Schedule D, Part XI, Line 8 -55,233

SCHEDULE G (Form 990 or 990-EZ)

Supplemental Information Regarding Fundraising or Gaming Activities

OMB No 1545-0047

2011

Open to Public Inspection

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

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

Department of the Treasury Internal Revenue Service

Name of the organization New London Hospital Association Inc

Employer identification number 02-0222171

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

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

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

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

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

Table with 6 columns: (i) Name and address of individual or entity (fundraiser), (ii) Activity, (iii) Did fundraiser have custody or control of contributions? (Yes/No), (iv) Gross receipts from activity, (v) Amount paid to (or retained by) fundraiser listed in col (i), (vi) Amount paid to (or retained by) organization.

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

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

		(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events
		<u>Golf Tournament</u> (event type)	<u>Hospital Gala</u> (event type)	<u>1</u> (total number)	(Add col (a) through col (c))
Revenue	1 Gross receipts	48,615	75,030	30,641	154,286
	2 Less Charitable contributions	25,287	34,820		60,107
	3 Gross income (line 1 minus line 2)	23,328	40,210	30,641	94,179
Direct Expenses	4 Cash prizes				
	5 Non-cash prizes	1,559		624	2,183
	6 Rent/facility costs	7,310	7,476	6,118	20,904
	7 Food and beverages	4,555	18,190	1,763	24,508
	8 Entertainment		4,261	4,650	8,911
	9 Other direct expenses	8,389	10,283	17,486	36,158
	10 Direct expense summary Add lines 4 through 9 in column (d). ▶				(92,664)
11 Net income summary Combine lines 3 and 10 in column (d). ▶				1,515	

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

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

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

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

b If "No," Explain _____

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

b If "Yes," Explain _____

- 11** Does the organization operate gaming activities with nonmembers? Yes No
- 12** Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? Yes No

13 Indicate the percentage of gaming activity operated in

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

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

Name ▶

Address ▶

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

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

c If "Yes," enter name and address

Name ▶

Address ▶

16 Gaming manager information

Name ▶

Gaming manager compensation ▶ \$

Description of services provided ▶

Director/officer Employee Independent contractor

17 Mandatory distributions

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

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

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

Identifier	ReturnReference	Explanation
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**SCHEDULE H
(Form 990)**

Hospitals

OMB No 1545-0047

2011

**Open to Public
Inspection**

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

Department of the Treasury
Internal Revenue Service

Name of the organization
New London Hospital Association Inc

Employer identification number
02-0222171

Part I Charity Care and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a charity care policy? If "No," skip to question 6a	Yes	
1b If "Yes," is it a written policy?	Yes	
2 If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <input type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals		
3 Answer the following based on the charity care eligibility criteria that applies 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 <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____%	Yes	
b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____%	Yes	
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 uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care		
4 Did the organization's policy provide free or discounted care to the "medically indigent"?		No
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	Yes	
b If "Yes," did the organization's charity care expenses exceed the budgeted amount?	Yes	
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		No
6a Did the organization prepare a community benefit report during the tax year?	Yes	
6b If "Yes," did the organization make it available to the public?	Yes	

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

7 Charity Care and Certain Other Community Benefits at Cost						
Charity Care 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 Charity care at cost (from Worksheet 1)			1,109,609		1,109,609	2.020 %
b Medicaid (from Worksheet 3, column a)			5,449,149	5,228,054	221,095	0.400 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			6,558,758	5,228,054	1,330,704	2.420 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			89,037		89,037	0.160 %
f Health professions education (from Worksheet 5)			24,221		24,221	0.040 %
g Subsidized health services (from Worksheet 6)			3,564,309		3,564,309	6.500 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			13,025		13,025	0.020 %
j Total Other Benefits			3,690,592		3,690,592	6.720 %
k Total. Add lines 7d and 7j			10,249,350	5,228,054	5,021,296	9.140 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

	(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			90,072		90,072	0.160 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy			56,523		56,523	0.100 %
8 Workforce development			11,362		11,362	0.020 %
9 Other						
10 Total			157,957		157,957	0.280 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes	
2 Enter the amount of the organization's bad debt expense	2		1,484,754
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3		
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	14,085,674
6 Enter Medicare allowable costs of care relating to payments on line 5	6	14,859,044
7 Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-773,370
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: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year?	9a	Yes
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	Yes

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				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size 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	New London Hospital 273 County Road New London, NH 03257					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)

New London Hospital Association

Name of Hospital Facility: _____

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 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 question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment <u>20 11</u>		
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 Yes	
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 Yes	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	5 Yes	
a <input type="checkbox"/> Hospital facility's website		
b <input checked="" type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> 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 <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility		
d <input type="checkbox"/> Participation in community-wide community benefit plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input type="checkbox"/> Prioritization of health needs in the community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input checked="" type="checkbox"/> 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 together with the reasons why it has not addressed such needs	7 Yes	
Financial Assistance Policy		
8 Did the hospital facility have in place during the tax year a written financial assistance policy that explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8 Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	9 Yes	

Part V Facility Information *(continued)*

	Yes	No
10 Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11 Yes	
12 Explained the method for applying for financial assistance?	12 Yes	
13 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13 Yes	

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	No
15 Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	No
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)		

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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?

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)

	Yes	No
18	Yes	

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

21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?

.

If "Yes," explain in Part VI

19		
20		No
21		No

Part V Facility Information *(continued)*

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

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

Name and address	Type of Facility (Describe)
1 Newport Health Center 11 John Stark Hwy Newport, NH 03773	Clinic
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the 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, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		Part I, Line 7g The hospital subsidized the delivery of primary care to the community in the amount of \$3,564,309 in FY 2012 In addition, the hospital provided a Medication Bridge Program at a cost of \$20,227 that works with patients to ensure that prescription medication is available at an affordable cost Due to limited access to mental health services in the service area, NLHA partnered with West Central Behavioral Health to give patients access to care at a cost of \$163,521

Identifier	ReturnReference	Explanation
		Part I, Line 7, Column (f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is \$ 2941149

Identifier	ReturnReference	Explanation
		Part II A variety of healthcare support services comprises a significant area of community benefits for NLHA The hospital supports many local service agencies through the participation of members of its management team on committees and governing boards and by supporting the cost of operating a childcare center that is open to community members

Identifier	ReturnReference	Explanation
		Part III, Line 4 The Hospital used the cost-to-charge ratio for reporting the bad debt expense at cost

Identifier	ReturnReference	Explanation
		Part III, Line 9b The Collection Coordinator is responsible for giving Financial Assistance Program applications, reviewing returned applications, securing financial data necessary, evaluating applications and making recommendations for approval to the Director of Patient Business Services and/or the Chief Financial Officer, and notifying the patients of eligibility determinations. When patients claim they cannot pay in full or meet installment plan guidelines due to a lack of resources, the Hospital can agree to an installment plan, refer the account to collections, write off the account as a bad debt or pursue a charity care application.

Identifier	ReturnReference	Explanation
New London Hospital Association		Part V, Section B, Line 3 New London Hospital conducted their community health needs assessment in collaboration with Valley Regional Hospital

Identifier	ReturnReference	Explanation
New London Hospital Association		Part V, Section B, Line 61 During 2013, the Hospital commenced the development of a framework and strategic plan to guide the design, development and implementation of New London Hospital's Population Health Improvement Initiative. The initiative seeks to roll out health promoting activities and will leverage on the good work of community organizations that currently exist, build new capacity to address gaps relative to health priorities and issues, and formalize a process for addressing future population health improvement initiatives.

