

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)

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2012 calendar year, or tax year beginning 9/30, 2012, and ending 9/28, 2013

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

C Eastern Maine Healthcare Systems (AHC)
 Acadia Hospital, Corp. (AHC)
 43 Whiting Hill Road
 Brewer, ME 04412

D Employer identification number 01-0459837

E Telephone number 207-973-7064

G Gross receipts \$ 81,685,551.

F Name and address of principal officer: Derrick Hollings
Same As C Above

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

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

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

J Website: www.acadiahospital.org **H(c)** Group exemption number 5247

K Form of organization: Corporation Trust Association Other **L** Year of formation: 1987 **M** State of legal domicile: ME

Part I Summary

1 Briefly describe the organization's mission or most significant activities: The primary mission of Acadia Hospital is the provision of both hospital-based and community-based mental health and substance abuse treatment services to the people of Maine.

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

3 Number of voting members of the governing body (Part VI, line 1a)	<u>3</u>	<u>17</u>
4 Number of independent voting members of the governing body (Part VI, line 1b)	<u>4</u>	<u>13</u>
5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	<u>5</u>	<u>686</u>
6 Total number of volunteers (estimate if necessary)	<u>6</u>	<u>0</u>
7a Total unrelated business revenue from Part VIII, column (C), line 12	<u>7a</u>	<u>0.</u>
7b Net unrelated business taxable income from Form 990-T, line 34	<u>7b</u>	<u>0.</u>

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	<u>565,877.</u>	<u>215,198.</u>
9 Program service revenue (Part VIII, line 2g)	<u>79,287,933.</u>	<u>79,100,575.</u>
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	<u>478,330.</u>	<u>482,035.</u>
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	<u>494,367.</u>	<u>440.</u>
12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	<u>80,826,507.</u>	<u>79,798,248.</u>
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)		
14 Benefits paid to or for members (Part IX, column (A), line 4)		
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	<u>34,207,383.</u>	<u>34,272,018.</u>
16a Professional fundraising fees (Part IX, column (A), line 11e)		
b Total fundraising expenses (Part IX, column (D), line 25)		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	<u>43,995,206.</u>	<u>40,278,887.</u>
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	<u>78,202,589.</u>	<u>74,550,905.</u>
19 Revenue less expenses. Subtract line 18 from line 12	<u>2,623,918.</u>	<u>5,247,343.</u>
	Beginning of Current Year	End of Year
20 Total assets (Part X, line 16)	<u>47,183,304.</u>	<u>44,241,670.</u>
21 Total liabilities (Part X, line 26)	<u>36,411,137.</u>	<u>28,114,230.</u>
22 Net assets or fund balances. Subtract line 21 from line 20	<u>10,772,167.</u>	<u>16,127,440.</u>

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: Derrick Hollings Date: 7/31/14
 Type or print name and title: Treasurer

Paid Preparer Use Only Print/Type preparer's name: Self-Prepared Preparer's signature: Self-Prepared Date: Self-Prepared
 Check if self-employed PTIN: Self-Prepared
 Firm's name: Self-Prepared Firm's EIN: Self-Prepared
 Firm's address: Self-Prepared Phone no.: Self-Prepared

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 [X]

1 Briefly describe the organization's mission:

The primary mission of Acadia Hospital is the provision of both hospital-based and community-based mental health and substance abuse treatment services to the people of Maine.

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

If 'Yes,' describe these new services on Schedule O.

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

If 'Yes,' describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ 53,311,011. including grants of \$) (Revenue \$ 79,100,575.)

The Acadia Hospital is a nonprofit psychiatric and chemical dependency hospital that, along with Acadia Healthcare, a provider of substance abuse and community integration services, serves the entire state of Maine. It currently has the largest psychiatric staff in Maine with a total of 23 psychiatrists, addictionologist/internist, and family practitioner. The facility opened twenty-one years ago in response to an urgent need for more hospital and community based mental health and chemical dependency treatment programs.

In 2013, Acadia's total admissions amounted to 1,443 resulting in Acadia experiencing a 80.5% occupancy rate for the year.

4b (Code:) (Expenses \$ 6,970,757. including grants of \$) (Revenue \$)

Charity Care provided (at cost). 737 persons served.

4c (Code:) (Expenses \$ 4,091,689. including grants of \$) (Revenue \$)

Medicare shortfalls (at cost). 11,224 persons served.

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

4e Total program service expenses 64,373,457.

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>	X	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	X	
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>		X
4 Section 501(c)(3) organizations Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If 'Yes,' complete Schedule C, Part II.</i>	X	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If 'Yes,' complete Schedule C, Part III.</i>		X
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If 'Yes,' complete Schedule D, Part I.</i>		X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If 'Yes,' complete Schedule D, Part II.</i>		X
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>		X
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability; 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>		X
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>	X	
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings and equipment in Part X, line 10? <i>If 'Yes,' complete Schedule D, Part VI.</i>	X	
b Did the organization report an amount for investments – other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If 'Yes,' complete Schedule D, Part VII.</i>		X
c Did the organization report an amount for investments – program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If 'Yes,' complete Schedule D, Part VIII.</i>		X
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If 'Yes,' complete Schedule D, Part IX.</i>	X	
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If 'Yes,' complete Schedule D, Part X.</i>	X	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If 'Yes,' complete Schedule D, Part X.</i>	X	
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If 'Yes,' complete Schedule D, Parts XI, and XII.</i>		X
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 and XII is optional.</i>	X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If 'Yes,' complete Schedule E.</i>		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		X
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If 'Yes,' complete Schedule F, Parts I and IV.</i>		X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? <i>If 'Yes,' complete Schedule F, Parts II and IV.</i>		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? <i>If 'Yes,' complete Schedule F, Parts III and IV.</i>		X
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If 'Yes,' complete Schedule G, Part I (see instructions).</i>		X
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If 'Yes,' complete Schedule G, Part II.</i>		X
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>		X
20 a Did the organization operate one or more hospital facilities? <i>If 'Yes,' complete Schedule H.</i>	X	
b If 'Yes' to line 20a, did the organization attach a copy of its audited financial statements to this return?	X	

Part IV Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1 a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable 1 a 50		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable. 1 b 0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? 1 c X	X	
2 a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return 2 a 686		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? 2 b X	X	
Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file. (see instructions)			
3 a	Did the organization have unrelated business gross income of \$1,000 or more during the year? 3 a		X
b	If 'Yes' has it filed a Form 990-T for this year? If 'No,' provide an explanation in Schedule O. 3 b		
4 a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)? 4 a		X
b	If 'Yes,' enter the name of the foreign country: ▶ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5 a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? 5 a		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? 5 b		X
c	If 'Yes,' to line 5a or 5b, did the organization file Form 8886-T? 5 c		
6 a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? 6 a		X
b	If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? 6 b		
7 Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? 7 a		X
b	If 'Yes,' did the organization notify the donor of the value of the goods or services provided? 7 b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? 7 c		X
d	If 'Yes,' indicate the number of Forms 8282 filed during the year 7 d		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? 7 e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? 7 f		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? 7 g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? 7 h		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? 8		
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966? 9 a		
b	Did the organization make a distribution to a donor, donor advisor, or related person? 9 b		
10	Section 501(c)(7) organizations. Enter:		
a	Initiation fees and capital contributions included on Part VIII, line 12 10 a		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities. 10 b		
11	Section 501(c)(12) organizations. Enter:		
a	Gross income from members or shareholders. 11 a		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.) 11 b		
12 a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? 12 a		
b	If 'Yes,' enter the amount of tax-exempt interest received or accrued during the year 12 b		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? 13 a		
Note. See the instructions for additional information the organization must report on Schedule O.			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans. 13 b		
c	Enter the amount of reserves on hand. 13 c		
14 a	Did the organization receive any payments for indoor tanning services during the tax year? 14 a		X
b	If 'Yes,' has it filed a Form 720 to report these payments? If 'No,' provide an explanation in Schedule O. 14 b		

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

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

Section A. Governing Body and Management

		Yes	No
1 a	Enter the number of voting members of the governing body at the end of the tax year 1 a 17 If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.		
b	Enter the number of voting members included in line 1a, above, who are independent. 1 b 13		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee or key employee? See Schedule O	X	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? See Sch. O	X	
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6	Did the organization have members or stockholders? See Schedule O	X	
7 a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? See Schedule O	X	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or other persons other than the governing body? See Sch. O	X	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a	The governing body?	X	
b	Each committee with authority to act on behalf of the governing body?	X	
9	Is there any officer, director or trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If 'Yes,' provide the names and addresses in Schedule O		X

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

		Yes	No
10 a	Did the organization have local chapters, branches, or affiliates?		X
b	If 'Yes,' did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
11 a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	X	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990. See Schedule O		
12 a	Did the organization have a written conflict of interest policy? If 'No,' go to line 13	X	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	X	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If 'Yes,' describe in Schedule O how this is done See Schedule O	X	
13	Did the organization have a written whistleblower policy?	X	
14	Did the organization have a written document retention and destruction policy?	X	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official See Schedule O	X	
b	Other officers of key employees of the organization See Schedule O	X	
If 'Yes' to line 15a or 15b, describe the process in Schedule O. (See instructions.)			
16 a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		X
b	If 'Yes,' did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed ▶ ME
- 18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.
 Own website Another's website Upon request Other (explain in Schedule O)
- 19 Describe in Schedule O whether (and if so, how) the organization makes its governing documents, conflict of interest policy, and financial statements available to the public during the tax year. See Schedule O
- 20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization:
 ▶ Jeffrey A. Sanford 43 Whiting Hill Road Brewer ME 04412 207-973-7894

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

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1 a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter 0 in columns (D), (E), and (F) if no compensation was paid.

- List all of the organization's **current** key employees, if any. See instructions for definition of 'key employee.'

- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.

- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.

- List all of the organization's **former** directors or trustees that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) EE comp is for admin sv not brd respons	0 0							0.	0.	0.
(2) John W Bragg, President Board Member	0.5 0	X						0.	0.	0.
(3) James Breece Vice Chair	0.5 0	X		X				0.	0.	0.
(4) Jane Irving Board Member	0.5 0	X						0.	0.	0.
(5) Judith Horan Board Member	0.5 0	X						0.	0.	0.
(6) Mary M. Hood, EMHS Pres Ex-Officio	2 50	X		X				0.	844,254.	248,039.
(7) Richard A. Lyons, Jr Board Member	0.5 0	X						0.	0.	0.
(8) Charles T. McHugh, MD Board Member	0.5 0	X						0.	0.	0.
(9) Paul X. Paradis Board Member	0.5 0	X						0.	0.	0.
(10) Sandra L. Rothera, Esq. Board Member	0.5 0	X						0.	0.	0.
(11) Michael Shea Chair	0.5 0	X		X				0.	0.	0.
(12) Teresa Willett Steele, Board Member	0.5 0	X						0.	0.	0.
(13) Betsy MacGregor-Webb, P Board Member	0.5 0	X						0.	0.	0.
(14) Richard Rosen Board Member	0.5 0	X						0.	0.	0.

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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			
(15) Daniel B. Coffey, Pres/CEO Clerk/Secretary	50 0	X		X			453,414.	0.	46,664.
(16) Allan D. Currie, MD Board Member	0.5 50	X					0.	221,853.	38,155.
(17) Anne E. Pooler, EdD Board Member	0.5 0	X					0.	0.	0.
(18) Craig D. Hadley, CPA Board Member	0.5 0			X			0.	0.	0.
(19) Theodore Helberg, III VP Human Resour	50 0			X			140,437.	0.	13,112.
(20) Anthony Ng, MD VP Med Affairs	50 0			X			304,892.	0.	38,621.
(21) Derrick Hollings EMHS Treasurer	0.5 50			X			0.	301,549.	15,022.
(22) Wayne Stellar, PMHNP Interim VP, CNO	50 0			X			165,876.	0.	32,782.
(23) Marie K. Switter VP & CFO	50 0			X			148,269.	0.	28,602.
(24) Karen Clements VP Chief Nursin	50 0			X			159,261.	0.	27,348.
(25) Eric Kuntz Psychiatrist	40 0					X	251,552.	0.	46,938.
1 b Sub-total							1,623,701.	1,367,656.	535,283.
c Total from continuation sheets to Part VII, Section A							1,344,836.	515,857.	328,720.
d Total (add lines 1b and 1c)							2,968,537.	1,883,513.	864,003.
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 ▶ 30									

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
Locumtenans.com PO Box 405547 Atlanta, GA 30384-5547	Physician services	436,119.
Staff Care Inc. PO Box 281923 Atlanta, GA 30384-1923	Physician Services	414,384.
Musher Group LLC PO Box 24 Sewickley, PA 15143	Consulting Services	189,042.
Bangor Intrepreting Agency 94 Pine Trail Dedham, ME 04429	Interpreting service	105,926.
Nurse Anesthesia of Maine 141 N Main St STE 205 Brewer, ME 04412	Clinical services	124,604.

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ▶ 5

Part VIII Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
CONTRIBUTIONS, GIFTS, GRANTS AND OTHER SIMILAR AMOUNTS	1 a Federated campaigns	1 a 67.					
	b Membership dues	1 b					
	c Fundraising events	1 c					
	d Related organizations	1 d 162,539.					
	e Government grants (contributions)	1 e					
	f All other contributions, gifts, grants, and similar amounts not included above ...	1 f 52,592.					
	g Noncash contributions included in lns 1a-1f: \$	1,968.					
	h Total. Add lines 1a-1f		215,198.				
PROGRAM SERVICE REVENUE	Business Code						
	2 a Patient Care Services	621990	78,963,755.	78,963,755.			
	b Cafeteria/Dietary	722210	136,820.		136,820.		
	c						
	d						
	e						
	f All other program service revenue. ...						
	g Total. Add lines 2a-2f		79,100,575.				
OTHER REVENUE	3 Investment income (including dividends, interest and other similar amounts)		476,172.			476,172.	
	4 Income from investment of tax-exempt bond proceeds. ▶						
	5 Royalties						
	6 a Gross rents	(i) Real	(ii) Personal				
		b Less: rental expenses					
		c Rental income or (loss) ...					
		d Net rental income or (loss)					
	7 a Gross amount from sales of assets other than inventory.	(i) Securities	(ii) Other				
		1,893,166.					
		b Less: cost or other basis and sales expenses	1,885,762.	1,541.			
		c Gain or (loss)	7,404.	-1,541.			
	d Net gain or (loss)			5,863.		5,863.	
	8 a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	a					
	b Less: direct expenses	b					
	c Net income or (loss) from fundraising events						
9 a Gross income from gaming activities. See Part IV, line 19	a						
b Less: direct expenses	b						
c Net income or (loss) from gaming activities							
10 a Gross sales of inventory, less returns and allowances	a						
b Less: cost of goods sold	b						
c Net income or (loss) from sales of inventory							
Miscellaneous Revenue		Business Code					
11 a Miscellaneous	812900	440.			440.		
b							
c							
d All other revenue							
e Total. Add lines 11a-11d		440.					
12 Total revenue. See instructions			79,798,248.	78,963,755.	0.	619,295.	

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).

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	1,559,278.	728,780.	830,498.	0.
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0.	0.	0.	0.
7 Other salaries and wages	25,095,758.	22,419,555.	2,676,203.	
8 Pension plan accruals and contributions (include section 401(k) and section 403(b) employer contributions)	1,299,314.	1,156,389.	142,925.	
9 Other employee benefits	4,535,106.	3,901,775.	633,331.	
10 Payroll taxes	1,782,562.	1,586,480.	196,082.	
11 Fees for services (non-employees):				
a Management				
b Legal	27,788.	4,300.	23,488.	
c Accounting	10,187.		10,187.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees	13,518.	13,518.		
g Other. (If line 11g amt exceeds 10% of line 25, column (A) amt, list line 11g expenses on Sch O)	5,006,649.	1,497,207.	3,509,442.	
12 Advertising and promotion	40,523.	340.	40,183.	
13 Office expenses	1,208,647.	1,000,090.	208,557.	
14 Information technology	331,791.	172,699.	159,092.	
15 Royalties				
16 Occupancy	639,277.	520,687.	118,590.	
17 Travel	82,186.	56,350.	25,836.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	125,725.	109,450.	16,275.	
20 Interest	391,841.	391,841.		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	1,041,768.	802,057.	239,711.	
23 Insurance	87,228.	77,633.	9,595.	
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a <u>Charity Care</u>	14,992,945.	14,992,945.		
b <u>Contractual Allowances</u>	10,209,505.	10,209,505.		
c <u>Provision for uncollectible ac</u>	3,969,685.	3,969,685.		
d <u>Taxes and Licensing</u>	1,150,661.	12,042.	1,138,619.	
e All other expenses	948,963.	750,129.	198,834.	
25 Total functional expenses. Add lines 1 through 24e	74,550,905.	64,373,457.	10,177,448.	0.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

		(A) Beginning of year		(B) End of year	
ASSETS	1	Cash -- non-interest-bearing.....	1,715.	1	1,188.
	2	Savings and temporary cash investments.....	6,264,155.	2	2,228,507.
	3	Pledges and grants receivable, net.....		3	
	4	Accounts receivable, net.....	9,110,503.	4	3,227,025.
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L.....	9,996.	5	9,996.
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L.....		6	
	7	Notes and loans receivable, net.....	267,752.	7	289,481.
	8	Inventories for sale or use.....	146,188.	8	138,513.
	9	Prepaid expenses and deferred charges.....	622,660.	9	602,795.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.....	10a 31,812,296.		
	b	Less: accumulated depreciation.....	10b 21,920,661.		
			9,855,782.	10c	9,891,635.
	11	Investments -- publicly traded securities.....		11	
	12	Investments -- other securities. See Part IV, line 11.....		12	
	13	Investments -- program-related. See Part IV, line 11.....		13	
	14	Intangible assets.....		14	
15	Other assets. See Part IV, line 11.....	20,904,553.	15	27,852,530.	
16	Total assets. Add lines 1 through 15 (must equal line 34).....	47,183,304.	16	44,241,670.	
LIABILITIES	17	Accounts payable and accrued expenses.....	17,038,391.	17	10,708,979.
	18	Grants payable.....		18	
	19	Deferred revenue.....		19	20,000.
	20	Tax-exempt bond liabilities.....	9,980,996.	20	8,873,159.
	21	Escrow or custodial account liability. Complete Part IV of Schedule D.....		21	
	22	Loans and other 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.....		23	
	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.....	9,391,750.	25	8,512,092.
	26	Total liabilities. Add lines 17 through 25.....	36,411,137.	26	28,114,230.
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.				
	27	Unrestricted net assets.....	10,425,696.	27	15,690,601.
	28	Temporarily restricted net assets.....	265,889.	28	345,507.
	29	Permanently restricted net assets.....	80,582.	29	91,332.
	Organizations that do not follow SFAS 117 (ASC 958), 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	10,772,167.	33	16,127,440.	
34	Total liabilities and net assets/fund balances.	47,183,304.	34	44,241,670.	

BAA

Form 990 (2012)

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	79,798,248.
2	Total expenses (must equal Part IX, column (A), line 25)	2	74,550,905.
3	Revenue less expenses. Subtract line 2 from line 1	3	5,247,343.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	10,772,167.
5	Net unrealized gains (losses) on investments	5	-346,040.
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O). See Schedule O	9	453,970.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	16,127,440.

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.			
2 a	Were the organization's financial statements compiled or reviewed by an independent accountant? If 'Yes,' check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		X
2 b	Were the organization's financial statements audited by an independent accountant? If 'Yes,' check a box below to indicate whether the financial statements for the year were audited 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 separate basis	X	
2 c	If 'Yes' to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	X	
3 a	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?		X
3 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		

BAA

Form 990 (2012)

SCHEDULE A
(Form 990 or 990-EZ)

Public Charity Status and Public Support

OMB No. 1545-0047

2012

Department of the Treasury
Internal Revenue Service

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

Open to Public Inspection

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

Name of the organization Eastern Maine Healthcare Systems (AHC) Acadia Hospital, Corp. (AHC)	Employer identification number 01-0459837
------------------------------------------------------------------------------------------------------------	-----------------------------------------------------

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

- The organization is not a private foundation because it is: (For lines 1 through 11, check only one box.)
- 1 A church, convention of churches or association of churches described in section 170(b)(1)(A)(i).
 - 2 A school described in section 170(b)(1)(A)(ii). (Attach Schedule E.)
 - 3 A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
 - 4 A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state: _____
 - 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II.)
 - 6 A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
 - 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in section 170(b)(1)(A)(vi). (Complete Part II.)
 - 8 A community trust described in section 170(b)(1)(A)(vi). (Complete Part II.)
 - 9 An organization that normally receives: (1) more than 33-1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions – subject to certain exceptions, and (2) no more than 33-1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Complete Part III.)
 - 10 An organization organized and operated exclusively to test for public safety. See section 509(a)(4).
 - 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or 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 – Non-functionally integrated
 - 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 is a Type I, Type II or Type III supporting organization, check this box _____
 - g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

	Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	11 g (i)	
(ii) A family member of a person described in (i) above?	11 g (ii)	
(iii) A 35% controlled entity of a person described in (i) or (ii) above?	11 g (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 column (i) listed in your governing document?		(v) Did you notify the organization in column (i) of your support?		(vi) Is the organization in column (i) organized in the U.S.?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
(A)									
(B)									
(C)									
(D)									
(E)									
Total									

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4.						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources.						
9 Net income from unrelated business activities, whether or not the business is regularly carried on.						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 Total support. Add lines 7 through 10.						
12 Gross receipts from related activities, etc (see instructions).					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here. ▶ <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)).	14	%
15 Public support percentage from 2011 Schedule A, Part II, line 14.	15	%
16a 33-1/3% support test – 2012. If the organization did not check the box on line 13, and the 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 – 2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33-1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization. ▶ <input type="checkbox"/>		
17a 10%-facts-and-circumstances test – 2012. 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 – 2011. 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 Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal yr beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 yr beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 lns 9, 10c, 11, and 12.)						

14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here.

Section C. Computation of Public Support Percentage

15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f)).	15	%
16 Public support percentage from 2011 Schedule A, Part III, line 15.	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f)).	17	%
18 Investment income percentage from 2011 Schedule A, Part III, line 17.	18	%

19a 33-1/3% support tests – 2012. 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 – 2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33-1/3%, and line 18 is not more than 33-1/3%, check this box and stop here. The organization qualifies as a publicly supported organization.

20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions.

SCHEDULE C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No. 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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.

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

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

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

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

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

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

Name of organization Eastern Maine Healthcare Systems (AHC)	Employer identification number 01-0459837
-----------------------------------------------------------------------	-----------------------------------------------------

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

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV.
- 2 Political expenditures ▶ \$ _____
- 3 Volunteer hours

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

- 1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ \$ _____ 0.
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ \$ _____ 0.
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? Yes No
- 4a Was a correction made? Yes No
- b If 'Yes,' describe in Part IV.

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

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ \$ _____
- 2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ \$ _____
- 3 Total exempt function expenditures. Add lines 1 and 2. Enter here and on Form 1120-POL, line 17b..... ▶ \$ _____
- 4 Did the filing organization file Form 1120-POL for this year? Yes No
- 5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-.	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-.
(1)	-----			
(2)	-----			
(3)	-----			
(4)	-----			
(5)	-----			
(6)	-----			

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule C (Form 990 or 990-EZ) 2012

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												
1 a 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%; border-collapse: collapse;"> <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.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2 a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column (e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

BAA

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
<i>For each 'Yes' response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.</i>			
See Part IV			
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:		
a	Volunteers?		X
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X
c	Media advertisements?		X
d	Mailings to members, legislators, or the public?		X
e	Publications, or published or broadcast statements?		X
f	Grants to other organizations for lobbying purposes?		X
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		X
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X
i	Other activities?		X
j	Total. Add lines 1c through 1i.		10,736.
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X
b	If 'Yes,' enter the amount of any tax incurred under section 4912.		
c	If 'Yes,' enter the amount of any tax incurred by organization managers under section 4912		
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		

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

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

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

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

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; Part II-A (affiliated group list); Part II-A, line 2; and Part II-B, line 1. Also, complete this part for any additional information.

----- **Part II-B - Description of Lobbying Activity** -----

----- Non deductible portion of dues. -----

**SCHEDULE D
(Form 990)**

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered 'Yes,' to Form 990, Part IV, lines 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2012

Open to Public Inspection

Name of the organization

Eastern Maine Healthcare Systems (AHC)
Acadia Hospital, Corp. (AHC)

Employer identification number

01-0459837

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

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

- 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? Yes No
- 6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? Yes No

Part II Conservation Easements. Complete if the organization answered 'Yes' to Form 990, Part IV, line 7.

- 1 Purpose(s) of conservation easements held by the organization (check all that apply).
- Preservation of land for public use (e.g., recreation or education) Preservation of an historically important land area
- Protection of natural habitat Preservation of a certified historic structure
- Preservation of open space

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

	Held at the End of the Tax Year
a Total number of conservation easements.....	2 a
b Total acreage restricted by conservation easements.....	2 b
c Number of conservation easements on a certified historic structure included in (a).....	2 c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register.....	2 d

- 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____
- 4 Number of states where property subject to conservation easement is located ▶ _____
- 5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? Yes No
- 6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ _____
- 7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ _____
- 8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? Yes No
- 9 In Part XIII, 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.

- 1 a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items.
- b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:
- (i) Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____
- (ii) Assets included in Form 990, Part X ▶ \$ _____
- 2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:
- a Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____
- b Assets included in Form 990, Part X ▶ \$ _____

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

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

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

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

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.

1 a 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 XIII and complete the following table:

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

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

b If 'Yes,' explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

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

	(a) Current	(b) Prior year	(c) Two years	(d) Three years	(e) Four years
1 a Beginning of year balance.....	178,020.	150,475.	152,391.	140,467.	131,025.
b Contributions.....	10,750.	9,024.	2,620.	7,130.	13,155.
c Net investment earnings, gains, and losses.....	21,184.	26,167.	1,556.	15,703.	-3,713.
d Grants or scholarships.....					
e Other expenditures for facilities and programs.....	7,523.	7,646.	6,092.	10,909.	
f Administrative expenses.....					
g End of year balance.....	202,431.	178,020.	150,475.	152,391.	140,467.

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

- a Board designated or quasi-endowment ▶ 8.60 %
 - b Permanent endowment ▶ 91.40 %
 - c Temporarily restricted endowment ▶ %
- The percentages in lines 2a, 2b, and 2c should equal 100%.

