# Southern Vermont Health Services Corporation and Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS

with

SUPPLEMENTARY INFORMATION

September 30, 2025 and 2024

With Independent Auditor's Report

**SOUTHERN VERMONT HEALTH SERVICES CORPORATION AND SUBSIDIARY**

**September 30, 2025 and 2024**

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BerryDunn
BDMP Assurance, LLP

# INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern Vermont Health Services Corporation and Subsidiary

## Opinion

We have audited the accompanying consolidated financial statements of Southern Vermont Health Services Corporation and Subsidiary (collectively, the Corporation), which comprise the consolidated balance sheets as of September 30, 2025 and 2024, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2025 and 2024, and the results of their operations, changes in their net assets, and their cash flows for the years ended, in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

## Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedules 1 – 3 is presented for purposes of additional analysis rather than to present the financial position, results of operations, and changes in net assets of the individual entities, and is not a required part of the 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 information has been subjected to the auditing procedures applied in the audits of the 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 to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

BDMP Assurance, LLP

Portland, Maine
June 30, 2026
Registration No. 192-0134133

**SOUTHERN VERMONT HEALTH SERVICES CORPORATION AND SUBSIDIARY**

**Consolidated Balance Sheets**

**September 30, 2025 and 2024**

**ASSETS**

| | **2025** | 2024 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | **$ 2,484,272** | $ 2,957,329 |
| Patient receivable, net | **12,400,416** | 24,531,057 |
| Employee retention tax credit (ERTC) and related interest receivable | **9,136,333** | - |
| Supplies inventory | **2,833,460** | 2,542,314 |
| Other current assets | **755,202** | 1,068,995 |
| Total current assets | **27,609,683** | 31,099,695 |
| Assets limited as to use | | |
| Internally designated | **44,637,190** | 47,002,321 |
| Under bond agreement for capital acquisition | **166,295** | 1,454,750 |
| Other investments with donor restrictions – Brattleboro Memorial Hospital | **49,361** | 49,073 |
| Other investments with donor restrictions – Southern Vermont Health Services Corporation | **1,416,230** | 1,346,598 |
| Deferred compensation | **1,378,484** | 1,182,955 |
| Total assets limited as to use | **47,647,560** | 51,035,697 |
| Property and equipment, net | **44,017,398** | 43,850,500 |
| Right-of-use assets – operating leases, net | **351,354** | 523,062 |
| Interest rate swaps | **263,167** | 318,178 |
| Other noncurrent assets, net | **609,594** | 591,839 |
| Total assets | **$ 120,498,756** | $ 127,418,971 |

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

## LIABILITIES AND NET ASSETS

| | 2025 | 2024 |
|---|---|---|
| Current liabilities | | |
| Current portion of long-term debt | **$ 13,664,318** | $ 14,862,179 |
| Current portion of lease liabilities – operating | **113,968** | 175,232 |
| Accounts payable | **11,990,850** | 9,106,397 |
| Salaries, wages, and payroll taxes payable | **1,551,981** | 1,515,298 |
| Accrued retirement plan contribution | **1,788,735** | 1,587,577 |
| Accrued compensated absences | **3,286,632** | 3,438,071 |
| Other accrued expenses | **1,978,714** | 1,758,680 |
| Deferred revenue | **335,378** | 363,932 |
| Estimated third-party payor settlements | **1,225,360** | 1,421,818 |
| Total current liabilities | **35,935,936** | 34,229,184 |
| Lease liabilities – operating, less current portion | **238,139** | 352,107 |
| Deferred compensation | **1,378,484** | 1,182,955 |
| Total liabilities | **37,552,559** | 35,764,246 |
| Net assets | | |
| Without donor restrictions | **81,121,804** | 89,959,469 |
| With donor restrictions | **1,824,393** | 1,695,256 |
| Total net assets | **82,946,197** | 91,654,725 |
| Total liabilities and net assets | **$ 120,498,756** | $ 127,418,971 |

**SOUTHERN VERMONT HEALTH SERVICES CORPORATION AND SUBSIDIARY**

**Consolidated Statements of Operations**

**Years Ended September 30, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| Revenues, gains, and other support without donor restrictions: | | |
| Net patient service revenue | **$ 82,086,604** | $ 91,055,077 |
| Fixed prospective revenue | **14,621,727** | 14,653,503 |
| Other revenue | **6,622,593** | 7,756,342 |
| Contributions | **37,440** | 121,347 |
| ERTC revenue | **7,788,122** | - |
| Net assets released from restrictions for operations | **55,157** | 89,148 |
| Total revenues, gains, and other support without donor restrictions | **111,211,643** | 113,675,417 |
| Expenses | | |
| Salaries, wages, and benefits | **68,717,330** | 65,876,147 |
| Supplies and other | **24,123,006** | 23,282,150 |
| Contracted services | **23,252,626** | 19,506,869 |
| Depreciation | **4,138,641** | 4,201,932 |
| Healthcare improvement tax | **6,531,894** | 6,428,883 |
| Interest expense | **664,506** | 815,437 |
| Total expenses | **127,428,003** | 120,111,418 |
| Operating loss | **(16,216,360)** | (6,436,001) |
| Nonoperating gains (losses) | | |
| Income from investments | **5,247,478** | 3,686,447 |
| ERTC interest income | **1,348,211** | - |
| Other nonoperating income | **117,024** | 192,856 |
| Unrealized losses on interest rate swaps | **(55,010)** | (660,086) |
| Net unrealized gains on investments | **718,430** | 7,573,161 |
| Nonoperating gains, net | **7,376,133** | 10,792,378 |
| (Deficiency) excess of revenues, gains, other support, and nonoperating gains over expenses | **(8,840,227)** | 4,356,377 |
| Net assets released from restrictions for capital acquisitions | **2,562** | 6,735 |
| Change in net assets without donor restrictions | **$ (8,837,665)** | $ 4,363,112 |