Identifier	ReturnReference	Explanation
New London Hospital Association		Part V, Section B, Line 19d New London Hospital Association, Inc extends a 25% discount from gross charges to uninsured patients, which approximates the average of its three lowest negotiated commercial insurance rates

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 2 The Affordable Care Act of 2010 requires not-for-profit hospitals to conduct a Community Health Needs Assessment (CHNA) every three years and the State of New Hampshire requires one to be completed every five years The most recent community needs assessment was completed in May 2012 and involved New London Hospital (NLH) working with Crescendo Consulting Group (CCG) to bring together key healthcare and public service stakeholders, collect quantitative and qualitative data, and reach out to the community in order to elicit feedback directly from them and their service providers In addition to performing quantitative analysis of existing survey data NLH and CCG conducted focus group discussions with a diverse set of community stakeholders including leadership group members, healthcare consumers and community opinion leaders Subsequently, information gathered during the quantitative and qualitative phases of the research was used to establish an extensive list of community health needs CCG then asked leadership group members (i.e. executives from service area organizations that have direct contact with healthcare consumers) to complete a survey to evaluate each of the community needs identified and then CCG ranked the survey scores to order the list of 30 community needs The prioritization of community needs identified in the Community Needs Assessment include the following (1) availability of affordable healthcare, prescriptions, and related services, (2) communication between healthcare providers and other community service providers regarding the breadth of services available, (3) primary care physician availability, (4) drug and alcohol abuse early detection and treatment, (5) insurance coverage rates, (6) chronic disease screenings (hypertension, cancer, heart disease), (7) coordination of care among provider organizations, (8) dementia spectrum issues / elder care services, (9) obesity, nutrition, and exercise education and services</p>

Identifier	ReturnReference	Explanation
		Part VI, Line 3 New London Hospital Association, Inc extends a 25% discount from gross charges to to uninsured patients which approximates the average of its three lowest negotiated commercial insurance rates

Identifier	ReturnReference	Explanation
		Part VI, Line 4 New London Hospital Association, Inc (NLHA) is the principal provider of primary and secondary health care for 15 towns in Sullivan and Merrimack counties in New Hampshire The towns in the NLHA service area (HSA) are Andover, Bradford, Croydon, Danbury, Goshen, Grantham, Lempster, New London, Newbury, Newport, Springfield, Sunapee, Sutton, Washington and Wilmot The HSA has a population of 32,868 persons (2010) representing approximately 2.5% of the NH State population (1,316,470) The percent of families living below the poverty line in New London Hospital's HSA was 11.8% compared to 8.6% for the State of NH

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

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
New London Hospital Association Inc

Employer identification number

02-0222171

Part I Questions Regarding Compensation

	Yes	No
1a		
1b	Yes	
2	Yes	
3		
4a		No
4b		No
4c		No
5a		No
5b		No
6a	Yes	
6b		No
7		No
8		No
9		

- 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
- | | |
|---|---|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax idemnification and gross-up payments | <input checked="" type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e g , maid, chauffeur, chef) |

b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain

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?

3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply

- | | |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee | <input checked="" type="checkbox"/> Written employment contract |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> 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?

b Participate in, or receive payment from, a supplemental nonqualified retirement plan?

c Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.

5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

a The organization?

b Any related organization?

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?

b Any related organization?

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

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 Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space 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, columns (D) and (E) 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 in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Bruce P King	(i)	291,385	0	9,860	32,229	17,640	351,114	0
	(ii)	0	0	0	0	0	0	0
(2) Eileen Kirk MD	(i)	237,284	0	966	1,250	13,040	252,540	0
	(ii)	0	0	0	0	0	0	0
(3) Lori D Richer MD	(i)	141,648	10,000	0	1,250	17,602	170,500	0
	(ii)	0	0	0	0	0	0	0
(4) Gregory Q Curtis MD	(i)	244,931	0	420	1,250	18,004	264,605	0
	(ii)	0	0	0	0	0	0	0
(5) Teresa LeBlanc	(i)	148,965	0	602	0	1,995	151,562	0
	(ii)	0	0	0	0	0	0	0
(6) Steven Powell MD MPH	(i)	352,387	10,000	420	1,250	2,660	366,717	0
	(ii)	0	0	0	0	0	0	0
(7) Adnan Khan	(i)	386,577	10,000	378	1,250	5,500	403,705	0
	(ii)	0	0	0	0	0	0	0
(8) Donald A Eberly MD	(i)	281,605	0	0	1,250	18,004	300,859	0
	(ii)	0	0	0	0	0	0	0
(9) Kenneth D Call MD	(i)	300,108	0	1,806	1,250	3,467	306,631	0
	(ii)	0	0	0	0	0	0	0
(10) Sean D Bears MD	(i)	275,091	0	420	1,250	18,004	294,765	0
	(ii)	0	0	0	0	0	0	0
(11) Thomas F Lucas MD	(i)	269,959	0	1,765	1,250	17,951	290,925	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Supplemental Information	Part III	Bruce King, CEO is paid by the Mary Hitchcock Memorial Hospital, an unrelated organization. Mr. King's total compensation from MHMH for the 2011 calendar year was \$341,254, the remainder of his compensation was paid directly by NHLA. The compensation paid by NHLA consisted of expenses relating to personal use of a company leased car and the cost of long term disability insurance. Mr. King also received club dues of \$519 during the year which was included in his compensation.

**Schedule K
(Form 990)**

OMB No 1545-0047

Supplemental Information on Tax Exempt Bonds

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

2011

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
New London Hospital Association Inc

Employer identification number
02-0222171

Part I Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A NH Health and Education Facilities Authority	02-0279866	644614SL4	06-21-2007	20,000,000	New medical office building construction & renovation of hospital facilities		X		X		X

Part II Proceeds

	A	B	C	D
1 Amount of bonds retired	3,825,000			
2 Amount of bonds defeased				
3 Total proceeds of issue	20,000,000			
4 Gross proceeds in reserve funds	370,031			
5 Capitalized interest from proceeds				
6 Proceeds in refunding escrow				
7 Issuance costs from proceeds	304,750			
8 Credit enhancement from proceeds	75,035			
9 Working capital expenditures from proceeds	19,250,184			
10 Capital expenditures from proceeds				
11 Other spent proceeds				
12 Other unspent proceeds				
13 Year of substantial completion	2009			
	Yes	No	Yes	No
14 Were the bonds issued as part of a current refunding issue?		X		
15 Were the bonds issued as part of an advance refunding issue?		X		
16 Has the final allocation of proceeds been made?	X			
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X			

Part III Private Business Use

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

Part III Private Business Use (Continued)

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

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2 Is the bond issue a variable rate issue?	X							
3a Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X							
b Name of provider	Morgan Stanley							
c Term of hedge	30 000000000000							
d Was the hedge superintegrated?		X						
e Was a hedge terminated?		X						
4a Were gross proceeds invested in a GIC?	X							
b Name of provider	Hypo Public Finance							
c Term of GIC	1 830000000000							
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
5 Were any gross proceeds invested beyond an available temporary period?								
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 (see instructions)

Identifier	Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
New London Hospital Association Inc

Employer identification number

02-0222171

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 3	Mr Bruce King, CEO, of New London Hospital Association (NLHA) is an employee of Mary Hitchcock Memorial Hospital (MHMH) NLHA purchases Mr King's services from MHMH
	Form 990, Part VI, Section B, line 11	NLHA posted a copy of the Form 990 on its trustee intranet site and solicited trustee comments before filing the return The Schedule B provided did not include the names of the donors Prior to this, a draft version of the Form 990 was reviewed with NLHA's Audit Committee
	Form 990, Part VI, Section B, line 12c	Each year, as part of the preparation process for the Form 990, a written conflict of interest survey is sent to each Trustee inquiring about situations that could result in conflicts of interest Additionally, trustees are asked quarterly at Board of Trustee meetings if any new situations have arisen that could result in conflicts of interest
	Form 990, Part VI, Section B, line 15	The CEO's compensation is determined by the New London Hospital Association (NLHA) Executive Committee and Mary Hitchcock Memorial Hospital, the CEO's employer, after considering compensation for CEOs of various sized hospitals in the region Compensation levels for all other officers and key employees are reviewed periodically by NLHA's Senior Director of Human Resources and the CEO of NLHA These reviews include comparisons of compensation levels to independent salary survey data for comparable positions in the region
	Form 990, Part VI, Section C, line 19	NLHA makes this information available to the public upon request Additionally, Form 990 is filed with the State of New Hampshire and is available to the public through the State NLHA also maintains public inspection copies of the Form 990 that are available upon request and its Form 990 is also available through GuideStar NLH files a Community Benefit Report annually with the State of NH A summary of the Community Benefit Report and summary financial information is available on NLHA's website and in annual reports to donors
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 916,108 Unrealized Loss on Interest Rate Swap -167,747 Change in beneficial interest in perpetual trust 112,514 Total to Form 990, Part XI, Line 5 860,875
	Form 990, Part XII, Line 2c	The organization has not changed its oversight or selection process during the tax year

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2011

Open to Public Inspection

▶ **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.**

Department of the Treasury
Internal Revenue Service

Name of the organization
New London Hospital Association Inc

Employer identification number

02-0222171

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Kearsage Community Services 273 County Road New London, NH 03257 02-0460136	Real Estate	NH	New London Hospital Association	C	-140	731,187	100 000 %
(2) New London Medical Center East 273 County Road New London, NH 03257 02-0480857	Real Estate	NH	New London Hospital Association	C	2,107	16,387	100 000 %
(3) New London Physician Group Inc 273 County Road New London, NH 03257 02-0494420	Physician Praticce	NH	New London Hospital Association	C			100 000 %