3 a 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.....		X
(ii) related organizations.....	X	
b If 'Yes' to 3a(ii), are the related organizations listed as required on Schedule R?.....	X	

4 Describe in Part XIII the intended uses of the organization's endowment funds. See Part XIII

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
1 a Land.....		447,123.		447,123.
b Buildings.....		14,552,425.	8,571,139.	5,981,286.
c Leasehold improvements.....				
d Equipment.....		13,837,793.	11,140,864.	2,696,929.
e Other.....		2,974,955.	2,208,658.	766,297.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).).....				9,891,635.

BAA

Part VII Investments – Other Securities. See Form 990, Part X, line 12. N/A		
(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives.....		
(2) Closely-held equity interests.....		
(3) Other		
(A) -----		
(B) -----		
(C) -----		
(D) -----		
(E) -----		
(F) -----		
(G) -----		
(H) -----		
(I) -----		
Total. (Column (b) must equal Form 990, Part X, column (B) line 12.) . . ▶		

Part VIII Investments – Program Related. See Form 990, Part X, line 13. N/A		
(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Column (b) must equal Form 990, Part X, column (B) line 13.) . . ▶		

Part IX Other Assets. See Form 990, Part X, line 15.		(b) Book value
(a) Description		
(1) Board Designated Funds-Other		16,689.
(2) Estimated Prof Liab Claim Receivable		698,195.
(3) Funded Depreciation		12,087,594.
(4) Funds Held by Bond Trustee		377,033.
(5) Interest in net assets held at EMHSF		436,839.
(6) Self Insurance Funds held by Trustee		30,646.
(7) Short-term Investments		14,205,534.
(8)		
(9)		
(10)		
Total. (Column (b) must equal Form 990, Part X, column (B), line 15.)..... ▶		27,852,530.

Part X Other Liabilities. See Form 990, Part X, line 25.		(b) Book value
(a) Description of liability		
(1) Federal income taxes		
(2) Deferred Liab-Post Retirement Benef	7,761,209.	
(3) Liability Under Cap Lease Obligatio	17,809.	
(4) Reserve for Prof. Liab. Self Ins.	698,195.	
(5) Reserve for Self-Insurance Program	34,879.	
(6)		
(7)		
(8)		
(9)		
(10)		
(11)		
Total. (Column (b) must equal Form 990, Part X, column (B) line 25.) ▶		8,512,092.

2. FIN 48 (ASC 740) Footnote. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII. See Part. XIII.....

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return		N/A
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	2 a
	b Donated services and use of facilities	2 b
	c Recoveries of prior year grants	2 c
	d Other (Describe in Part XIII.)	2 d
	e Add lines 2a through 2d.	2 e
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.	4 a
	b Other (Describe in Part XIII.)	4 b
	c Add lines 4a and 4b.	4 c
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)	5

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return		N/A
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	2 a
	b Prior year adjustments	2 b
	c Other losses.	2 c
	d Other (Describe in Part XIII.)	2 d
	e Add lines 2a through 2d.	2 e
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.	4 a
	b Other (Describe in Part XIII.)	4 b
	c Add lines 4a and 4b.	4 c
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)	5

Part XIII Supplemental Information

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

Part V, Line 4 - Intended Uses Of Endowment Fund

Endowment funds are designated for purposes that align within this organization's exempt purpose.

Part X - FIN 48 Footnote

EMHS, its hospitals, and certain other affiliates have been determined by the Internal Revenue Service to be tax-exempt charitable organizations as described in Section 501(c) (3) or 501(c) (2) of the Internal Revenue Code ("Code") and, accordingly, are exempt from federal income taxes on related income pursuant to

Part XIII Supplemental Information (continued)

Part X - FIN 48 Footnote (continued)

Section 501(a) of the Code. Accordingly, no provision for federal income taxes has been recorded in the accompanying consolidated financial statements for these organizations.

Tax-exempt charitable organizations could be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. Under guidance issued by the Financial Accounting Standards Board (FASB), assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position.

Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense. The System has evaluated its tax position taken or expected to be taken on income tax returns and concluded the impact to be not material.

Certain of the System's affiliates are taxable entities. Deferred taxes related to these entities are based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years the differences are expected to reverse. The deferred tax assets and liabilities for these entities are not material.

SCHEDULE H
(Form 990)

Hospitals

OMB No. 1545-0047

2012

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: **Eastern Maine Healthcare Systems (AHC)** Employer identification number: **01-0459837**

Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If 'No,' skip to question 6a	X	
1b If 'Yes,' was it a written policy?	X	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to the various hospital facilities during the tax year. <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free care</i> ? If 'Yes,' indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input checked="" type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %	X	
b Did the organization use FPG to determine eligibility for providing <i>discounted care</i> ? If 'Yes,' indicate which of the following was 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 type="checkbox"/> 400% Other _____ %		X
c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the 'medically indigent'?	X	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
b If 'Yes,' did the organization's financial assistance expenses exceed the budgeted amount?		X
c If 'Yes' to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a Did the organization prepare a community benefit report during the tax year?	X	
b If 'Yes,' did the organization make it available to the public?	X	

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		737	6,978,757.	8,000.	6,970,757.	15.36
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)			677,422.		677,422.	1.49
d Total Financial Assistance and Means-Tested Government Programs	0	737	7,656,179.	8,000.	7,648,179.	16.85
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	4	46,809	315,521.		315,521.	0.70
f Health professions education (from Worksheet 5)	3	340	315,985.		315,985.	0.70
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total. Other Benefits	7	47,149	631,506.	0.	631,506.	1.40
k Total. Add line 7d and 7j.	7	47,886	8,287,685.	8,000.	8,279,685.	18.25

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing..						
2 Economic development.....						
3 Community support.....	4	71,950	10,871.		10,871.	0.02
4 Environmental improvements.....						
5 Leadership development and training for community members.....						
6 Coalition building.....						
7 Community health improvement advocacy.....						
8 Workforce development.....						
9 Other.....						
10 Total.....	4	71,950	10,871.	0.	10,871.	0.02

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

Yes No

- Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? **1** X
- Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount. **2** 2,141,748.
- Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and rationale, if any, for including this portion of bad debt as community benefit. **3**
- Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements. **Part VI**

Section B. Medicare

- Enter total revenue received from Medicare (including DSH and IME). **5** 5,583,733.
- Enter Medicare allowable costs of care relating to payments on line 5..... **6** 9,675,422.
- Subtract line 6 from line 5. This is the surplus (or shortfall)..... **7** -4,091,689.
- 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: **Part VI**
 Cost accounting system Cost to charge ratio Other

Section C. Collection Practices

- Did the organization have a written debt collection policy during the tax year? **9a** X
- 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..... **Part VI** **9b** X

Part IV Management Companies and Joint Ventures (see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Acadia Hospital Corporation

For single facility filers only: line number of hospital facility (from Schedule H, Part V, Section A) 1

Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		Yes	No
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If 'No,' skip to line 9 If 'Yes,' indicate what the CHNA report describes (check all that apply): 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 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 type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input checked="" type="checkbox"/> Other (describe in Part VI) Part VI	X	
2	Indicate the tax year the hospital facility last conducted a CHNA: <u>2011</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 Part VI	X	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If 'Yes,' list the other hospital facilities in Part VI. Part VI	X	
5	Did the hospital facility make its CHNA widely available to the public? If 'Yes,' indicate how the CHNA was made widely available (check all that apply): a <input checked="" type="checkbox"/> Hospital facility's website b <input checked="" type="checkbox"/> Available upon request from the hospital facility c <input checked="" type="checkbox"/> Other (describe in Part VI) Part VI	X	
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date): a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA b <input checked="" type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Participation in the development of a community-wide plan d <input type="checkbox"/> Participation in the execution of a community-wide 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 checked="" type="checkbox"/> Prioritization of health needs in its 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) Part VI		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If 'No,' explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs.	X	
8 a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?		X
8 b	If 'Yes' to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?		
8 c	If 'Yes' to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information (continued) Acadia Hospital Corporation Copy 1 of 1

Financial Assistance Policy		Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
9	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	X	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care?	X	
If 'Yes,' indicate the FPG family income limit for eligibility for free care: <u>150</u> %			
If 'No,' explain in Part VI the criteria the hospital facility used. Part VI			
11	Used FPG to determine eligibility for providing <i>discounted</i> care?		X
If 'Yes,' indicate the FPG family income limit for eligibility for discounted care: _____ %			
If 'No,' explain in Part VI the criteria the hospital facility used. Part VI			
12	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 type="checkbox"/> Asset level		
c	<input type="checkbox"/> Medical indigency		
d	<input type="checkbox"/> Insurance status		
e	<input type="checkbox"/> Uninsured discount		
f	<input type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	X	
14	Included measures to publicize the policy within the community served by the hospital facility?	X	
If 'Yes,' indicate how the hospital facility publicized the policy (check all that apply):			
a	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to 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 type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available on request		
g	<input checked="" type="checkbox"/> Other (describe in Part VI) Part VI		

Billing and Collections		Yes	No
15	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?	X	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine 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		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	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?		X
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)		

Part V Facility Information (continued)

18 Indicate which efforts the hospital facility made before initiating any of the actions checked in line 17 (check all that apply)

- a Notified patients of the financial assistance policy on admission
- b Notified patients of the financial assistance policy prior to discharge
- c Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills
- d Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e Other (describe in Part VI)

Policy Relating to Emergency Medical Care

19 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?

	Yes	No
19	X	

If 'No,' indicate why:

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

Charges to Individuals Eligible for Financial Assistance under the FAP (FAP-Eligible Individuals)

20 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) Part VI

21 During the tax year, did the hospital facility charge any of its FAP-eligible individuals, 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?

21		X

If 'Yes,' explain in Part VI.

22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?

22		X

If 'Yes,' explain in Part VI.

Part V 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 A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
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- 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.
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.

Part I, Line 6a - Related Organization Community Benefit Report

The Acadia Hospital Corporation community benefit report is contained in an annual community benefit report prepared by Eastern Maine Healthcare Systems which is the parent organization of all related organizations.

Part I, Line 7 - Explanation of Costing Methodology

Ratio of Patient Care Cost-to-Charges is used in calculations.

Part I, Line 7, Column F - Explanation of Bad Debt Expense

\$3,969,685 of bad debt expense, \$14,992,945 of charity care, \$10,209,505 of contractual allowances is included on Form 990, Part IX, line 25, column (A).

Part I, Line 7g - Costs Associated With Physicians Clinics

Ratio of Patient Care Cost-to-Charges is used in calculations.

Part III, Line 4 - Bad Debt Expense

Patient and trade 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 valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and the applicable patient accounts receivable. Credit is extended without collateral.

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 A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
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Part III, Line 4 - Bad Debt Expense (continued)

The costing methodology used to determine the amount reported on line 2 is cost to charge ratio.

Part III, Line 8 - Explanation Of Shortfall As Community Benefit

Medicare losses should be treated as a community benefit because the losses are incurred in performing an important public service, and Maine hospitals experience one of the lowest Medicare reimbursement rates in the country.

Part III, Line 9b - Provisions On Collection Practices For Qualified Patients

All account guarantors who express an inability to pay inpatient and outpatient services will be screened for eligibility for charity care using an application and guidelines established by Acadia Hospital. An account may be reconsidered for charity care at any time when new information is available about a patient's inability to pay.

Part V, Line 1j - Description of Other Needs Assessment

1a The Acadia Hospital serves northern, eastern and central Maine primarily, with some clients coming from southern Maine as well. Maine is a rural state and Acadia is located in Bangor, Maine, the regional hub.

1b Acadia Hospital and its related physician practices utilize electronic medical records which provide data relative to patients in care. The needs assessment

Part V 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 A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
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Part V, Line 1j - Description of Other Needs Assessment (continued)

provides a much broader picture of the community as a whole, including the health status of individuals not in care, as well as functional health status and social-demographics (such as employment, income and education levels). The local units of the state's public health infrastructure (known as Healthy Maine Partnerships) are also integrated into the process so that their data relative to health, environmental and social measures are part of the community dissemination process.

1d-1e-1f

EMHS, the parent company of Acadia Hospital, routinely conducts a community health needs assessment (Hereafter needs assessment) across the service area of all of its member hospitals. The most recent assessment, published in 2011, was conducted under a contract with the University of New England Center for Health Planning, Policy and Research (CHPPR) and the University of Southern Maine's Muskie School for Public Health. Using a methodology developed by CHPPR over decades of work, the assessment integrates primary data from a telephone survey to heads of households with secondary data retrieved from state databases (ED usage, Mortality, Cancer Registry, etc.). That data is reviewed in the context of multiple health related domains to develop a composite view of health status, behavioral risks, and barriers

Part V Supplemental Information

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- 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 A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
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Part V, Line 1j - Description of Other Needs Assessment (continued)

to access and care. Results are compared to national and state benchmarks to produce priorities and recommendations as prepared by the consultants.

Part V, Line 3 - Account Input from Person Who Represent the Community

On a statewide basis, the research consultants developed an advisory committee that met two times during the assessment research and drafting of the publication. These organizations represented a broad spectrum of backgrounds: Healthy Maine Partnership Wabanaki Center (serving tribal populations); Maine Development Foundation; Maine Health Access Foundation (philanthropic foundation focused on access to care in Maine); Maine Center for Disease Control; Bingham Foundation (philanthropic foundation); Maine Health Management Coalition (representing the state's major employers, insurers and providers); Governor's Office of Health Policy and Finance (GOHPF); Advisory Committee for Health System Development (overseen by GOHPF); Maine Chapter, NAACP; City of Bangor, Department of Health and Welfare.

Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment

The needs assessment was developed as a statewide collaborative between the state's three largest health systems: EMHS (in central, eastern and northern Maine), MaineGeneral Health (in central Maine) and MaineHealth (in southern Maine). Multiple collaborators were involved in the dissemination of the assessment findings and

Part VI Supplemental Information

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- 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 A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.
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Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment (continued)

establishment of priorities.

Part V, Line 5c - Description of Making Needs Assessment Widely Available

Regional presentations were given across the service area.

Part V, Line 6i - Describe Other Needs Identified

6a Acadia Hospital continued to meet the prioritized needs through the following initiatives and resources: ongoing and expanded collaboration with a number of primary care offices and emergency departments lacking psychiatric resources by connecting them with psychiatry through tele-video technology.

6b Behavioral/medical integration (PCP offices/nursing homes)/tele-psychiatry pilot in 2011, now expanding into other offices in region/ongoing mental health screening tool offered on website/creation of film about teen anxiety and depression called The Road Back in 2011, still being viewed on YouTube, with over 65,000 views/ongoing Open Mind series providing community education on a variety of topics.

6g Mental Health and Substance Abuse-Acadia Hospital continues to support Downeast and Penquis District Coordinating Councils; being a provider of substance abuse education and intervention.

Part V 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 A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
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Part V, Line 10 - Criteria Used For Free Care If Not FPG

The FPL were used for eligibility for free care.

Part V, Line 11 - Criteria Used For Discounted Care If Not FPG

The organization does not provide discounted care. It uses FPL for eligibility for free care.

Part V, Line 14g - Other Means Hospital Facility Publicized the Policy

Posted signs and individual notices containing information on the availability of free care are located in key public areas in the hospital. Signs and notices inform the patient of the availability of free care and include eligibility criteria, instructions on how to apply and how to obtain additional information or assistance.

The "Billing Help" section of the hospital web pages provides a link to the free care application form, instructions and eligibility criteria.

Part V, Line 20d - Other Billing Determination of Individuals Without Insurance

Hospital charges are discounted at 100% for patients who qualify for free care with income at or below 150% FPL.

Part VI - Needs Assessment

Acadia Hospital participates in the EMHS Community Health Needs Assessment. The EMHS Community Health Needs Assessment examines the health status of the residents of Bangor and Penobscot, counties and provides comprehensive research data and

Part V Supplemental Information

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Part VI - Needs Assessment (continued)

recommendations on a variety of critical target areas including community health education, access to primary care, care for chronic conditions, geriatric care, and mental health and substance abuse. As a follow up to the studies conducted in 2001 and 2007, EMHS contracted with the Center for Health Policy, Planning and Research (CHPPR) at the University of New England (led by Ron Deprez, PhD. MPH) to determine changes in health status and barriers to care since 2001. The 2007 Community Health Needs Assessment was funded again as a community service of Healthcare Charities, the philanthropic center of EMHS. EMHS participated in another Community Health Needs assessment in 2010. Those results were made available in 2011, and in late June, Acadia, as a member of EMHS, hosted a community needs assessment forum at the Spectacular Event Center in Bangor so community leaders and public health officials could discuss a collaborative effort to best address the needs of residents in Penobscot County. We also look for trends within our patient population and stay involved with private and state organizations that track key data.

Part VI - Patient Education of Eligibility for Assistance

Patient education begins at admission and continues throughout treatment and encompasses assistance with State health insurance coverage, COBRA, and Charity Care.

Part V 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 A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.

Part VI - Patient Education of Eligibility for Assistance (continued)

It is the policy of The Acadia Hospital to treat all patients requiring care without regard for ability to pay and to assist patients in arranging for settlement of their financial obligation. For those qualifying under Acadia's Charity Care program, medically necessary services will be provided to Maine residents at no cost.

Posters are displayed in patient care areas, information and forms are available online on the hospital website, and education is provided during the admission process and continues throughout treatment as the patient is assisted with the availability of programs.

Part VI - Community Information

As one of only two private, non-profit freestanding psychiatric and chemical dependency hospitals in the State of Maine, Acadia Hospital serves people from across Maine, with a majority of the patients originating in the Greater Bangor area. Geographically, Maine is a primarily rural state, and the demographics reveal an aging population with lower than national average earning power.

Part VI - Community Building Activities

The major foci of Acadia Hospital's community building activities include collaboration with other agencies and sharing our expertise with other organizations

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 A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.

Part VI - Community Building Activities (continued)

and individuals in an effort to strengthen communities through proactive activities.

We also work to provide education on mental health and substance abuse issues. We

leverage social networking via our website, Facebook profile and a Twitter profile,

as well as a new YouTube channel.

We support the efforts of other non-profits like the state's chapter of the National

Alliance on mental illness, and we support programs like Mental Illness Awareness

Week and Challenge Day.

Part VI - Explanation Of How Organization Furthers Its Exempt Purpose

The Acadia Hospital is a nonprofit psychiatric and chemical dependency hospital

that, along with Acadia Healthcare, a provider of substance abuse and community

integration services, serves the entire state of Maine. The facility opened in 1992

in response to an urgent need for more hospital and community based mental health

and chemical dependency treatment programs.

In 2013, total admissions amounted to 1,635 resulting in Acadia experiencing a 80.5%

occupancy rate for the year.

Acadia Hospital provides space for support groups, and provide crisis response

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 A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.

Part VI - Explanation Of How Organization Furthers Its Exempt Purpose (continued)

services if requested from local communities. As in question five above, we provide many educational presentations in the community that focus on wellness and access to appropriate care, as well as anti-stigma work. We also offer an online mental health screening tool.

See Schedule O, Part III, Line 4d for further details from the publication of community benefit projects of Eastern Maine Healthcare Systems entities.

Part VI - Affiliated Health Care System Roles and Promotion

As a member of EMHS, Acadia Hospital shares in the organization's goals. As a specialty hospital within our health care system, we provide assistance to our affiliates in an integrated fashion, using technology like telemedicine to bridge the distances faced by Maine citizens. EMHS offers its own initiatives, such as addressing childhood obesity, and the affiliates often support these efforts in their own communities. As autonomous hospitals, we also each provide our own unique programs to meet the needs of our local communities.

Part VI - States Where Community Benefit Report Filed

ME

Part V 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 A; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.

Part V - Explanation of Number of Facility Type

N/A

SCHEDULE J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered 'Yes' to Form 990, Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2012

**Open to Public
Inspection**

Name of the organization

Eastern Maine Healthcare Systems (AHC)

Employer identification number

01-0459837

Part I Questions Regarding Compensation

1 a 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. **Part III**

- | | |
|-------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| <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 checked="" type="checkbox"/> Tax indemnification and gross-up payments | <input 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 on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If 'No,' complete Part III to explain

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

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 filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.

- | | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| <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. **Part III**

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

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

- a** The organization?
- 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 Regulations 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 III Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable columns (D) and (E) amounts for that individual.

(A) Name and Title	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
	(i) Base compensation	(ii) Bonus and incentive compensation	(iii) Other reportable compensation				
1 Theodore Helberg, III VP Human Resour	(i) 136,539 (ii) 0 (iii) 0	0	3,898	2,812	10,300	153,549	0
2 Mary M. Hood, EMHS Pres/CEO Ex-Officio	(i) 691,048 (ii) 303,545 (iii) 0	140,786	12,420	225,828	22,211	1,092,293	0
3 Anthony Ng, MD VP Med Affairs	(i) 0 (ii) 0 (iii) 0	0	1,347	8,547	30,074	343,513	0
4 Derrick Hollings EMHS Treasurer	(i) 269,077 (ii) 356,860 (iii) 0	965	31,507	0	15,022	316,571	0
5 Daniel B. Coffey, Pres/CEO Clerk/Secretary	(i) 161,687 (ii) 0 (iii) 0	65,272	21,282	29,600	17,064	500,078	0
6 Wayne Stellar, PMHNP Interim VP, CNO	(i) 146,579 (ii) 0 (iii) 0	2,177	2,012	15,603	17,179	198,658	0
7 Marie K. Switter VP & CFO	(i) 215,736 (ii) 156,706 (iii) 0	600	5,517	20,875	17,280	260,008	0
8 Allan D. Currie, MD Board Member	(i) 242,907 (ii) 0 (iii) 0	4,000	4,645	27,150	19,788	298,490	0
9 Karen Clements VP Chief Nursin	(i) 263,344 (ii) 0 (iii) 0	4,000	5,096	16,000	30,130	318,570	0
10 Eric Kuntz Psychiatrist	(i) 244,548 (ii) 0 (iii) 0	4,000	1,277	19,700	27,734	297,259	0
11 Theodore P Logan Psychiatrist	(i) 269,962 (ii) 0 (iii) 0	4,000	4,593	10,379	26,673	315,607	0
12 William Schaffer Psychiatrist	(i) 248,249 (ii) 0 (iii) 0	4,000	381	8,623	22,785	284,038	0
13 Clifford Singer Psychiatrist	(i) 83,234 (ii) 0 (iii) 0	1,812	1,371	9,355	17,380	113,152	0
14 Jessica A Manaker Former VP, Support Service	(i) 128,168 (ii) 0 (iii) 0	38,370	1,955	9,015	25,849	203,357	0

Part III Supplemental Information

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

Part I, Line 1a - Relevant Information Regarding Compensation Benefits

Karen Clements, officer received a gift certificate for length of service with the organization for \$25 with a \$1.49 gross-up payment. All employees of the organization are honored with a gift certificate for specific years of length of service: 5, 10, 15, etc.

Part I, Line 4 - Received Severance, Supplemental NQ Retirement, Equity-Based Compensation

Line 4(b) Supplemental non-qualified retirement plan:

Mary Michelle Hood

A pension obligation satisfied through a supplemental non-qualified retirement plan is based on a percent of qualified earnings or by specific agreement. The portion accrued for the supplemental non-qualified retirement plan is \$206,128 based on the amounts contributed and related earnings. The supplemental non-qualified retirement benefit is subject to a substantial risk of forfeiture.

Other Compensation information:

Daniel B. Coffey

This officer is employed by the system parent organization, Eastern Maine Healthcare

Part III Supplemental Information

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

Part I, Line 4 - Received Severance, Supplemental NQ Retirement, Equity-Based Compensation (continued)

Systems and 100% of his time is dedicated to Acadia Hospital and Acadia Healthcare,

Inc. As a result a portion of his compensation is reported in Form 990, Part VII,

column D and Schedule J, Part II, Line A(i).

Mary M. Hood

This officer is employed by the system parent organization and is responsible for system-wide operations of seven hospitals and other related health care activities, including Acadia Hospital.

Derrick O. Hollings

This officer is employed by the system parent organization and is responsible for system-wide operations of seven hospitals and other related health care activities, including Acadia Hospital.

Marie K. Switter

This officer is employed by the parent company, Eastern Maine Healthcare Systems. 100% of her time is dedicated to Acadia Hospital and Acadia Healthcare, Inc. As a

result her compensation is reported in Form 990, Part VII, column D and Schedule J,

Part III Supplemental Information

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

Part I, Line 4 - Received Severance, Supplemental NQ Retirement, Equity-Based Compensation (continued)

Part II, Line A(i)

Allan D. Currie

This officer is employed by Eastern Maine Medical Center, a related organization of Acadia Hospital Corporation.

Scott Oxley

This former officer is employed by Affiliated Healthcare Management, a related organization of Acadia Hospital Corporation.

April Giard

This former officer is employed by Eastern Maine Healthcare Systems, the system parent organization of Acadia Hospital Corporation.

Deborah M. Sanford

This former officer is employed by Eastern Maine Healthcare Systems, the system parent organization of Acadia Hospital Corporation.

Continuation Sheet for Schedule J (Form 990)

Name of the organization: Eastern Maine Healthcare Systems (AHC)
 Employer identification number: 01-0459837

(A) Name and Title	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(i) Deborah M. Sanford	91,894	0	1,477	10,023	9,898	113,292	0
(ii) Former VP Patient Admin	67,353	0	1,096	1,387	7,258	77,094	0
(i) Brent Scobie	107,210	2,341	2,047	9,206	26,083	146,887	0
(ii) Former VP Chief Clinic	0	0	0	0	0	0	0
(i) Scott A. Oxley	0	0	0	0	0	0	0
(ii) Former Treasurer	210,233	32,872	35,810	18,532	22,710	320,157	0
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							

SCHEDULE K
(Form 990)

Department of the Treasury
Internal Revenue Service

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

2012

Open to Public Inspection

Name of the organization: **Eastern Maine Healthcare Systems (AHC)**
Employer identification number: **01-0459837**

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) Pooled financing	
						Yes	No	Yes	No	Yes	No
A. Maine Health and Higher Ed	01-0314384	560427GW0	4/22/2010	13,522,505.	to refund 1998 issue		X			X	X
B											
C											
D											

Part II Proceeds

	A	B	C	D
1 Amount of bonds retired	2,910,000.			
2 Amount of bonds legally defeased				
3 Total proceeds of issue	15,948,483.			
4 Gross proceeds in reserve funds	1,513,225.			
5 Capitalized interest from proceeds				
6 Proceeds in refunding escrows	10,175,000.			
7 Issuance costs from proceeds	121,118.			
8 Credit enhancement from proceeds				
9 Working capital expenditures from proceeds				
10 Capital expenditures from proceeds				
11 Other spent proceeds	4,139,140.			
12 Other unspent proceeds				
13 Year of substantial completion	2010			
14 Were the bonds issued as part of a current refunding issue?				
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						

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

Schedule K (Form 990) 2012

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?		X						
b If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c Are there any research agreements that may result in private business use of bond-financed property?		X						
d If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government.								
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 Does the bond issue meet the private security or payment test?								
8a Has there been a sale or disposition of any of the bond-financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b If 'Yes', to line 8a, enter the percentage of bond-financed property sold or disposed of.								
c If 'Yes' to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9 Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X							

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has the issuer filed Form 8038-T?		X						
2 If 'No' to line 1, did the following apply?								
a Rebate not due yet?		X						
b Exception to rebate?								
c No rebate due?								
If you checked 'No rebate due' in line 2c, provide in Part VI the date the rebate computation was performed.								
3 Is the bond issue a variable rate issue?		X						
4a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b Name of provider	N/A							
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								

Part IV Arbitrage (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
5 a Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b Name of provider	N/A							
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6 Were any gross proceeds invested beyond an available temporary period?		X						
7 Has the organization established written procedures to monitor the requirements of section 148?		X						

Part V Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
Has 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?	X							

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

Additional Information

Part II, line 3, column A, does not equal Part I, line A, column E as a result of other sources of funds from DSF-Interest, DSF-Principal, and DSRF balance totaling \$2,425,978.