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

## SOUTHERN VERMONT HEALTH SERVICES CORPORATION AND SUBSIDIARY

### Consolidated Statements of Changes in Net Assets

### Years Ended September 30, 2025 and 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Balances, October 1, 2023 | $ 85,596,357 | $ 1,471,652 | $ 87,068,009 |
| Excess of revenues, gains, other support, and nonoperating gains over expenses | 4,356,377 | - | 4,356,377 |
| Net unrealized gains on investments | - | 196,173 | 196,173 |
| Investment income | - | 45,728 | 45,728 |
| Contributions | - | 77,586 | 77,586 |
| Net assets released from restrictions for operations | - | (89,148) | (89,148) |
| Net assets released from restrictions for capital acquisitions | 6,735 | (6,735) | - |
| Change in net assets | 4,363,112 | 223,604 | 4,586,716 |
| Balances, September 30, 2024 | 89,959,469 | 1,695,256 | 91,654,725 |
| Excess of revenues, gains, other support, and nonoperating gains over expenses | **(8,840,227)** | **-** | **(8,840,227)** |
| Net unrealized gains on investments | **-** | **42,116** | **42,116** |
| Investment income | **-** | **87,153** | **87,153** |
| Contributions | **-** | **51,211** | **51,211** |
| Net assets released from restrictions for operations | **-** | **(48,781)** | **(48,781)** |
| Net assets released from restrictions for capital acquisitions | **2,562** | **(2,562)** | **-** |
| Change in net assets | **(8,837,665)** | **129,137** | **(8,708,528)** |
| Balances, September 30, 2025 | **$ 81,121,804** | **$ 1,824,393** | **$ 82,946,197** |

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

## SOUTHERN VERMONT HEALTH SERVICES CORPORATION AND SUBSIDIARY

### Consolidated Statements of Cash Flows

### Years Ended September 30, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | **$ (8,708,528)** | $ 4,586,716 |
| Adjustments to reconcile change in net assets to net cash used by operating activities | | |
| Depreciation | **4,138,641** | 4,201,932 |
| Amortization of debt issuance costs, included in interest expense | **22,518** | 22,518 |
| Amortization of right-of-use assets – operating leases | **171,708** | 164,245 |
| Loss (gain) on sale of equipment | **5,164** | (42,110) |
| Net unrealized gains on investments | **(718,430)** | (7,573,161) |
| Net realized gains on investments | **(4,421,246)** | (2,941,060) |
| Unrealized losses on interest rate swaps | **55,010** | 660,086 |
| Increase in value of life insurance contract | **(17,755)** | (17,238) |
| Decrease (increase) in | | |
| Patient and other accounts receivable, net | **12,130,641** | (2,212,055) |
| ERTC receivable | **(9,136,333)** | - |
| Supplies and other current assets | **22,647** | (233,243) |
| (Decrease) increase in | | |
| Accounts payable and accrued expenses | **3,211,586** | 1,382,189 |
| Other current liabilities | **421,192** | 170,564 |
| Deferred revenues | **(28,554)** | 262,740 |
| Lease liabilities, operating | **(175,232)** | (167,770) |
| Estimated third-party payor settlements | **(196,458)** | (1,139,859) |
| Net cash used by operating activities | **(3,223,429)** | (2,875,506) |
| Cash flows from investing activities | | |
| Purchase of property and equipment | **(4,769,592)** | (2,816,587) |
| Proceeds from sale of equipment | **17,000** | 370,243 |
| Proceeds from sale of investments | **19,683,261** | 12,449,148 |
| Purchase of investments | **(12,248,085)** | (7,110,359) |
| Net cash provided by investing activities | **2,682,584** | 2,892,445 |
| Cash flows from financing activities | | |
| Repayments of long-term debt | **(1,220,379)** | (1,198,265) |
| Net cash used by financing activities | **(1,220,379)** | (1,198,265) |
| Net decrease in cash and cash equivalents and restricted cash | **(1,761,224)** | (1,181,326) |
| Cash and cash equivalents and restricted cash, beginning of year | **4,461,152** | 5,642,478 |
| Cash and cash equivalents and restricted cash, end of year | **$ 2,699,928** | $ 4,461,152 |
| Composition of cash and cash equivalents and restricted cash, end of year: | | |
| Cash and cash equivalents | **$ 2,484,272** | $ 2,957,329 |
| Restricted cash included in assets limited as to use | **215,656** | 1,503,823 |
| | **$ 2,699,928** | $ 4,461,152 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | **$ 672,663** | $ 825,654 |
| Non-cash transactions: | | |
| Property and equipment additions included in accounts payable | **$ 79,571** | $ 521,460 |

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

## Nature of Business

Southern Vermont Health Services Corporation and Subsidiary (SVHSC) is a Vermont not-for-profit organization that provides fundraising and management services for its not-for-profit subsidiary. SVHSC is the sole corporate member of Brattleboro Memorial Hospital, Inc. (Hospital or BMH), a Vermont not-for-profit organization. The Hospital is a provider of health services with facilities in Brattleboro, Vermont.

## 1. Summary of Significant Accounting Policies

### Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under FASB ASC 958 and FASB ASC 954, *Health Care Entities*, all not-for-profit healthcare organizations are required to provide a balance sheet, a statement of operations, a statement of changes in net assets, and a statement of cash flows. FASB ASC 954 requires reporting amounts for an organization's total assets, liabilities, and net assets in a balance sheet; reporting the change in an organization's net assets in statements of operations and changes in net assets; and reporting the change in its cash and cash equivalents in a statement of cash flows, according to the following net asset classifications:

**Net assets without donor restrictions**: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of SVHSC. These net assets may be used at the discretion of SVHSC's management and the Board of Directors (Board).

**Net assets with donor restrictions**: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SVHSC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

### Principles of Consolidation

The consolidated financial statements represent the activities of the Hospital and SVHSC after eliminating all material intercompany balances and transactions.

### Use of Estimates

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

## Cash and Cash Equivalents

Cash and cash equivalents are held in either demand deposit or highly liquid savings deposit accounts.

## Revenue Recognition and Accounts Receivable

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. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Hospital is not required to adjust the promised amount of consideration for significant financing components, as payment is generally within one year. For agreements allowing payments over longer periods, the financing component is not significant to the contract.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in hospitals receiving inpatient acute care services or patients receiving services in outpatient centers. The Hospital measures the performance obligation from admission into the Hospital or the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue from performance obligations satisfied at a point in time is generally recognized when the goods are provided to patients and customers in a retail setting (for example, cafeteria) and the Hospital does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Hospital is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and implicit price concessions provided to uninsured patients. The Hospital determines its estimate of implicit price concessions based on its historical collection experience with this class of patients and records these as a direct reduction to net patient service revenue.

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 earnings and a credit to a valuation allowance based on its historical experience, current conditions, reasonable and supportable forecasts, and identified trends for each of its major payor sources of income. 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. Patient and other accounts receivable at October 1, 2023 was $22,319,002.

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

Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors and are not subject to retroactive adjustment.