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

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

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 **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Sale of assets to related organization(s)
- g** Purchase of assets from related organization(s)
- h** Exchange of assets with related organization(s)
- i** Lease of facilities, equipment, or other assets to related organization(s)
- j** Lease of facilities, equipment, or other assets from related organization(s)
- k** Performance of services or membership or fundraising solicitations for related organization(s)
- l** Performance of services or membership or fundraising solicitations by related organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- n** Sharing of paid employees with related organization(s)

- o** Reimbursement paid to related organization(s) for expenses
- p** Reimbursement paid by related organization(s) for expenses

- q** Other transfer of cash or property to related organization(s)
- r** Other transfer of cash or property from related organization(s)

	Yes	No
1a		No
1b		No
1c		No
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j		No
1k		No
1l		No
1m		No
1n		No
1o		No
1p		No
1q		No
1r		No

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

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

Part VII Supplemental Information

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

Identifier**Return Reference****Explanation****Schedule R (Form 990) 2011**

Additional Data

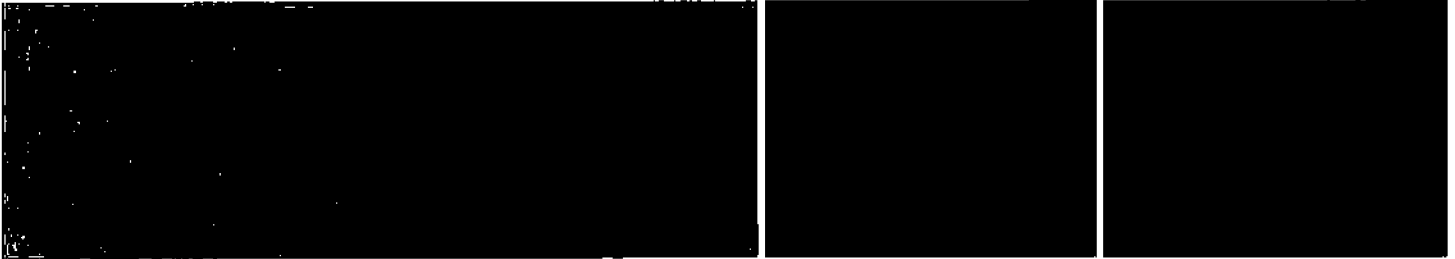
Software ID:
Software Version:
EIN: 02-0222171
Name: New London Hospital Association Inc

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(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			
Anne B Holmes Vice Chair	8 00	X		X				0	0	0
Beverly S Payne Trustee	2 00	X						0	0	0
Bruce P King President & CEO	50 00	X		X				301,245	0	49,869
Celeste C Cook Trustee	2 00	X						0	0	0
David E Marshall Treasurer	8 00	X		X				0	0	0
Eileen Kirk MD Medical Staff President	40 00	X						238,250	0	14,290
G William Helm Jr Chair	8 00	X		X				0	0	0
Jane Rastallis Trustee	2 00	X						0	0	0
John C Ferris Trustee	2 00	X						0	0	0
John F Robb MD Trustee	2 00	X						0	0	0
John R Butterly MD Trustee	2 00	X						0	0	0
Lori D Richer MD Past Trustee	2 00	X						151,648	0	18,852
Patricia Tilley Past Secretary	8 00	X		X				0	0	0
Peter E Hager Trustee	2 00	X						0	0	0
Robert M Rex Trustee	2 00	X						0	0	0
Sage Chase Trustee	2 00	X						0	0	0
Stanley I Cundey Jr Trustee	2 00	X						0	0	0
Stephen Jordan MD Trustee	2 00	X						119,380	0	3,665
Susan A Reeves Secretary	8 00	X		X				0	0	0
Kris Eschbach DO President Elect of Med Staff	2 00	X						0	0	0
Douglas W Lyon Trustee	2 00	X						0	0	0
Donald J Griffin Chief Financial Officer	50 00			X				132,617	0	12,157
Gregory Q Curtis MD Past Chief Medical Officer	50 00			X				245,351	0	19,254
Patricia Sweezey Chief Nursing Officer	50 00			X				105,869	0	16,934
Teresa LeBlanc Chief Operating Officer	50 00			X				149,567	0	1,995

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(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			
James Murphy MD Co-Chief Medical Officer	50 00			X				71,796	0	1,041
Steven Powell MD MPH Co-Chief Medical Officer	50 00			X				362,807	0	3,910
Adnan Khan Hospitalist	40 00					X		396,955	0	6,750
Donald A Eberly MD General Surgeon	40 00					X		281,605	0	19,254
Kenneth D Call MD Emergency Room Physician	40 00					X		301,914	0	4,717
Sean D Bears MD General Surgeon	40 00					X		275,511	0	19,254
Thomas F Lucas MD Anesthesiologist	40 00					X		271,724	0	19,201



**THE NEW LONDON HOSPITAL ASSOCIATION, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

and

ADDITIONAL INFORMATION

September 30, 2012 and 2011

With Independent Auditors' Report



THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

September 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The New London Hospital Association, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of The New London Hospital Association, Inc and Subsidiaries (the Association) as of September 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The New London Hospital Association, Inc and Subsidiaries as of September 30, 2012 and 2011, and the consolidated results of their operations, changes in their net assets, and their consolidated cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of The New London Hospital Association, Inc and Subsidiaries' internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating additional information contained in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BerryDunn McNeil & Parker, LLC

Portland, Maine
December 18, 2012

THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 8,086,485	\$ 6,424,192
Assets limited as to use	370,031	268,294
Patient accounts receivable, net of allowance for uncollectible accounts of \$967,628 and \$1,135,723 in 2012 and 2011, respectively	6,450,190	6,914,025
Pledges receivable, net	199,008	402,269
Other accounts receivable, net	604,000	52,401
Supplies	988,908	1,002,338
Prepaid expenses	<u>463,088</u>	<u>543,702</u>
Total current assets	<u>17,161,710</u>	<u>15,607,221</u>
Assets limited as to use		
By Trustees	10,860,135	7,457,633
Under bond indenture	<u>370,031</u>	<u>268,294</u>
	11,230,166	7,725,927
Less current portion	<u>370,031</u>	<u>268,294</u>
	10,860,135	7,457,633
Long-term investments	564,745	476,002
Deferred compensation plan assets	1,193,226	861,114
Beneficial interest in perpetual trust	1,629,122	1,516,608
Property and equipment, net	30,514,558	31,730,933
Deferred financing costs, net of amortization	303,792	315,079
Pledges receivable, net of current portion	22,522	166,160
Other assets	<u>6,066</u>	<u>6,066</u>
 Total assets	 <u>\$ 62,255,876</u>	 <u>\$ 58,136,816</u>

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

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
Current liabilities		
Line of credit	\$ -	\$ 2,000,000
Current portion of long-term debt	370,534	866,604
Current portion of capital lease obligation	448,795	466,648
Accounts payable and accrued expenses	3,620,509	2,923,130
Accrued salaries, wages, and related amounts	1,680,883	1,567,343
Estimated third-party payor settlements	4,600,763	3,011,675
Current portion of charitable gift annuities	10,172	10,172
Other current liabilities	<u>20,000</u>	<u>20,000</u>
Total current liabilities	10,751,656	10,865,572
Deferred compensation	1,193,226	861,114
Long-term debt, excluding current portion	15,956,067	16,179,702
Capital lease obligations, excluding current portion	721,127	783,485
Interest rate swap	4,773,651	4,605,904
Charitable gift annuities, excluding current portion	<u>11,994</u>	<u>22,166</u>
Total liabilities	<u>33,407,721</u>	<u>33,317,943</u>
Commitments and contingencies (Notes 11, 12, and 13)		
Net assets		
Unrestricted	26,441,123	22,620,713
Temporarily restricted	404,043	307,685
Permanently restricted	<u>2,002,989</u>	<u>1,890,475</u>
Total net assets	<u>28,848,155</u>	<u>24,818,873</u>
Total liabilities and net assets	<u>\$ 62,255,876</u>	<u>\$ 58,136,816</u>

THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted revenues, gains, and other support		
Net patient service revenue	\$ 54,962,775	\$ 55,402,871
Other operating revenue	3,996,710	1,441,675
Net assets released from restrictions used for operations	<u>78,975</u>	<u>61,372</u>
Total revenues, gains, and other support	<u>59,038,460</u>	<u>56,905,918</u>
 Expenses		
Salaries and benefits	32,111,069	31,993,534
Supplies and other	9,488,370	9,421,244
Purchased services	6,321,293	6,187,602
Provision for bad debts	2,941,149	3,546,621
Depreciation and amortization	3,679,563	3,826,935
Medicaid enhancement tax	2,194,918	2,413,347
Interest	<u>914,542</u>	<u>881,667</u>
Total expenses	<u>57,650,904</u>	<u>58,270,950</u>
 Operating income (loss)	<u>1,387,556</u>	<u>(1,365,032)</u>
 Nonoperating gains (losses)		
Investment income	261,498	252,559
Contributions and program support	1,200,100	605,090
Other nonoperating expenses	-	(349,393)
Unrealized loss on interest rate swap	(167,747)	(739,724)
Realized and unrealized gains (losses) on investments	<u>1,111,581</u>	<u>(65,328)</u>
Nonoperating gains (losses), net	<u>2,405,432</u>	<u>(296,796)</u>
 Excess (deficiency) of revenues, gains, and other support over expenses and nonoperating gains (losses)	3,792,988	(1,661,828)
 Net assets released from restrictions used for purchase of property and equipment	<u>27,422</u>	<u>50,375</u>
 Increase (decrease) in unrestricted net assets	<u>\$ 3,820,410</u>	<u>\$ (1,611,453)</u>

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

THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years Ended September 30, 2012 and 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balances, October 1, 2010	\$ 24,232,166	\$ 221,094	\$ 1,928,036	\$ 26,381,296
Deficiency of revenues, gains, and other support under expenses and nonoperating gains (losses)	(1,661,828)	-	-	(1,661,828)
Restricted bequests and contributions	-	198,338	-	198,338
Net assets released from restrictions used for operations		(61,372)	-	(61,372)
Net assets released from restrictions used for purchase of property and equipment	50,375	(50,375)	-	-
Change in beneficial interest in perpetual trust	-	-	(37,561)	(37,561)
Increase (decrease) in net assets	<u>(1,611,453)</u>	<u>86,591</u>	<u>(37,561)</u>	<u>(1,562,423)</u>
Balances, September 30, 2011	22,620,713	307,685	1,890,475	24,818,873
Excess of revenues, gains, and other support over expenses and nonoperating gains (losses)	3,792,988	-	-	3,792,988
Restricted bequests and contributions	-	202,755	-	202,755
Net assets released from restrictions used for operations	-	(78,975)	-	(78,975)
Net assets released from restrictions used for purchase of property and equipment	27,422	(27,422)	-	-
Change in beneficial interest in perpetual trust	-	-	112,514	112,514
Increase in net assets	<u>3,820,410</u>	<u>96,358</u>	<u>112,514</u>	<u>4,029,282</u>
Balances, September 30, 2012	<u>\$ 26,441,123</u>	<u>\$ 404,043</u>	<u>\$ 2,002,989</u>	<u>\$ 28,848,155</u>

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

THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 4,029,282	\$ (1,562,423)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	3,679,563	3,826,935
Provision for bad debts	2,941,149	3,546,621
Unrealized loss on interest rate swap	167,747	739,724
(Gain) loss on sale of equipment	(3,000)	9,584
Net realized and unrealized (gains) losses on investments	(1,111,581)	65,328
Net unrealized (gain) loss on beneficial interest in perpetual trust	(112,514)	37,561
Restricted contributions	(202,755)	(198,338)
Impairment of long-term asset	-	349,393
Increase (decrease) in cash resulting from a change in:		
Patient accounts receivable	(2,477,314)	(1,952,873)
Pledges receivable, net	346,899	489,720
Estimated third-party payor settlements	1,589,088	2,315,465
Supplies and prepaid expenses	119,403	52,766
Other accounts receivable, net	(551,599)	44,576
Accounts payable and accrued expenses	697,379	(357,559)
Accrued salaries, wages, and related amounts	113,540	(181,627)
Charitable gift annuities	(10,172)	(7,662)
Net cash provided by operating activities	<u>9,215,115</u>	<u>7,217,191</u>
Cash flows from investing activities		
Purchases of property and equipment	(1,895,265)	(1,898,478)
Proceeds from sale of property and equipment	3,000	24,741
Proceeds from sale of investments	4,670,286	5,408,122
Purchase of investments	(7,151,687)	(6,555,578)
Net cash used by investing activities	<u>(4,373,666)</u>	<u>(3,021,193)</u>
Cash flows from financing activities		
Payments on long-term debt	(874,727)	(942,790)
Net payments on line of credit	(2,000,000)	(1,000,000)
Payment on capital lease obligations	(507,184)	(518,780)
Restricted gifts received	202,755	198,338
Net cash used by financing activities	<u>(3,179,156)</u>	<u>(2,263,232)</u>
Net increase in cash and cash equivalents	1,662,293	1,932,766
Cash and cash equivalents, beginning of year	<u>6,424,192</u>	<u>4,491,426</u>
Cash and cash equivalents, end of year	\$ <u>8,086,485</u>	\$ <u>6,424,192</u>
Noncash transaction - equipment under loan obligation	\$ 155,022	\$ -
Noncash transaction - equipment under capital lease obligations	\$ 401,614	\$ 817,000

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

THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Organization

The New London Hospital Association, Inc. (the NLHA) and Subsidiaries (the Association) is a not-for-profit organization providing inpatient, outpatient and extended care services to residents of Merrimack and Sullivan counties. Kearsarge Community Services, Inc. (Kearsarge), a taxable corporation which owns and operates a medical office building, is a wholly-owned subsidiary of the Association. New London Medical Center East, Inc. (NLMCE), a taxable corporation which operates a building, is a wholly-owned subsidiary of the Association.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Association and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all bank deposits, certificates of deposits, and short-term investments that have a maturity of three months or less when purchased. Cash and cash equivalents exclude amounts whose use is limited by board designation or under revenue bond agreement.

Patient Accounts Receivable

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

Supplies

Supplies are carried at the lower of cost (determined by the first-in, first-out method) or market

THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Trustees for future purposes, over which the Board retains control, and may at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the Association have been reclassified as necessary in the consolidated balance sheets as of September 30, 2012 and 2011.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess (deficiency) of revenues, gains, and other support over expenses and nonoperating gains (losses) pursuant to the fair value option under ASC Topic 825, unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if contributed, at fair market value determined at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The Association and its subsidiaries' policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures that do not extend the lives of the related assets. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the asset's estimated useful life. Such amortization is included in depreciation and amortization in the financial statements.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the deficiency of revenues, gains, and other support over expenses and nonoperating gains (losses), unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred Financing Costs

The costs incurred to obtain long-term financing are being amortized by the straight-line method, which approximates the effective interest method, over the repayment period of the related debt.

THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Interest Rate Swap

The Association uses an interest rate swap contract to mitigate the cash flow exposure of interest rate movements on variable-rate debt. The Association has adopted FASB ASC 815, *Derivatives and Hedging*, to account for its interest rate swap contract. The interest rate swap is not considered a cash flow hedge and thus the change in value is included in nonoperating gains (losses).

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Association 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 consolidated statements of operations as net assets released from restrictions

Permanently restricted net assets have been restricted by donors to be maintained by the Association in perpetuity. Income earned on permanently restricted net assets, including net realized appreciation on investments, is included in the consolidated statements of operations as unrestricted resources or as a change in temporarily restricted net assets in accordance with donor-intended purposes.

Excess (Deficiency) of Revenues, Gains, and Other Support Over Expenses and Nonoperating Gains (Losses)

The statements of operations include the excess (deficiency) of revenues, gains, and other support over expenses and nonoperating gains (losses). Changes in unrestricted net assets that are excluded from this measure, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purposes of acquiring such assets).

Net Patient Service Revenue

The Association has agreements with third-party payors that provide for payments to the Association at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discount charges, fee schedules and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors, 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.

THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Charity Care

The Association has a formal charity care policy under which patient care is provided without charge or at amounts less than the established rates to patients who meet certain criteria. Because the Association does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Employee Fringe Benefits

The employees of the Association participate in an "earned time" plan under which each employee earns paid leave for each 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 Association accrues the cost of these benefits as they are earned up to 300 hours.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Association are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Pledged intentions to give are recorded as receivables when received net of an estimated uncollectible allowance and present value discount. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

Income Taxes

The NLHA is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes on related income. Kearsarge and NLMCE are for-profit organizations and, in accordance with federal and state tax laws, file separate returns from that of the NLHA. Taxes were not material in 2012 or 2011.