Part IV, line 7 - The issuer (MHFEFA) has established written procedures to monitor the requirements of Section 148. The organization has entered into a tax regulatory agreement with the issuer that requires the organization to comply with the requirements of Section 148. The organization is working to establish its own written procedures to monitor such requirements.

SCHEDULE L
(Form 990 or 990-EZ)

Transactions With Interested Persons

OMB No. 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Complete if the organization answered 'Yes' on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

Name of the organization **Eastern Maine Healthcare Systems (AHC)
Acadia Hospital, Corp. (AHC)** Employer identification number **01-0459837**

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).
Complete if the organization answered 'Yes' on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

2 Enter the amount of tax incurred by the organization managers or disqualified persons during the year under section 4958 ▶ \$ _____
3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$ _____

Part II Loans to and/or From Interested Persons.
Complete if the organization answered 'Yes' on Form 990-EZ, Page V, line 38a or Form 990, Part IV, line 26; or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22.

1	(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
				To	From			Yes	No	Yes	No	Yes	No
				(1) Brent Scobie				Educatio		X	9,996.	9,996.	
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
Total							▶\$	9,996.					

Part III Grants or Assistance Benefiting Interested Persons.
Complete if the organization answered 'Yes' on Form 990, Part IV, line 27.

1	(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of Assistance	(e) Purpose of assistance
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Jeanne Paradis	fam mem of brd	86,378.	compensation		X
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

Part V Supplemental Information

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

Supplemental Information

Jeanne Paradis is a family member of a board member and is an employee of Acadia Hospital.

SCHEDULE O
(Form 990 or 990-EZ)

Supplemental Information to Form 990 or 990-EZ

OMB No. 1545-0047

2012

Department of the Treasury
Internal Revenue Service

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

▶ Attach to Form 990 or 990-EZ.

Open to Public
Inspection

Name of the organization

Eastern Maine Healthcare Systems (AHC)
Acadia Hospital, Corp. (AHC)

Employer identification number

01-0459837

Form 990, Part III, Line 4d - Other Program Services Description

Provided mental health and substance abuse healthcare services regardless of ability to pay. Provided other uncompensated care (at cost) of \$2,141,718.

Please see the following excerpt from the EMHS Annual Report to the Community for details of community benefit projects at Acadia Hospital.

Leadership: Daniel B. Coffey, President and CEO; Michael T. Shea, Board Chair

Description: Acadia Hospital is Maine's comprehensive resource for information and treatment of mental illness and chemical dependency. Acadia Hospital is empowering people to improve their lives.

Employees: 638

Location: Bangor

Acadia Hospital Highlights

-Dedicated the Anita Leonard Healing Garden.

-Raised \$43,165 in support of Acadia Youth Services at the Battle of the Bands fundraising event, which more than 500 people attended.

-Recognized by the American Hospital Association as being a "Most Wired" hospital in the small and rural hospital category.

Name of the organization Eastern Maine Healthcare Systems (AHC) Acadia Hospital, Corp. (AHC)	Employer identification number 01-0459837
----------------------------------------------------------------------------------------------------	----------------------------------------------

Form 990, Part III, Line 4d - Other Program Services Description

-Awarded best student film at the Lewiston-Auburn Film Festival, The Road Back was also featured in an article in the June, 2013 edition of Boys' Life magazine and reached nearly 30,000 views on Acadia's YouTube channel.

-Achieved improvement in core quality indicators.

-Continued to exhibit patient artwork through Acadia's Artisan Project; select pieces were also exhibited in the Eastern Maine Community College library.

TOTAL COMMUNITY BENEFIT: \$12,382,245

Community Health Improvement Services: \$119,521

Health Professions Education: \$315,985

Community Building Activities: \$10,871

Community Benefit Operations: \$196,000

Unrecoverable Interest Cost on funds used to subsidize state MaineCare/Medicaid underpayments of \$7.5M \$677,422

Traditional Charity Care: \$6,970,757

Unpaid Cost of Public Programs:

Medicare: \$4,091,689

Philanthropy: \$74,604

Form 990, Part VI, Line 2 - Business or Family Relationship of Officers, Directors, Etc.

James Breece, trustee is an employee of University of Maine and Mary M. Hood, trustee/officer is a board member of University of Maine System.

Name of the organization Eastern Maine Healthcare Systems (AHC) Acadia Hospital, Corp. (AHC)	Employer identification number 01-0459837
----------------------------------------------------------------------------------------------------	----------------------------------------------

Form 990, Part VI, Line 2 - Business or Family Relationship of Officers, Directors, Etc.

Craig Hadley, trustee is an employee of Husson University; Dan Coffey, trustee/officer is a board member of Husson University; Betsy MacGregor-Webb, trustee is a board member of Husson University Board of Visitors.

Richard A. Lyons, trustee and Betsy MacGregor-Webb, trustee are board members of Maine School Superintendent Association.

Form 990, Part VI, Line 4 - Significant Changes to Organizational Documents

In December 2012 Eastern Maine Healthcare Systems ("EMHS"), the parent of this corporation, and this corporation together with other direct subsidiaries of EMHS, modernized their governance structure by replacing a traditional "reserved powers" model for EMHS control over its subsidiaries with a "joint initiatory powers" model of control. Under the traditional reserved powers model, in addition to the EMHS CEO having exclusive authority to appoint and remove the CEO of the subsidiaries, EMHS exercised control exclusively through approval rights over important subsidiary action. The new joint initiatory powers model gives EMHS authority not only to approve or disapprove important subsidiary action, but also to actually initiate action on behalf of the subsidiaries with respect to the following matters:

- I. amendments to the corporations Articles of Incorporation or Bylaws;
- II. changes in legal form of organization of the Corporation;
- III. election of the Directors/Trustees of the Corporation;
- IV. action concerning the Corporation's operating budget and capital expenditures;
- V. the Corporation's acquisition of assets or assumption of liabilities of an unaffiliated third party;
- VI. transfer of 5% or more of the assets of the Corporation;
- VII. financing transactions concerning the Corporation;
- VIII. merger, consolidation, sale, lease, mortgage, pledge or other disposition of

Name of the organization Eastern Maine Healthcare Systems (AHC) Acadia Hospital, Corp. (AHC)	Employer identification number 01-0459837
----------------------------------------------------------------------------------------------------	----------------------------------------------

Form 990, Part VI, Line 4 - Significant Changes to Organizational Documents

all or substantially all assets of the Corporation;

IX.add or revise a health care service of the Corporation;

X.discontinue or close a health care service of the Corporation;

XI.action concerning the Corporation's role in the EMHS Strategic Plan;

XII.action concerning the Corporation's participation in key strategic

affiliations with third parties not affiliated with EMHS; and

XIII.dissolution of the Corporation

Form 990, Part VI, Line 6 - Explanation of Classes of Members or Shareholder

Acadia Hospital (the "Corporation") is a Maine nonprofit corporation. Eastern Maine Healthcare Systems ("EMHS"), also a Maine nonprofit corporation, is the sole corporate member of the Corporation.

Form 990, Part VI, Line 7a - How Members or Shareholders Elect Governing Body

Each year at their annual meeting, the directors elect replacements for those directors whose terms are expiring. Election of directors is subject to ratification by the EMHS Board of Directors.

Form 990, Part VI, Line 7b - Decisions of Governing Body Approval by Members or Shareholders

EMHS has authority to appoint and remove the CEO of the Corporation. EMHS also has joint and superior authority to approve, disapprove or initiate action with respect to the following matters:

I. amendments to the corporations Articles of Incorporation or Bylaws;

II. changes in legal form of organization of the Corporation;

III. election of the Directors/Trustees of the Corporation;

IV. action concerning the Corporation's operating budget and capital expenditures;

V. the Corporation's acquisition of assets or assumption of liabilities of an unaffiliated third party;

VI. transfer of 5% or more of the assets of the Corporation;

Name of the organization Eastern Maine Healthcare Systems (AHC) Acadia Hospital, Corp. (AHC)	Employer identification number 01-0459837
----------------------------------------------------------------------------------------------------	----------------------------------------------

Form 990, Part VI, Line 7b - Decisions of Governing Body Approval by Members or Shareholders (continued)

VII. financing transactions concerning the Corporation;

VIII. merger, consolidation, sale, lease, mortgage, pledge or other disposition of all or substantially all assets of the Corporation;

IX. add or revise a health care service of the Corporation;

X. discontinue or close a health care service of the Corporation;

XI. action concerning the Corporation's role in the EMHS Strategic Plan;

XII. action concerning the Corporation's participation in key strategic affiliations with third parties not affiliated with EMHS; and

XIII. dissolution of the Corporation.

Form 990, Part VI, Line 11b - Form 990 Review Process

Form 990 is reviewed by the CFO of Acadia Hospital/Acadia Healthcare, Inc. It is also provided to each board member either electronically or in hard copy with an opportunity to ask questions prior to filing with the IRS.

Form 990, Part VI, Line 12c - Explanation of Monitoring and Enforcement of Conflicts

The organization requests updates of potential conflicts and relationships from the officers and Board members on an annual basis. The request requires disclosure of all business relationships, board memberships, and family relationships. A database is maintained that is compared to payroll records and the accounts payable vendor list to identify any potential conflicts of interest. Transactions are reviewed for reasonableness as an arm's length transaction.

The first agenda item for board meetings and board committee meetings is for members to declare any conflict of interest with upcoming agenda items or deliberations. At any point when consideration is being given to purchase/contract with a party in interest, the member with the conflict is either excused from the discussion and consideration process or abstains from voting on the matter.

Name of the organization Eastern Maine Healthcare Systems (AHC) Acadia Hospital, Corp. (AHC)	Employer identification number 01-0459837
----------------------------------------------------------------------------------------------------	----------------------------------------------

Form 990, Part VI, Line 12c - Explanation of Monitoring and Enforcement of Conflicts (continued)

All transactions identified with parties in interest are disclosed within the Form 990. All are deemed to be arm's length transactions.

Form 990, Part VI, Line 15a - Compensation Review & Approval Process - CEO, Top Management

The CEO of Acadia Hospital and the system President/CEO (President) who serves on the board ex-officio are employed by the system parent, Eastern Maine Healthcare Systems (EMHS).

The EMHS Executive Performance Management Committee (the Committee) is responsible to monitor and evaluate the performance of the EMHS President, to set compensation of the EMHS President, and to review recommendations of the EMHS President with respect to compensation of the Chief Executive Officer of the direct subsidiaries, and other direct reports to the President. The Committee is comprised entirely of independent Directors per EMHS bylaws.

Process:

The Committee meets regularly throughout the fiscal year at the discretion of the Committee chair as well as on call of the Chair of the EMHS board. In carrying out its duties pursuant to the Bylaws, the Committee:

-Assures that the executive compensation program is administered in a manner consistent with the EMHS executive compensation philosophy.

-Reviews and updates the EMHS executive compensation philosophy which serves as the foundation on which all current and future executive compensation decisions are made.

Name of the organization Eastern Maine Healthcare Systems (AHC) Acadia Hospital, Corp. (AHC)	Employer identification number 01-0459837
----------------------------------------------------------------------------------------------------	----------------------------------------------

Form 990, Part VI, Line 15a - Compensation Review & Approval Process - CEO, Top Management (continued)

-Assures that value of compensation provided by EMHS does not exceed the value of services provided by the executive.

-Reviews annual incentive compensation criteria for eligible executives, as defined by the EMHS President.

-Reviews periodic compensation survey information and provides expert input to proposed changes to the executive compensation program.

-Assures that a formal and timely performance management system is in place for executives.

-Reviews incentive compensation criteria scoring and associated pay schedules for officers and key employees.

-Provides any public statements regarding executive compensation practices at EMHS deemed appropriate.

-Maintains minutes of the meetings and communicates actions to the EMHS Board of Directors.

To accomplish this, the committee uses an external consultant with access to comparative data from independent sources and include national as well as regional data points. The EMHS President reviews all direct report compensation actions with the committee. In addition, the EMHS President ensures that any subsidiary policies and practices governing executive compensation are consistent with the committee's philosophy and practices statement.

Form 990, Part VI, Line 15b - Compensation Review & Approval Process - Officers & Key Employees

Compensation of other officers and key employees of the organization is established by the Human Resources department who utilize external market research to establish compensation ranges for specific positions. The compensation of officers and key employees are reviewed by the Acadia President/CEO and Acadia Executive Committee.

Name of the organization Eastern Maine Healthcare Systems (AHC) Acadia Hospital, Corp. (AHC)	Employer identification number 01-0459837
----------------------------------------------------------------------------------------------------	----------------------------------------------

Form 990, Part VI, Line 15b - Compensation Review & Approval Process - Officers & Key Employees (continued)

On an annual basis, the compensation ranges are compared to the updated survey information.

The Human Resources department will determine where the employee will fall within the ranges established by the Human Resources department based on experience and credentials.

Form 990, Part VI, Line 19 - Other Organization Documents Publicly Available

Acadia Hospital makes its governing documents, conflict of interest policy and financial statements available to the public upon request.

Form 990, Part XI, Line 9
Other Changes In Net Assets Or Fund Balances

Change in Post Retirement Health Benefit	\$	893,113.
Net change in Funds Held at EMHS Foundation.....		91,768.
Transfer to exempt subsidiary -AHL.....		-100,000.
Transfer to exempt subsidiary-Eastern Maine Healthcare Syste.....		-352,421.
Transfer to exempt subsidiary-Meadow Wood.....		-10,511.
Transfer to exempt subsidiary-Restorative Health.....		-67,979.
	Total \$	<u>453,970.</u>

Open to Public Inspection

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

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

Department of the Treasury
Internal Revenue Service

Name of the organization
Eastern Maine Healthcare Systems (AHC) Acadia Hospital, Corp. (AHC)
Employer identification number
01-0459837

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

(a) Name, address, and EIN (if applicable) 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
(1) -----					
(2) -----					
(3) -----					

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Sec 512(b)(13) controlled entity?	
						Yes	No
(1) Eastern Maine Healthcare Systems (EMHC) 43 Whiting Hill Rd Brewer, ME 04412 01-0527066	Supporting organization for healthcare affiliates	ME	501(c)(3)	11, Type III-Func Int	N/A		X
(2) Eastern Maine Medical Center (EMMC) PO Box 404, 489 State St Bangor, ME 04402-0404 01-0211501	Provide healthcare services	ME	501(c)(3)	3	EMHS		X
(3) Eastern Maine Healthcare Real Estate 43 Whiting Hill Rd, Suite 400 Brewer, ME 04412 01-0391036	Leases real estate	ME	501(c)(2)		EMHS		X
(4) Rosscare 43 Whiting Hill Rd, Suite 400 Brewer, ME 04412 01-0391038	Provide services to elderly	ME	501(c)(3)	PF	EMHS		X

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
See Part VII												
(1) Beacon Health, L 43 Whiting Hill Brewer, ME 04412 45-2967056	Accountable care organization	ME	EMHS	N/A	N/A	N/A	N	A	N/A	N	A	
(2) -----												
(3) -----												

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Sec 512(b)(13) controlled entity?	
								Yes	No
(1) Affiliated Healthcare Systems PO Box 940 Bangor, ME 04402-0940 01-0385322	Holding co.	ME	EMHS	C	0.	0.			X
(2) Affiliated Healthcare Management PO Box 811 Bangor, ME 04402-0811 01-0349339	Hlthcr mgmt	ME	AHS	C	0.	0.			X
(3) Affiliated Laboratory Inc PO Box 638 Bangor, ME 04402-0638 01-0381283	Clinical la	ME	AHS	C	0.	0.			X

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

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

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

2 If the answer to any of the above is 'Yes,' see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.	(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Eastern Maine Healthcare Systems (EMHS)		l	87,116.FMV	
(2) Eastern Maine Healthcare Systems (EMHS)		m	3,567,457.FMV	
(3) Eastern Maine Healthcare Systems (EMHS)		p	4,634,871.FMV	
(4) Eastern Maine Healthcare Systems (EMHS)		r	352,421.FMV	
(5) Eastern Maine Medical Center (EMMC)		l	1,650,817.FMV	
(6) Eastern Maine Medical Center (EMMC)		m	512,583.FMV	

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(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		Yes	No	
(1) -----													
(2) -----													
(3) -----													
(4) -----													
(5) -----													
(6) -----													
(7) -----													
(8) -----													

Part VII Supplemental Information

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

Part III - Partnership Full Name, Address, FEIN

Beacon Health, LLC 45-2967056 43 Whiting Hill Road Brewer, ME 04412

Part II Continuation of Identification of Related Tax-Exempt Organizations

(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) Sec 512(b)(13) controlled entity?	
						Yes	No
Rosscare Nursing Homes, Inc. 43 Whiting Hill Rd, Suite 400 Brewer, ME 04412 01-0430751	Operation of nursing homes	ME	501(c)(3)	9	Rosscare		X
Eastern Maine Medical Center Auxilia 43 Whiting Hill Rd Suite 400 Brewer, ME 04412 01-0377901	Fundraising for exempt Eastern Maine Medical Center	ME	501(c)(3)	9	EMMC		X
Acadia Healthcare Inc (AHI) 43 Whiting Hill Rd, Suite 400 Brewer, ME 04412 22-3183888	Provide healthcare services	ME	501(c)(3)	9	Acadia Hospital Corp		X
Norumbega Medical Specialists, Ltd 43 Whiting Hill Rd, Suite 400 Brewer, ME 04412 01-0465231	Provide patient care and education	ME	501(c)(3)	9	EMMC		X
EMHS Foundation 43 Whiting Hill Rd, Suite 400 Brewer, ME 04412 22-2514163	Raise and manage funds for exempt organizations	ME	501(c)(3)	11, Type II	EMHS		X
Inland Hospital 200 Kennedy Memorial Drive Waterville, ME 04901 01-0217211	Provide healthcare services	ME	501(c)(3)	3	EMHS		X
C.A. Dean Memorial Hospital Pritham Ave, PO Box 1129 Greenville, ME 04441-1129 04-3341666	Provide healthcare services	ME	501(c)(3)	3	EMHS		X
Sebasticook Valley Health (SVH) 447 North Main Street Pittsfield, ME 04967 01-0263628	Critical care hospital	ME	501(c)(3)	3	EMHS		X
The Aroostook Medical Center (TAMC) PO Box 151, 140 Academy St Presque Isle, ME 04769-0151 01-0372148	Provide healthcare services	ME	501(c)(3)	3	EMHS		X

Part II Continuation of Identification of Related Tax-Exempt Organizations

(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) Sec 512(b)(13) controlled entity?	
						Yes	No
TAMC Title Corporation PO Box 151, 140 Academy St Presque Isle, ME 04769-0151 01-0389226	Real estate holding company	ME	501 (c) (2)		TAMC		X
TAMC Endowments PO Box 151, 140 Academy St Presque Isle, ME 04769-0151 01-0389222	Raise funds for exempt organizations	ME	501 (c) (3)	11, Type I	TAMC		X
Horizons Health Services PO Box 151, 140 Academy St Presque Isle, ME 04769-0151 01-0504393	Provide patient care	ME	501 (c) (3)	3	TAMC		X
Eastern Maine Homecare PO Box 688 Caribou, ME 04736 01-0328442	Provide home health and hospice services	ME	501 (c) (3)	9	EMHS		X
Maine Inst for Human Genetics and He 43 Whiting Hill Road Brewer, ME 04412 55-0894346	Biomedical research and development	ME	501 (c) (3)	9	EMHS		X
Blue Hill Memorial Hospital 57 Water St Blue Hill, ME 04614-5231 01-0227195	Provide healthcare services	ME	501 (c) (3)	3	EMHS		X
Lakewood, A Continuing Care Center 220 Kennedy Memorial Drive Waterville, ME 04901 01-0421234	Provide skilled and long-term nursing care	ME	501 (c) (3)	3	Inland Hospital		X
Meadow Wood, LLC 43 Whiting Hill Road Brewer, ME 04412 27-2935243	Provide patient care	ME	501 (c) (3)	9	AHI		X
Sebasticook Valley Family Practice A 447 North Main Street Pittsfield, ME 04967 01-0357854	Provide patient care	ME	501 (c) (3)	9	SVH		X

TEEA5102L 12/28/12

Part IV Continuation of Identification of Related Organizations Taxable as a Corporation or Trust

(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	(I) Section 512 (b)(13) controlled entity?	
								Yes	No
Affiliated Materiel Services PO Box 1300 Bangor, ME 04402-1300 01-0381189	Purchasing	ME	AHS	C	0.	0.		X	
Affiliated Pharmacy Services 917 Union St, Suite 7 Bangor, ME 04401 01-0587230	Pharmacy	ME	AHS	C	0.	0.		X	
DE Collections D/B/A Affiliate PO Box 2759 Bangor, ME 04402-2759 01-0366209	Collections	ME	AHS	C	0.	0.		X	
Meridian Mobile Health, LLC 931 Union St, PO Box 940 Bangor, ME 04402-0940 01-0512673	Ambulance	ME	AHS	C	0.	0.		X	
Maine Network for Health PO Box 2813 Bangor, ME 04402-2813 01-0496352	Support srv	ME	EMHS	C	0.	0.		X	
Dirigo Pines Retirement Commun 9 Alumni Drive Orono, ME 04473 01-0537924	Holding Co	ME	AHS	C	0.	0.		X	
Dirigo Pines Inn, LLC 9 Alumni Drive Orono, ME 04473 02-0547749	Contin care	ME	ROSSCARE	C	0.	0.		X	
Dirigo Funding LLC 9 Alumni Drive Orono, ME 04473 01-0599968	Prov financ	ME	AHS	C	0.	0.		X	

Application for Extension of Time To File an Exempt Organization Return

Department of the Treasury
Internal Revenue Service

▶ **File a separate application for each return.**

- If you are filing for an Automatic 3-Month Extension, complete only Part I and check this box ▶
- If you are filing for an Additional (Not Automatic) 3-Month Extension, complete only Part II (on page 2 of this form).

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Electronic filing (e-file). You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/efile and click on *e-file for Charities & Nonprofits*.

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension -- check this box and complete Part I only.

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Enter filer's identifying number, see instructions

Type or print	Name of exempt organization or other filer, see instructions. Acadia Hospital Corporation	Employer identification number (EIN) or
	Number, street, and room or suite number. If a P.O. box, see instructions. 43 Whiting Hill Road	01-0459837
File by the due date for filing your return. See instructions.	City, town or post office, state, and ZIP code. For a foreign address, see instructions. Brewer, ME 04412	Social security number (SSN)

Enter the Return code for the return that this application is for (file a separate application for each return) **01**

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (section 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

• The books are in the care of ▶ Jeffrey A. Sanford

Telephone No. ▶ 207-973-7894 FAX No. ▶ 207-973-7139

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) 5247. If this is for the whole group, check this box . If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension is for. Acadia Hospital Corporation EIN 01-0459837

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until 5/15, 20 14, to file the exempt organization return for the organization named above.

The extension is for the organization's return for:

- ▶ calendar year 20__ or
- ▶ tax year beginning 9/30, 20 12, and ending 9/28, 20 13.

2 If the tax year entered in line 1 is for less than 12 months, check reason: Initial return Final return Change in accounting period

3 a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions	3 a	\$	0.
3 b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit	3 b	\$	0.
3 c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions	3 c	\$	0.

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

- If you are filing for an Additional (Not Automatic) 3-Month Extension, complete only Part II and check this box.
- Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.
- If you are filing for an Automatic 3-Month Extension, complete only Part I (on page 1).

Part II Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed).

Enter filer's identifying number, see instructions

Type or print	Name of exempt organization or other filer, see instructions. Acadia Hospital Corporation	Employer identification number (EIN) or
	Number, street, and room or suite number. If a P.O. box, see instructions. 43 Whiting Hill Road	01-0459837
File by the extended due date for filing your return. See instructions.	City, town or post office, state, and ZIP code. For a foreign address, see instructions. Brewer, ME 04412	Social security number (SSN)

Enter the Return code for the return that this application is for (file a separate application for each return)..... **01**

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01		
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (section 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in care of ▶ Jeffrey A. Sanford
Telephone No. ▶ 207-973-7894 FAX No. ▶ 207-973-7139
- If the organization does not have an office or place of business in the United States, check this box.
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN)... 5247. If this is for the whole group, check this box If it is for part of the group, check this box ▶ and attach a list with the names and EINs of all members the extension is for. Acadia Hospital Corporation EIN 01-0459837

- I request an additional 3-month extension of time until 8/15, 20 14.
- For calendar year _____, or other tax year beginning 9/30, 20 12, and ending 9/28, 20 13.
- If the tax year entered in line 5 is for less than 12 months, check reason: Initial return Final return Change in accounting period
- State in detail why you need the extension... Taxpayer respectfully requests additional time to gather information necessary to file a complete and accurate tax return.

8 a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.....		8 a \$
8 b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.....		8 b \$
8 c Balance due. Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.....		8 c \$

Signature and Verification must be completed for Part II only.

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ [Signature] Title ▶ Treasurer Date 5/5/14

BAA FIF20502L 01/21/13 Form 8868 (Rev 1-2013)

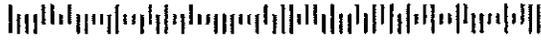


Department of Treasury
Internal Revenue Service
Ogden UT 84201

MAR 20 2014

Notice	CP211A
Tax period	September 30, 2013
Notice date	March 24, 2014
Employer ID number	01-0459837
To contact us	Phone 1-877-829-5500 FAX 801-620-5670

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EASTERN MAINE HEALTHCARE SYSTEMS
ACADIA HOSPITAL CORP
PO BOX 422
BANGOR ME 04402-0422



141507

Important information about your September 30, 2013 Form 990

We approved your Form 8868, Application for Extension of Time To File an Exempt Organization Return

We approved the Form 8868 for your September 30, 2013 Form 990.
Your new due date is May 15, 2014.

