

## FINANCIAL REPORT

After operating profitably for a number of years, Winsted Memorial Hospital reported an operating loss of \$445,000 for its fiscal year ending September 30, 1989. A number of factors contributed to this loss, including the inability to obtain timely rate increases, the effect of changes in the pattern of usage of hospitals and a charge of \$125,000 representing Winsted Memorial's 25% share of the Holding Company's operating expenses.

Operating losses continued during the first six months of fiscal 1990, soaring to a record \$568,000. This loss was mitigated somewhat by non-operating revenues and income from investments of \$245,000, but still resulted in negative cash flow of \$156,000 after taking into account a non-cash charge for depreciation of \$233,000.

Benefits from an across-the-board rate increase granted in March, 1990, reduced expenses and some improvement in the in-patient and out-patient volume produced enough operating profit for the balance of the eleven month period ending August 31, 1990 to reduce the six-month loss to \$121,000. With this favorable trend continuing in September, operating results for the fiscal year ending September 30th are expected to be at a break-even level. However, a substantial loss will be reported for book purposes, reflecting a number of year end non-recurring charges, the largest of which consists of a one-time non-cash charge of about \$800,000 for the early retirement program.

The cut-off date for early retirement was July 31, 1990 and 26 employees opted to take advantage of this offer. In addition, a re-organization plan was implemented in July, involving some layoffs. The combined annual savings from these programs is estimated at about \$600,000.

In order to remain financially viable for the long term the hospital must address and fund deferred maintenance, engage in a substantial capital improvement program, develop additional sources of revenue and attract a higher percentage of community uses. This will require greater community awareness, participation and support, including expanded annual and capital fund drives and raising funds from outside sources. Management currently has under development a five year plan looking to replace, renovate or modernize much of its plant and facilities and is already exploring possibilities for adding revenue sources from at least nine new types of services and products, including satellite facilities.

Deapite large operating losses in recent months, the financial condition of the hospital on August 31, 1990 was quite healthy, reflecting sound financial practices over the last decade. Net working capital amounted to \$1,668,000 which, combined with non-restricted and restricted investments, produced a total of over \$6,000,000 of liquid assets, including an estimated \$1,800,000 of income producing restricted investment. Long term debts amounted to only \$121,000, long term leases aggregated \$323,000 and equity capital amounted to \$8,500,000.

The change in pattern of usage of Winsted Hospital, which has also been experienced nationwide, may be illustrated by the following table which summarizes certain census figures for the eleven month period ending August 31, 1990 and 1989.

	<u>Eleven Months to 8/31</u>	
	<u>1990</u>	<u>1989</u>
Total Admissions	1,954	2,044
Average Census Per Day	24.3	26.0
Average Length of Stay	6.3	6.4
Percentage of Occupancy	40.4	43.3
Emergency Room Visits	9,623	9,510

The largest increase in usage of a facility was for nuclear and ultrasound exams, which increased 18% and 24% respectively for the 1990 eleven month period. The largest decline was for physical therapy treatments, which dropped 14%. The Emergency Room facility continues to be a valued service for the community as a whole and a good revenue producer.

The function and structure of the Holding Company has changed dramatically since the first of the year. It continues in existence with a Board of Directors made up of 60% - 40% by members of Charlotte Hungerford and Winsted Memorial Boards, but the presidents of both hospitals now report to their respective boards, rather than the board of the Holding Company. The Holding Company has elected to be no longer responsible for administrative, financial and planning decisions of both hospitals. Each hospital will be responsible for its own decisions. The Holding Company's function in the future will be limited primarily to providing various shared services to both hospitals.

Following is a summary of financial data for the latest five year reporting periods for Winsted Memorial Hospital, as well as the eleven month period ending August 31, 1990.

UNSTATED MEMORIAL

YEARS TO 9/30 (000)

11/30/90

1 1989 2 1988 3 1987 4 1986 5 1985 6

	11/31/90	1989	1988	1987	1986	1985
NET OPER. REV.	\$ 11,123	\$ 10,591	\$ 9,792	\$ 9,914	\$ 8,600	\$ 8,042
OPER. EXPENSES	11,244	11,036	9,687	8,522	7,977	7,514
NET OPER. INC.	(121)	(445)	1,105	128	110	201
NON OPER. INC.	523	743	208	473	240	227
NET INC.	278	298	313	601	350	448
DEPRECIATION	466	460	406	367	326	316
CASH FLOW	744	758	719	962	676	804
NET WORKING CAP	1,668	800	326	394	207	517
INVESTMENTS	2,884	3,540	3,532	3,348	2,844	2,280
RESTRICTED ASSETS	1,806	1,816	1,711	1,752	1,465	1,357
TOTAL	6,352	6,156	5,569	5,494	4,516	4,154
EQUITY	8,578	8,300	7,716	7,309	6,491	6,068
LONG TERM DEBT	121	121	167	214	261	307
LEASE OBLIGATIONS	323	—	—	—	—	—

\* INCLUDES \$500,000 REQUEST.  
\* Estimated.

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