

Form **990**

**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)

OMB No. 1545-0047

**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 and ending

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

**C** Name of organization  
**Down East Community Hospital**  
 Doing Business As  
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite  
**11 Hospital Drive**  
 City, town, or post office, state, and ZIP code  
**Machias, ME 04654**  
**F** Name and address of principal officer: **Douglas Jones**  
 same as C above

**D** Employer identification number  
**01-0263198**

**E** Telephone number  
**207-255-3356**

**G** Gross receipts \$ **36,088,258.**

**H(a)** Is this a group return for affiliates?  Yes  No  
**H(b)** Are all affiliates included?  Yes  No  
 If "No," attach a list. (see instructions)

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

**J** Website: ▶ **www.dech.org**

**K** Form of organization:  Corporation  Trust  Association  Other ▶

**L** Year of formation: **1963** **M** State of legal domicile: **ME**

Part I Summary			
Activities & Governance	1	Briefly describe the organization's mission or most significant activities: <b>Acute Care Critical Access Hospital</b>	
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.	
	3	Number of voting members of the governing body (Part VI, line 1a)	14
	4	Number of independent voting members of the governing body (Part VI, line 1b)	12
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	336
	6	Total number of volunteers (estimate if necessary)	32
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	0.
	7b	Net unrelated business taxable income from Form 990-T, line 34	0.
Revenue	8	Contributions and grants (Part VIII, line 1h)	Prior Year: 1,073,878. Current Year: 83,488.
	9	Program service revenue (Part VIII, line 2g)	35,350,668. 35,158,684.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	179,149. 194,475.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0. 0.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	36,603,695. 35,436,647.
	Expenses	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)	0. 0.
15		Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	19,889,297. 20,465,022.
16a		Professional fundraising fees (Part IX, column (A), line 11e)	0. 0.
16b		Total fundraising expenses (Part IX, column (D), line 25)	0.
17		Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	16,092,371. 15,607,566.
Net Assets or Fund Balances	18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	36,358,578. 36,141,055.
	19	Revenue less expenses. Subtract line 18 from line 12	245,117. -704,408.
	20	Total assets (Part X, line 16)	Beginning of Current Year: 25,532,361. End of Year: 25,628,890.
	21	Total liabilities (Part X, line 26)	13,457,640. 14,674,788.
22	Net assets or fund balances. Subtract line 21 from line 20	12,074,721. 10,954,102.	

**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: **Lynnette Parr, CFO** Date: \_\_\_\_\_  
 Type or print name and title

**Paid Preparer Use Only**

Print/Type preparer's name: **Barbara J. McGuan, CPA** Preparer's signature: **Barbara J. McGuan** Date: **10/03/13** Check  if self-employed PTIN: **P00219457**  
 Firm's name: **Berry Dunn McNeil & Parker, LLC** Firm's EIN: **01-0391345**  
 Firm's address: **P.O. Box 1100** Phone no.: **(207) 775-2387**  
**Portland, ME 04104-1100**

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: Provide access to quality healthcare and promote community wellness through the delivery of primary, emergency and ancillary inpatient and outpatient healthcare. The Hospital strives to improve the overall health of the communities we serve while exceeding customer

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

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

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 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 \$ 2,255,372. including grants of \$ ) (Revenue \$ 9,504,761.) Surgical services to inpatients and outpatients, totaling 2,040 surgeries.

4b (Code: ) (Expenses \$ 4,172,530. including grants of \$ ) (Revenue \$ 5,834,707.) Care for medical/surgical unit patients. Unit provided care to 1045 admissions for 3,348 patient days.

4c (Code: ) (Expenses \$ 2,049,617. including grants of \$ ) (Revenue \$ 12,226,476.) Imaging Services to inpatients and outpatients. 15,756 radiological exams were provided to inpatients and outpatients.

4d Other program services (Describe in Schedule O.) (Expenses \$ 22,268,568. including grants of \$ 68,467.) (Revenue \$ 7,516,650.)

4e Total program service expenses 30,746,087.

**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> ?	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 <b>Section 501(c)(3) organizations.</b> 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</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
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	X	
b <i>If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?</i>	X	

**Part IV Checklist of Required Schedules** (continued)

	Yes	No
21 Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II	X	
22 Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III		X
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J	X	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25	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? If "Yes," complete Schedule L, Part 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? If "Yes," complete Schedule L, Part 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? If "Yes," complete Schedule L, Part II		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part III		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	X	
b A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	X	
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV	X	
29 Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M		X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I		X
34 Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1	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)? If "Yes," complete Schedule R, Part V, line 2		X
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2		X
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19?	X	