What you need to do

File your September 30, 2013 Form 990 by May 15, 2014. We encourage you to use electronic filing—the fastest and easiest way to file.

Visit www.irs.gov/charities to learn about approved e-File providers, what types of returns can be filed electronically, and whether you are required to file electronically.

Additional information

- Visit www.irs.gov/cp211a.
- For tax forms, instructions, and publications, visit www.irs.gov or call 1-800-TAX-FORM (1-800-829-3676).
- Keep this notice for your records.

If you need assistance, please don't hesitate to contact us.



Department of Treasury
Internal Revenue Service
Ogden UT 84201

Notice	CP211A
Tax period	September 30, 2013
Notice date	June 16, 2014
Employer ID number	01-0459837
To contact us	Phone 1-877-829-5500 FAX 801-620-5670

050100.453546.95654.7903 1 AT 0.406 370



EASTERN MAINE HEALTHCARE SYSTEMS
ACADIA HOSPITAL CORP
PO BOX 422
BANGOR ME 04402-0422



050100

Page 1 of 1

Important information about your September 30, 2013 Form 990

We approved your Form 8868, Application for Extension of Time To File an Exempt Organization Return

We approved the Form 8868 for your September 30, 2013 Form 990. Your new due date is August 15, 2014.

What you need to do

File your September 30, 2013 Form 990 by August 15, 2014. We encourage you to use electronic filing—the fastest and easiest way to file.

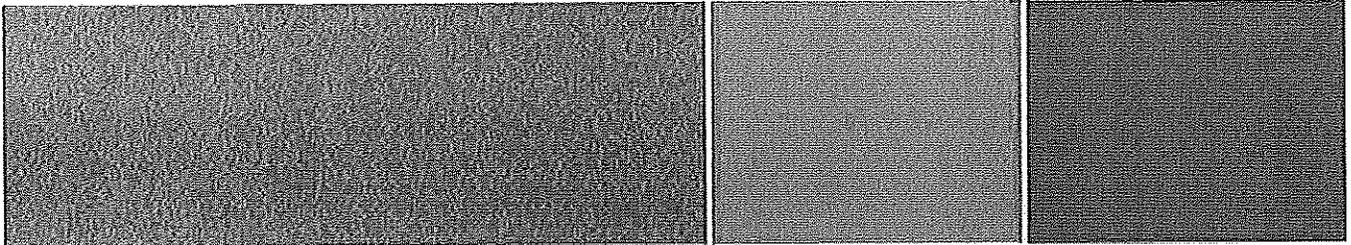
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- Keep this notice for your records.

If you need assistance, please don't hesitate to contact us.

Eastern Maine Healthcare Systems (AHC)
Acadia Hospital Corporation (AHC)
01-0459837
Form 990, Part IV, line 20b



EASTERN MAINE HEALTHCARE SYSTEMS

CONSOLIDATED FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

September 28, 2013 and September 29, 2012

With Independent Auditor's Report



EASTERN MAINE HEALTHCARE SYSTEMS
Consolidated Financial Statements
September 28, 2013 and September 29, 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Eastern Maine Healthcare Systems
Brewer, Maine

We have audited the accompanying consolidated financial statements of Eastern Maine Healthcare Systems, which comprise the consolidated balance sheets as of September 28, 2013 and September 29, 2012, 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 financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the 2012 financial statements of Sebasticook Valley Health and Subsidiaries, Eastern Maine HomeCare, and The Aroostook Medical Center and Subsidiaries (together referred to as the "Other Consolidated Entities"), whose statements reflect total assets constituting 11% of consolidated total assets as of September 29, 2012 and total revenue constituting 15% of consolidated total revenue for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Other Consolidated Entities, is based solely on the reports of the other auditors. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Board of Directors
Eastern Maine Healthcare Systems
Brewer, Maine

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eastern Maine Healthcare Systems as of September 28, 2013 and September 29, 2012, and the consolidated results of its operations, changes in net assets and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating information, as identified in the table of contents, is presented for purposes of additional analysis rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual entities. 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. generally accepted auditing standards. In our opinion, based on our audits and the reports of other auditors, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
December 20, 2013

EASTERN MAINE HEALTHCARE SYSTEMS

Consolidated Balance Sheets

September 28, 2013 and September 29, 2012

ASSETS

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 57,903	\$ 72,985
Short-term investments	14,599	7,929
Assets whose use is limited or restricted	46,781	27,254
Patient and trade accounts receivable - less allowance for uncollectible accounts of \$43,295 in 2013 and \$41,441 in 2012	104,108	86,525
Estimated third-party payor settlements	10,896	11,174
Other receivables	12,047	6,673
Inventory	11,289	9,741
Prepaid expenses and other current assets	<u>17,636</u>	<u>18,296</u>
 Total current assets	 <u>275,259</u>	 <u>240,577</u>
 PROPERTY AND EQUIPMENT — Net	 <u>374,852</u>	 <u>338,064</u>
 NONCURRENT ASSETS WHOSE USE IS LIMITED OR RESTRICTED:		
Internally designated by the Board of Directors:		
Funded depreciation	201,706	128,648
Other designated funds	105,519	95,403
Self-insurance and other funds held by trustees	206,536	57,050
Temporarily donor-restricted	36,530	32,599
Permanently donor-restricted	13,066	12,809
Beneficial interest in perpetual trusts	<u>10,852</u>	<u>10,217</u>
 Total noncurrent assets whose use is limited or restricted	 <u>574,209</u>	 <u>336,726</u>
 OTHER ASSETS:		
Estimated settlements receivable from the State of Maine	21,604	109,448
Deferred financing costs	2,755	1,096
Intangibles and other assets	<u>20,922</u>	<u>14,920</u>
 Total other assets	 <u>45,281</u>	 <u>125,464</u>
 TOTAL ASSETS	 <u>\$ 1,269,601</u>	 <u>\$ 1,040,831</u>

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

LIABILITIES AND NET ASSETS

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 51,691	\$ 41,304
Accrued expenses and other current liabilities	76,041	68,052
Estimated third-party payor settlements	30,158	34,955
Line-of-credit borrowings	58	11,625
Current portion of long-term debt	12,246	10,327
Current portion of accrual for self-insurance	<u>10,442</u>	<u>6,734</u>
Total current liabilities	<u>180,636</u>	<u>172,997</u>
NONCURRENT LIABILITIES:		
Long-term debt — net of current portion	311,308	152,788
Accrual for self-insurance and postretirement benefits	137,949	149,641
Estimated third-party payor settlements	38,948	47,518
Other liabilities	<u>4,557</u>	<u>6,058</u>
Total noncurrent liabilities	<u>492,762</u>	<u>356,005</u>
Total liabilities	<u>673,398</u>	<u>529,002</u>
COMMITMENTS AND CONTINGENCIES (Notes 2, 5, 6, 7, 11 and 16)		
NET ASSETS:		
Unrestricted	535,276	456,070
Temporarily restricted	36,530	32,599
Permanently restricted	<u>23,918</u>	<u>23,026</u>
Total controlled net assets	595,724	511,695
Unrestricted-noncontrolling interest	<u>479</u>	<u>134</u>
Total net assets	<u>596,203</u>	<u>511,829</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,269,601</u>	<u>\$ 1,040,831</u>

EASTERN MAINE HEALTHCARE SYSTEMS

Consolidated Statements of Operations

Years Ended September 28, 2013 and September 29, 2012

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
REVENUE:		
Patient service revenue (net of contractual allowances and discounts)	\$ 1,006,662	\$ 976,893
Less provision for bad debts	<u>46,029</u>	<u>40,202</u>
Net patient service revenue	960,633	936,691
Sales and contract revenue	25,023	25,101
Other revenue	38,758	44,553
Net assets released from restrictions — operations	<u>2,104</u>	<u>2,845</u>
Total revenue	<u>1,026,518</u>	<u>1,009,190</u>
EXPENSES:		
Compensation and employee benefits	609,505	578,085
Supplies and other	329,213	323,419
Depreciation and amortization	42,500	40,341
Interest	<u>7,027</u>	<u>8,020</u>
Total expenses	<u>988,245</u>	<u>949,865</u>
INCOME FROM OPERATIONS BEFORE GAINS AND LOSSES	<u>38,273</u>	<u>59,325</u>
OTHER GAINS (LOSSES):		
Income tax benefit	414	1,175
Joint venture income (loss)	38	(2,806)
Investment income and other — net	<u>9,615</u>	<u>2,798</u>
Total other gains (losses) — net	<u>10,067</u>	<u>1,167</u>
EXCESS OF REVENUE AND GAINS OVER EXPENSES AND LOSSES BEFORE DISCONTINUED OPERATIONS	48,340	60,492
DISCONTINUED OPERATIONS	<u>15,264</u>	<u>824</u>
EXCESS OF REVENUE AND GAINS OVER EXPENSES AND LOSSES	63,604	61,316
NONCONTROLLING INTEREST	<u>(23)</u>	<u>3</u>
EXCESS OF REVENUE AND GAINS OVER EXPENSES AND LOSSES - CONTROLLING INTEREST	63,581	61,319
OTHER CHANGES IN UNRESTRICTED NET ASSETS:		
Net assets released from restrictions — capital acquisitions	4,394	1,459
Change in net unrealized gains (losses) on investments	(5,480)	5,033
Net transfers to restricted funds	-	(5)
Pension and postretirement plan-related adjustments	<u>16,711</u>	<u>5,048</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>\$ 79,206</u>	<u>\$ 72,854</u>

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

EASTERN MAINE HEALTHCARE SYSTEMS

Consolidated Statements of Changes in Net Assets

Years Ended September 28, 2013 and September 29, 2012

(Dollars in thousands)

	<u>Controlled Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Controlled Net Assets</u>	<u>Total Noncontrolling Interest</u>
NET ASSETS — September 24, 2011	\$ 383,216	\$ 27,385	\$ 21,286	\$ 431,887	\$ 137
Excess of revenue and gains over expenses and losses	61,316	-	-	61,316	-
Noncontrolling interest	3	-	-	3	(3)
Restricted contributions	-	4,877	762	5,639	-
Net assets released from restrictions:					
Capital acquisitions	1,459	(1,459)	-	-	-
Operations	-	(2,845)	-	(2,845)	-
Restricted investment income and realized net gains	-	443	-	443	-
Change in net unrealized gains on investments	5,033	4,274	897	10,204	-
Net transfers	(5)	(76)	81	-	-
Pension and postretirement plan-related adjustments	5,048	-	-	5,048	-
	<u>72,854</u>	<u>5,214</u>	<u>1,740</u>	<u>79,808</u>	<u>(3)</u>
Increase (decrease) in net assets					
NET ASSETS — September 29, 2012	<u>456,070</u>	<u>32,599</u>	<u>23,026</u>	<u>511,695</u>	<u>134</u>
Excess of revenue and gains over expenses and losses	63,604	-	-	63,604	-
Noncontrolling interest	(23)	-	-	(23)	23
Noncontrolling paid-in capital	-	-	-	-	322
Restricted contributions	-	6,756	164	6,920	-
Net assets released from restrictions:					
Capital acquisitions	4,394	(4,394)	-	-	-
Operations	-	(2,104)	-	(2,104)	-
Restricted investment income and realized net gains	-	5,622	-	5,622	-
Change in net unrealized gains on investments	(5,480)	(1,888)	667	(6,701)	-
Net transfers	-	(61)	61	-	-
Pension and postretirement plan-related adjustments	16,711	-	-	16,711	-
	<u>79,206</u>	<u>3,931</u>	<u>892</u>	<u>84,029</u>	<u>345</u>
Increase in net assets					
NET ASSETS — September 28, 2013	<u>\$ 535,276</u>	<u>\$ 36,530</u>	<u>\$ 23,918</u>	<u>\$ 595,724</u>	<u>\$ 479</u>

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

EASTERN MAINE HEALTHCARE SYSTEMS

Consolidated Statements of Cash Flows

Years Ended September 28, 2013 and September 29, 2012

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 84,374	\$ 79,805
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,500	40,341
Provision for bad debts	44,944	42,430
Loss on extinguishment of debt	48	180
Loss on sale of property and equipment	1,179	117
Gain on sale of joint venture	-	(131)
Net realized and unrealized gains on investments	(10,871)	(15,164)
Equity in (earnings) losses of joint ventures	(38)	2,806
Adjustment to fair value of equity in net assets of acquired affiliates	114	-
Changes in funded status of postretirement benefit plans	(16,711)	(5,048)
Restricted contributions	(6,920)	(5,639)
Changes in operating assets and liabilities:		
Patient and trade accounts receivable	(61,952)	(50,398)
Other current assets	(997)	(7,145)
Other assets	(1,865)	(1,280)
Estimated third-party payor settlements	74,753	(24,270)
Accounts payable, accrued expenses, and other liabilities	11,392	15,089
Accrual for self-insurance and postretirement benefits	8,727	(1,593)
Net cash provided by operating activities	<u>168,677</u>	<u>70,100</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(81,166)	(39,975)
Proceeds from sales of property and equipment	2,294	156
Proceeds from distributions of equity of joint ventures	535	1,079
Proceeds from sale of joint venture	-	501
Investment in joint ventures	(1,005)	(1,675)
Purchases of investments	(213,915)	(103,235)
Proceeds from sales of investments	125,610	101,868
Net changes in money market investments	<u>(170,993)</u>	<u>(1,893)</u>
Net cash used by investing activities	<u>(338,640)</u>	<u>(43,174)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	163,271	135
Repayment of long-term debt	(11,907)	(10,731)
Proceeds from lines-of-credit	11,101	2,100
Repayment of lines-of-credit	(17,610)	(5,100)
Payment of bond issuance costs	(1,814)	(79)
Restricted contributions and investment income	12,542	6,082
Increase in pledges receivable restricted for long-term purposes	(702)	(289)
Net cash provided (used) by financing activities	<u>154,881</u>	<u>(7,882)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,082)	19,044
CASH AND CASH EQUIVALENTS — Beginning of year	<u>72,985</u>	<u>53,941</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 57,903</u>	<u>\$ 72,985</u>

Cash paid for interest approximated \$10,445 and \$8,789 for the years ended September 28, 2013 and September 29, 2012, respectively.

NONCASH TRANSACTIONS:

The System entered into capital leases in the amount of approximately \$472 and \$94 during the years ended September 28, 2013 and September 29, 2012, respectively, related to the acquisitions of equipment.

The System refinanced \$2,643 and \$5,772 of tax-exempt bonds during the years ended September 28, 2013

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

EASTERN MAINE HEALTHCARE SYSTEMS

Notes to Consolidated Financial Statements

September 28, 2013 and September 29, 2012

1. Organization and Business

Eastern Maine Healthcare Systems (EMHS) is the parent company in an integrated health care delivery system (the System). EMHS controls its subsidiaries by means of stock ownership or corporate membership. The System provides a broad range of health care and related services to nine Northern and Eastern Maine counties through subsidiary and affiliated corporations, limited liability companies, and partnerships.

The primary function of EMHS is to provide overall coordination and direction for the activities of the following corporations. Each affiliated organization is a tax-exempt charitable organization, unless otherwise noted.

Acadia Hospital Corp. (Acadia) — Acadia operates a 100-bed acute care, psychiatric, and chemical dependency hospital located in Bangor, Maine. Acadia is the sole corporate member of Acadia Healthcare, Inc. (AHI). AHI is a provider of substance abuse and community integration services. Meadow Wood, LLC and Restoration Health, LLC, are wholly-owned subsidiaries of AHI that provides outpatient mental health services in Bangor, Maine.

Affiliated Healthcare Systems (AHS) — AHS, a taxable holding company, is a wholly-owned subsidiary of EMHS. AHS has several subsidiaries and is a member in several joint venture limited liability companies.

The following are wholly-owned subsidiaries of AHS:

Affiliated Laboratory, Inc. (ALI) — ALI provides medical laboratory services to various System companies, physicians, and other health care providers throughout Northern New England. ALI operates medical laboratories in Bangor and Portland, Maine.

Affiliated Materiel Services (AMS) — AMS is a multistate distributor of medical and other supplies to various System companies, physicians' offices, and other health care organizations. AMS also provides consulting services in materials management.

Affiliated Healthcare Management (AHM) — AHM provides various services to businesses throughout Northern New England. These services include workforce training, employee assistance programs, web design solutions, and other services to hospitals and other health care organizations, including System companies.

Affiliated Collections, Inc. (ACI) — ACI provides debt collection services to commercial businesses, municipalities, and health care clients, including System companies. As of April 2013, services are provided by a new joint venture Advanced Collection Services, LLC in which AHS is 50% owner.

Alliance Health Documentation, LLC (AHD) — AHD began operations July 2013 and provides transcription services in which AHS is 51% owner.

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Dirigo Pines Retirement Community, LLC (DPRC) — The purpose of DPRC is to construct a cooperative retirement housing community in Orono, Maine.

M Drug, LLC (M Drug) — Doing business as Miller Drug, M Drug operates four retail pharmacies in Bangor and Brewer, Maine. AHS owned 50% of M Drug. On May 17, 2013, a wholly-owned subsidiary of AHS acquired the remaining 50% of M Drug. At the date of the acquisition, the fair value of AHS's 50% equity position was \$247,000. AHS recognized a gain of \$1,375,000 as a result of re-measuring the fair value of M Drug, including previously recorded estimated obligations under the joint venture agreement. This gain is included in Investment Income and other — net. The fair value of the acquired assets and liabilities was determined using a cost approach for property and equipment and an income approach for customer lists and lease arrangements. The income approach used converted estimated future earnings and cash flows to a single present value to indicate current fair value. The weighted average cost of capital was 12.5%.

The fair value of each major class of assets and liabilities was as follows (dollars in thousands):

Assets	
Current assets	\$ 7,484
Equipment and leasehold improvements	722
Customer lists	3,100
Other assets	<u>70</u>
Total assets	11,376
Liabilities	
Current liabilities	9,632
Long-term debt	<u>1,250</u>
Net fair value of entity	<u>\$ 494</u>

Meridian Mobile Health, LLC (Meridian) — Meridian is a limited liability company providing ground medical transportation services.

Beacon Health, LLC (Beacon) — Beacon contracts with payors to provide population health management service and care coordination. EMHS holds a 93% ownership in Beacon.

Blue Hill Memorial Hospital (BMMH) — BMMH operates a 25-bed, critical access hospital located in Blue Hill, Maine.

Charles A. Dean Memorial Hospital (C.A. Dean) — C.A. Dean operates a 25-bed critical access hospital and skilled care facility in Greenville, Maine and has family and specialty practices in Greenville, Monson, and Sangerville.

Eastern Maine HomeCare (EMHC) — EMHC provides home health, hospice, telehealth, and community health services to residents in Central, Northern, and Eastern Maine.

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Eastern Maine Medical Center (EMMC) — EMMC operates a regional 411-bed acute care medical center located in Bangor, Maine, which provides a variety of inpatient and ambulatory health care services. EMMC is the sole corporate member of the following subsidiaries:

Eastern Maine Medical Center Auxiliary (EMMCA) — EMMCA raises funds to benefit EMMC.

Norumbega Medical Specialists, Ltd. (Norumbega) — Norumbega operates a physician practice in Orono, Maine.

EMHS Foundation (The Foundation) — The Foundation holds and manages unrestricted and donor-restricted funds for the benefit of various System companies and other exempt organizations in Maine. The amount of assets held for the benefit of unrelated organizations is not material.

The Foundation owns 50% of the stock in New England Home Health Care, a Bangor-based home health care company, providing services throughout Central and Eastern Maine.

Inland Hospital (Inland) — Inland operates a 48-bed hospital located in Waterville, Maine. Inland is the sole member of Lakewood Continuing Care Center (Lakewood). Lakewood operates a 105-bed long-term care facility.

Maine Institute for Human Genetics and Health (MIHGH) — MIHGH operates as a medical research laboratory focusing on the chronic diseases that are prevalent in Maine with special emphasis on cancer.

Maine Network for Health (MNH) — MNH is a provider-owned service organization that offers administrative, clinical, and quality support services to physician practices and hospitals. Several System hospitals collectively own the majority of MNH and, accordingly, MNH has been included in the System's consolidated financial statements. MNH is a taxable corporation.

Rosscare — Rosscare provides or supports a continuum of nonacute health care services, including a personal emergency response program, a telephone reassurance program, geriatric nurse consultation and education, and a continuing care information center. Rosscare is the sole shareholder of Rosscare Nursing Homes, Inc. (RNHI) and is the sole member of Dirigo Pines Inn, LLC (DPI):

RNHI — RNHI is a 50% partner in five separate partnerships, each of which owns and operates a nursing home. On a combined basis, the nursing homes offer 293 long-term care beds, 40 assisted living units, 38 specialized care beds, and a 36-bed Alzheimer unit to the residents of Central Maine.

DPI — DPI is a limited liability company formed for the construction and operation of an apartment-style retirement community in Orono, Maine. DPI offers 22 specialized care beds, a 27-bed Alzheimer unit, 56 independent living units, and 17 assisted living units.

Sebasticook Valley Health (SVH) — SVH operates a 25-bed critical access hospital located in Pittsfield, Maine.

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The Aroostook Medical Center (TAMC) and Subsidiaries — TAMC operates a community hospital with 89 beds and a nursing home with 72 beds. TAMC has the following subsidiaries:

TAMC Title Corporation — TAMC Title Corporation is a real estate holding company that owns buildings that are leased to various health care-related organizations.

TAMC Endowments — TAMC Endowments is responsible for raising, holding, and managing contributions received from donors for the benefit of TAMC and its subsidiaries.

2. Summary of Significant Accounting Policies

Reporting Entity

The accompanying consolidated financial statements include the accounts of EMHS and its controlled affiliates. The consolidated financial statements include 100% of the assets and liabilities of majority-owned subsidiaries. Significant intercompany accounts and transactions among the affiliated organizations have been eliminated in preparing the consolidated financial statements. The assets of any member of the consolidated group may not be available to meet the obligations of other members in the group, except as disclosed in Note 9.

Fiscal Year

The fiscal year for the majority of the System organizations ends on the last Saturday in September.

Basis of Presentation

The accompanying consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Health Care Organizations*, and other pronouncements applicable to health care organizations.

For purposes of display, transactions deemed by management to be ongoing and central to the provision of health care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as other gains and losses.

Use of Estimates

The preparation of consolidated financial statements in conformity with 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Significant management estimates include net patient service revenue and related patient accounts receivable, the valuation of investments, the determination of impairment of long-lived assets, self-insurance reserves, accrued retirement benefits, and estimated third-party payor settlements.

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Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less at the date of purchase, excluding amounts classified as assets whose use is limited or restricted.

Patient and Trade Accounts Receivable

Patient and trade 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 valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and the applicable patient accounts receivable. Credit is extended without collateral.

In evaluating the collectability of accounts receivable, the System analyzes past results and identifies trends for each major payor source of revenue for the purposes of estimating the appropriate amounts for the allowance for doubtful accounts and the provision for bad debts. Data in each major payor source is regularly reviewed to evaluate the adequacy of the allowance for doubtful accounts. Specifically, for receivables relating to services provided to patients having third-party coverage, an allowance for doubtful accounts and a corresponding provision for bad debts are established at varying levels based on the age of the receivables and payor source. For receivables relating to self-pay patients, a provision for doubtful accounts and corresponding allowance for doubtful accounts is made in the period services are rendered based on experience indicating the inability or unwillingness of patients to pay amounts for which they are financially responsible. Actual write-offs are charged against the allowance for doubtful accounts.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Realized gains or losses on the sale of investments are determined by use of average cost. Unrealized gains and losses on investments are excluded from excess of revenue and gains over expenses and losses and reported as an increase or decrease in net assets, except that declines in fair value that are judged to be other than temporary are reported as realized losses. The System periodically reviews its investments to identify those individual investments for which fair value is below cost. The System then makes a determination as to whether the investment should be considered other than temporarily impaired. There were no significant impairments at September 29, 2013 or September 28, 2012.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Consequently, 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 and statements of operations and changes in net assets.

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Several System organizations own interests in joint venture entities. Ownership interests between 20% and 50% in a joint venture are accounted for by using the equity method of accounting. Using the equity method, the investment is increased by the System organization's share of the entity's income and additional investments. The investment is decreased by the System organization's share of the entity's losses and distributions.

Derivative Instruments

The System recognizes derivative instruments as either assets or liabilities and measures those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For a derivative instrument designated as a fair value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as an unrealized gain or loss on investments and subsequently reclassified into earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. For derivative instruments that are not designated as accounting hedges, changes in fair value are recognized in earnings in the period of change. The System records derivative instruments in the statements of cash flows to operating, investing, or financing activities consistent with the cash flows of the hedged item.

Inventory

System organizations record inventory at the lower of cost or market using the first-in, first-out, or average cost methods.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include Board of Directors (the "Board") designated assets, assets held in trust under debt agreements, self-insurance trust arrangements, and assets that are donor-restricted. Permanently restricted trusts held by unrelated entities for the benefit of various System organizations are reported as beneficial interest in perpetual trusts. Board-designated assets may be used at the Board's discretion.

Property and Equipment

Property and equipment are recorded at cost or, in the case of gifts, at fair market value at the date of the gift, less accumulated depreciation. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the related assets. Buildings and equipment under capital lease obligations are amortized using the straight-line method over the shorter period of the lease term or estimated useful life of the building or equipment. Such amortization is included in depreciation and amortization in the consolidated statements of operations.

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Gifts of long-lived assets, such as land, buildings, or equipment, are reported as an increase in unrestricted net assets (excluded from the excess of revenue and gains over expenses and 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 an increase in restricted net assets. 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.

Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value, less cost to sell.

Asset Retirement Obligations

The System recognizes the liability for conditional asset retirement obligations when the System has a legal obligation to perform asset retirement activities. The fair value of the liability for the legal obligation associated with an asset retirement is recorded in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement is capitalized.

Substantially all of the asset retirement obligations recorded relate to estimated costs to remove asbestos that is contained within the System's facilities. The adjustments to the carrying amount of the asset retirement obligation were approximately \$62,000 and \$29,000 in 2013 and 2012, respectively, and were primarily attributable to revised estimates, accretion expense and removal of asbestos.