Functional Expenses

The Association provides general health care services to residents within its geographic location, including inpatient, outpatient, long-term, and emergency care. Expenses related to providing these services as of September 30 are:

	<u>2012</u>	<u>2011</u>
Health care services	\$ 46,203,506	\$46,701,152
General and administrative	11,230,436	11,311,607
Fundraising	<u>216,962</u>	<u>258,191</u>
	<u>\$ 57,650,904</u>	<u>\$58,270,950</u>

THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Reclassifications

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

For purposes of the preparation of these financial statements, management has considered transactions or events occurring through December 18, 2012, the date which the financial statements were issued.

The Boards of Trustees of the Association and Dartmouth-Hitchcock Health (DHH) have approved the creation of an affiliation agreement for submission to the New Hampshire State Attorney General.

Recently Issued Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-24, *Health Care Entities (Topic 954), Presentation of Insurance Claims and Related Insurance Recoveries* ("ASU 2010-24"), which clarifies that a health care entity should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The provisions of ASU 2010-24 were effective for the Association beginning October 1, 2011. The adoption of this ASU did not impact the Association's financial statements.

In July 2011, the FASB issued ASC No. 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* ("ASU 2011-07"), which requires reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. It also requires enhanced disclosure about the policies for recognizing revenue and assessing bad debts, disclosures of patient service revenue, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The provisions of ASU 2011-07 are effective for the Association beginning October 1, 2012. The Association has not determined the impact of ASU No. 2011-07 on its financial statements.

2. Net Patient Service Revenue

The following summarizes net patient service revenue as of September 30:

	<u>2012</u>	<u>2011</u>
Gross patient service revenue	\$96,220,573	\$93,023,912
Less contractual allowances and other revenue deductions	<u>41,257,798</u>	<u>37,621,041</u>
Net patient service revenue	<u>\$54,962,775</u>	<u>\$55,402,871</u>

THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

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

Medicare

Effective April 1, 2003, the NLHA was granted Critical Access Hospital (CAH) status. Under CAH, the NLHA is reimbursed 101% of reasonable allowable cost for its inpatient acute, swing bed, and outpatient services, excluding ambulance services and inpatient hospice care, provided to Medicare patients. The NLHA is reimbursed at tentative interim rates for cost reimbursable items with final settlement determined after submission of annual cost reports by the NLHA and audits thereof by the Medicare fiscal intermediary. The nursing home is not impacted by the CAH designation. Medicare has implemented a prospective payment system for skilled nursing facilities. Providers of care to skilled nursing facility residents eligible for "Part A" Medicare benefits are paid on a prospective basis, with no retrospective settlement. The prospective payment is based on the scoring attributed to the acuity level of the resident at a rate determined by federal guidelines. The NLHA's Medicare cost reports have been audited through September 30, 2009. The physician practices owned by NLHA are designated as provider-based.

Effective January 1, 2013, the NLHA will participate in Dartmouth-Hitchcock's Pioneer Accountable Care Organization (ACO), a Medicare shared savings program initiative. The Association must meet or exceed established quality measures in order to receive any savings. The Association is protected from any negative impact during its first year of participation.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined per diem rates. The prospectively determined per-diem rates are not subject to retroactive adjustment. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The NLHA is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the NLHA and audits thereof by the fiscal intermediary. The NLHA's skilled nursing facility is reimbursed on a prospectively determined per diem rate. The NLHA's Medicaid cost reports have been audited by the fiscal intermediary through September 30, 2008.

Anthem Blue Cross

The NLHA also maintains contracts with Anthem Blue Cross and various other payors, which pay the NLHA for services based on charges with varying discounts, on a per diem basis, or fee schedules.

THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Revenue from the Medicare and Medicaid programs accounted for approximately 48% and 7%, respectively, of the Association's patient service revenue for the year ended September 30, 2012, and approximately 46% and 8%, respectively, for the year ended September 30, 2011. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Association believes that it is in compliance with all laws and regulations. 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. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in net patient service revenue in the year that such amounts become known. Net patient service revenue decreased approximately \$905,000 in 2012 and increased approximately \$70,000 in 2011, due to prior year retroactive adjustments in excess of amounts previously estimated and changes in prior year estimates.

Medicaid disproportionate share hospital (DSH) payments provide financial assistance to hospitals that serve a large number of low-income patients. The federal government distributes federal DSH funds to each state based on a statutory formula. The states, in turn, distribute their portion of the DSH funding among qualifying hospitals. The states are to use their federal DSH allotments to help cover costs of hospitals that provide care to low-income patients when those costs are not covered by other payors. The State of New Hampshire's plan for the distribution of DSH monies to the hospitals has not yet been approved by the Centers for Medicare and Medicaid Services. Amounts recorded by the Association are therefore subject to change. The disproportionate share payments amounted to \$2,311,102 and \$2,491,307 for 2012 and 2011, respectively, and are recorded as an increase in net patient service revenue. The 5.5% tax, which amounted to \$2,194,918 and \$2,413,347 for 2012 and 2011, respectively, is recorded as an operating expense.

3. Charity Care

The Association provides services without charge, or at amounts less than its established rates, to patients who meet the criteria of its charity care policy. The criteria for charity care consider family income, net worth and the federal poverty income guidelines.

The net cost of charity care provided was approximately \$1,604,000 in 2012 and \$1,759,000 in 2011. The net cost of charity care is determined by the total charity care cost less any patient-related revenue due to sliding-scale payments or other patient-specific sources, which were \$28,758 in 2012 and \$23,286 in 2011.

The largest proportion of services provided on a charity basis was for surgical services and emergency room services.

In addition to the charity care identified above, the Association does not receive full payment from the Medicaid program for the cost of services to certain low income and elderly patients served through traditional inpatient and outpatient services. The Association incurred \$1,187,000 and \$1,236,000 of costs in excess of payments, based on an overall financial statement cost to charge ratio, during the years ended September 30, 2012 and 2011, respectively.

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Notes to Consolidated Financial Statements

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4. Investments

The composition of investments was as follows as of September 30

	<u>2012</u>	<u>2011</u>
Assets limited as to use by the Board of Trustees		
Cash and cash equivalents	\$ 1,211,841	\$ 737,552
Mortgage backed securities	278,634	266,949
U S Treasury obligations	868,972	492,488
Marketable equity securities	6,069,127	4,199,319
Mutual funds	342,285	-
Corporate bonds	1,772,117	1,254,918
International bonds	<u>317,159</u>	<u>506,407</u>
	<u>\$ 10,860,135</u>	<u>\$ 7,457,633</u>
Assets limited as to use under Bond Indenture		
Cash and cash equivalents	<u>\$ 370,031</u>	<u>\$ 268,294</u>
Long-term investments		
Cash and cash equivalents	\$ 507,730	\$ 413,334
Equity mutual funds	23,617	24,661
Fixed income mutual funds	<u>33,398</u>	<u>38,007</u>
	<u>\$ 564,745</u>	<u>\$ 476,002</u>

Assets limited as to use were designated for the following as of September 30:

	<u>2012</u>	<u>2011</u>
By Board of Trustees		
Property and equipment reserve	\$ 683,104	\$ 469,086
Depreciation reserve	280,192	192,407
Long-term investment purposes	<u>9,896,839</u>	<u>6,796,140</u>
	<u>10,860,135</u>	<u>7,457,633</u>
Under Bond Indenture		
Debt service funds	<u>370,031</u>	<u>268,294</u>
	<u>370,031</u>	<u>268,294</u>
Total assets limited as to use	<u>\$ 11,230,166</u>	<u>\$ 7,725,927</u>

	<u>2012</u>	<u>2011</u>
Investment performance for the years ended September 30, were as follows:		
Investment income		
Interest and dividend income	\$ 318,416	\$ 301,183
Investment fees	<u>(56,918)</u>	<u>(48,624)</u>
	261,498	252,559
Realized gains on sales of securities	195,473	96,261
Unrealized gains (losses) on investments	<u>916,108</u>	<u>(161,589)</u>
Total gains on investments	<u>\$ 1,373,079</u>	<u>\$ 187,231</u>

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5. Property and Equipment

Property and equipment consists of the following as of September 30:

	<u>2012</u>	<u>2011</u>
Land and land improvements	\$ 2,630,160	\$ 2,630,160
Buildings and fixed equipment	39,419,321	38,885,090
Major moveable equipment	26,832,855	25,121,309
Construction in progress	<u>831,835</u>	<u>704,321</u>
	69,714,171	67,340,880
Less accumulated depreciation and amortization	<u>39,199,613</u>	<u>35,609,947</u>
	<u>\$30,514,558</u>	<u>\$31,730,933</u>

Equipment capitalized under capital lease agreements and included in major moveable equipment above consisted of the following as of September 30:

	<u>2012</u>	<u>2011</u>
Cost	\$ 3,923,344	\$ 3,521,730
Accumulated depreciation	<u>(2,708,854)</u>	<u>(2,166,416)</u>
Net book value	<u>\$ 1,214,490</u>	<u>\$ 1,355,314</u>

Depreciation expense for the years ended September 30, 2012 and 2011 amounted to \$3,668,276 and \$3,815,649, respectively.