Other Arrangements

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospital. In addition, the contracts the Hospital has with commercial and other payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Hospital's historical settlement activity, including a determination it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

The following table summarizes the Hospital's settlements and settlement activity with its significant third-party payors:

For the year ended September 30, 2025:

| | **Beginning of Year Settlement Balance** | **Fiscal Year Estimate** | **Prior Year Settlements and Adjustments** | **Current Year (Receipts) Payments** | **End of Year Settlement Balance** | **Open Settlement Years** |
|---|---|---|---|---|---|---|
| Medicare | **$ (1,062,199)** | **$ (1,124,327)** | **$ 1,204,693** | **$ (13,818)** | **$ (995,651)** | **2023-2025** |
| Medicaid | **(327,880)** | **(279,323)** | **305,005** | **90,676** | **(211,522)** | **2024-2025** |
| Other | **(31,739)** | **(11,657)** | **27,999** | **(2,790)** | **(18,187)** | **2024-2025** |
| Total | **$ (1,421,818)** | **$ (1,415,307)** | **$ 1,537,697** | **$ 74,068** | **$ (1,225,360)** | |

For the year ended September 30, 2024:

| | Beginning of Year Settlement Balance | Fiscal Year Estimate | Prior Year Settlements and Adjustments | Current Year Payments (Receipts) | End of Year Settlement Balance | Open Settlement Years |
|---|---|---|---|---|---|---|
| Medicare | $ (2,071,069) | $ (1,323,764) | $ 1,294,497 | $ 1,038,137 | $ (1,062,199) | 2021-2024 |
| Medicaid | (456,079) | (404,723) | 893,161 | (360,239) | (327,880) | 2023-2024 |
| Other | (34,529) | (46,039) | 48,829 | - | (31,739) | 2023-2024 |
| Total | $ (2,561,677) | $ (1,774,526) | $ 2,236,487 | $ 677,898 | $ (1,421,818) | |

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has determined it has provided implicit price concessions to uninsured patients and other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts the Hospital expects to collect based on its collection history with those patients.

Patients who meet the Hospital's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue. The Hospital's charity care program is designed to assist those patients who are either uninsured or underinsured, or have limited financial resources that impact their ability to fully pay for their hospital care. Before completing an application for charity care, patients are first asked to investigate whether or not they may be eligible for Medicare, Medicaid, Veteran's Benefits, or other governmental or public assistance programs.

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

- Charity care is limited to medically necessary services. Patients receiving certain elective services, such as those considered cosmetic, investigational, or experimental, are expected to make payment arrangements in advance, as these types of services are not covered by the charity care program.
- The patient's family income must be at or below 300% of the current Federal Poverty Income Guidelines for their applicable family size.

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

| | **2025** | 2024 |
|---|---|---|
| Charges foregone, based on established rates | **$ 1,251,000** | $ 684,000 |
| Estimated costs and expenses incurred to provide charity care[1] | **$ 556,000** | $ 301,000 |
| Equivalent percentage of charity care services to all services | **0.44 %** | 0.25 % |

[1] The cost estimate is based on an overall cost to charge ratio applied to charges written off as charity care.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and for those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

**Fixed Prospective Revenue**

The Hospital is a participant in OneCare Vermont, LLC, a statewide Accountable Care Organization (ACO), and has entered into a risk-bearing arrangement by participating in the Medicare Next Generation Model and Vermont Medicaid programs. Under both programs, the Hospital receives monthly fixed prospective payments for services provided to attributed members. The ACO is responsible for both the cost and quality of care for each attributed member. This is true whether that person uses little or no care or whether they require services consistently throughout the year.

The maximum financial exposure to the Hospital for all ACO payor programs for 2025 and 2024 is approximately $1,290,000 and $1,651,000, respectively. The Hospital recognizes its share of annual contract settlements as an increase or decrease in fixed prospective revenue.

In November 2024, OneCare announced that it would wind down operations at the end of calendar year 2025 in connection with the conclusion of the Vermont All-Payer ACO Model. OneCare's operations concluded subsequent to year-end. Management does not expect any final settlements or adjustments will have a material impact on the 2025 financial statements. The wind-down may have implications for the Hospital's future reimbursement arrangements and operating model; however, the ultimate impact on future periods cannot be reasonably estimated as of the date the financial statements were available to be issued.

## Supplies Inventory

Supplies inventory is carried at the lower of cost (determined by the first-in, first-out method) or net realizable value.

## Investments and Investment Income

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

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

## Assets Limited as to Use

Assets limited as to use primarily consist of assets held by trustees under indenture agreements and designated assets set aside by SVHSC's Board, over which the Board retains control and which it may, at its discretion, subsequently use for other purposes.

## Donor-Restricted Gifts

Unconditional promises to give cash and other assets 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 and the conditions are met. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

## 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. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions, and are excluded from the excess of revenues, gains, other support, and nonoperating gains (losses) over expenses, 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 support with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

## Leases

SVHSC follows FASB ASC Topic 842, *Leases* (Topic 842). SVHSC evaluates whether contracts qualify as leases at their inception, identifying lease and non-lease components to calculate right-of-use (ROU) assets and lease liabilities. ROU assets are recorded to reflect the right to use the leased asset for the duration of the lease term; lease liabilities represent the obligation to make lease payments. These assets and liabilities are recognized at the present value of the expected lease payments, typically calculated using SVHSC's incremental borrowing rate. At the start of the lease, they are classified as either operating or finance leases. The lease term may include options to extend or to terminate the lease that SVHSC is reasonably certain to exercise. Operating lease expenses are recognized on a straight-line basis throughout the lease term, whereas finance leases apply the effective interest rate method. Leases with terms of less than 12 months are not recorded on the consolidated balance sheets but are expensed over the lease term.

## Interest Rate Swaps

The Hospital uses interest rate swap contracts to mitigate the cash flow exposure of interest rate movements on variable-rate debt. The interest rate swap contracts have not been designated as a cash flow hedge and thus changes in fair value are included within nonoperating gains (losses).

## Employee Fringe Benefits

SVHSC has an "earned time" plan which provides benefits to employees for paid leave hours. Under this plan, 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. SVHSC accrues a liability for such paid leave as it is earned. The earned time plan does not cover any contracted employees.

## COVID-19 Stimulus Funds

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and subsequent legislation provided financial assistance to eligible healthcare providers to prevent, prepare for, and respond to COVID-19. The Hospital received funding through various programs, including Provider Relief Funds (PRF) and the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advance Payment Program.