Costs of Borrowing

Interest costs incurred on borrowed funds during the period of construction of capital assets, net of investment income on borrowed assets held by trustees, are capitalized as a component of the cost of acquiring those assets. The amount of interest that was capitalized totaled approximately \$4,796,000 and \$10,000 in 2013 and 2012, respectively. Deferred financing costs and original issue premiums and discounts are amortized over the period the related obligation is outstanding on a straight-line basis.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

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Interpretation of Relevant Law

The System has interpreted state law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a temporarily restricted net asset classification until appropriated by the Board and expended. As a result of this interpretation, the System classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present, and (b) the original value of the subsequent gifts to the permanent endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present. The remaining portion of the donor-restricted endowment fund composed of accumulated gains not required to be maintained in perpetuity is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the donor's stipulations.

The System administers a formal spending policy consistent with state law to appropriate the net appreciation of permanently restricted net assets as is deemed prudent by the Board considering the System's long- and short-term needs, price-level trends, and general economic conditions. Under this policy, the System maintains an annual spending level generally in the range of 3%-6%, with a target of 5%, of each endowment fund's moving five-year average market value. Endowment assets are invested in a manner to generate returns at least equal to and preferably greater than the consumer price index, plus 5%. To satisfy its long-term rate-of-return objectives, the System targets a diversified asset allocation that places a greater emphasis on equity-based investments within prudent risk constraints. Realized and unrealized gains on permanently restricted net assets, which are not specifically restricted by donors, are reported in a temporarily restricted net asset classification until appropriated by the Board and expended.

Revenue Recognition

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. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursement to System organizations are subject to negotiation, audit, and/or final determination by the third-party payors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Variances between preliminary estimates of net patient service revenue and final third-party settlements are included in net patient service revenue in the year in which the settlement or change in estimate occurs. In 2013 and 2012, changes in prior-year estimates increased net patient service revenue by \$31,974,000 and \$35,318,000, respectively.

Gifts

Unconditional promises to give cash and other assets to System organizations are reported at fair value at the date the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is

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received. Gifts are reported as an increase in either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as additions to unrestricted net assets in the accompanying consolidated financial statements.

Excess of Revenue and Gains Over Expenses and Losses

The consolidated statements of operations include excess of revenue and gains over expenses and losses. Changes in unrestricted net assets, which are excluded from excess of revenue and gains over expenses and losses, consistent with industry practice, include transfers of assets to and from affiliates for other than goods and services, the change in unrealized gains and losses on investments, pension and postretirement plan adjustments, and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets).

Other Revenue

Unrestricted investment income on operating assets is included in other revenue in the year earned. Grant revenue, meaningful use incentives (see below), cafeteria sales, and gift shop revenue are also included as other revenue.

Meaningful Use Revenues

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The criteria for meaningful use will be staged in three steps from fiscal year 2012 through 2016. During 2013 and 2012, the System attested to Stage 1 meaningful use certification from the Centers of Medicare and Medicaid Services (CMS) and recorded meaningful use revenues of \$3,890,000 and \$5,464,000, respectively, in the consolidated statements of operations. 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, and could result in return of a portion or all of the incentive payments received by the System.

The Medicaid program provides incentive payments to hospitals and eligible professionals as they adopt, implement, upgrade or demonstrate meaningful use in the first year of participation and demonstrate meaningful use for up to five remaining participation years. The State of Maine program was launched on October 2011; however, there was an attestation tail period from January 1, 2012 through March 31, 2012 where providers were allowed to apply late for payments related to program year 2011. During 2013 and 2012, the System recorded meaningful use revenues of \$4,330,000 and \$11,102,000, respectively, after attesting to Stage 1 meaningful use, of which \$6,587,500 related to program year 2011 was recognized in revenue in fiscal year 2012.

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The System recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific requirements applicable for the reporting period.

Income Taxes

EMHS, its hospitals, and certain other affiliates have been determined by the Internal Revenue Service to be tax-exempt charitable organizations as described in Section 501(c)(3) or 501(c)(2) of the Internal Revenue Code (the Code) and, accordingly, are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for federal income taxes has been recorded in the accompanying consolidated financial statements for these organizations.

Tax-exempt charitable organizations could be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. Under guidance issued by the Financial Accounting Standards Board (FASB), assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense. The System has evaluated its tax position taken or expected to be taken on income tax returns and concluded the impact to be not material.

Certain of the System's affiliates are taxable entities. Deferred taxes related to these entities are based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years the differences are expected to reverse. The deferred tax assets and liabilities for these entities are not material.

Accrual for Self-Insurance Liabilities

The liabilities for outstanding losses and loss-related expenses include estimates for malpractice losses incurred but not reported, as well as losses pending settlement. Insurance recoveries are included in other assets and are not netted against the liability. Such liabilities are necessarily based on estimates, and while management believes that the amounts provided are adequate, the ultimate liability may be in excess of or less than the amounts provided. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The methods for making such estimates and the resulting liability are actuarially reviewed on an annual basis and any adjustments are reflected in operations currently.

The System also estimates and records a liability for claims incurred but not reported for employee health and dental benefits provided through self-insured plans. The liability is estimated based on prior claims experience and the expected time period from the date such claims are incurred to the date the related claims are submitted and paid.

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Accounting for Defined Benefit Pension and Other Postretirement Plans

The System recognizes the overfunded or underfunded status of its defined benefit and postretirement plans as an asset or liability in its consolidated balance sheets. Changes in the funded status of the plans are reported as a change in unrestricted net assets presented below the excess of revenue and gains over expenses and losses in the consolidated statements of operations and changes in net assets in the year in which the changes occur.

Discontinued Operations

On November 1, 2012, EMMC transferred ownership of its outpatient dialysis services to an independent third-party provider. EMMC received \$16,342,000 in net proceeds and recorded a \$15,116,000 gain on sale in fiscal year 2013.

All outpatient dialysis services were treated as discontinued operations for fiscal years 2013 and 2012. Net patient service revenue of \$978,680 and \$11,173,060 is reported net of related expenses for the fiscal years ended 2013 and 2012, respectively.

Recently Issued Accounting Pronouncements

In July 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which requires health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. Additionally, health care entities are required to provide enhanced disclosure about how it considers collectability in determining the amount and timing of revenue and bad debt expense. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The provisions of ASU No. 2011-07 are effective for the System beginning September 30, 2012 and were applied retrospectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

Subsequent Events

For purposes of the preparation of these financial statements, the System has considered transactions or events occurring through December 20, 2013, which was the date that the financial statements were issued.

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Effective October 4, 2013, EMHS became the sole corporate member of Mercy Health Systems of Maine (MHSM) of Portland, Maine. MHSM owns Mercy Hospital, a Maine nonprofit, tax-exempt corporation that operates a 230-bed acute care hospital with two campuses located in Portland, Maine, Mercy Recovery Center located in Westbrook, Maine, and VNA Home Health Hospice (VNA). Serving as a continuum of care provider for Southern Maine, MHSM provides a broad range of medical and surgical services, as well as eight primary care locations, four express care locations, and 17 sub-specialty physician practices ranging from thoracic and spine surgery to ENT and oncology care. EMHS believes it will benefit from MHSM's extensive work on the development of an ambulatory network and VNA's extensive home-based care systems, which are considered central to improving the health of their communities.

The accounting for the transaction is expected to be completed in the first quarter of fiscal year 2014 and, therefore, its effect on the consolidated financial statements of the System for the year ending September 27, 2014 has not yet been determined.

There was no consideration transferred in connection with the Mercy transaction; however, MHSM had outstanding bonds with its previous parent company, Catholic Health East, which needed to be defeased as part of the transaction. On October 4, 2013, \$69,661,000 was drawn down on a line of credit and transferred to MHSA in the form of an intercompany loan to fund the defeasance.

The unaudited book value of MSHM assets and liabilities at September 30, 2013 was \$195,358,000 and \$126,846,000, respectively.

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3. Net Patient Service Revenue

Net patient service revenue for the years ended September 28, 2013 and September 29, 2012 consisted of the following (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Full charges for services to patients:		
Daily patient services	\$ 271,620	\$ 264,097
Ancillary services	589,470	556,426
Outpatient services	<u>988,030</u>	<u>942,825</u>
Gross patient service revenue	<u>1,849,120</u>	<u>1,763,348</u>
Less contractual allowances	(787,117)	(737,417)
Less charity care	<u>(55,341)</u>	<u>(49,038)</u>
	<u>(842,458)</u>	<u>(786,455)</u>
Patient services revenue (net of contractual allowances and discounts)	1,006,662	976,893
Less provision for bad debts	<u>(46,029)</u>	<u>(40,202)</u>
Net patient service revenue	<u>\$ 960,633</u>	<u>\$ 936,691</u>

The allowance for doubtful accounts was \$42,791,000 and \$41,396,000 at September 28, 2013 and September 29, 2012, respectively, and relates primarily to self-pay accounts. Gross self-pay accounts receivable were \$44,970,000 and \$42,641,000 at September 28, 2013 and September 29, 2012, respectively. During the years ended September 28, 2013 and September 29, 2012, self-pay write-offs were \$51,073,000 and \$40,079,000, respectively. The increase in write-offs relates directly to the increase in revenue from self-pay patients.

Revenue related to self-pay patients was \$135,831,000 and \$113,593,000 for the years ended September 28, 2013 and September 29, 2012, respectively.

4. Charity Care and Community Service

When patients meet certain criteria under the System's charity care policies, System organizations provide them with care without charge or at amounts less than established rates. System organizations do not pursue collection of amounts determined to qualify as charity care and, accordingly, these amounts are not included in net patient service revenue. The System estimates the costs associated with providing charity care by calculating a ratio of total cost to total gross charges, and then multiplying that ratio by the gross uncompensated charges associated with

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providing care to patients eligible for free care. The estimated cost of caring for charity care patients was \$26,166,442 and \$23,492,925 for the years ended September 28, 2013 and September 29, 2012, respectively. Funds received from gifts and grants to subsidize charity services provided were \$430,486 and \$323,525 for the years ended September 28, 2013 and September 29, 2012, respectively.

In furtherance of their charitable purposes, System organizations provide many services and programs at reduced or no cost to the public, schools, and civic groups. Some of these services include health screenings, clinics, coordination of blood drives, educational materials and presentations, radio and television information programs on health topics, hosting support groups and programs, and offering a speakers bureau of professionals to discuss health issues.

5. Third-Party Reimbursement

The System's affiliates have agreements with third-party payors that provide for payments to the respective organizations at amounts different from their established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare

Net revenue from the Medicare program accounted for approximately 32% and 33% of the System's net patient service revenue for 2013 and 2012, respectively. The acute care hospitals are subject to the federal Prospective Payment System (PPS) for Medicare inpatient hospital services, inpatient skilled nursing facilities services, inpatient rehabilitation services, and for certain outpatient services. Under these prospective payment methodologies, Medicare pays a prospectively determined per discharge, per day, or per visit rate for non-physician services. These rates vary according to the applicable Diagnosis Related Group (DRG), Case-Mix Group, or Resource Utilization Group. Capital costs related to Medicare inpatient PPS services are paid based upon a standardized amount per discharge weighted by DRG. TAMC is designated as a Medicare-dependent hospital for reimbursement purposes. Accordingly, TAMC receives an additional payment amount, which is a portion of the difference between the federal operating rate and a hospital-specific rate. Inland was selected to participate in a Medicare Rural Community Hospital Demonstration Project and is therefore no longer subject to PPS payments for inpatient hospital services and associated capital costs for the duration of this five-year program. During the first fiscal year of the program which began September 25, 2011, Medicare paid for the full reasonable costs incurred for inpatient services provided. The payment for subsequent years is the lesser of reasonable costs or a target amount determined by increasing the first year program costs by the inpatient prospective payment factor update for each succeeding year. For most outpatient services, Medicare makes payment based upon the Ambulatory Payment Classification (APC) of each patient. Certain other outpatient services are reimbursed according to fee screens. The hospitals are reimbursed for cost-reimbursable items at an interim tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare audit contractor. Outpatient services provided at the System's rural health centers are reimbursed on the basis of reasonable costs per visit.

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As a specialty psychiatric hospital facility, Acadia is reimbursed for Medicare inpatient services on a PPS basis. The prospective payment methodology for psychiatric facilities is based on a per diem rate. This rate will be adjusted upwards to reflect higher costs on the earlier days of the stay and downwards towards the end of the stay. The per diem will vary based on diagnosis, comorbidity condition, age, wage index, rural setting, the presence of a full-service emergency room, and the extent of teaching activity in the facility.

BHMH, C.A. Dean, and SVH have been granted Critical Access Hospital (CAH) status, which continues as long as certain utilization criteria are met. Each CAH is reimbursed 101% of allowable costs for its inpatient and substantially all of its outpatient services provided to Medicare patients.

The System began participating in the CMS Pioneer Accountable Care Organization (ACO) on January 1, 2012. System hospitals participating include EMMC, BHMH, CA Dean, Inland, SVH and TAMC. Additional organizations participated in the ACO through contractual arrangements or through ownerships in Beacon Health, LLC. Through this agreement, the System provides care coordination and healthcare management to Medicare enrollees identified as patients of the ACO participants. Under the program, the System is eligible to share in the resulting savings in year one, and in shared savings and losses beginning January 1, 2013. The System recorded shared savings revenue of \$2,026,025 in 2013 related to plan year 2012. The System has recorded shared losses of \$1,800,000 for plan year 2013 based on preliminary data through June 30, 2013. The initial term of the agreement is through December 31, 2014 and can be extended for an additional two-year term. The System is required to meet certain performance and quality measures to maintain eligibility.

MaineCare

MaineCare reimbursement is based upon prospectively determined rates that vary according to the applicable DRG. Capital and physician service costs related to MaineCare inpatient services are paid based on a percentage of allowable costs. Outpatient services were reimbursed partially based upon discounted allowable costs and partially based on fee schedules until July 1, 2012. From July 1, 2012 forward, MaineCare makes payment based upon the APC of each patient. Certain other outpatient services are reimbursed according to fee screens. Prior to the implementation of DRG and APC prospective payments, reimbursement was made for most services at a tentative rate with final settlement determined after completion of annual cost reports by the State. Only capital, physician service costs, and medical education costs after July 1, 2012 are subject to a final settlement process. Nursing facilities are reimbursed partially on a prospectively determined per diem rate for direct and routine services together with a fixed cost component that is subject to final settlement determined after completion of an annual cost report by the State.

BHMH, C. A. Dean, and SVH are also recognized as CAHs by the MaineCare program and, as such, are reimbursed on a percentage of allowable costs for inpatient and outpatient services provided to MaineCare patients.

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Acadia is reimbursed for MaineCare inpatient services based on a negotiated rate related to established charges. Outpatient services are reimbursed based on a percentage of cost.

For the past several years, the interim payments used to reimburse the hospitals in the System were significantly below the amounts due to the hospitals based upon the reimbursement statutes in effect each year. During September 2013, the hospitals received payments of \$106,670,000 on these receivables. Net revenue from the MaineCare program accounted for approximately 19% of the System's net patient service revenue for both 2013 and 2012. At September 28, 2013 and September 29, 2012, amounts due from and amounts due to the State of Maine (the State) under the MaineCare program consisted of the following (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Amounts due from MaineCare — current	\$ 520	\$ 2,242
Amounts due from MaineCare — long-term	<u>21,604</u>	<u>109,448</u>
Total amounts due from MaineCare	22,124	111,690
Amounts due to MaineCare — current	(1,662)	(6,839)
Amounts due to MaineCare — long-term	<u>(5,079)</u>	<u>(1,550)</u>
Net amounts due from MaineCare	<u>\$ 15,383</u>	<u>\$ 103,301</u>

The System's hospitals have not received final settlement on cost reports filed under the MaineCare program since 2004. For the open cost report years from 2005 to 2013, the System has established reserves against changes in the total obligation arising from final settlement of the cost reports. At September 28, 2013 and September 29, 2012, the System had \$33,869,000 and \$45,968,000, respectively, of MaineCare reserves included in non-current estimated third party-payor settlements. Estimated settlements receivable are also classified as current or non-current based on expected timing of final settlement.

At September 29, 2012, the State's current budget did not fully provide for outstanding amounts due to the hospitals; accordingly, certain amounts receivable from the MaineCare program were reported as noncurrent assets because management determined that such amounts were not reasonably expected to be realized in cash within one year of the consolidated balance sheet date. These amounts were received during the year ended September 28, 2013.

The State assesses a health care provider tax on the revenues of hospitals. The amount of tax assessed to System organizations was approximately \$20,518,000 and \$18,013,000 in 2013 and 2012, respectively. This amount has been reported as supplies and other expenses in the accompanying consolidated statements of operations.

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Other Payor Arrangements

The System's affiliates have entered into other payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge and per day, discounts from established charges, fee screens, and capitation fees earned on a per member, per month basis.

6. Investments and Assets Whose Use is Limited or Restricted

At September 28, 2013 and September 29, 2012, investments and assets whose use is limited or restricted consisted of the following (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Short-term investments:		
Temporary cash investments	\$ 32	\$ 56
Mutual funds, institutional funds and common collective trusts	14,183	7,186
Fixed-income securities	<u>384</u>	<u>687</u>
Total short-term investments	<u>\$ 14,599</u>	<u>\$ 7,929</u>
Assets whose use is limited or restricted — current:		
Temporary cash investments	\$ 32,537	\$ 23,717
Mutual funds, institutional funds and common collective trusts	119	114
Fixed-income securities	<u>14,125</u>	<u>3,423</u>
Total assets whose use is limited or restricted — current	<u>\$ 46,781</u>	<u>\$ 27,254</u>
Assets whose use is limited or restricted — noncurrent:		
Temporary cash investments	\$ 82,766	\$ 75,737
Marketable equity securities	7,946	6,153
Other equity investments	4,792	498
Mutual funds, institutional funds and common collective trusts	218,710	133,672
Guarantee investment contracts	66,633	-
Fixed-income securities	176,737	105,801
Pledges and other receivables	5,773	4,648
Beneficial interest in perpetual trusts	<u>10,852</u>	<u>10,217</u>
Total assets whose use is limited or restricted — noncurrent	<u>\$ 574,209</u>	<u>\$ 336,726</u>

Assets of self-insured programs for employee health benefits, certain assets held in trust under bond indentures, and portions of charitable gift annuities are classified as current assets.

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For the years ended September 28, 2013 and September 29, 2012, investment income consisted of the following (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 4,640	\$ 4,471
Realized gains and losses on sale of securities — net	17,572	4,960
Change in net unrealized gains (losses) on investments	<u>(6,701)</u>	<u>10,204</u>
Total	<u>\$ 15,511</u>	<u>\$ 19,635</u>

For the years ended September 28, 2013 and September 29, 2012, investment income (loss) was reported as follows (dollars in thousands):

Other revenue	\$ 7,101	\$ 2,892
Investment income and other — net	9,489	6,096
Change in net unrealized gains (losses) on investments	(5,480)	5,033
Consolidated statements of changes in net assets:		
Temporarily restricted net assets — restricted investment income and realized and unrealized investment gains	3,734	4,717
Permanently restricted net assets — unrealized investment gains	<u>667</u>	<u>897</u>
Total	<u>\$ 15,511</u>	<u>\$ 19,635</u>

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Derivative Financial Instruments

AHS and EMHS are parties in several fixed-payor swap contracts related to underlying, variable rate debt obligations (which are disclosed in Note 9). The purpose of these contracts is to protect AHS and EMHS against rising interest rates related to the variable rate debt. These contracts qualify for hedge accounting as a cash flow hedge. The combined increase in the fair value of the contracts amounted to \$1,267,000 during 2013 and decrease amounted to \$43,000 during 2012, and is included in change in net unrealized gains (losses) on investments in the accompanying consolidated statements of operations. The net settlement related to the contracts is included in interest expense. AHS and EMHS expect to hold the swap contracts until their respective maturities, at which point unrealized gains or losses will be zero. The fair value of the interest rate swaps was a liability of \$2,412,000 and \$3,679,000 at September 28, 2013 and September 29, 2012, respectively, and is included in other liabilities in the accompanying consolidated balance sheets. The interest swap contract disclosures are summarized as follows (dollars in thousands):

	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Notional Amount</u>	<u>Fair Value Liability as of September 28, 2013</u>	<u>Fair Value Liability as of September 29, 2012</u>	<u>Termination Date</u>	<u>Counterparty</u>
AHS	7.10%	1.68%	\$ 3,212	\$ 683	\$ 979	September 2021	TD Bank
AHS	7.09%	1.68%	1,882	378	550	November 2020	TD Bank
EMHS	5.57%	1.53%	10,176	1,318	1,922	November 2018	TD Bank
EMHS	4.95%	1.53%	5,818	33	228	November 2013	TD Bank
				<u>\$ 2,412</u>	<u>\$ 3,679</u>		

Pledges Receivable

Pledges receivable includes the net present value of future unconditional promises to give from donors. At September 28, 2013 and September 29, 2012, the future amounts receivable for unconditional promises to give are as follows (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Due within one year	\$ 2,528	\$ 2,176
Due within two to five years	3,598	3,092
Thereafter	<u>172</u>	<u>247</u>
Total receivable	6,298	5,515
Less allowance for uncollectible pledges and discounts	<u>(938)</u>	<u>(873)</u>
Total net receivable	<u>\$ 5,360</u>	<u>\$ 4,642</u>

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Annuity Agreements

The System has entered into various charitable gift annuity agreements with donors with the assets held in trust and administered by the System. These assets are included in assets whose use is limited or restricted in the accompanying consolidated balance sheets and totaled approximately \$1,519,000 and \$1,422,000 at September 28, 2013 and September 29, 2012, respectively. A contribution is recognized at the date the agreement is established. Liabilities associated with the agreements are recorded at the present value of estimated future payments to be made to the donors. The liabilities are included in noncurrent liabilities and accrued expenses in the accompanying consolidated balance sheets and totaled approximately \$282,000 and \$356,000 at September 28, 2013 and September 29, 2012, respectively.

7. Property and Equipment

At September 28, 2013 and September 29, 2012, property and equipment consisted of the following (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Land	\$ 9,275	\$ 8,926
Buildings and land improvements	342,264	320,186
Equipment, furniture, and fixtures	461,511	438,525
Leasehold improvements	<u>18,367</u>	<u>17,884</u>
	831,417	785,521
Less accumulated depreciation and amortization	<u>(504,578)</u>	<u>(484,530)</u>
	326,839	300,991
Construction in progress	<u>48,013</u>	<u>37,073</u>
Net property and equipment	<u>\$ 374,852</u>	<u>\$ 338,064</u>

Property and equipment held for sale of \$2,991,000 is included above as of September 29, 2012. There was no property and equipment held for sale as of September 28, 2013.

EMHS and its affiliates have commitments for facility expansions totaling approximately \$157,556,000 and \$28,173,000 at September 28, 2013 and September 29, 2012, respectively.

Construction in progress relates primarily to the construction of a new tower to add inpatient, surgical and diagnostic services and renovation of existing patient care areas at EMMC. A certificate of need for \$247 million was received from the State of Maine, which does not include replacement equipment or debt service reserve funds. Phase 1 of the project is being funded through a 2013 bond issuance of \$143.9 million including \$11 million bond premium, and net assets of approximately \$41 million and is expected to be completed in 2015. Phase 2 is expected to cost

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\$94 million and is expected to be completed in 2017. Upon completion, capacity will increase from 346 total beds to 411, operating rooms will increase from 21 to 24, and the majority of patient rooms will be converted to private.

At September 28, 2013 and September 29, 2012, \$7,571,000 and \$7,804,000, respectively, of property and equipment purchases and costs related to construction projects were included in accounts payable.

Property and equipment includes a building and equipment recorded under capital leases totaling \$9,925,000 and \$9,764,000 with related accumulated depreciation of \$8,812,000 and \$7,924,000 at September 28, 2013 and September 29, 2012, respectively.

8. Intangibles and Other Assets

At September 28, 2013 and September 29, 2012, intangibles and other assets consisted of the following (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Investments in joint ventures:		
Rosscare Nursing Homes, Inc.	\$ 5,886	\$ 5,035
Advanced Collections Services, LLC	178	-
Commercial Delivery Systems, LLC	356	385
County Physical Therapy, LLC	563	538
LifeFlight of Maine, LLC	2,025	2,363
MedComm, LLC	(374)	(346)
M Drug, LLC	-	(475)
New Century Healthcare, LLC	1	1
Northern New England Accountable Care Collaborative, LLC	1,000	500
Penobscot Logistics Solutions, LLC	180	165
Total	<u>9,815</u>	<u>8,166</u>
Other receivables	1,493	2,374
Retirement community development costs	703	717
Deferred tax assets	2,294	1,522
Customer lists	3,122	-
Other	<u>3,495</u>	<u>2,141</u>
Total	<u>\$ 20,922</u>	<u>\$ 14,920</u>

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The System's share of earnings (losses) in its joint ventures totaled \$38,000 and \$(2,806,000) for the years ended September 28, 2013 and September 29, 2012, respectively. Distributions from these joint ventures totaled \$535,000 and \$1,079,000 for the years ended September 28, 2013 and September 29, 2012, respectively. In 2013 and 2012, the System increased its investment in joint ventures by \$1,005,000 and \$1,675,000, respectively.

During the ordinary course of business, the System may provide services to various joint ventures. This income is included in sales and contract revenue and was not material in 2013 or 2012.