6. Promises to Contribute

At September 30, 2012, the Association had received promises to contribute.

The amount due of \$274,400 was receivable from donors at September 30, 2012. The pledges receivable are due as follows:

In less than one year	\$ 221,120
In one to five years	<u>53,280</u>
	274,400
Less allowance for uncollectible amounts and discount to present value	<u>52,870</u>
	<u>\$ 221,530</u>

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Notes to Consolidated Financial Statements

September 30, 2012 and 2011

7. Beneficial Interest in Perpetual Trust

The Association is an income beneficiary of a perpetual trust controlled by an unrelated third-party trustee. The beneficial interest in the assets of the trust is included in the Association's financial statements as permanently restricted net assets. Income is distributed in accordance with the trust documents and is included in investment return. Trust income distributed to the Association for the years ended September 30, 2012 and 2011, was \$80,935 and \$76,711, respectively.

8. Borrowings

Line of Credit

The Association has a \$2,000,000 available line of credit with a local bank, collateralized by a second security interest in the Association's gross receipts and accounts receivable. Interest on borrowings is charged at 4% at September 30, 2012. The credit line expires in October 2012. The outstanding balance was \$0 as of September 30, 2012 and \$2,000,000 as of September 30, 2011.

Bonds

On June 1, 2007, the Association entered into a loan agreement with New Hampshire Health and Education Facilities Authority (NHHEFA) issuing \$20,000,000 in tax-exempt bonds, \$15,000,000 of this amount is long-term financing and \$5,000,000 is a bridge loan. As of September 30, 2012, approximately \$3,825,000 has been repaid on the bridge loan. The funds from the issuance were used to renovate the Association and construct a new medical office building. The interest rate on the bonds is variable, calculated monthly by Morgan Stanley and is based on a monthly average of the weekly remarketed rates by George Baum & Associates. The bonds are backed by an irrevocable direct pay letter of credit (LC) from Sovereign Bank with a termination date of June 20, 2017. The bonds are collateralized by substantially all of the Association's assets.

The Loan Agreement and LC both have certain financial covenants with which the Association must comply. At September 30, 2012, the Association was in compliance with these covenants.

In connection with the issuance of the Bonds, the Association entered into an interest rate swap agreement on \$15,000,000 of its outstanding bond obligation for the life of the bond issue to hedge the interest rate risk associated with the Bonds. The interest rate swap agreement requires the Association to pay Morgan Stanley Capital Services, Inc., the swap counterparty, a fixed rate of 3.9354% in exchange for the counterparty's payment to the Association of a variable rate based on 67% of the USD-LIBOR-BBA.

The Association is required to include the fair value of the swap in the balance sheet, and annual changes, if any, in the fair value of the swap in the statement of operations. For example, during the Bonds' 30-year holding period, the annually calculated value of the swap will be reported as an asset if interest rates increase above those in effect on the date the swap was entered into (and unrealized gain in the statement of operations), which will generally be indicative that the net fixed rate the Association is paying is below market expectations of rates during the remaining term of the swap. The swap will be reported as a liability (and as an unrealized loss in the statement of

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operations) if interest rates decrease below those in effect on the date the swap was entered into, which will generally be indicative that the net fixed rate the Association is paying on the swap is above market expectations of rates during the remaining term of the swap. These annual accounting adjustments of value changes in the swap transaction are non-cash recognition requirements, the net effect of which will be zero at the end of the 30-year Bonds' term. The Association retains the sole right to terminate the swap agreement should the need arise. The Association recorded the swap at its liability position of approximately \$4,774,000 and \$4,606,000 at September 30, 2012 and 2011, respectively.

Long-Term Debt and Capital Leases

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

	<u>2012</u>	<u>2011</u>
Note payable to United States Department of Agriculture Rural Development (USDA-RD) payable in monthly installments of \$53,096, including interest ranging from 1.26% to 4.92%; collateralized by certain property, equipment, and buildings. Paid in 2012.	\$ -	\$ 631,306
Note payable to Baxter Capital Services payable in interest-free monthly installments of \$4,211, through September 2015; collateralized by associated equipment.	151,601	-
NHHEFA Revenue Bonds, New London Hospital Issue Series 2007, interest is payable at a variable rate which was 0.18% at September 30, 2012, annual principal payments are of varying amounts ranging from \$320,000 to \$1,270,000 through 2037.	16,175,000	16,415,000
Various capital lease obligations; collateralized by equipment, payable in monthly installments including interest between 0% and 12.45%, expiring through January 2017.	<u>1,169,922</u>	<u>1,250,133</u>
	17,496,523	18,296,439
Less current portion	<u>819,329</u>	<u>1,333,252</u>
Long-term debt and capital leases, excluding current portion	<u>\$16,677,194</u>	<u>\$16,963,187</u>

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Aggregate annual principal payments required under long-term debt agreements and capital lease obligations are as follows as of September 30, 2012:

	<u>Long-Term Debt</u>	<u>Capital Lease Obligations</u>
Year ending September 30		
2013 (included in current liabilities)	\$ 370,534	\$ 482,330
2014	385,534	347,140
2015	490,533	309,960
2016	460,000	84,999
2017	480,000	10,578
Thereafter	<u>14,140,000</u>	<u>-</u>
	<u>\$ 16,326,601</u>	1,235,007
Less amount representing interest under capital lease obligations		<u>65,085</u>
		<u>\$ 1,169,922</u>

Cash paid for interest was approximately \$866,000 and \$865,000 for the years ended September 30, 2012 and 2011, respectively.

9. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes for the years ended September 30.

	<u>2012</u>	<u>2011</u>
Health care services	\$ 265,350	\$ 206,161
Equipment and capital improvements	41,813	17,629
Other	<u>96,880</u>	<u>83,895</u>
	<u>\$ 404,043</u>	<u>\$ 307,685</u>

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Permanently restricted net assets are restricted to the following for the years ended September 30:

	<u>2012</u>	<u>2011</u>
Investments to be held in perpetuity, the income from which is expendable to support health care services (reported as operating income)	\$ 232,270	\$ 232,270
Investments to be held in perpetuity, requiring income to be temporarily restricted for specific purposes (reported as increases in temporarily restricted net assets)	141,597	141,597
Beneficial interest in perpetual trust	<u>1,629,122</u>	<u>1,516,608</u>
	<u>\$ 2,002,989</u>	<u>\$ 1,890,475</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of providing specific health care services and purchasing of related equipment were \$106,397 and \$111,747 in 2012 and 2011, respectively.

10. Split-Interest Agreements

The Association administers various charitable gift annuities. A charitable gift annuity provides for the payment of distributions to the donor or other designated beneficiaries for a specified period of time. At the end of that period of time, the remaining assets are available for the Association's unrestricted use or as set forth by the donor agreement. The portion of the assets attributable to the present value of the future benefits to be received by the Association is recorded as an increase in net assets in the period the charitable gift annuity is established in accordance with the Association's policy for recording contribution revenue. There were no contributions for 2012 or 2011. On a quarterly basis, the Association makes distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$22,166 and \$32,338 as of September 30, 2012 and 2011, respectively) is calculated using various discount rates and applicable mortality tables.

11. Related Party Transactions

The Association has entered into a management service agreement (Agreement) with Dartmouth-Hitchcock Clinic and Mary Hitchcock Memorial Hospital (collectively referred to as D-H), to provide certain management services for the Association. In April 2007, the Association agreed to extend this agreement without an expiration date. The Association engaged D-H to provide, during the term of the Agreement, the chief executive officer and also to provide other mutually agreed-upon consultative services and management support. Management fees for the years ended September 30, 2012 and 2011 were \$513,428 and \$355,813, respectively. Effective January 1, 2009, the Association pays an annual fee to New England Alliance for Health (NEAH), an LLC owned and managed by Mary Hitchcock Memorial Hospital, of \$138,000, and many of these consultative services were provided as part of the NEAH arrangement.

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Notes to Consolidated Financial Statements

September 30, 2012 and 2011

12. Commitments

Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred

The following is a schedule by year of future minimum lease payments under an operating lease for physician office space as of September 30, 2012.

<u>Year Ending September 30</u>	<u>Minimum Lease Payments</u>
2013	\$ 296,977
2014	302,917
2015	308,975
2016	315,155
2017	321,458
Thereafter	<u>2,068,350</u>
	<u>\$3,613,832</u>

The Association has recorded rent expense for the years ended September 30, 2012 and 2011 amounting to \$511,509 and \$568,924, respectively.