In January 2024, the Hospital applied for the Employee Retention Tax Credit (ERTC) for the first and second quarters of 2021. During 2025, the Hospital recognized $7,788,122 of ERTC revenue. The ERTC is a refundable payroll tax credit intended to assist eligible employers in retaining employees during the COVID-19 pandemic. The Hospital also recognized a receivable of $1,348,211 for interest related to the ERTC during 2025. The ERTC principal and interest amounts are presented separately in the consolidated statements of operations. Subsequent to year-end, the Hospital received the ERTC principal and related interest from the Internal Revenue Service. The ERTC program is subject to examination by taxing authorities, and the amounts recognized may ultimately differ from amounts realized.

Management believes the positions taken are a reasonable interpretation of the rules currently available. Due to the complexity of audit requirements, there is at least a reasonable possibility the amount of income recognized related to COVID-19 Stimulus Funds may change by a material amount. Any difference between amounts previously estimated and amounts subsequently determined to be recoverable or payable will be included in income in the year that such amounts become known.

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

The consolidated statements of operations include (deficiency) excess of revenues, gains, other support, and nonoperating gains over expenses. Changes in net assets without donor restrictions which are excluded from this measure, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

## Income Taxes

SVHSC and the Hospital are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from income taxes on related income.

## Subsequent Events

For purposes of the preparation of these consolidated financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through June 30, 2026, the date the consolidated financial statements were available to be issued.

## 2. Net Patient Service Revenue

The Hospital has agreements with CMS (Medicare) and the State of Vermont Department of Health and Human Services (Medicaid) that provide for payments at amounts different from their established rates.

Net patient service revenue recognized for the years ended September 30, 2025 and 2024, from these major payors is as follows:

| | 2025 | 2024 |
|---|---|---|
| Medicare and Medicaid | **$ 28,426,858** | $ 27,991,261 |
| Commercial and other | **53,562,961** | 61,022,040 |
| Self-pay | **96,785** | 2,041,776 |
| Total | **$ 82,086,604** | $ 91,055,077 |

## 3. Availability and Liquidity of Financial Assets

Financial assets available for general expenditures within one year were as follows as of September 30:

| | 2025 | 2024 |
|---|---|---|
| Cash and cash equivalents, net of donor restricted cash | **$ 2,125,470** | $ 2,657,743 |
| Patient and other accounts receivable | **12,400,416** | 24,531,057 |
| ERTC and related interest receivable | **9,136,333** | - |
| Financial assets available to meet cash needs for general expenditures within one year | **$ 23,662,219** | $ 27,188,800 |

SVHSC's goal is to provide for a reasonable amount of liquidity to meet the unexpected needs of SVHSC. The annual operating budget is determined with the goal of generating sufficient net patient service revenue and cash flows to allow SVHSC to be sustainable to support its mission and vision while also adhering to the annual budget parameters mandated by State of Vermont's Green Mountain Care Board.

SVHSC has assets limited as to use of $44,637,190 and $47,002,321 at September 30, 2025 and 2024, respectively, that are designated assets set aside by the Board primarily for future capital improvements. These assets limited as to use are not available for general expenditure within the next year; however, the internally designated amounts could be made available, if necessary. Liquidity is further affected by the debt covenant requirements and ongoing lender negotiations described in Note 7.

## 4. Supplies Inventory

The major classes of supplies inventory consisted of the following as of September 30:

| | 2025 | 2024 |
|---|---|---|
| Central storeroom | **$ 328,449** | $ 428,614 |
| Operating room | **1,402,001** | 1,324,192 |
| Pharmacy | **497,428** | 427,777 |
| 340B program retail pharmacy | **406,978** | 160,706 |
| Other | **198,604** | 201,025 |
| | **$ 2,833,460** | $ 2,542,314 |

## 5. Investments

Investments consisted of the following as of September 30:

| | 2025 | 2024 |
|---|---|---|
| Pooled investments | | |
| Cash and cash equivalents | **$ 2,034,436** | $ 1,440,158 |
| Marketable equity securities | **36,878,474** | 36,529,333 |
| Mutual funds | **5,046,162** | 10,379,428 |
| U.S. Treasury securities | **2,094,348** | - |
| | **$ 46,053,420** | $ 48,348,919 |
| Internally designated | **$ 44,637,190** | $ 47,002,321 |
| Investments with donor restrictions – SVHSC | **1,416,230** | 1,346,598 |
| | **$ 46,053,420** | $ 48,348,919 |
| Assets limited as to use under bond agreement for capital acquisition | | |
| Cash and cash equivalents | **$ 166,295** | $ 1,454,750 |
| Investments with donor restrictions – BMH | | |
| Cash and cash equivalents | **$ 49,361** | $ 49,073 |
| Assets limited as to use for deferred compensation | **$ 1,378,484** | $ 1,182,955 |

Investment income and gains on assets limited as to use are comprised of the following:

| | 2025 | 2024 |
|---|---|---|
| Income | | |
| Interest and dividend income | | |
| Assets limited as to use internally designated | **$ 739,079** | $ 745,387 |
| Investments with donor restrictions | **87,153** | 45,728 |
| | **826,232** | 791,115 |
| Net realized gains on investments | | |
| Assets limited as to use internally designated | **4,421,246** | 2,941,060 |
| Total investment income | **$ 5,247,478** | $ 3,732,175 |
| Net unrealized gains on investments | | |
| Assets limited as to use internally designated | **$ 718,430** | $ 7,573,161 |
| Investments with donor restrictions | **42,116** | 196,173 |
| | **$ 760,546** | $ 7,769,334 |

## 6. Property and Equipment

As of September 30, property and equipment at cost by major classes of assets were as follows:

| | 2025 | 2024 |
|---|---|---|
| Land | **$ 84,099** | $ 84,099 |
| Land improvements | **2,518,528** | 2,499,558 |
| Building and improvements | **77,680,218** | 77,393,902 |
| Major moveable equipment | **37,284,466** | 35,163,834 |
| Construction-in-progress | **2,183,282** | 1,302,614 |
| | **119,750,593** | 116,444,007 |
| Less accumulated depreciation | **75,733,195** | 72,593,507 |
| | **$ 44,017,398** | $ 43,850,500 |

Depreciation expense for the years ended September 30, 2025 and 2024 was $4,138,641 and $4,201,932, respectively.