The System entities own 50% interests in several joint venture entities (except for a 33.3% interest in Penobscot Logistics Solutions, LLC and 25% interest in Northern New England Accountable Care Collaborative, LLC). Selected financial information derived from the unaudited financial statements of each joint venture entity at September 28, 2013 and September 29, 2012 is as follows (dollars in thousands):

<u>Name of Joint Venture</u>	<u>Owner</u>	2013		
		<u>Total Assets</u>	<u>Long-Term Debt</u>	<u>Net Equity</u>
Colonial Acres	RNHI	\$ 3,260	\$ 518	\$ 2,356
Dexter Health Care	RNHI	965	77	626
Katahdin Health Care	RNHI	1,023	502	206
Ross Manor Associates	RNHI	14,484	7,046	5,664
Stillwater Health Care	RNHI	<u>3,905</u>	<u>615</u>	<u>2,920</u>
Rosscare Nursing Homes, Inc.		23,637	8,758	11,772
Advanced Collections Services, LLC	AHS	1,089	-	356
Commercial Delivery Systems, LLC	AHS	1,271	80	395
County Physical Therapy, LLC	TAMC	1,288	63	1,126
LifeFlight of Maine, LLC	EMHS	9,583	4,910	4,050
MedComm, LLC	AHS	185	666	(746)
New Century Healthcare, LLC	EMHS	1	-	1
Northern New England Accountable Care Collaborative, LLC	EMHS	4,000	-	4,000
Penobscot Logistics Solutions, LLC	AHS	<u>6,408</u>	<u>5,447</u>	<u>540</u>
Total		<u>\$ 47,462</u>	<u>\$ 19,924</u>	<u>\$ 21,494</u>

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<u>Name of Joint Venture</u>	<u>Owner</u>	2012		
		<u>Total Assets</u>	<u>Long-Term Debt</u>	<u>Net Equity</u>
Colonial Acres	RNHI	\$ 2,718	\$ 577	\$ 2,206
Dexter Health Care	RNHI	1,182	86	566
Katahdin Health Care	RNHI	1,044	522	220
Ross Manor Associates	RNHI	14,564	7,385	5,408
Stillwater Health Care	RNHI	<u>3,793</u>	<u>593</u>	<u>1,670</u>
Rosscare Nursing Homes, Inc.		23,301	9,163	10,070
Commercial Delivery Systems, LLC	AHS	1,222	76	770
County Physical Therapy, LLC	TAMC	1,359	94	1,076
LifeFlight of Maine, LLC	EMHS	10,576	5,392	4,725
MedComm, LLC	AHS	156	42	(690)
M Drug, LLC	AHS	8,654	3,354	(4,626)
New Century Healthcare, LLC	EMHS	1	-	1
Northern New England Accountable Care Collaborative, LLC	EMHS	2,000	-	2,000
Penobscot Logistics Solutions, LLC	AHS	<u>6,584</u>	<u>5,764</u>	<u>495</u>
Total		<u>\$ 53,853</u>	<u>\$ 23,885</u>	<u>\$ 13,821</u>

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9. Debt

Long-term debt at September 28, 2013 and September 29, 2012 consisted of the following (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Bonds payable:		
EMMC Series 2013 Bonds (due in varying amounts each July through the year 2043 with fixed-interest rates ranging from 3.00% to 5.00% per annum)	\$ 143,900	\$ -
SVH Finance Authority of Maine 2013 Revenue Obligation Bonds (due in varying amounts each January through the year 2029 with fixed interest rates ranging from 2.87% to 3.41% per annum)	10,212	-
TAMC Series 2012A Bonds (due in varying amounts each July through the year 2022 with fixed-interest rates ranging from 2.50% to 5.00% per annum)	4,651	5,156
BHMH/TAMC Series 2010B Bonds (due in varying amounts each July through the year 2028 with fixed-interest rates ranging from 3.00% to 5.25% per annum)	6,017	6,856
Acadia/EMMC Series 2010A Bonds (due in varying amounts each July through the year 2040 with fixed-interest rates ranging from 3.00% to 5.25% per annum)	67,717	70,922
Inland/Lakewood Series 2007B Bonds (due in varying amounts each July through the year 2037 with fixed-interest rates ranging from 4.00% to 5.00% per annum)	8,442	8,652
Inland Series 2006A Bonds (due in varying amounts each July through the year 2030 with fixed-interest rates ranging from 4.00% to 5.00% per annum)	1,033	1,078
SVH Series 2004B Bonds (due in varying amounts each July through the year 2015 with fixed-interest rates ranging from 3.625% to 3.75% per annum)	128	213
Inland/Lakewood Series 2004A Bonds (due in varying amounts each July with fixed-interest rates ranging from 4.375% to 5.375% per annum); paid in full in 2013	-	554
SVH Series 2001B Bonds (due in varying amounts each July with fixed-interest rates ranging from 4.90% to 5.20% per annum); paid in full in 2013	-	2,643
	<u>242,100</u>	<u>96,074</u>
Net unamortized original issue premium	<u>14,163</u>	<u>3,318</u>
Bonds payable — net	<u>256,263</u>	<u>99,392</u>
Other long-term debt:		
Installment loans and other	66,094	61,842
Capital lease obligations	<u>1,197</u>	<u>1,881</u>
Total long-term debt	<u>323,554</u>	<u>163,115</u>
Less current portion	<u>(12,246)</u>	<u>(10,327)</u>
Long-term debt — net of current portion	<u>\$ 311,308</u>	<u>\$ 152,788</u>

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Bonds Payable

Series 2013 Bonds — In 2013, EMMC issued \$143,900,000 in notes payable to secure tax-exempt revenue bonds issued by Maine Health and Higher Educational Facilities Authority (the "Authority") for the purpose of financing a portion of the first phase of the expansion and modernization project. The Series 2013 Bonds are collateralized by a security interest in its gross receipts, equipment and a mortgage lien on its main campus.

Finance Authority of Maine 2013 Bonds — In 2013, SVH issued \$10,500,000 in notes payable to secure tax-exempt revenue bonds issued by the Finance Authority of Maine for the purpose of financing construction costs and refunding existing debt. The Series 2013 Bonds are collateralized by a security interest in the pledged receipts.

Series 2012A Bonds — In 2012, TAMC issued \$5,156,350 in notes payable to secure tax-exempt revenue bonds issued by the Authority for the purpose of refunding existing debt. The Series 2012A Bonds are collateralized by substantially all of the property and equipment of TAMC and a security interest in the gross receipts of the entity.

Series 2010B Bonds — In 2010, BMMH and TAMC issued \$2,223,000 and \$6,243,000, respectively, in notes payable to secure tax-exempt revenue bonds issued by the Authority for the purpose of refunding existing debt. The Series 2010B Bonds are collateralized by substantially all of the property and equipment of BMMH and TAMC and a security interest in the gross receipts of each entity.

Series 2010A Bonds — In 2010, Acadia and EMMC issued \$76,772,000 in notes payable to secure tax-exempt revenue bonds issued by the Authority for the purpose of refunding existing debt and financing new construction at EMMC. EMHS, EMMC, and Acadia are jointly and severally obligated to pay principal and interest on the notes when due. The notes are collateralized by the pledged and assigned revenue of EMHS, EMMC, and Acadia. The Series 2010A Bonds are collateralized by a security interest in their gross receipts.

Series 2007B Bonds — In 2008, Inland and Lakewood issued \$9,537,000 in notes payable to secure tax-exempt revenue bonds issued by the Authority for the purpose of hospital and nursing home renovation and expansion. The Series 2007B Bonds are collateralized by substantially all of the property of Inland and Lakewood and a security interest in their gross receipts.

Series 2006A Bonds — In 2006, Inland issued \$1,303,000 in notes payable to secure tax-exempt revenue bonds issued by the Authority for the purpose of hospital renovations. The Series 2006A Bonds are collateralized by substantially all of the property of Inland and a security interest in its gross receipts.

Series 2004B Bonds — In 2005, SVH issued \$748,000 in notes payable to secure tax-exempt revenue bonds issued by the Authority for the purpose of hospital renovations and new construction. The notes are collateralized by a security interest in its gross receipts.

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Installment Loans

In 1999, EMHS borrowed \$25,000,000 from a commercial bank. The loan requires a monthly fixed-principal repayment sufficient to repay the debt in full at or before June 2019. The note requires interest at the rate of 1% above the London InterBank Offered Rate (LIBOR) resulting in an interest rate of 1.18% at September 28, 2013 and 1.21% at September 29, 2012. The outstanding balance was \$6,955,000 and \$8,205,000 at September 28, 2013 and September 29, 2012, respectively. Security to the lender includes a negative pledge on all unencumbered assets of EMHS at the time of borrowing.

In 2009, EMHS purchased an office building in Brewer, Maine. The building and related acquisition costs were financed through proceeds of two mortgage notes payable in a combined amount of \$23,700,000, collateralized by the building. The notes are amortized over a 25-year period, but are structured in five-year and ten-year terms. The five-year loan of \$6,504,500 bears a fixed-interest rate of 4.95%. This five-year loan required a balloon payment of \$5,804,731 due in November 2013. The note was refinanced in November 2013 and, as a result, is reflected as long-term debt. The amended loan bears interest at a fixed rate of 3.23%. The ten-year loan of \$17,195,500 includes \$11,270,500 that bears interest at a fixed rate of 5.57%. The remaining \$5,925,000 bears interest equal to one-month LIBOR, plus 1.35% resulting in an interest rate of 1.53% and 1.57% at September 28, 2013 and September 29, 2012, respectively. The outstanding balance was \$21,344,000 and \$21,884,000 at September 28, 2013 and September 29, 2012, respectively. The notes require certain financial covenants to be met on both a quarterly and annual basis.

The acquisition of DPRC and DPI in 2006 included the assumption of a mortgage and various notes payable. DPI has a mortgage collateralized by real estate and personal property and guaranteed by the U.S. Department of Housing and Urban Development (HUD). In March 2012, the mortgage was refinanced at a lower interest rate and previously unpaid interest payments were rolled into a second mortgage with repayment terms based on available cash flow. The first mortgage had an outstanding balance of \$13,389,000 and \$13,650,000 at September 28, 2013 and September 29, 2012, respectively. The second mortgage had an outstanding balance of \$3,444,000 and \$3,550,000 at September 28, 2013 and September 29, 2012, respectively. Beginning March 2012, the first note bears interest at 3.55% per annum and requires monthly principal and interest payments of \$108,000 through February 2044. The second note bears interest at 2.65% per annum. The note requires interest and principal payments when there is surplus cash as determined by HUD regulations.

DPI has a revolving working capital line-of-credit with total amounts outstanding of \$1,999,000 at September 28, 2013 and September 29, 2012. The note matures in April 2014 and requires monthly interest payments. The note requires interest at the prime rate for domestic banks, resulting in interest rates of 3.25% at both September 28, 2013 and September 29, 2012.

During 2011, DPRC replaced an existing revolving line-of-credit with a note payable. The outstanding balance was \$2,400,000 and \$3,200,000 at September 28, 2013 and September 29, 2012, respectively. The note bears interest of 4.69% through April 2014 at which time the rate is adjusted to the prime rate for domestic banks. The note requires annual principal payments of \$800,000 through April 2016.

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In addition, DPRC holds a tax increment financing note with an outstanding balance of \$708,000 and \$779,000 at September 28, 2013 and September 29, 2012, respectively. The note bears interest at the prime rate for domestic banks, resulting in interest rates of 3.25% at both September 28, 2013 and September 29, 2012, respectively. The note requires semiannual payments of principal and interest with a final payment due in April 2016.

In 2013, Inland received a letter of intent to refinance its construction line of credit with a note payable; therefore the balance is classified as an installment loan. The balance of \$5,058,000 as of September 28, 2013 will bear an interest rate of 2.5% above LIBOR and is payable through 2033.

Several other System affiliates have mortgages, notes payable, and installment loans outstanding totaling \$10,797,000 and \$8,575,000 at September 28, 2013 and September 29, 2012, respectively. The notes bear interest at rates ranging between 1.68% and 7.67% per annum and are payable through 2025.

Lines-of-Credit

EMHS has a \$35,000,000 revolving line-of-credit arrangement, which expires in March 2015. This line of credit was temporarily increased in September to \$75,000,000, and in March 2014, it will revert back to \$35,000,000. Outstanding borrowings under the line-of-credit were \$0 and \$7,898,000 at September 28, 2013 and September 29, 2012, respectively. Borrowings under the agreement bear interest at the rate of .75% above LIBOR as of September 28, 2013 and 1.00% above LIBOR as of September 29, 2012. Security to the lender includes a negative pledge on all unencumbered assets of EMHS.

Certain of the System's other affiliates have line-of-credit agreements with interest ranging from 1.13% to 5.62% at September 28, 2013 and September 29, 2012. Maximum available borrowings under the agreements aggregated \$13,450,000 and \$10,950,000 at September 28, 2013 and September 29, 2012, respectively. The lines expire at various dates in fiscal years 2014 and 2015 and are collateralized by accounts receivable and certain fixed assets. The outstanding balance was \$58,000 and \$3,727,000 at September 28, 2013 and September 29, 2012, respectively.

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Principal Payments

Principal payments required on long-term debt, excluding capital lease obligations, for the next five years and thereafter at September 28, 2013, are as follows (dollars in thousands):

<u>Years</u>	<u>Bonds</u>	<u>Other Debt</u>	<u>Total</u>
2014	\$ 5,783	\$ 5,935	\$ 11,718
2015	6,149	4,258	10,407
2016	6,294	4,768	11,062
2017	6,511	3,443	9,954
2018	6,810	3,227	10,037
Thereafter	<u>210,553</u>	<u>44,463</u>	<u>255,016</u>
Total	<u>\$ 242,100</u>	<u>\$ 66,094</u>	<u>\$ 308,194</u>

Loan Covenants

Several of the loan agreements contain covenants, which impose restrictions on, among other things, additional indebtedness, transfers between affiliates, and dispositions of property and require that certain financial ratios be met.

Capital Leases

EMHS and System affiliates have capital lease obligations outstanding totaling \$1,197,000 and \$1,881,000 at September 28, 2013 and September 29, 2012, respectively. The obligations bear interest at rates ranging between 1.09% and 13.50% per annum and are payable through 2018.

The System's future obligations under capital leases at September 28, 2013, are as follows (dollars in thousands):

<u>Years</u>	<u>Amount</u>
2014	\$ 589
2015	323
2016	206
2017	108
2018	<u>90</u>
Total minimum lease payments	1,316
Less amounts representing interest	<u>(119)</u>
Present value of minimum lease payments	<u>\$ 1,197</u>

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10. Temporarily and Permanently Restricted Net Assets

Temporarily Restricted Net Assets

At September 28, 2013 and September 29, 2012, temporarily restricted net assets are available for the following purposes (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Cancer Care	\$ 8,096	\$ 7,392
Capital projects	7,401	6,032
Charity care	5,048	4,622
Education and research	422	1,421
Women's and children's care	2,226	2,371
Other health care services	<u>13,337</u>	<u>10,761</u>
Total	<u>\$ 36,530</u>	<u>\$ 32,599</u>

Permanently Restricted Net Assets

At September 28, 2013 and September 29, 2012, the investment returns on permanently restricted net assets are restricted to the following purposes (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Cancer Care	\$ 932	\$ 851
Capital projects	4,270	4,208
Charity care	1,809	1,841
Education and research	464	627
Women's and children's care	545	680
Other health care services	<u>15,898</u>	<u>14,819</u>
Total	<u>\$ 23,918</u>	<u>\$ 23,026</u>

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Endowment Funds

The System's endowment consists of approximately 280 funds established for a variety of purposes. For the purposes of this disclosure, endowment funds include both donor-restricted endowment funds and funds designated by the Board to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition and Changes in Endowment Net Assets

A summary of the endowment net asset composition by type of fund at September 28, 2013 and September 29, 2012, and the changes therein for the years then ended is as follows (dollars in thousands):

	September 28, 2013			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$ 17,401	\$ 23,918	\$ 41,319
Board-designated endowment funds	<u>2,504</u>	<u>-</u>	<u>-</u>	<u>2,504</u>
Total funds	<u>\$ 2,504</u>	<u>\$ 17,401</u>	<u>\$ 23,918</u>	<u>\$ 43,823</u>
	September 29, 2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 15,608	\$ 23,026	\$ 38,634
Board-designated endowment funds	<u>2,382</u>	<u>-</u>	<u>-</u>	<u>2,382</u>
Total funds	<u>\$ 2,382</u>	<u>\$ 15,608</u>	<u>\$ 23,026</u>	<u>\$ 41,016</u>

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets – September 24, 2011	\$ <u>2,135</u>	\$ <u>13,098</u>	\$ <u>21,286</u>	\$ <u>36,519</u>
Investment return:				
Net appreciation	334	3,861	-	4,195
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>897</u>	<u>897</u>
Total investment return	334	3,861	897	5,092
Contributions	-	-	762	762
Additions to Board-designated funds	25	-	-	25
Appropriations of endowment assets for expenditure	(108)	(1,205)	-	(1,313)
Other	<u>(4)</u>	<u>(146)</u>	<u>81</u>	<u>(69)</u>
Endowment net assets – September 29, 2012	<u>2,382</u>	<u>15,608</u>	<u>23,026</u>	<u>41,016</u>
Investment return:				
Net appreciation	222	3,047	-	3,269
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>667</u>	<u>667</u>
Total investment return	222	3,047	667	3,936
Contributions	-	-	164	164
Additions to Board-designated funds	15	-	-	15
Appropriations of endowment assets for expenditure	(105)	(1,127)	-	(1,232)
Other	<u>(10)</u>	<u>(127)</u>	<u>61</u>	<u>(76)</u>
Endowment net assets – September 28, 2013	<u>\$ 2,504</u>	<u>\$ 17,401</u>	<u>\$ 23,918</u>	<u>\$ 43,823</u>

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Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the System to retain as a fund in perpetuity. There were no deficiencies at September 28, 2013 or September 29, 2012.

11. Professional Liability, Self-Insurance, and Other Contingencies

Professional and General Liability

System organizations participate in self-insurance plans for professional and patient general liability, and nonpatient general liability coverage. Trust funding and accrued self-insurance reserves are determined by independent actuarial projections. Stop-loss or excess insurance coverage has been obtained through various commercial insurance companies for the self-insurance programs. For professional liability the coverage provides reimbursement for individual claims in excess of \$5 million and for aggregate claims in excess of \$12 million up to a total of \$15 million. For general liability the coverage provides for reimbursement for individual claims in excess of \$1 million and for aggregate claims in excess of \$3 million. The investment assets and accrued self-insurance reserves of the professional and general liability trust were \$45,030,000 and \$32,768,000, respectively, as of September 28, 2013 and \$34,752,000 and \$33,746,000, respectively, as of September 29, 2012.

Workers' Compensation

The System maintains a common trust fund for a group workers' compensation program in accordance with the Maine Workers' Compensation Act. Because the common trust fund is regulated by the Maine Bureau of Insurance, neither the assets nor the liabilities of the trust are reflected in the accompanying consolidated financial statements. The assets and liabilities of the trust were approximately \$11,921,000 and \$9,653,000 at September 28, 2013 and September 29, 2012, respectively.

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Employee Health Benefits

Employee health and dental benefits are provided through self-insured plans or commercially acquired programs. The self-insured medical plan had stop loss coverage that provides reimbursement for claims other than those paid to System organizations in excess of \$770,000 per individual as of September 28, 2013 and \$700,000 per individual as of September 29, 2012.

Other Contingencies

Affiliates of the System are parties in various legal proceedings and potential claims arising in the ordinary course of their business. In addition, the health care industry as a whole is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to government review and interpretation, as well as regulatory actions, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue, from patient services and exclusion from the Medicare and Medicaid programs. Such compliance in the health care industry has recently come under increased governmental scrutiny. Management does not believe that these matters will have a material adverse effect on the System's consolidated financial position or results of operations.

12. Pension and Postretirement Health Care Plans

Cash Balance Plan

Employees of certain System affiliates participate in a Defined Benefit, Cash Balance Plan (the Plan). At the close of every calendar year, participating employers credit the employee's core account with a contribution based on eligible pay, age, and years of vesting service. The employee must be at least 21 years of age and have worked 1,000 hours in any calendar year to receive the contribution for that year. The funding policy of the Plan is to make contributions at least equal to the minimum amount required under the law.

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The following table sets forth the Plan's funded status and amounts recognized in the consolidated balance sheets at September 28, 2013 and September 29, 2012 (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Change in benefit obligation:		
Benefit obligation — beginning of year	\$ 244,353	\$ 221,001
Service cost	13,006	11,743
Interest cost	9,342	9,552
Benefits paid	(10,282)	(10,512)
Actuarial (gain) loss	(10,436)	11,832
Net growth in individual accounts	<u>549</u>	<u>737</u>
Benefit obligation — end of year	<u>\$ 246,532</u>	<u>\$ 244,353</u>
Change in Plan assets:		
Fair value of Plan assets — beginning of year	\$ 191,967	\$ 162,213
Actual return on Plan assets	10,052	25,584
Employer contribution	10,400	13,945
Benefits paid	(10,282)	(10,512)
Net growth in individual accounts	<u>549</u>	<u>737</u>
Fair value of Plan assets — end of year	<u>\$ 202,686</u>	<u>\$ 191,967</u>
Net amount recognized — accrued liability	<u>\$ (43,846)</u>	<u>\$ (52,386)</u>
Amounts recognized in other changes in unrestricted net assets:		
Prior-service costs	\$ 999	\$ 1,270
Actuarial loss	<u>68,617</u>	<u>80,783</u>
Total recognized in other changes in unrestricted net assets	<u>\$ 69,616</u>	<u>\$ 82,053</u>
Accumulated benefit obligation	<u>\$ 228,240</u>	<u>\$ 224,460</u>

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The System's contribution to the Plan for 2013 and 2012 exceeded amounts required by the Employee Retirement Income Security Act of 1974 (ERISA). The Plan's Adjusted Funding Target Attainment Percentage under ERISA was 102% and 106% at September 28, 2013 and September 29, 2012, respectively. As a result, the Plan is not subject to ERISA benefit restrictions.

For the years ended September 28, 2013 and September 29, 2012, net pension cost for the Plan included the following components (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Service cost for benefits earned during the year	\$ 13,006	\$ 11,743
Interest cost on projected benefit obligation	9,342	9,552
Expected return on Plan assets	(14,057)	(14,352)
Amortization of prior service cost	271	277
Amortization of net loss	<u>5,736</u>	<u>3,675</u>
Net periodic pension benefit cost	<u>\$ 14,298</u>	<u>\$ 10,895</u>

The prior service costs and net loss for the Plan that are expected to be amortized from other changes in unrestricted net assets into net periodic pension benefit cost over the next fiscal year are \$269,836 and \$4,576,009, respectively.

The following table sets forth the assumptions used in determining the benefit obligations at September 28, 2013 and September 29, 2012:

	<u>2013</u>	<u>2012</u>
Weighted-average discount rate	4.65 %	4.00 %
Rate of increase in future compensation	2.50	2.50

The following sets forth the assumptions used to determine net periodic benefit cost for the years ended September 28, 2013 and September 29, 2012:

	<u>2013</u>	<u>2012</u>
Weighted-average discount rate	4.00 %	4.50 %
Rate of increase in future compensation	2.50	2.50
Expected long-term rate of return on Plan assets	7.50	7.75

The discount rate represents an estimate of the rate at which the pension benefits could be "effectively" settled. The rate of compensation increase represents a best estimate of long-term pay increases and reflects an inflation expectation consistent with the discount rate. The long-term rate of return on Plan assets represents an estimate of the rate of return on current assets, taking into account the Plan's asset allocation, and also reflects an inflation expectation consistent with the discount rate.

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The System expects to make \$13,320,000 in contributions to the Plan during 2014. In addition, the following benefit payments, which reflect expected future services, as appropriate, are expected to be paid during the years ending (dollars in thousands):

<u>Years</u>	
2014	\$ 17,960
2015	14,726
2016	14,801
2017	16,277
2018	18,067
2019–2022	106,980

The System has adopted a moderately growth-oriented investment policy for the Plan. It is anticipated that as the Plan matures, the policy should move toward a more conservative posture. The System's overall strategy is to invest in high-grade securities and other assets with a minimum risk of market value fluctuation. In general, the System's goal is to maintain the following allocation ranges:

Asset Class	Allocation %		
	Minimum	Target	Maximum
Return Seeking (with 4% liquidity)	50 %	55 %	60 %
Liability Hedging	40	45	50

Defined Contribution Plans

Certain of the System's affiliates sponsor defined contribution plans, which cover substantially all of their employees, and certain hospital-based physicians meeting the plans' participation requirements. Expense for the years ended September 28, 2013 and September 29, 2012 was approximately \$8,348,000 and \$8,901,242, respectively. The affiliates fund the amount of the expense annually.

Deferred Compensation Plans

Several of the System's affiliates sponsor deferred compensation plans for eligible employees and supplemental executive retirement plans (SERP) for certain executives. Assets held by the System to provide for the payments of contractual liabilities are subject to the claims of the System's general creditors. The assets are invested in temporary cash investments, institutional mutual funds and common collective trusts. The investment assets and related liabilities of the deferred compensation and SERPs were \$22,433,000 and \$22,107,000, respectively, as of September 28, 2013 and \$20,411,000 and \$20,094,000, respectively, as of September 29, 2012.

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Postretirement Medical Benefits

Various System organizations provide certain medical benefits for retired employees. Employees of these various participating organizations may become eligible for these benefits if they reach normal retirement age while working for such organizations. Early retirement benefits are available to retirees with at least 15 years of vested service. Employees at participating organizations hired after January 1, 2005 and the employees of a nonparticipating company are not eligible for retiree medical benefits. The postretirement medical plan is not funded. The postretirement medical plan has previously been determined to be actuarially equivalent to Medicare Part D.

For the years ended September 28, 2013 and September 29, 2012, net periodic postretirement medical benefit cost consists of the components listed below (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Service cost for benefits attributed to service during the year	\$ 660	\$ 770
Interest cost on accumulated postretirement benefit obligation	1,724	1,948
Amortization of prior service credit	(553)	(553)
Amortization of net loss	<u>261</u>	<u>450</u>
Net periodic postretirement medical benefit cost	<u>\$ 2,092</u>	<u>\$ 2,615</u>
Amounts recognized in other changes in unrestricted net assets:		
Prior-service credit	\$ (2,279)	\$ (2,833)
Actuarial loss	<u>2,501</u>	<u>7,329</u>
Total recognized in other changes in unrestricted net assets	<u>\$ 222</u>	<u>\$ 4,496</u>

The prior-service credits for the postretirement medical plan that are expected to be amortized from unrestricted net assets into net periodic postretirement medical benefit cost over the next fiscal year are \$553,497.

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The following table sets forth the components of the accumulated postretirement benefit obligation shown in the System's consolidated financial statements at September 28, 2013 and September 29, 2012 (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Change in postretirement benefit obligation:		
Benefit obligation — beginning of year	\$ 43,755	\$ 43,992
Service cost	660	770
Interest cost	1,724	1,948
Benefits paid	(1,712)	(1,155)
Actuarial gain	<u>(4,565)</u>	<u>(1,800)</u>
Accrued postretirement medical benefit obligation	<u>\$ 39,862</u>	<u>\$ 43,755</u>

Approximately \$1,440,000 and \$1,292,000 of the accrued postretirement cost is included in current liabilities at September 28, 2013 and September 29, 2012, respectively.

In determining the accumulated postretirement medical benefit obligation, the System used discount rates of 4.80% in 2013 and 4.00% in 2012. The Plan assumed annual rates of inflation in the per capita cost of covered health care benefits. The rates are assumed to decrease gradually down from 7.25% to 4.50% on a graded scale, becoming fixed in 2020. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement medical benefit obligation as of September 28, 2013 by \$2,728,454, and the net periodic postretirement medical benefit cost for the year then ended by \$107,971.

The System expects to contribute \$1,474,256 to the postretirement benefit plan during 2014.