Management Agreement With D-H

The Association has a commitment to purchase management services through D-H for 2013 for the president and CEO, consultative services, and management support in the amount of \$672,000.

Purchase of Newport Health Center

The Association signed a purchase and sale agreement, effective October 1, 2012, with Newport Shopping Plaza Associates, LLP to acquire the land and building where the Association currently leases and operates a health services clinic, the Newport Health Center (NHC) Under the agreement, in addition to purchasing the existing site of the NHC, the Association will purchase additional land and commercial space which will facilitate the renovation and potential expansion of the NHC facility. The closing will take place on or before December 31, 2012 and, effective upon the conveyance of the premises, the parties will terminate both the NHC and the bowling alley leases The aggregate purchase price under this agreement is \$2,225,000.

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13. Contingencies

During the year, the Association was covered for malpractice claims under a modified claims-made policy purchased through NEAH. While the Association remains in the current insurance program under this policy, the coverage year is based on the date the claim is filed subject to a medical incident arising after the retroactive date (includes prior acts). The policy provides modified claims-made coverage for former insured providers for claims that relate to the employee's period of employment at the Association and for services that were provided within the scope of the employee's duties. Therefore, when an employee leaves the insured organization, tail coverage is not required.

The possibility exists, as a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the Association. In the event a loss contingency should occur, the Association would give it appropriate recognition in its financial statements in conformity with applicable accounting principles

The Association is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect upon the Association's financial statements

14. Concentrations of Credit Risk

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

The Association grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows as of September 30:

	<u>2012</u>	<u>2011</u>
Medicare	40 %	41 %
Medicaid	9	8
Anthem Blue Cross	14	12
Other third-party payors	17	15
Patients	<u>20</u>	<u>24</u>
	<u>100 %</u>	<u>100 %</u>

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Notes to Consolidated Financial Statements

September 30, 2012 and 2011

15. Retirement Plans

Defined Contribution Plan

The Association has a tax-sheltered annuity plan under which contributions can be made into the plans by all employees. The Association makes contributions to the plan computed at a percentage of yearly earnings, for employees who meet certain annual and consecutive service requirements, as defined by the plan documents. The Association has temporarily suspended further contributions on behalf of its employees for 2012 and 2011.

Deferred Compensation Plan

The Association has a nonqualified deferred compensation plan established under section 457 of the Internal Revenue Code of 1986. The plan covers key employees of the Association. Contributions charged to operations amounted to \$7,500 and \$38,750 in 2012 and 2011, respectively. The Association has temporarily suspended further contributions on behalf of its employees during 2012.

16. Self-Insured Health Plan

Effective October 1, 2001, the Association established a self-funded health insurance plan (Plan). The Plan is administered by an insurance company, which determines the current funding requirements of participants under the terms of the Plan and the liability for claims and assessments that would be payable at any given point in time. The Association is insured above a stop-loss amount of \$125,000 on individual claims, with a maximum annual aggregate of approximately \$2,758,000 for the year ended September 30, 2012. These stop-loss limits exclude the costs of services provided by the Association. Unpaid claims have been recorded as a liability and are reflected in accrued expenses in the balance sheets. Health insurance claims expensed under this Plan amounted to \$2,315,776 and \$2,271,968 in 2012 and 2011, respectively.

17. Volunteer Services (unaudited)

Volunteer services to the Association totaled approximately 9,214 hours and 11,903 hours in 2012 and 2011, respectively. The Friends of New London Hospital also contributed countless hours supporting a variety of community-based programs. The in-hospital volunteers provide assistance to patients, visitors and staff in a wide range of services including: information and way finding, bedside delivery of mail and flowers, backroom support in multiple departments, system mail delivery and patient activities

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18. Meaningful Use Revenue

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The Medicare criteria for meaningful use financial incentives will be staged in three steps up through fiscal year 2016. The meaningful use attestation is subject to audit by CMS in future years. As part of this process, a final settlement amount for the incentive payments could be established that differs from the initial calculation.

The Medicaid program provides incentive payments to hospitals and eligible professionals, with a certain percentage of Medicaid patient volumes. In the first year of participation, they must adopt and implement, upgrade or demonstrate meaningful use and then demonstrate meaningful use for up to five remaining participation years. There are no payment adjustments under the Medicaid EHR incentive program.

During 2012, the NLHA recorded meaningful use revenue from the Medicare EHR program which is included in other revenues in the consolidated statements of operations. The NLHA has attested to the first stage of meaningful use.

19. Fair Value of Financial Instruments

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Assets and liabilities measured at fair value on a recurring basis are summarized below.

	Fair Value Measurements at September 30, 2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets limited as to use				
Cash and cash equivalents	\$ 1,581,872	\$ -	\$ -	\$ 1,581,872
Mortgage backed securities	-	278,634	-	278,634
Corporate bonds	-	1,772,117	-	1,772,117
International bonds	-	317,159	-	317,159
U S Treasury obligations	868,972	-	-	868,972
Marketable equity securities				
Basic materials	155,821	-	-	155,821
Consumer staples	782,769	-	-	782,769
Consumer discretionary	576,595	-	-	576,595
Energy	644,319	-	-	644,319
Financial services	677,432	-	-	677,432
Healthcare	913,589	-	-	913,589
Industrials	902,904	-	-	902,904
Technology	1,020,206	-	-	1,020,206
Utilities	279,348	-	-	279,348
Miscellaneous	116,144	-	-	116,144
Total marketable equity securities	<u>6,069,127</u>	-	-	<u>6,069,127</u>
Mutual funds				
Equity funds	231,210	-	-	231,210
International funds	111,075	-	-	111,075
Total mutual funds	<u>342,285</u>	-	-	<u>342,285</u>
Investments				
Cash and short-term investments	507,730	-	-	507,730
Equity mutual funds	23,617	-	-	23,617
Bond mutual funds	33,398	-	-	33,398
Beneficial interest in perpetual trust	-	-	1,629,122	1,629,122
Deferred compensation plan assets				
Growth mutual funds	169,530	-	-	169,530
Equity mutual funds	660,873	-	-	660,873
Bond mutual funds	112,399	-	-	112,399
International mutual funds	250,424	-	-	250,424
Total deferred compensation plan assets	<u>1,193,226</u>	-	-	<u>1,193,226</u>
Total	<u>\$ 10,620,227</u>	<u>\$ 2,367,910</u>	<u>\$ 1,629,122</u>	<u>\$ 14,617,259</u>
Liabilities				
Interest rate swap	\$ -	\$ 4,773,651	\$ -	\$ 4,773,651
Total	<u>\$ -</u>	<u>\$ 4,773,651</u>	<u>\$ -</u>	<u>\$ 4,773,651</u>

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September 30, 2012 and 2011

	<u>Fair Value Measurements at September 30, 2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets.				
Assets limited as to use				
Cash and cash equivalents	\$ 1,005,846	\$ -	\$ -	\$ 1,005,846
Mortgage backed securities	-	266,949	-	266,949
Corporate bonds	-	1,254,918	-	1,254,918
International bonds	-	506,407	-	506,407
U S Treasury obligations	492,488	-	-	492,488
Marketable equity securities				
Basic materials	184,522	-	-	184,522
Communication services	-	-	-	-
Consumer staples	564,535	-	-	564,535
Consumer discretionary	348,178	-	-	348,178
Energy	476,899	-	-	476,899
Financial services	368,102	-	-	368,102
Healthcare	697,826	-	-	697,826
Industrials	498,718	-	-	498,718
Technology	804,959	-	-	804,959
Utilities	177,564	-	-	177,564
Miscellaneous	78,016	-	-	78,016
Total marketable equity securities	<u>4,199,319</u>	<u>-</u>	<u>-</u>	<u>4,199,319</u>
Investments	-	-	-	-
Cash and short-term investments	413,334	-	-	413,334
Equity mutual funds	24,661	-	-	24,661
Bond mutual funds	38,007	-	-	38,007
Beneficial interest in perpetual trust	-	-	1,516,608	1,516,608
Deferred compensation plan assets				
Growth mutual funds	108,353	-	-	108,353
Equity mutual funds	366,485	-	-	366,485
Bond mutual funds	179,162	-	-	179,162
International mutual funds	207,114	-	-	207,114
Total deferred compensation plan assets	<u>861,114</u>	<u>-</u>	<u>-</u>	<u>861,114</u>
Total	<u>\$ 7,034,769</u>	<u>\$ 2,028,274</u>	<u>\$ 1,516,608</u>	<u>\$ 10,579,651</u>
Liabilities				
Interest rate swap	\$ -	\$ 4,605,904	\$ -	\$ 4,605,904
Total	<u>\$ -</u>	<u>\$ 4,605,904</u>	<u>\$ -</u>	<u>\$ 4,605,904</u>

The fair value of Level 2 assets and liabilities is primarily based on market prices of underlying assets, comparable securities, interest rates, and credit risk. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

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The fair value of the beneficial interest in trust is based on the market prices of the underlying assets which consist of cash and cash equivalents, marketable equity securities, corporate bonds, and U.S. treasury obligations. It is classified as Level 3 as there is no market in which to trade the beneficial interest itself. The change in the beneficial interest in trust is attributed solely to the change in the underlying market value of the Association's interest in the funds.