## 7. Borrowings

On December 1, 2019, the Hospital entered into a loan agreement with Vermont Educational and Health Buildings Finance Agency issuing a draw down bond not to exceed $12,500,000 (Brattleboro Memorial Hospital Project 2019 Series A). The draw down bond is held by M&T Bank. The proceeds were used to finance a capital improvement project. Interest on the bond is based on monthly rates as determined by the loan and trust agreement. Monthly interest payments began February 1, 2020 on the outstanding principal drawn. Semi-annual principal payments due June and December 1 commenced on December 1, 2022 and end on December 1, 2049. The draw down bond is collateralized by the assets of the Hospital. As part of the loan agreement, the Hospital was required to maintain at least $10,000,000 in an equity account held by M&T Bank to cover its share of the capital improvement project costs until completion. These funds have been fully utilized as of September 30, 2025.

On June 1, 2016, the Hospital entered into a loan agreement with Vermont Educational and Health Buildings Finance Agency issuing $10,500,000 in direct placement bonds (Brattleboro Memorial Hospital Project 2016 Series A). The bonds are held by M&T Bank. The proceeds were used to advance refund the previously issued Series 2008 A bonds, terminate the associated swap agreement, and finance the Hospital's capital expenditures. Interest on the bonds is based on monthly rates as determined by the loan and trust agreement. The Hospital may prepay certain of the bonds according to the terms of the loan and trust agreement. The bonds are collateralized by the assets of the Hospital. As part of the loan agreement, approximately $2,000,000 was held for capital acquisition. In 2025 and 2024, approximately $1,314,000 and $728,000, respectively, was utilized for approved capital projects.

The Hospital is subject to restrictive covenants requiring compliance with certain financial ratios, including a minimum debt service coverage ratio (DSCR), and outlining default events. The Hospital was not in compliance with its DSCR covenant for several required testing periods through September 30, 2025. As a result, the long-term debt has been classified as a current liability as of September 30, 2025 and 2024. The Hospital has been in active discussions with its lender regarding these covenant requirements and related modifications throughout the fiscal year. In April 2026, the Hospital and M&T Bank agreed to a proposed forbearance arrangement; however, final terms had not been executed as of June 30, 2026. The proposed forbearance waives these covenant violations and temporarily suspends DSCR testing from the second quarter of fiscal 2026 through the fourth quarter of fiscal 2027, with testing reinstated thereafter.

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

| | **2025** | 2024 |
|---|---|---|
| Series 2019 A bond with variable rate interest (5.4353% at September 30, 2025), payable in semi-annual payments, excluding interest, ranging from $50,100 in 2025 to $382,656 through December 2049. | **$ 12,199,400** | $ 12,299,600 |
| Series 2016 A bonds with variable rate interest (4.2916% at September 30, 2025), payable in monthly installments, including interest, of approximately $89,800 through February 2027. | **1,489,368** | 2,532,452 |
| Equipment note payable in 72 monthly installments of $507 including interest (fixed rate of 2.49%), through November 2026. Collateralized by the equipment. | **6,257** | 12,104 |
| Finance lease, payable in 48 monthly installments of $6,967 including interest (fixed rate of 3.26%), through October 2027. Collateralized by the associated asset. | **151,539** | **222,788** |
| Total long-term debt before unamortized bond issuance costs | **13,846,564** | 15,066,944 |
| Less: unamortized bond issuance costs | **182,246** | 204,765 |
| Total long-term debt | **13,664,318** | 14,862,179 |
| Less current portion | **13,664,318** | 14,862,179 |
| Total long-term debt, excluding current portion | **$ -** | $ - |

Maturities for long-term debt, based on the original payment schedule and excluding amounts reclassified to current liabilities due to covenant violations, in subsequent fiscal years ending September 30 are as follows:

| | |
|---|---|
| 2026 | $ 1,243,002 |
| 2027 | 604,562 |
| 2028 | 355,095 |
| 2029 | 368,958 |
| 2030 | 382,166 |
| Thereafter | 10,892,781 |
| | $ 13,846,564 |

### Interest Rate Swaps

The Hospital entered into interest rate swap agreements for ten years from the respective issue dates for $12,500,000 and $10,500,000, or 100% of the original bond issues, to hedge the interest rate risk associated with the Series 2019 A and 2016 A Bonds. The notional amount of the swaps will amortize such that they are equal to 100% of the outstanding bond balances. The interest rate swap agreements require the Hospital to pay a bank, the swap counterparty, fixed rates of 2.234% and 1.0375%, respectively, in exchange for the counterparty's payment to the Hospital of variable rates based on 79% and 68% of the adjusted Secured Overnight Finance Rate, respectively.

The swaps are recorded at fair value on the consolidated balance sheets, with annual changes recognized in the consolidated statements of operations. If interest rates rise above initial expectations, the swaps are reported as an asset (unrealized gain), and if rates fall below expectations, they are reported as a liability (unrealized loss). These fair value adjustments are non-cash and net to zero at maturity. The Hospital may terminate the swaps if needed. The Hospital recorded the swaps at their asset position of $263,167 and $318,178 at September 30, 2025 and 2024, respectively. There is approximately $213,000 and $342,000 of interest income associated with the swap agreements included in other operating revenue, September 30, 2025 and 2024, respectively.

## 8. Lease Obligations

The Hospital has entered into operating lease arrangements for an equipment lease expiring in 2029 and a building lease expiring in 2026. At September 30, 2025 and 2024, the weighted average discount rate was 4.36%. The weighted average remaining term at September 30, 2025 and 2024 was 3.22 and 3.76 years, respectively. The lease cost for the years ended September 30, 2025 and 2024 was $190,520.