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid during the years ending (dollars in thousands):

Years Ending September	
2014	\$ 1,474
2015	1,655
2016	1,840
2017	2,053
2018	2,297
2019-2022	13,904

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Pension and Postretirement Plan-Related Adjustments

The components of pension and postretirement plan-related adjustments included in other changes in unrestricted net assets are as follows:

	<u>Cash Balance Plan</u>	<u>Postretirement Medical Benefits</u>	<u>Total</u>
For the year ended September 28, 2013			
Prior service costs	\$ 271	\$ (553)	\$ (282)
Net actuarial (gain)/loss	<u>12,166</u>	<u>4,827</u>	<u>16,993</u>
	<u>\$ 12,437</u>	<u>\$ 4,274</u>	<u>\$ 16,711</u>
For the year ended September 29, 2012			
Prior service costs	\$ 277	\$ (553)	\$ (276)
Net actuarial (gain)/loss	<u>3,074</u>	<u>2,250</u>	<u>5,324</u>
	<u>\$ 3,351</u>	<u>\$ 1,697</u>	<u>\$ 5,048</u>

13. Concentration of Credit Risk

Various System organizations grant credit without collateral to their patients, many of whom are insured under third-party payor agreements. At September 28, 2013 and September 29, 2012, the accounts receivable from patients and third-party payors, net of contractual allowances, were as follows:

	<u>2013</u>	<u>2012</u>
Medicare and MaineCare	31 %	31 %
Commercial and other insurance	38	35
Patients	<u>31</u>	<u>34</u>
	<u>100 %</u>	<u>100 %</u>

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System entities routinely invest in short-term repurchase agreements. These repurchase agreements are collateralized by highly liquid U.S. government securities with a market value typically exceeding the amount of funds invested in the agreements. Investments in repurchase agreements are not insured or guaranteed by the U.S. government; however, management believes the credit risk related to these investments is minimal.

14. Fair Value Measurements

Generally accepted accounting principles establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

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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The following tables presents the carrying amounts and estimated fair value for the System's financial assets and liabilities as of September 28, 2013 and September 29, 2012,

	Fair Value Measurements at September 28, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Temporary cash investments	\$ 115,335	\$ -	\$ -	\$ 115,335
Pledges receivable and other	-	5,773	-	5,773
Marketable equity securities	7,946	-	-	7,946
Guarantee investment contracts	-	66,633	-	66,633
Foreign issues	-	4,237	-	4,237
Other equity investments	-	-	555	555
Mutual funds				
Participant driven (deferred compensation)	14,596	-	-	14,596
Balanced portfolio	10,395	-	-	10,395
Common collective trusts				
Large Cap U.S. equities	-	5,866	-	5,866
Short-term bonds	-	41,091	-	41,091
Institutional funds				
Fixed income funds	-	69,624	-	69,624
Multi-asset funds	-	91,440	-	91,440
Fixed-income securities — U.S.				
government Treasury and agency obligations	134,872	535	-	135,407
Fixed-income securities — Corporate				
obligations	-	55,839	-	55,839
Beneficial interest in perpetual trusts	-	-	10,852	10,852
Total	\$ 283,144	\$ 341,038	\$ 11,407	\$ 635,589
Liabilities:				
Deferred compensation	\$ -	\$ 22,107	\$ -	\$ 22,107
Interest rate swaps	-	2,412	-	2,412
Total	\$ -	\$ 24,519	\$ -	\$ 24,519
Cash Balance Pension Plan Assets (Note 12):				
Institutional mutual funds				
Participant driven (deferred compensation)	\$ 5,406	\$ -	\$ -	\$ 5,406
Common collective trusts				
Long-term bonds	-	47,656	-	47,656
Liability-driven investments	-	41,736	-	41,736
Institutional limited funds				
Equity securities	-	101,296	-	101,296
Hedge fund	-	-	6,592	6,592
Total	\$ 5,406	\$ 190,688	\$ 6,592	\$ 202,686

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Fair Value Measurements at September 29, 2012				
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Temporary cash investments	\$ 99,510	\$ -	\$ -	\$ 99,510
Pledges receivable and other	-	4,648	-	4,648
Marketable equity securities	6,153	-	-	6,153
Other equity investments	-	-	498	498
Mutual funds				
Participant driven (deferred compensation)	15,107	-	-	15,107
Balanced portfolio	16,550	-	-	16,550
Common collective trusts				
Large Cap U.S. equities	-	24,726	-	24,726
Small Cap U.S. equities	-	4,799	-	4,799
International equities	-	11,175	-	11,175
Medium-term bonds	-	31,246	-	31,246
Short-term bonds	-	33,985	-	33,985
Commodities	-	3,384	-	3,384
Fixed-income securities — U.S.				
government Treasury and agency obligations	65,133	25	-	65,158
Fixed-income securities — Corporate obligations				
	-	44,753	-	44,753
Beneficial interest in perpetual trusts				
	-	-	10,217	10,217
Total	\$ 202,453	\$ 158,741	\$ 10,715	\$ 371,909
Liabilities:				
Deferred compensation	\$ -	\$ 20,094	\$ -	\$ 20,094
Interest rate swaps	-	3,679	-	3,679
Total	\$ -	\$ 23,773	\$ -	\$ 23,773
Cash Balance Pension Plan Assets (Note 12):				
Institutional mutual funds				
Participant driven (deferred compensation)	\$ 5,192	\$ -	\$ -	\$ 5,192
Common collective trusts				
Large Cap U.S. equities	-	44,666	-	44,666
Small Cap U.S. equities	-	7,475	-	7,475
International equities	-	27,573	-	27,573
Medium-term bonds	-	71,554	-	71,554
Long-term bonds	-	10,387	-	10,387
Real estate	-	7,476	-	7,476
Commodities	-	7,692	-	7,692
Inflation protected securities	-	3,615	-	3,615
Hedge fund	-	-	6,337	6,337
Total	\$ 5,192	\$ 180,438	\$ 6,337	\$ 191,967

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The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value (dollars in thousands):

	Assets			Pension Plan
	Beneficial Interest in Perpetual Trusts	Other Equity Investments	Total	Hedge Fund
Balance at September 24, 2011	\$ 8,702	\$ 452	\$ 9,154	\$ -
Contributions	659	-	659	-
Purchases	-	-	-	6,344
Unrealized gains (losses)	<u>856</u>	<u>46</u>	<u>902</u>	<u>(7)</u>
Balance at September 29, 2012	10,217	498	10,715	6,337
Unrealized gains	<u>635</u>	<u>57</u>	<u>692</u>	<u>255</u>
Balance at September 28, 2013	<u>\$ 10,852</u>	<u>\$ 555</u>	<u>\$ 11,407</u>	<u>\$ 6,592</u>

Unrealized gains or losses on beneficial interest in perpetual trusts in Level 3 are included in the change in net unrealized gains or losses on investments in permanently restricted net assets. Unrealized gains or losses on other equity investments in Level 3 are included in change in net unrealized gains or losses on investments in unrestricted net assets.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Cash Investments — The carrying value of cash investments approximates fair value as maturities are less than three months and/or include money market funds that are based on quoted prices and actively traded.

Pledges Receivable — The present value of cash expected to be collected in future years, discounted using a risk-free rate applicable to the year in which the pledge is received.

Marketable Equity Securities — The fair values of marketable securities are based on quoted market prices.

Guarantee Investment Contracts (GICs) — The estimated fair values of GICs approximate historical costs.

Fixed-Income Securities — The estimated fair values of debt securities are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices.

EASTERN MAINE HEALTHCARE SYSTEMS

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Other Equity Investments — The fair values of other equity investments are based on the investment manager estimate of the net realized value or the value of underlying assets which include significant Level 3 assets.

Mutual Funds and Institutional Funds — The fair values of mutual funds and institutional funds are based on quoted market prices.

Common Collective Trusts — The fair values of the common collective trusts are based on the net asset value (NAV) of the fund, representing the fair value of the underlying investments which are generally securities which are traded on an active market.

Hedge Funds — The fair values of the Hedge Funds are based on the NAV of the fund that is based on the investment manager estimate of the net realized value or the value of underlying assets.

Beneficial Interest in Perpetual Trusts — The fair values of the beneficial interest in perpetual trusts are based on the underlying assets of the trusts reported by the trustee, which all have readily determinable fair values. The underlying investments are not readily available to the System and therefore this is considered to be a Level 3 investment.

Deferred Compensation Liability — The fair values of the deferred compensation liabilities are based on the related assets.

Interest Rate Swaps — The System uses inputs other than quoted prices that are observable to value the interest rate swaps. The System considers these inputs to be Level 2 inputs in the context of the fair value hierarchy. These values represent the estimated amounts the System would receive or pay to terminate agreements, taking into consideration current interest rates and the current creditworthiness of the counterparty.

The following methods and assumptions were used by the System in estimating the fair value of the System's financial instruments that are not measured at fair value on a recurring basis for disclosures in the consolidated financial statements:

Cash and Cash Equivalents, Receivables, Estimated Third-party Payor Settlements and Payables — The carrying value of the System's cash and cash equivalents, receivables, estimated third-party payor settlements and payables approximates fair value, as maturities are very short-term.

Long-Term Debt and Lines-of-Credit Borrowings — The estimated fair values of the System's long-term debt are based on current traded values or a discounted cash flows analysis based on the System's current incremental borrowing rates for similar types of borrowing arrangements.

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Fair value disclosures pursuant to FASB Accounting Standards Codification Topic 825, *Financial Instruments*, are presented in the following table:

						<u>Fair Value Measurements at September 28, 2013</u>				
		<u>Carrying</u>	<u>Fair</u>	<u>Quoted Prices</u>	<u>Significant</u>	<u>Significant</u>				
		<u>Amount</u>	<u>Value</u>	<u>in Active</u>	<u>Other</u>	<u>Unobservable</u>	<u>Markets for</u>	<u>Inputs</u>	<u>Inputs</u>	
				<u>Markets for</u>	<u>Observable</u>	<u>Inputs</u>	<u>Identical Assets</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
				<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>				
Assets:										
Cash and cash equivalents	\$	57,903	\$ 57,903	\$	57,903	\$	-	\$	-	
Short-term investments		14,599	14,599		393		14,206		-	
Assets whose use is limited or restricted		46,781	46,781		45,976		805		-	
Noncurrent assets whose use is limited or restricted		574,209	574,209		236,775		326,027		11,407	
Liabilities:										
Line-of-credit borrowings		58	58		-		58		-	
Long-term debt		323,554	312,562		-		312,562		-	
Deferred compensation		22,107	22,107		-		22,107		-	
Interest rate swaps		2,412	2,412		-		2,412		-	
						<u>Fair Value Measurements at September 29, 2012</u>				
		<u>Carrying</u>	<u>Fair</u>	<u>Quoted Prices</u>	<u>Significant</u>	<u>Significant</u>				
		<u>Amount</u>	<u>Value</u>	<u>in Active</u>	<u>Other</u>	<u>Unobservable</u>	<u>Markets for</u>	<u>Inputs</u>	<u>Inputs</u>	
				<u>Markets for</u>	<u>Observable</u>	<u>Inputs</u>	<u>Identical Assets</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
				<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>				
Assets:										
Cash and cash equivalents	\$	72,985	\$ 72,985	\$	72,985	\$	-	\$	-	
Short-term investments		7,929	7,929		743		7,186		-	
Assets whose use is limited or restricted		27,254	27,254		26,549		705		-	
Noncurrent assets whose use is limited or restricted		336,726	336,726		175,161		150,850		10,715	
Liabilities:										
Line-of-credit borrowings		11,625	11,625		-		11,625		-	
Long-term debt		163,115	169,769		-		169,769		-	
Deferred compensation		20,094	20,094		-		20,094		-	
Interest rate swaps		3,679	3,679		-		3,679		-	

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Investment at Net Asset Values

In accordance with ASU No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share*, the System expanded its disclosures for assets whose fair value is estimated using the NAV per share as of September 28, 2013 and September 29, 2012. The following tables set forth a summary of the System's investments with a reported NAV as of September 28, 2013 and September 29, 2012 (dollars in thousands):

	Fair Value Estimated Using Net Asset Value per Share				
	September 28, 2013				
	Fair Value	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Investments					
Large Cap U.S. Equity	\$ 5,866	None	Daily	None	1 business day
Core Bond Funds	69,624	None	Daily	None	1 business day
Multi-Asset Funds	91,440	None	Daily	None	1 business day
Short-term Bonds	<u>41,091</u>	None	Monthly	Redemption on 1st day of the month	5 business days
Total	<u>\$ 208,021</u>				
Pension Plan Investments					
Long-term Bonds	\$ 47,656	None	Daily	None	1 business day
Liability-driven investments	41,736	None	Daily	None	1 business day
Multi-Asset Funds	101,296	None	Daily	None	1 business day
Hedge Funds	<u>6,592</u>	None	Quarterly	Full redemption pays 95% with remaining 5% after completion of the fund's annual audit. Redemption fee for redemption with 12 months of subscription date. Redemptions limited to 20% of NAV on dealing day.	65 days with a 30 day settlement period
Total	<u>\$ 197,280</u>				

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Fair Value Estimated Using Net Asset Value per Share
September 29, 2012

	Fair Value	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Investments					
Large Cap U.S. Equity	\$ 24,726	None	Daily	None	1 business day
Small Cap U.S. Equity	4,799	None	Daily	None	1 business day
International Equity	11,175	None	Daily	None	1 business day
Medium-term Bonds	31,246	None	Daily	None	1 business day
Short-term Bonds	33,985	None	Monthly	Redemption on 1st day of the month	5 business days
Commodities	3,384	None	Daily	None	1 business day
Total	\$ 109,315				
Pension Plan Investments					
Large Cap U.S. Equity	\$ 44,666	None	Daily	None	1 business day
Small Cap U.S. Equity	7,475	None	Daily	None	1 business day
International Equity	27,573	None	Daily	None	1 business day
Medium-term Bonds	71,554	None	Daily	None	1 business day
Long-term Bonds	10,387	None	Daily	None	1 business day
Real Estate	7,476	None	Daily	None	1 business day
Commodities	7,692	None	Daily	None	1 business day
Inflation Protected Securities	3,615	None	Daily	None	1 business day
Hedge Funds	6,337	None	Quarterly	Full redemption pays 95% with remaining 5% after completion of the fund's annual audit. Redemption fee for redemption with 12 months of subscription date. Redemptions limited to 20% of NAV on dealing day.	65 days with a 30 day settlement period
Total	\$ 186,775				

Large cap U.S. equities — Seeks to provide long-term growth of capital by investing primarily in large cap equity securities and to achieve above average results over a market cycle. Large cap (large capitalization) investments involve stocks of companies generally having a market capitalization between \$10 billion and \$200 billion.

Core bond funds — Seeks to provide excess return over the benchmark through a variety of diversified strategies including sector rotation, modest interest rate timing, security selection and tactical use of high yield and emerging market bonds.

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Multi-asset funds — Seeks favorable returns and offers a convenient way to diversify a portfolio by combining funds and separate accounts investing in U.S. and non-U.S. stocks, bonds, global commodities, listed real estate and infrastructure into one fund.

Small cap U.S. equities — Invests in small cap equities to provide maximum long-term appreciation through investments that are well diversified by industry. Small capitalization investments involve stocks of companies with smaller levels of market capitalization (generally less than \$2 billion).

International equities — Seeks to provide appreciation of capital by investing in international financial markets of developed economies in Europe and the Pacific Basin and developing economies in Asia, Latin America, Eastern Europe, the Middle East, and Africa.

Medium-term bonds — Participates in the full spectrum of investment opportunities in primarily U.S. debt markets. The fund seeks to outperform the Barclays Capital U.S. Aggregate Bond Index over a full market cycle.

Long-term bonds — Seeks favorable returns comparable to its index by combining diversified advisor styles and strategies over a full market cycle. The fund seeks to outperform the Barclays U.S. Long Government/Credit Bond Index.

Liability-driven investments — Seeks favorable returns comparable to its index by combining diversified advisor styles and strategies over a full market cycle.

Real estate — Seeks to provide current income and long-term capital growth. The fund invests in a globally diversified portfolio of commercial real estate securities. It seeks to provide stable return patterns regardless of inflation with income as a major component of the total returns.

Commodities — Seeks to provide exposure to the commodities markets and provide returns that outperform the Dow Jones – UBS Commodity Total Return Index. The fund aims to provide investors with exposure to a diversified portfolio of commodities futures contracts.

Inflation protected securities — Seeks to provide investors with protection from inflation exposure by investing in U.S. Treasury inflation protected securities of varying maturities.

Hedge funds – Seeks to achieve long-term capital appreciation with low to moderate volatility and low correlation to global equity markets.

Short-term bonds — Employs a disciplined value-oriented approach, fully invested at all times in the most attractive sectors to produce high risk-adjusted returns.

15. Functional Expenses

The System is a community-based health system dedicated to improving the health of the residents of its region. In 2013 and 2012, approximately 88% and 87%, respectively, of total expenses were related to direct health care program services, with the balance of expenses for management and general support services.

EASTERN MAINE HEALTHCARE SYSTEMS

Notes to Consolidated Financial Statements

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16. Operating Leases and Other Commitments

Operating Leases

The System leases certain equipment, warehouse and office space subject to various agreements. Lease expense charged to operations amounted to approximately \$8,504,000 in 2013 and \$8,192,000 in 2012.

The following is a schedule by year of future minimum lease payments under operating leases at September 28, 2013 (dollars in thousands):

Years Ending September	
2014	\$ 6,818
2015	4,135
2016	3,131
2017	1,997
2018	1,253
Thereafter	3,917
	<u>\$ 21,251</u>

The System leases warehouse and office space from Penobscot Logistics Solutions, LLC, a related party. The lease requires annual payments of \$435,000 through 2023.

Other Commitments

In 2006, EMMC entered into a long-term agreement with its clinical systems vendor for remote hosting services. This agreement was revised and extended in 2009 for ten years. The agreement required payments of \$4,386,000 in 2013 and 2012. The following is a schedule by year of the payments under the remote hosting agreement at September 28, 2013 (dollars in thousands):

September	
2014	\$ 4,386
2015	4,386
2016	4,386
2017	4,386
2018	4,386
Thereafter	2,193

The amount of the payment is subject to performance standards and could be decreased in certain circumstances. In addition, EMMC has a perpetual license agreement with its clinical systems vendors. The agreement requires annual payments of \$2,556,000 through 2019. The payments provide for the maintenance and support for the existing licensed software.

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SUPPLEMENTARY CONSOLIDATING FINANCIAL STATEMENTS
CONSOLIDATING BALANCE SHEET INFORMATION — SEPTEMBER 28, 2013
AND CONSOLIDATED BALANCE SHEET INFORMATION — SEPTEMBER 29, 2012

ASSETS	2013										2012					
	Aviation Healthcare Systems (Consolidated)	Blue Hill Hospital, Inc.	Charles A. Dean Memorial Hospital	Eastern Maine Healthcare Systems (Consolidated)	Eastern Maine HomeCare	Eastern Maine Medical Center (Consolidated)	EMHS Foundation	Inland Medical Center (Consolidated)	Maine Institute for Blind Children and Health	Maine Network for Health	Rossicare (Consolidated)	Seacoast Valley Health (Consolidated)	The Annotook Medical Center (Consolidated)	Eliminations and Reclassifications	EMHS Consolidated	EMHS Consolidated
CURRENT ASSETS:																
Cash and cash equivalents	\$ 4,000,287	\$ 4,930,494	\$ 485,378	\$ 5,928,145	\$ 535,187	\$ 24,302,472	\$ 739,737	\$ 6,686,633	\$ 110,252	\$ 384,773	\$ 1,207,778	\$ 4,864,050	\$ 3,075,884	\$ -	\$ 57,802,627	\$ 72,985,208
Short-term investments	14,253,244	-	-	31,546,780	-	12,627,077	174,134	207,044	30,535	-	-	1,392,574	416,331	-	14,568,861	7,929,022
Assets whose use is limited or restricted	7,901,029	58,708	-	306,072	-	12,627,077	174,134	207,044	30,535	-	-	1,392,574	416,331	-	48,790,843	27,253,702
Patent and trade accounts receivable	5,240,145	2,418,775	3,020,280	1,830,330	1,830,330	93,185,279	-	1,065,406	-	513,244	15,413,937	3,700,094	15,413,937	(121,105)	147,403,518	127,006,586
Net property, plant and equipment	2,457,739	2,532,145	2,714,927	364,107	1,894,247	27,155,292	-	6,734,910	-	(77,428)	(1,481,845)	(1,481,845)	(1,481,845)	(121,105)	(43,295,478)	(41,441,251)
Estimated third-party payor settlements	25,358	789,244	59,000	6,667,563	69,422	5,757,170	-	829,442	-	432,918	1,306,908	2,238,419	11,478,583	(12,105)	194,158,089	98,323,353
Intangible assets	206,531	119,128	41,853	11,619,540	83,352	2,508,847	749	1,549,034	-	19,865	12,740	239,720	12,583,707	(12,583,707)	12,046,858	6,673,559
Other receivables	104,429	272,874	41,853	11,619,540	83,352	2,508,847	749	1,549,034	-	1,249	5,989	281,858	2,000,227	(2,000,227)	10,289,031	9,741,417
Inventory	38,913	150,688	272,783	98,688	114,403	18,153,522	38,008	1,500,139	20,385	355,571	1,034,749	344,184	1,034,749	(11,016,016)	17,638,578	18,269,234
Prepaid expenses and other current assets	543,913	2,567,448	232,345	2,314,990	114,403	18,153,522	38,008	1,500,139	20,385	20,271	2,062,758	10,159,914	23,265,384	(23,265,384)	275,256,127	240,577,896
Total current assets	20,430,429	19,459,862	4,189,481	58,541,283	2,446,618	137,629,377	1,024,138	19,253,125	169,152	406,258	2,062,758	10,159,914	23,265,384	(23,265,384)	775,256,127	822,594,214
PROPERTY AND EQUIPMENT																
Less accumulated depreciation and amortization	32,682,604	18,029,030	27,846,684	10,008,285	3,362,197	484,488,079	284,831	54,361,968	762,447	53,346	22,490,548	40,241,914	81,686,498	-	879,439,421	822,594,214
Property and equipment - net	(22,523,887)	(8,635,078)	(19,276,484)	(6,297,595)	(2,656,683)	(267,138,445)	(172,595)	(27,897,672)	(557,584)	(28,750)	(6,942,443)	(18,230,548)	(53,596,632)	-	(594,573,303)	(484,530,159)
Noncurrent assets whose use is limited or restricted	10,338,917	8,570,200	3,736,680	41,478,132	745,804	207,327,631	112,068	28,690,376	244,683	28,500	15,457,605	21,921,393	28,069,804	-	374,857,118	339,084,055
Intangible assets	12,571,610	33,218	15,764,289	2,934,688	3,419,892	398,148,091	48,376,671	13,058,878	686,278	-	7,870,028	6,886,802	20,385,157	(20,385,157)	574,209,738	338,725,775
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other designated funds	12,087,654	7,759,036	1,665,212	29,690,497	200,177	132,248,054	6,164,278	6,816,027	3,842	-	-	6,886,808	10,252,808	-	201,709,243	129,648,148
Self-insurance and other funds held by trustee temporarily for other restricted	30,798	60,379	12,337	48,280,719	310,379	23,864,958	51,815,718	1,294,134	101,888	-	29,482	851,187	3,358,285	(3,358,285)	206,536,480	57,050,347
Beneficial interest in perpetual trusts	81,332	847,542	599,653	17,500	142,955	3,145,029	10,286,677	521,395	535,850	-	5,590	108,486	1,714,400	(8,899,720)	13,065,918	12,900,271
Total noncurrent assets	12,571,610	33,218	15,764,289	2,934,688	3,419,892	398,148,091	48,376,671	13,058,878	686,278	-	7,870,028	6,886,802	20,385,157	(20,385,157)	574,209,738	338,725,775
TOTAL ASSETS	\$ 44,680,550	\$ 38,302,777	\$ 38,107,103	\$ 110,805,807	\$ 0,775,821	\$ 763,322,238	\$ 49,514,875	\$ 67,081,357	\$ 1,110,294	\$ 634,881	\$ 31,341,806	\$ 44,005,224	\$ 77,188,727	\$ (77,188,727)	\$ 1,289,061,865	\$ 1,640,630,002

The above supplementary consolidating information is presented only for purposes of additional analysis and not as a presentation of the financial position of each component of the consolidating group.