The Association's financial instruments consist of cash and cash equivalents, assets limited as to use, investments, trade accounts receivable and payable, estimated third-party payor settlements, interest rate swap, and long-term debt. The fair values of all financial instruments approximate their carrying values at September 30, 2012 and 2011.

ADDITIONAL INFORMATION

Consolidating Balance Sheet

September 30, 2012
(With Comparative Totals for September 30, 2011)

ASSETS

	New London Hospital Association, Inc	Kearsarge Community Services, Inc and New London Medical Center East, Inc	Eliminations	2012 Consolidated	2011 Consolidated
Current assets					
Cash and cash equivalents	\$ 7,850,700	\$ 235,785	\$ -	\$ 8,086,485	\$ 6,424,192
Assets limited as to use	370,031	-	-	370,031	268,294
Patient accounts receivable, net	6,450,190	-	-	6,450,190	6,914,025
Pledges receivable, net	199,008	-	-	199,008	402,269
Due from affiliates	585,867	-	585,867	-	-
Other accounts receivable, net	584,153	19,847	-	604,000	52,401
Supplies	988,908	-	-	988,908	1,002,338
Prepaid expenses	462,985	103	-	463,088	543,702
Total current assets	<u>17,491,842</u>	<u>255,735</u>	<u>585,867</u>	<u>17,161,710</u>	<u>15,607,221</u>
Assets limited as to use					
By Trustees	10,860,135	-	-	10,860,135	7,457,633
Under bond indenture	370,031	-	-	370,031	268,294
	11,230,166	-	-	11,230,166	7,725,927
Less current portion	370,031	-	-	370,031	268,294
	10,860,135	-	-	10,860,135	7,457,633
Long-term investments	564,745	-	-	564,745	476,002
Deferred compensation plan assets	1,193,226	-	-	1,193,226	861,114
Beneficial interest in perpetual trust	1,629,122	-	-	1,629,122	1,516,608
Property and equipment, net	30,021,283	493,275	-	30,514,558	31,730,933
Deferred financing costs, net of amortization	303,792	-	-	303,792	315,079
Pledges receivable, net of current portion	22,522	-	-	22,522	166,160
Other assets	6,066	-	-	6,066	6,066
Total assets	<u>\$ 62,092,733</u>	<u>\$ 749,010</u>	<u>\$ 585,867</u>	<u>\$ 62,255,876</u>	<u>\$ 58,136,816</u>

THE NEW LONDON HOSPITAL ASSOCIATION, INC. AND SUBSIDIARIES

Schedule 1
(Concluded)

Consolidating Balance Sheets

September 30, 2012
(With Comparative Totals for September 30, 2011)

LIABILITIES AND NET ASSETS

	New London Hospital Association, Inc	Kearsarge Community Services, Inc and New London Medical Center East, Inc	Eliminations	2012 Consolidated	2011 Consolidated
Current liabilities					
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000
Current portion of long-term debt	370,534	-	-	370,534	866,604
Current portion of capital lease obligations	448,795	-	-	448,795	466,648
Accounts payable and accrued expenses	3,611,837	8,672	-	3,620,509	2,923,130
Accrued salaries, wages, and related amounts	1,680,883	-	-	1,680,883	1,567,343
Estimated third-party payor settlements	4,600,763	-	-	4,600,763	3,011,675
Due to affiliates	-	585,867	585,867	-	-
Current portion of charitable gift annuities	10,172	-	-	10,172	10,172
Other current liabilities	20,000	-	-	20,000	20,000
Total current liabilities	10,742,984	594,539	585,867	10,751,656	10,865,572
Deferred compensation	1,193,226	-	-	1,193,226	861,114
Long-term debt, excluding current portion	15,956,067	-	-	15,956,067	16,179,702
Capital lease obligations, excluding current portion	721,127	-	-	721,127	783,485
Interest rate swap	4,773,651	-	-	4,773,651	4,605,904
Charitable gift annuities, excluding current portion	11,994	-	-	11,994	22,166
Total liabilities	33,399,049	594,539	585,867	33,407,721	33,317,943
Net assets					
Unrestricted	26,286,652	154,471	-	26,441,123	22,620,713
Temporarily restricted	404,043	-	-	404,043	307,685
Permanently restricted	2,002,989	-	-	2,002,989	1,890,475
Total net assets	28,693,684	154,471	-	28,848,155	24,818,873
Total liabilities and net assets	\$ 62,092,733	\$ 749,010	\$ 585,867	\$ 62,255,876	\$ 58,136,816

THE NEW LONDON HOSPITAL ASSOCIATION. INC. AND SUBSIDIARIES

Schedule 2

Consolidating Statements of Operations

Years Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)

	New London Hospital Association, Inc	Kearsarge Community Services, Inc and New London Medical Center East, Inc	Eliminations	2012 Consolidated	2011 Consolidated
Unrestricted revenues, gains, and other support					
Net patient service revenue	\$ 54,962,775	\$ -	\$ -	\$ 54,962,775	\$ 55,402,871
Other operating revenue	3,997,704	227,288	228,282	3,996,710	1,441,675
Net assets released from restrictions used for operations	78,975	-	-	78,975	61,372
Total revenues, gains, and other support	<u>59,039,454</u>	<u>227,288</u>	<u>228,282</u>	<u>59,038,460</u>	<u>56,905,918</u>
Expenses					
Salaries and benefits	32,111,069	-	-	32,111,069	31,993,534
Supplies and other	9,588,061	128,591	228,282	9,488,370	9,421,244
Purchased services	6,321,293	-	-	6,321,293	6,187,602
Provision for bad debts	2,941,149	-	-	2,941,149	3,546,621
Depreciation and amortization	3,636,928	42,635	-	3,679,563	3,826,935
Medicaid enhancement tax	2,194,918	-	-	2,194,918	2,413,347
Interest	914,542	54,087	54,087	914,542	881,667
Total expenses	<u>57,707,960</u>	<u>225,313</u>	<u>282,369</u>	<u>57,650,904</u>	<u>58,270,950</u>
Operating income (loss)	<u>1,331,494</u>	<u>1,975</u>	<u>(54,087)</u>	<u>1,387,556</u>	<u>(1,365,032)</u>
Nonoperating gains (losses)					
Investment income	315,585	-	54,087	261,498	252,559
Contributions and program support	1,200,100	-	-	1,200,100	605,090
Other nonoperating expenses	-	-	-	-	(349,393)
Unrealized loss on interest rate swap	(167,747)	-	-	(167,747)	(739,724)
Realized and unrealized gains (losses) on investments	1,111,581	-	-	1,111,581	(65,328)
Nonoperating gains (losses), net	<u>2,459,519</u>	<u>-</u>	<u>54,087</u>	<u>2,405,432</u>	<u>(296,796)</u>
Excess (deficiency) of revenues, gains, and other support over expenses and nonoperating gains (losses)	3,791,013	1,975	-	3,792,988	(1,661,828)
Net assets released from restrictions for purchase of property and equipment	<u>27,422</u>	<u>-</u>	<u>-</u>	<u>27,422</u>	<u>50,375</u>
Increase (decrease) in unrestricted net assets	<u>\$ 3,818,435</u>	<u>\$ 1,975</u>	<u>\$ -</u>	<u>\$ 3,820,410</u>	<u>\$ (1,611,453)</u>

**SUPPLEMENTAL INFORMATION
GOVERNMENT REPORT**



**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
The New London Hospital Association, Inc. and Subsidiaries

We have audited the consolidated financial statements of The New London Hospital Association, Inc and Subsidiaries (the Association) as of and for the year ended September 30, 2012, and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board of Trustees
The New London Hospital Association, Inc. and Subsidiaries

This report is intended solely for the information and use of the Board of Trustees and its committees, management, and the U.S. Department of Agriculture, Rural Development and is not intended to be, and should not be, used by anyone other than these specified parties.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
December 18, 2012