Approximate future minimum payments under operating leases as of September 30, 2025 are as follows:

| | |
|---|---|
| 2026 | $ 126,230 |
| 2027 | 103,625 |
| 2028 | 103,625 |
| 2029 | 43,177 |
| Total minimum lease payments | 376,657 |
| Amounts representing interest | 24,550 |
| Present value of future minimum lease payments | 352,107 |
| Less: current portion | (113,968) |
| Lease liability, less current portion | $ 238,139 |

## 9. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30:

| | 2025 | 2024 |
|---|---|---|
| Funds with donor restrictions temporary in nature: | | |
| Auxiliary programs | **$ 49,361** | $ 49,073 |
| Time restriction – Life Income Trust | **234,414** | 197,716 |
| Charity care | **146,053** | 129,428 |
| Other programs | **860,130** | 806,559 |
| Capital acquisition | **255,393** | 233,438 |
| Total funds with donor restrictions temporary in nature | **1,545,351** | 1,416,214 |
| Funds maintained in perpetuity, the income expendable for: | | |
| Medical library | **1,202** | 1,202 |
| Capital | **20,000** | 20,000 |
| Unrestricted purposes | **257,840** | 257,840 |
| Total funds with donor restrictions held in perpetuity | **279,042** | 279,042 |
| Total net assets with donor restrictions | **$ 1,824,393** | $ 1,695,256 |

## 10. Functional Expenses

The consolidated statements of operations report certain expense categories that are attributable to healthcare services, administrative support, and fundraising. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Fringe benefits are allocated based on wages; postage and freight are allocated on the basis of supply costs; and depreciation, interest, utilities, and general repairs are allocated based on square footage. Expenses related to healthcare services, administrative support, and fundraising were as follows for the years ended September 30:

| 2025 | Healthcare Services | Administrative Support | Fundraising | Total |
|---|---|---|---|---|
| Salaries, wages, and benefits | **$ 59,295,510** | **$ 9,371,040** | **$ 50,780** | **$ 68,717,330** |
| Supplies and other | **21,074,310** | **2,982,547** | **66,149** | **24,123,006** |
| Contract services | **17,381,536** | **5,871,090** | **-** | **23,252,626** |
| Depreciation | **2,904,181** | **1,234,460** | **-** | **4,138,641** |
| Healthcare improvement tax | **6,531,894** | **-** | **-** | **6,531,894** |
| Interest expense | **379,539** | **284,967** | **-** | **664,506** |
| | **$ 107,566,970** | **$ 19,744,104** | **$ 116,929** | **$ 127,428,003** |

| 2024 | Healthcare Services | Administrative Support | Fundraising | Total |
|---|---|---|---|---|
| Salaries, wages, and benefits | $ 56,955,082 | $ 8,871,265 | $ 49,800 | $ 65,876,147 |
| Supplies and other | 20,371,062 | 2,883,362 | 27,726 | 23,282,150 |
| Contract services | 14,583,979 | 4,922,890 | - | 19,506,869 |
| Depreciation | 2,960,485 | 1,241,447 | - | 4,201,932 |
| Healthcare improvement tax | 6,428,883 | - | - | 6,428,883 |
| Interest expense | 465,745 | 349,692 | - | 815,437 |
| | $ 101,765,236 | $ 18,268,656 | $ 77,526 | $ 120,111,418 |

## 11. Concentrations of Credit Risk

SVHSC 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 at September 30, 2025 and 2024 was as follows:

| | **2025** | 2024 |
|---|---|---|
| Medicare | **35 %** | 31 % |
| Other commercial payors | **17** | 17 |
| Patient | **15** | 23 |
| Blue Cross | **8** | 10 |
| Medicaid | **25** | 19 |
| | **100 %** | 100 % |

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

## 12. Healthcare Improvement Tax

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

| | **2025** | 2024 |
|---|---|---|
| Disproportionate share received | **$ 599,275** | $ 609,473 |
| Medicaid assessment expensed | **(6,531,894)** | (6,428,883) |
| | **$ (5,932,619)** | $ (5,819,410) |

## 13. Commitments and Contingencies

Self-Funded Insurance Plans – SVHSC is self-insured with respect to healthcare coverage. This coverage is used to provide medical health benefits to its eligible employees and their eligible dependents. An accrual for management's estimate of healthcare claims incurred, but not reported, has been recorded as a liability and is included in other accrued expenses in the consolidated balance sheets.

Professional Liability Insurance – SVHSC is insured against malpractice loss contingencies under a claims-made insurance policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrence during its term, but reported subsequently, will be uninsured. SVHSC is subject to complaints, claims, and litigation due to potential claims which arise in the normal course of business. In accordance with U.S. GAAP, SVHSC accrues the estimated cost of professional liability claims when the related incident occurs, while expected insurance recoveries are recorded separately. SVHSC has evaluated its exposure to losses arising from identifiable potential claims and accounted for them in the consolidated balance sheets as of September 30, 2025 and 2024.

Litigation – In the normal course of business, SVHSC may be involved in litigation and annual third-party audits. Management, as part of its ongoing risk management, consults with its legal counsel to assess the impact of these matters on SVHSC.

While it is not feasible to predict or determine the outcome of malpractice and litigation claims, there were no known claims outstanding as of September 30, 2025 which, in the opinion of management, will be settled for amounts in excess of insurance coverage.

Emergency Department Physician Staffing – The Hospital entered into an agreement with BlueWater Emergency Partners to provide 24-hour-per-day physician staffing services for its emergency department commencing July 1, 2025. This agreement replaced the Hospital’s prior physician staffing arrangement with Dartmouth-Hitchcock Clinics Cheshire. Contract rates are reviewed annually and may be adjusted upon the mutual consent of both parties. The agreement automatically renews annually and may be terminated by mutual consent of both parties or by either party upon 60 days’ prior written notice.

## 14. Related Party Transactions

In 2023, the Hospital became a member of Healthworks ACT, LLC, (Healthworks) a Vermont limited liability company. Healthworks is designed to integrate medical, mental health, substance abuse, and peer support services to create a trauma-responsive medical home for patients. The Hospital's participation in Healthworks was not material to the financial statements for the years ended September 30, 2025 and 2024.

## 15. Retirement Plans

The Hospital has a defined contribution plan for active employees to which the Hospital contributes 6% of the annual salary of the participating employee. Plan expense for the years ended September 30, 2025 and 2024 was $2,794,438 and $2,603,583, respectively. SVHSC also participates in the plan and recorded expense of $40,708 and $39,864 for the years ended September 30, 2025 and 2024, respectively. SVHSC also has a defined contribution plan for active employees to which SVHSC contributes a matching contribution. In order to receive the match, employees must meet certain eligibility requirements. SVHSC matches 100% of elective deferrals to a limit based on years of service. Participants must be employed on the last day of the calendar year in order to receive the match. Plan expense for the years ended September 30, 2025 and 2024 was $504,043 and $411,147, respectively.

SVHSC has a non-qualified deferred compensation plan for certain key employees under the provisions of Internal Revenue Code Section 457(b). The plan assets and related obligation are reported as deferred compensation.

## 16. Fair Value Measurement

In accordance with U.S. GAAP, fair value measurements are classified within a three-level hierarchy based on the observability of inputs used:

**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 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. SVHSC held no Level 3 assets or liabilities as of September 30, 2025 and 2024.