EASTERN MAINE HEALTHCARE SYSTEMS

SUPPLEMENTARY CONSOLIDATING INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONCLUDE)
CONSOLIDATING BALANCE SHEET INFORMATION — SEPTEMBER 28, 2011
AND CONSOLIDATED BALANCE SHEET INFORMATION — SEPTEMBER 28, 2010

	Acadia Hospital (Consolidated)	Affiliated Healthcare Systems (Consolidated)	Blue Hill Memorial Hospital, Inc.	Charles A. Dean Memorial Hospital	Eastern Maine Healthcare Systems (Consolidated)	Eastern Maine HomeCare	Eastern Maine Medical Center (Consolidated)	CHRS Foundation	Inland Hospital (Consolidated)	Maine Institute for Human Genetics and Health	Maine Network for Health	ResCare (Consolidated)	Sabbatino Hospital (Consolidated)	The Westbrook Hospital (Consolidated)	Eliminations Reclassifications	2011 Total Consolidated	2010 Total Consolidated
LIABILITIES AND NET ASSETS (DEFICIT)																	
CURRENT LIABILITIES:																	
Accounts payable	\$ 688,763	\$ 7,225,008	\$ 1,381,636	\$ 412,072	\$ 6,084,460	\$ 130,072	\$ 26,315,116	\$ 84,999	\$ 3,471,130	\$ 27,802	\$ 90,000	\$ 1,008,441	\$ 3,989,237	\$ -	\$ -	\$ 51,690,475	\$ 41,304,384
Inventory payables	175,678	5,393,299	334,002	79,680	1,632,267	102,823	3,066,607	40,189	773,694	100	12	178,382	828,008	(12,816,498)	78,044,191	68,032,263	
Accrued expenses and other current liabilities	3,692,118	3,396,194	2,789,493	877,993	19,512,874	1,429,969	40,910,180	124,153	4,228,860	20,086	50,500	3,102,227	5,188,783	(10,740,328)	32,157,822	34,858,013	
Estimated third-party payor settlements	1,930,007	-	4,315,455	1,602,841	-	590,000	11,977,439	-	2,620,916	-	-	7,895,104	-	(10,148,104)	31,57,909	11,622,280	
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(168,097)	12,246,074	
Current portion of long-term debt	1,987,809	3,369,410	102,000	60,801	1,923,528	-	2,772,867	-	874,295	-	6,182	997,906	-	-	10,247,142	8,754,121	
Current portion of accrual for self-insurance	-	-	-	-	8,655,043	-	1,487,099	-	-	-	-	-	-	-	-	172,998,295	-
Total current liabilities	6,717,663	21,219,798	9,823,857	3,053,776	38,918,178	2,389,453	89,929,426	249,351	11,871,865	49,880	122,700	8,845,074	7,590,228	18,653,974	63,887,030	180,635,613	172,998,295
NONCURRENT LIABILITIES:																	
Long-term debt - net of current portion	7,600,150	6,112,074	1,911,456	262,754	26,375,214	-	214,485,887	-	10,698,845	-	10,959	19,226,090	9,752,004	8,006,278	(1,300,597)	31,307,689	152,767,688
Accrual for self-insurance and postretirement benefits	9,483,880	6,270,072	1,388,388	1,307,395	42,112,514	160,751	89,254,429	-	5,774,738	14,070	-	87,565	2,075,662	8,654,435	(30,616,615)	19,849,335	47,577,880
Estimated third-party payor settlements	5,237,097	-	1,422,468	1,516,221	-	-	23,231,044	163,038	2,840,511	-	-	-	2,947,162	207,938	-	4,587,189	-
Other liabilities	-	1,080,744	-	-	1,351,918	-	1,639,573	-	119,689	-	-	-	-	-	-	-	-
Total noncurrent liabilities	22,604,139	17,442,890	4,702,342	3,109,390	69,839,241	160,751	328,669,738	163,688	25,378,032	14,070	10,959	19,313,694	14,779,488	19,589,597	(31,919,212)	492,781,719	160,635,613
Total liabilities	29,221,772	38,662,618	13,226,139	6,142,138	108,757,419	2,389,204	44,599,168	413,049	37,249,897	63,950	133,659	28,158,738	22,279,714	37,248,578	(65,788,242)	673,387,332	529,003,147
NET ASSETS (DEFICIT)																	
Common stock	-	100,000	-	-	-	-	-	-	-	-	951,686	-	-	-	(1,951,666)	-	-
Additional paid-in capital	-	7,492,693	-	-	-	-	-	-	-	770,800	-	-	-	-	9,457,613	-	-
Accumulated deficit	15,391,689	(8,049,660)	22,555,630	4,098,990	72,446,474	3,789,288	394,102,511	6,899,433	27,749,791	410,816	(1,407,730)	(3,820,898)	20,504,485	34,837,147	(3,286,199)	535,270,529	450,070,217
Retained earnings	345,207	-	400,880	346,802	67,800	310,379	23,904,669	31,915,716	1,247,124	101,398	-	24,402	851,187	3,260,295	(26,020,790)	39,500,407	32,568,814
Permanently restricted	91,322	-	1,248,672	399,653	17,500	142,655	10,965,031	10,298,677	729,435	559,650	-	9,898,492	1,714,459	-	(9,900,720)	23,817,944	25,055,651
Total controlled net assets	15,738,608	(457,197)	24,480,994	4,769,471	72,231,640	4,299,817	398,729,070	48,101,628	29,711,410	1,045,164	320,790	3,183,088	21,725,510	39,638,851	(36,020,302)	585,724,640	611,694,682
Rebilled multiple-concessions interest	-	103,263	-	-	185,622	-	-	-	-	-	190,445	-	-	-	(230,871)	-	-
Unreimbursed-accruing interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	293,961	-	154,203
Total net assets (deficit)	15,738,608	(353,934)	24,480,994	4,769,471	72,417,262	4,299,817	398,729,070	49,101,628	29,711,410	1,045,164	501,235	3,183,088	21,725,510	39,638,851	(39,620,302)	586,224,369	611,694,685
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 44,800,550	\$ 38,302,777	\$ 38,027,139	\$ 10,905,607	\$ 181,184,681	\$ 6,776,021	\$ 788,322,238	\$ 49,514,675	\$ 67,000,307	\$ 1,110,294	\$ 634,001	\$ 31,941,808	\$ 44,005,224	\$ 77,880,727	\$ (1,04,812,544)	\$ 1,269,001,695	\$ 1,040,697,002

The above supplementary consolidating information is presented only for purposes of additional analysis and not as a presentation of the financial position of each component of the consolidating group.

EASTERN MAINE HEALTHCARE SYSTEMS

SUPPLEMENTARY CONSOLIDATING INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS
 CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION - YEAR ENDED SEPTEMBER 28, 2013
 AND CONSOLIDATED STATEMENT OF OPERATIONS INFORMATION - YEAR ENDED SEPTEMBER 29, 2012

	Audita Hospital (Consolidated)	Affiliated Healthcare Systems (Consolidated)	Blue Hill Memorial Hospital, Inc.	Charles A. Dean Memorial Hospital	Eastern Maine Healthcare Systems (Consolidated)	Eastern Maine HomeCare	Eastern Maine Medical Center (Consolidated)	EMHS Foundation	Inland Hospital (Consolidated)	Maine Institute for Human Genetics and Health	Maine Newark for Health	Reasons (Consolidated)	Subsidiary Operations (Consolidated)	The Arcostook Company (Consolidated)	Eliminations Reclassifications	2013 EMHS Consolidated	2012 EMHS Consolidated
REVENUE:																	
Patient service revenue (net of contractual allowances and discounts)	\$ 53,143,370	\$ 24,562,448	\$ 37,566,032	\$ 14,620,323	\$ -	\$ 11,357,425	\$ 646,542,890	\$ -	\$ 77,916,786	\$ -	\$ -	\$ 2,975	\$ 35,346,322	\$ 104,996,918	\$ (5,544)	\$ 1,006,001,504	\$ 970,892,851
Less provision for bad debts	4,034,235	2,429,872	7,614,593	489,729	-	101,599	20,541,025	-	4,185,833	-	-	-	2,465,113	3,023,817	-	40,929,103	45,210,252
Net patient service revenue	49,109,135	22,132,576	30,000,000	14,130,594	-	11,255,826	626,001,865	-	73,730,953	-	-	2,975	32,881,209	101,973,101	(5,544)	1,005,072,401	925,682,599
Sales and contract revenue	1,600,930	67,734,658	1,225,867	36,692	80,360,667	343,353	8,391,415	2,802,913	339,184	734,904	5,520,018	5,520,018	159,232	159,232	(120,952,659)	25,029,044	25,101,318
Other revenue	946,146	885,496	1,325,271	441,616	83,424,074	349,045	19,728,341	20,469	1,990,864	120,028	10,059	446,422	1,442,204	3,854,373	(74,970,428)	35,752,484	44,553,356
Net assets released from restrictions - operations	35,578	-	20,356	27,661	65,879	278,338	1,451,335	59,197	52,863	8,159	4,674	82,297	8,297	33,623	-	1,104,132	1,044,605
Total revenue	51,452,895	69,942,570	37,478,177	14,947,223	143,079,820	11,895,542	646,852,485	2,881,593	78,151,794	128,078	745,930	6,023,019	33,674,184	105,440,136	(165,028,022)	1,006,074,515	1,000,100,424
EXPENSES:																	
Compensation and employee benefits	33,900,242	20,674,157	21,263,603	9,912,136	48,591,461	8,652,726	320,861,729	-	41,050,914	40,304	43,707	2,462,982	19,876,691	68,544,335	(1,851,874)	609,504,623	579,094,654
Supplies and other	11,590,781	62,070,196	13,185,507	4,271,344	97,673,579	3,322,519	2,622,432	2,622,432	2,448,074	192,612	349,702	10,442,235	31,632,869	3,020,869	(144,118,659)	320,219,537	323,418,084
Depreciation and amortization	1,841,641	1,841,641	1,841,641	1,841,641	1,841,641	1,841,641	2,140,438	11,095	2,048,074	242,918	10,930	734,914	1,059,210	3,472,003	42,400,050	42,400,050	40,241,394
Interest	391,641	1,651,563	81,781	14,332	1,154,854	5,962	2,853,396	-	789,461	1,024	1,024	736,148	98,244	283,031	(1,42,937)	7,028,730	8,020,457
Total expenses	47,000,305	64,419,397	36,549,869	14,209,958	139,479,042	17,811,537	618,075,557	2,945,497	79,445,101	539,221	646,226	5,455,065	22,967,228	104,233,246	(186,038,539)	886,244,698	849,856,229
Income (loss) from operations before gains and losses	4,452,490	(5,476,817)	1,638,197	547,265	4,468,778	(6,456,095)	28,776,928	(61,921)	706,683	(469,143)	97,672	(431,089)	1,536,836	1,158,892	139,969	38,272,651	59,235,195
OTHER GAINS (LOSSES):																	
Income tax benefit	-	-	-	-	(888,140)	642	4,246,231	-	537,623	(540,712)	-	1,350,132	309,630	60,607	-	44,630	1,076,491
Joint venture (loss) income	429,421	739,235	287,545	19,520	(850,639)	642	-	-	-	-	-	(8,029)	-	-	-	37,780	(2,865,623)
Investment income and other - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,916,467	2,787,559
Total other gains (losses) - net	429,421	739,235	287,545	19,520	(850,639)	642	4,246,231	-	537,623	(540,712)	-	1,342,103	309,630	-	103,607	10,070,295	1,077,239
EXCESS DEFICIENCY OF REVENUE AND GAINS OVER EXPENSES AND LOSSES BEFORE DISCONTINUED OPERATIONS	4,872,870	(2,686,377)	1,925,742	566,775	2,578,029	(815,333)	33,121,139	1,241,192	1,244,516	(640,855)	128,440	939,318	1,844,474	1,290,764	2,091,243	40,338,026	50,492,531
DISCONTINUED OPERATIONS	-	-	-	-	-	-	15,223,811	-	-	-	(66,342)	-	-	-	-	15,223,811	85,042
EXCESS DEFICIENCY OF REVENUE AND GAINS OVER EXPENSES AND LOSSES	4,872,870	(2,686,377)	1,925,742	566,775	2,578,029	(815,333)	48,344,950	1,241,192	1,244,516	(640,855)	62,098	939,318	1,844,474	1,290,764	2,091,243	55,561,837	61,316,573
NONCONTROLLING INTEREST	-	-	-	-	129,378	-	-	-	-	-	-	-	-	-	-	(29,720)	2,954
EXCESS DEFICIENCY OF REVENUE AND GAINS OVER EXPENSES AND LOSSES - CONTROLLING INTEREST	4,872,870	(2,686,377)	1,925,742	566,775	2,697,407	(815,333)	48,344,950	1,241,192	1,244,516	(640,855)	62,098	939,318	1,844,474	1,290,764	2,091,243	55,532,117	61,319,527
NET ASSETS RELEASED FROM RESTRICTIONS - capital equities	64,047	-	24,667	229,429	129,332	792,369	2,394,230	-	607,881	-	-	208,372	208,372	59,387	-	4,394,114	1,450,199
CHANGE IN NET UNREALIZED GAINS AND LOSSES ON INVESTMENTS	(346,046)	469,044	970,948	320	(3,090,067)	-	(2,037,065)	(870,794)	(289,463)	-	-	-	251,029	-	(468,044)	(5,470,942)	5,033,111
NET TRANSFERS TO RESTRICTED FUNDS	-	-	-	-	-	-	-	-	-	-	-	-	468	-	(212,046)	-	(5,000)
NET CHANGE IN FUNDS HELD AT AFFILIATES	1,400	-	250	1,569	1,644	146,400	54,088	-	9,850	254	-	-	-	-	-	-	-
INTERESTY EQUITY TRANSFERS	(352,421)	-	(270,675)	(104,358)	7,042,139	73,815	(4,774,612)	(73,813)	(534,314)	-	-	(1)	(260,503)	(765,274)	-	-	-
ADJUSTMENTS TO POSTRETIREMENT BENEFITS ASSETS AND LIABILITIES	1,007,987	1,534,000	(101,067)	132,073	2,890,546	-	12,785,467	-	-	-	-	56,138	-	-	(1,534,000)	16,711,335	5,947,729
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 5,242,623	\$ (889,130)	\$ 2,400,155	\$ 629,647	\$ (673,203)	\$ 96,202	\$ 56,818,143	\$ 379,595	\$ 1,025,620	\$ (649,801)	\$ 82,207	\$ 964,447	\$ 2,044,740	\$ 594,877	\$ 777,693	\$ 76,208,312	\$ 72,854,580

The above supplementary consolidating information is presented only for purposes of additional analysis and not as a presentation of the results of operations of each component of the consolidating group.

EASTERN MAINE HEALTHCARE SYSTEMS

**SUPPLEMENTARY CONSOLIDATING INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATING STATEMENT OF CHANGES IN CONTROLLED NET ASSETS INFORMATION - YEAR ENDED SEPTEMBER 30, 2013
AND CONSOLIDATED STATEMENT OF CHANGES IN CONTROLLED NET ASSETS INFORMATION - YEAR ENDED SEPTEMBER 30, 2012**

	Acadia Hospital (Consolidated)	Blue Hill Hospital, Inc.	Charles A. Dean Hospital	Custom Maine Real Estate	Eastern Maine Healthcare (Consolidated)	Eastern HomeCare	Eastern Maine (Consolidated)	Eastern Maine Foundation	Hand Hope (Consolidated)	Maine Institute of Human and Health	Maine for Health	Rosecare (Consolidated)	Schoebeck Valley Health (Consolidated)	The Anneton Medical Center (Consolidated)	Classifications and Reclassifications	2013 DHS Consolidated	2012 DHS Consolidated	
UNRESTRICTED CONTROLLED NET ASSETS (DEPOT):																		
BEGINNING BALANCES	\$ 10,054,166	\$ 531,942	\$ 2,015,484	\$ 3,203,119	\$ 62,473,271	\$ 3,693,021	\$ 277,544,328	\$ 6,330,656	\$ 26,665,171	\$ 1,663,517	\$ 220,350	\$ (4,794,533)	\$ 18,458,725	\$ 34,272,270	\$ (3,060,688)	\$ 456,070,217	\$ 383,213,527	
Business (debits) of revenue and gains over expenses and losses	4,072,870	1,923,742	565,775	2,872,029	2,872,029	916,323	49,300,950	1,324,102	1,244,516	649,695	128,449	903,310	1,640,474	1,200,704	2,091,243	63,603,297	61,316,073	
Noncontrolling interest	(102,856)			126,378							(462,842)					(62,750)	2,394	
Net assets retained from restrictions	64,047	24,067	225,429	129,332	129,332	702,390	2,204,230	677,881	677,881				208,372	59,387		4,204,114	1,459,199	
Change in net unrealized gains and losses on investments	(340,040)	468,044	970,948	(3,069,967)	(3,069,967)		(2,087,959)	(970,764)	(269,483)				291,020		(660,044)	(5,479,042)	5,026,111	
Other																	(3,069)	
Change in the funded status of postretirement	1,007,967	1,534,000	(161,067)	2,900,549	2,900,549		12,705,442	(70,813)	0,000	264	58,130		68		(1,204,060)	16,711,133	5,047,723	
Net change in funds held at affiliates	1,400	200	1,269	1,844	1,844	14,423	54,300	73,813	6,900	264			68		(212,046)			
Intercompany equity transfers	(825,471)	(276,672)	(124,268)	7,042,156	7,042,156	23,613	(4,724,912)	(73,813)	(624,514)			(1)	(269,523)	(259,274)				
ENDING BALANCES	\$ 15,301,983	\$ (457,107)	\$ 22,500,639	\$ 4,555,665	\$ 71,145,474	\$ 3,769,293	\$ 324,162,911	\$ 6,896,433	\$ 27,740,791	\$ 419,016	\$ 330,790	\$ (3,029,686)	\$ 20,504,465	\$ 34,927,147	\$ (3,129,762)	\$ 556,276,629	\$ 459,070,217	

TEMPORARILY RESTRICTED NET ASSETS:

BEGINNING BALANCES	\$ 205,889	\$ 379,065	\$ 497,292	\$ 117,281	\$ 308,569	\$ 20,240,456	\$ 26,714,395	\$ 1,413,250	\$ 81,192	\$ 23,166	\$ 23,166	\$ 2,638,711	\$ 464,678	\$ 2,638,711	\$ (23,064,216)	\$ 32,530,814	\$ 27,364,691
Restricted contributions	10,202	1,676	60,727	129,332	129,332	702,390	243,320	4,734,227	13,328		1,000	648,189	15,340	15,340		6,796,243	4,072,717
Net assets retained from restrictions	(64,647)	(24,067)	(225,429)	(129,332)	(129,332)	(702,390)	(2,204,230)	(677,881)	(677,881)				(208,372)	(59,387)		(4,204,114)	(1,459,199)
Capital acquisitions	(30,270)	(24,067)	(27,171)	(84,076)	(84,076)		(1,361,126)	(651,485)	(651,485)				(80,237)	(20,200)		(2,104,173)	(2,044,621)
Operations								653,197	653,197	(8,150)		(4,004)	25,444	192,690		3,622,252	443,211
Change in net unrealized gains and losses on investments								(2,311,356)	8,949					322,219		(1,880,130)	4,723,219
Other								(56,865)	(56,865)					5,469		(971,189)	(79,714)
Net change in funds held at affiliates	79,116	20,774	(709)	(49,419)	(49,419)	1,811	3,024,452	(16,862)	(16,862)	30,206	1,320	3,288	(1,006)	5,469	(2,045,571)		
Intercompany equity transfers	75,623	50,277	124,268	66,079	66,079	270,336	(3,452,093)	(4,877,729)	(660,748)	3,150		3,686	250	20,200			
ENDING BALANCES	\$ 345,897	\$ 258,680	\$ 348,659	\$ 497,668	\$ 310,979	\$ 23,264,956	\$ 31,815,716	\$ 5,915,176	\$ 1,247,124	\$ 101,388	\$ 24,402	\$ 24,402	\$ 651,197	\$ 3,329,295	\$ (25,029,293)	\$ 34,930,467	\$ 32,588,814

PERMANENTLY RESTRICTED NET ASSETS:

BEGINNING BALANCES	\$ 60,992	\$ 1,396,001	\$ 353,332	\$ 17,000	\$ 132,294	\$ 10,774,638	\$ 10,774,638	\$ 10,073,465	\$ 677,196	\$ 503,144	\$ 6,530,148	\$ 363,229	\$ 1,707,025	\$ 1,707,025	\$ (6,819,713)	\$ 23,026,621	\$ 21,280,090
Restricted contributions		43,205				120,200		164,487	164,487			4,110				164,487	762,270
Change in net unrealized gains and losses on investments								58,805	42,799		440,214					960,227	860,538
Net change in funds held at affiliates	10,760	109,376	6,501	505	10,071	94,200		7,650	7,650	7,736			2,634	5,000	(250,020)	61,189	86,714
ENDING BALANCES	\$ 91,512	\$ 1,548,672	\$ 359,833	\$ 17,505	\$ 142,865	\$ 10,969,038	\$ 10,969,038	\$ 10,236,607	\$ 723,495	\$ 510,880	\$ 6,970,362	\$ 367,869	\$ 1,714,029	\$ 1,714,029	\$ (6,969,720)	\$ 23,017,844	\$ 23,075,671

The above supplementary consolidating information is presented only for purposes of additional analysis and not as a presentation of the changes in equity and net assets of each component of the consolidating group.

EASTERN MAINE HEALTHCARE SYSTEMS

SUPPLEMENTARY CONSOLIDATING INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS
 CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION — YEAR ENDED SEPTEMBER 30, 2015
 AND CONSOLIDATED STATEMENT OF CASH FLOWS INFORMATION — YEAR ENDED SEPTEMBER 29, 2012

	2015	2014	2013	2012
	Consolidated	Consolidated	Consolidated	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:				
Increase (decrease) in net assets	\$ 5,336,191	\$ (885,783)	\$ 84,375,500	\$ 79,000,044
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,091,460	4,220,469	42,469,859	40,341,354
Provision for bad debt	4,050,230	3,333,084	44,943,357	42,428,033
Loss on extinguishment of debt	6,370	654,684	49,123	180,387
Loss (gain) on sale of property and equipment	330,037	(468,044)	(1,070,700)	116,707
Gain on sale of joint venture	-	-	(15,151)	(130,554)
Net realized and unrealized (gains) losses on investments	-	-	(15,162,245)	(1,520,245)
Equity in net income (losses) of joint ventures	526,019	-	-	-
Adjustment to fair value of equity in net assets of acquired affiliates	114,540	-	(37,700)	2,005,053
Net change in funds held at affiliates	(142,400)	(7,291)	-	-
Intersystem equity transfer	210,338	103,059	(10,711,330)	(9,047,729)
Changes in the funded status of postretirement benefit plans	(1,034,000)	(1,034,000)	(10,711,330)	(9,047,729)
Changes in operating assets and liabilities:				
Accounts receivable	(4,561,682)	(1,072,351)	(61,923,419)	(60,897,059)
Other current assets	3,622,343	(297,678)	1,346,369	1,346,369
Other current liabilities	(849,350)	(69,242)	(1,346,369)	(1,346,369)
Other non-current assets	(107,570)	898,740	74,750,313	(24,269,931)
Accounts payable, accrued expenses, and other liabilities	(9,914,640)	788,357	11,308,035	15,087,482
Accrual for self-insurance and postretirement benefits	297,251	412,633	3,727,694	(1,593,005)
Net cash provided by (used in) operating activities	6,017,256	1,080,729	189,674,728	20,100,345
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment	(1,322,676)	(918,106)	(81,165,697)	(84,976,869)
Proceeds from sales of property and equipment	70,897	70,897	2,950,030	10,504
Proceeds from dispositions or equity in joint ventures	-	(217)	384,176	500,000
Proceeds from investments	(5,000)	(5,000)	(1,005,000)	(1,674,700)
Purchases of investments	(3,309,640)	(10,000)	(210,915,150)	(193,235,916)
Proceeds from sales of investments	5,132,775	6,269	125,910,827	101,867,382
Net changes in money market investments	(7,315,769)	(10,514)	(170,892,654)	(1,891,686)
Net cash (used in) investing activities	(8,745,199)	(298,074)	(206,640,543)	(206,174,429)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from long-term debt	(1,160,512)	62,311	182,970,610	154,000
Repayment of long-term debt	1,160,512	(62,311)	(11,507,269)	(10,720,788)
Repayment of line-of-credit	(208,200)	-	(11,100,232)	(2,599,091)
Repayment of line-of-credit	-	-	(17,609,900)	(5,100,459)
Payment of bond issuance costs	-	-	(1,913,861)	(76,000)
Intersystem equity transfer	(270,688)	(216,388)	-	-
Reclassified contributions and investment income	19,322	-	12,543,875	6,091,207
Decrease (increase) in pledges receivable included for long-term purposes	-	59,097	(701,256)	(289,177)
Net cash (used in) provided by financing activities	(1,471,366)	(92,291)	159,662,267	(7,605,157)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,117,249)	222,500	(16,863,279)	19,943,767
CASH AND CASH EQUIVALENTS — BEGINNING OF YEAR	8,489,750	3,777,667	72,955,206	52,941,439
CASH AND CASH EQUIVALENTS — END OF YEAR	\$ 4,372,501	\$ 4,000,167	\$ 57,091,927	\$ 72,885,206

The above supplementary consolidating information is presented only for purposes of additional analysis and not as a representation of the cash flows of each component of the consolidating group.

EASTERN MAINE HEALTHCARE SYSTEMS

**SUPPLEMENTARY CONSOLIDATING INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATING SCHEDULE OF NET PATIENT SERVICE REVENUE — YEAR ENDED SEPTEMBER 28, 2011
AND CONSOLIDATED SCHEDULE OF NET PATIENT SERVICE REVENUE — YEAR ENDED SEPTEMBER 29, 2011**

	Acadia Hospital (Consolidated)	Affiliated Healthcare Systems (Consolidated)	Blue Hill Memorial Hospital, Inc.	Charles A. Dean Memorial Hospital	Eastern Maine HomeCare	Eastern Maine Medical Center (Consolidated)	Inland Hospital (Consolidated)	Rosscaro (Consolidated)	Seabrook Valley Health (Consolidated)	The Arcootook Medical Center (Consolidated)	Eliminations and Reclassifications	2013 EMHS Consolidated	2012 EMHS Consolidated
FULL CHARGES FOR SERVICES TO PATIENTS:													
Daily patient services	\$ 38,765,735	\$ -	\$ 2,998,246	\$ 2,313,179	\$ -	\$ 188,457,603	\$ 15,796,820	\$ -	\$ 2,187,158	\$ 23,103,225	\$ -	\$ 271,819,989	\$ 264,097,546
Ancillary services	13,497,970	-	7,213,988	2,957,954	-	501,396,023	17,344,892	-	5,731,826	41,626,892	-	589,470,045	556,425,629
Outpatient services	28,835,622	39,041,448	43,863,916	13,324,848	12,270,717	556,704,408	94,901,591	4,255	45,880,238	153,506,059	(3,544)	988,029,589	942,824,891
Excess patient service revenue	78,889,022	39,041,448	54,174,150	18,295,981	12,270,717	1,246,558,834	128,043,303	4,255	53,599,220	218,236,186	(3,544)	1,849,119,577	1,783,347,866
Deductions from revenues:													
Contractual adjustments	(10,745,406)	(14,037,918)	(14,511,828)	(2,942,160)	(913,312)	(570,787,316)	(47,368,928)	(1,280)	(16,803,621)	(109,204,614)	-	(787,116,383)	(737,417,228)
Charity care	(15,010,243)	(53,082)	(2,076,280)	(524,468)	-	(28,228,538)	(2,758,588)	-	(1,555,397)	(4,034,653)	-	(55,341,280)	(49,037,697)
Provision for bad debts	(4,034,200)	(2,428,972)	(1,614,583)	(488,729)	(101,589)	(28,541,628)	(4,155,433)	-	(2,890,113)	(3,703,812)	-	(46,029,109)	(40,201,562)
Total deductions	(29,789,850)	(16,519,972)	(18,202,700)	(3,955,357)	(1,014,911)	(628,557,480)	(54,282,950)	(1,280)	(21,219,131)	(116,943,079)	-	(888,486,751)	(828,656,477)
Net patient service revenue	\$ 49,109,142	\$ 22,521,476	\$ 35,971,444	\$ 14,340,624	\$ 11,255,806	\$ 620,001,354	\$ 73,760,353	\$ 2,975	\$ 32,380,089	\$ 101,293,107	\$ (3,544)	\$ 960,632,826	\$ 898,691,389

The above supplementary consolidating information is presented only for purposes of additional analysis and not as a presentation of the net patient service revenue of each component of the consolidating group.