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

| | Fair Value Measurements at September 30, 2025 | | |
|---|---|---|---|
| | **Total** | **Level 1** | **Level 2** |
| Assets: | | | |
| Investments | | | |
| Cash and short-term investments | **$ 2,250,092** | **$ 2,250,092** | **$ -** |
| U.S. Treasury securities | **2,094,348** | **2,094,348** | **-** |
| Marketable equity securities | **36,878,474** | **36,878,474** | **-** |
| Mutual funds | **5,046,162** | **5,046,162** | **-** |
| Deferred compensation | **1,378,484** | **1,378,484** | **-** |
| Interest rate swaps | **263,167** | **-** | **263,167** |
| Total assets | **$ 47,910,727** | **$ 47,647,560** | **$ 263,167** |

| | Fair Value Measurements at September 30, 2024 | | |
|---|---|---|---|
| | Total | Level 1 | Level 2 |
| Assets: | | | |
| Investments | | | |
| Cash and short-term investments | $ 2,943,981 | $ 2,943,981 | $ - |
| Marketable equity securities | 36,529,333 | 36,529,333 | - |
| Mutual funds | 10,379,428 | 10,379,428 | - |
| Deferred compensation | 1,182,955 | 1,182,955 | - |
| Interest rate swaps | 318,178 | - | 318,178 |
| Total assets | $ 51,353,875 | $ 51,035,697 | $ 318,178 |

The fair value of Level 2 assets and liabilities are primarily based on quoted market prices of comparable instruments, 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.

## 17. Economic Conditions and Management's Plans

The accompanying consolidated financial statements have been prepared assuming that the Corporation will continue as a going concern. Certain conditions and events affecting Brattleboro Memorial Hospital, Inc. (the Hospital), which is the primary operating subsidiary of the Corporation, raised substantial doubt about the Hospital's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

For the year ended September 30, 2025, the Hospital incurred a significant operating loss and experienced negative operating cash flows. In addition, the Hospital was not in compliance with certain financial covenants associated with its long-term debt for multiple periods through September 30, 2025, resulting in the classification of related borrowings as current liabilities.

Management has developed and is implementing plans to improve operating performance and liquidity, including revenue cycle enhancements, expense reduction initiatives, and operational restructuring efforts. In addition, the Hospital maintains internally designated investments that could be made available, subject to Board approval, to support operations if necessary. The Hospital is also engaged in ongoing discussions with its lender regarding covenant compliance and modification of borrowing arrangements.

Based on these actions and the availability of resources, management has concluded that its plans alleviate the substantial doubt about the Hospital's ability to continue as a going concern within one year after the date the consolidated financial statements are available to be issued.

# SUPPLEMENTARY INFORMATION

# SOUTHERN VERMONT HEALTH SERVICES CORPORATION AND SUBSIDIARY

## Consolidating Balance Sheet

## September 30, 2025
## (With Comparative Totals for September 30, 2024)

## ASSETS

| | 2025 | | | | 2024 |
|---|---|---|---|---|---|
| | SVHSC | BMH | Eliminations | Total | Total |
| Current assets | | | | | |
| Cash and cash equivalents | $ 629,530 | $ 1,854,742 | $ - | $ 2,484,272 | $ 2,957,329 |
| Patient and other accounts receivable, net | - | 12,400,416 | - | 12,400,416 | 24,531,057 |
| ERTC and related interest receivable | - | 9,136,333 | - | 9,136,333 | - |
| Supplies inventory | - | 2,833,460 | - | 2,833,460 | 2,542,314 |
| Other current assets | - | 755,202 | - | 755,202 | 1,068,995 |
| Due from affiliate | 70,516 | - | (70,516) | - | - |
| Total current assets | 700,046 | 26,980,153 | (70,516) | 27,609,683 | 31,099,695 |
| Assets limited as to use | | | | | |
| Internally designated | 22,679,725 | 21,957,465 | - | 44,637,190 | 47,002,321 |
| Under bond agreement for capital acquisition | - | 166,295 | - | 166,295 | 1,454,750 |
| Other investments with donor restrictions – BMH | - | 49,361 | - | 49,361 | 49,073 |
| Other investments with donor restrictions – SVHSC | 1,416,230 | - | - | 1,416,230 | 1,346,598 |
| Deferred compensation | 1,378,484 | - | - | 1,378,484 | 1,182,955 |
| Total assets limited as to use | 25,474,439 | 22,173,121 | - | 47,647,560 | 51,035,697 |
| Interest in net assets of SVHSC | - | 1,003,973 | (1,003,973) | - | - |
| Property and equipment, net | 866,083 | 43,151,315 | - | 44,017,398 | 43,850,500 |
| Right-of-use assets – operating leases, net | - | 351,354 | - | 351,354 | 523,062 |
| Interest rate swaps | - | 263,167 | - | 263,167 | 318,178 |
| Other noncurrent assets, net | 609,594 | - | - | 609,594 | 591,839 |
| Total assets | $ 27,650,162 | $ 93,923,083 | $ (1,074,489) | $120,498,756 | $ 127,418,971 |

## LIABILITIES AND NET ASSETS

| | 2025 | | | | 2024 |
|---|---|---|---|---|---|
| | **SVHSC** | **BMH** | **Eliminations** | **Total** | Total |
| Current liabilities | | | | | |
| Current portion of long-term debt | **$ -** | **$ 13,664,318** | **$ -** | **$ 13,664,318** | $ 14,862,179 |
| Current portion of lease liabilities – operating | **-** | **113,968** | **-** | **113,968** | 175,232 |
| Accounts payable | **83,495** | **11,907,355** | **-** | **11,990,850** | 9,106,397 |
| Salaries, wages, and payroll taxes payable | **21,013** | **1,530,968** | **-** | **1,551,981** | 1,515,298 |
| Accrued retirement plan contribution | **39,623** | **1,749,112** | **-** | **1,788,735** | 1,587,577 |
| Accrued compensated absences | **144,060** | **3,142,572** | **-** | **3,286,632** | 3,438,071 |
| Other accrued expenses | **160,464** | **1,818,250** | **-** | **1,978,714** | 1,758,680 |
| Deferred revenue | **-** | **335,378** | **-** | **335,378** | 363,932 |
| Estimated third-party payor settlements | **-** | **1,225,360** | **-** | **1,225,360** | 1,421,818 |
| Due to affiliate | **-** | **70,516** | **(70,516)** | **-** | - |
| Total current liabilities | **448,655** | **35,557,797** | **(70,516)** | **35,935,936** | 34,229,184 |
| Lease liabilities – operating, less current portion | **-** | **238,139** | **-** | **238,139** | 352,107 |
| Deferred compensation | **1,378,484** | **-** | **-** | **1,378,484** | 1,182,955 |
| Total liabilities | **1,827,139** | **35,795,936** | **(70,516)** | **37,552,559** | 35,764,246 |
| Net assets | | | | | |
| Without donor restrictions | **24,047,991** | **57,073,813** | **-** | **81,121,804** | 89,959,469 |
| With donor restrictions | **1,775,032** | **1,053,334** | **(1,003,973)** | **1,824,393** | 1,695,256 |
| Total net assets | **25,823,023** | **58,127,147** | **(1,003,973)** | **82,946,197** | 91,654,725 |
| Total liabilities and net assets | **$ 27,650,162** | **$ 93,923,083** | **$ (1,074,489)** | **$120,498,756** | $ 127,418,971 |

# SOUTHERN VERMONT HEALTH SERVICES CORPORATION AND SUBSIDIARY

## Consolidating Statement of Operations

## Year Ended September 30, 2025
## (With Comparative Totals for Year Ended September 30, 2024)

| | 2025 | | | | 2024 |
|---|---|---|---|---|---|
| | SVHSC | BMH | Eliminations | Total | Total |
| Revenues, gains, and other support without donor restrictions | | | | | |
| Net patient service revenue | $ - | $ 82,086,604 | $ - | $ 82,086,604 | $ 91,055,077 |
| Fixed prospective revenue | - | 14,621,727 | - | 14,621,727 | 14,653,503 |
| Other revenue | 364,226 | 6,448,831 | (190,464) | 6,622,593 | 7,756,342 |
| Contributions | 37,440 | - | - | 37,440 | 121,347 |
| Management fee revenue | 925,872 | - | (925,872) | - | - |
| ERTC revenue | - | 7,788,122 | - | 7,788,122 | - |
| Net assets released from restrictions for operations | 55,157 | - | - | 55,157 | 89,148 |
| Total revenues, gains, and other support without donor restrictions | 1,382,695 | 110,945,284 | (1,116,336) | 111,211,643 | 113,675,417 |
| Expenses | | | | | |
| Salaries, wages, and benefits | 920,040 | 67,797,290 | - | 68,717,330 | 65,876,147 |
| Supplies and other | 428,173 | 23,840,497 | (145,664) | 24,123,006 | 23,282,150 |
| Contracted services | 267,509 | 23,910,989 | (925,872) | 23,252,626 | 19,506,869 |
| Depreciation | 168,678 | 3,969,963 | - | 4,138,641 | 4,201,932 |
| Healthcare improvement tax | - | 6,531,894 | - | 6,531,894 | 6,428,883 |
| Interest expense | - | 664,506 | - | 664,506 | 815,437 |
| Total expenses | 1,784,400 | 126,715,139 | (1,071,536) | 127,428,003 | 120,111,418 |
| Operating loss | (401,705) | (15,769,855) | (44,800) | (16,216,360) | (6,436,001) |
| Nonoperating gains (losses) | | | | | |
| Income from investments | 1,725,237 | 3,522,241 | - | 5,247,478 | 3,686,447 |
| ERTC interest income | - | 1,348,211 | - | 1,348,211 | - |
| Other nonoperating income | 17,755 | 99,269 | - | 117,024 | 192,856 |
| Unrealized losses on interest rate swap | - | (55,010) | - | (55,010) | (660,086) |
| Net unrealized gains (losses) on investments | 878,121 | (159,691) | - | 718,430 | 7,573,161 |
| Nonoperating gains, net | 2,621,113 | 4,755,020 | - | 7,376,133 | 10,792,378 |
| Excess (deficiency) of revenues, gains, other support, and nonoperating gains over expenses | 2,219,408 | (11,014,835) | (44,800) | (8,840,227) | 4,356,377 |
| Net assets released from restrictions for capital acquisitions | 2,562 | - | - | 2,562 | 6,735 |
| Net assets transferred for capital acquisitions | (47,363) | 2,563 | 44,800 | - | - |
| Change in net assets without donor restrictions | $ 2,174,607 | $ (11,012,272) | $ - | $ (8,837,665) | $ 4,363,112 |

Schedule 3

## SOUTHERN VERMONT HEALTH SERVICES CORPORATION AND SUBSIDIARY

### Consolidating Statement of Changes in Net Assets

### Year Ended September 30, 2025
### (With Comparative Totals for Year Ended September 30, 2024)

| | 2025 | | | | 2024 |
|---|---|---|---|---|---|
| | SVHSC | BMH | Eliminations | Total | Total |
| Net assets without donor restrictions | | | | | |
| Excess (deficiency) of revenues, gains, other support, and nonoperating gains over expenses | $ 2,219,408 | $ (11,014,835) | $ (44,800) | $ (8,840,227) | $ 4,356,377 |
| Net assets released from restrictions for capital acquisitions | 2,562 | - | - | 2,562 | 6,735 |
| Net assets transferred for capital acquisitions | (47,363) | 2,563 | 44,800 | - | - |
| Change in net assets without donor restrictions | 2,174,607 | (11,012,272) | - | (8,837,665) | 4,363,112 |
| Net assets with donor restrictions | | | | | |
| Net unrealized gains on investments | 42,116 | - | - | 42,116 | 196,173 |
| Investment income | 86,865 | 288 | - | 87,153 | 45,728 |
| Contributions | 51,211 | - | - | 51,211 | 77,586 |
| Net assets released from restrictions for operations | (48,781) | - | - | (48,781) | (89,148) |
| Change in interest in SVHSC | - | 34,808 | (34,808) | - | - |
| Net assets released from restrictions for capital acquisitions | (2,562) | - | - | (2,562) | (6,735) |
| Change in net assets with donor restrictions | 128,849 | 35,096 | (34,808) | 129,137 | 223,604 |
| Change in net assets | 2,303,456 | (10,977,176) | (34,808) | (8,708,528) | 4,586,716 |
| Net assets, beginning of year | 23,519,567 | 69,104,323 | (969,165) | 91,654,725 | 87,068,009 |
| Net assets, end of year | $ 25,823,023 | $ 58,127,147 | $ (1,003,973) | $ 82,946,197 | $ 91,654,725 |