Note. All Form 990 filers are required to complete Schedule O

**Part V** Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable		
	<b>1a</b> 61		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable		
	<b>1b</b> 0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return		
	<b>2a</b> 336		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	X	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		X
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		X
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		X
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
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?		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		X
d	If "Yes," indicate the number of Forms 8282 filed during the year		
	<b>7d</b>		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	<b>Sponsoring organizations maintaining donor advised funds.</b>		
a	Did the organization make any taxable distributions under section 4966?		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	<b>Section 501(c)(7) organizations.</b> Enter:		
a	Initiation fees and capital contributions included on Part VIII, line 12		
	<b>10a</b>		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities		
	<b>10b</b>		
11	<b>Section 501(c)(12) organizations.</b> Enter:		
a	Gross income from members or shareholders		
	<b>11a</b>		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)		
	<b>11b</b>		
12a	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year		
	<b>12b</b>		
13	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
a	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.		
	<b>13a</b>		
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		
	<b>13b</b>		
c	Enter the amount of reserves on hand		
	<b>13c</b>		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		X
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O		
	<b>14b</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

**Section A. Governing Body and Management**

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.		
	1a		14
b	Enter the number of voting members included in line 1a, above, who are independent		12
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?		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?		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?	X	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	X	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		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, 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
10a	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?		
10b			
11a	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.		
12a	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 was done	X	
12c		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	X	
b	Other officers or key employees of the organization		X
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		X
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		
16b			

**Section C. Disclosure**

- 17 List the states with which a copy of this Form 990 is required to be filed **ME**
- 18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.  
 Own website     Another's website     Upon request     Other (explain in Schedule O)
- 19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: **Lynnette Parr - 207-255-3356**  
**11 Hospital Drive, Machias, ME 04654**

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter 0 in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former** directors or trustees that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below 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) Eric Burke, M.D. Chair	2.00	X		X				0.	0.	0.
(2) Douglas Jones CEO	38.00	X		X				284,844.	2,703.	9,596.
(3) Kara Dwight, DO Trustee	38.00	X						367,237.	0.	19,596.
(4) Greg Campbell, Ph D Secretary	2.00	X		X				0.	0.	0.
(5) John Church Past Treasurer	2.00	X		X				0.	0.	0.
(6) Nora Dickinson Past Trustee	2.00	X						0.	0.	0.
(7) Cynthia Huggins Vice Chair	2.00	X		X				0.	0.	0.
(8) Mortimer Lockett Trustee	2.00	X						0.	0.	0.
(9) Elizabeth Neptune Past Trustee	2.00	X						0.	0.	0.
(10) David Whitney Trustee	2.00	X						0.	0.	0.
(11) Thomas Potter Treasurer	2.00	X		X				0.	0.	0.
(12) Rebecca Irving Trustee	2.00	X						0.	0.	0.
(13) Katherine Land Trustee	2.00	X						0.	0.	0.
(14) Michael Hennessey Trustee	2.00	X						0.	0.	0.
(15) Wayne Peters Trustee	2.00	X						0.	0.	0.
(16) Patti Sansing Trustee	2.00	X						0.	0.	0.
(17) James Thompson Trustee	2.00	X						0.	0.	0.

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below 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			
(18) Lynnette Parr CFO	38.00 2.00			X				133,538.	1,267.	15,176.
(19) Dhanvant Rathod Physician	40.00				X			456,153.	0.	19,596.
(20) Leonid Brodsky Physician	40.00				X			409,428.	0.	19,596.
(21) Rita Ten Physician	40.00				X			409,392.	0.	19,596.
(22) Stephen Madigan Physician	40.00				X			433,898.	0.	17,096.
(23) Thomas Crowe Physician	40.00				X			504,209.	0.	9,596.
(24) Aziz Massaad, M.D. Former Trustee	40.00 0.00						X	297,000.	0.	0.
<b>1b Sub-total</b>								3,295,699.	3,970.	129,848.
<b>c Total from continuation sheets to Part VII, Section A</b>								0.	0.	0.
<b>d Total (add lines 1b and 1c)</b>								3,295,699.	3,970.	129,848.

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 **29**

	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
Physician Services, Inc. 126 Osborne Rd., Farmington, ME 04398	Physician Staffing Services	1,229,100.
Machias Primary Care Services, Inc. P.O. Box 398, Machias, ME 04654	Physician Staffing Services	334,944.
Dahl Chase Diagnostics 417 State Street, Bangor, ME 04401	Diagnostic Services	324,913.
Downeast Medical Associates P.O. Box 317, Machias, ME 04654	Surgical Call Services	297,000.
CPS, Inc. P.O. Box 116474, Atlanta, GA 30368	Pharmacy Management & Staffing	291,407.

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **19**

**Part VIII** Statement of Revenue

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

				(A)	(B)	(C)	(D)	
				Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1 a	Federated campaigns	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	83,488.				
	g	Noncash contributions included in lines 1a-1f: \$						
	h	<b>Total.</b> Add lines 1a-1f			83,488.			
Program Service Revenue	2 a	Patient Revenue	Business Code 621400	61,333,112.	61,333,112.			
	b	Electronic Health Records	621400	672,430.	672,430.			
	c	Other Revenue	621400	388,858.	312,768.		76,090.	
	d	Provision for Bad Debts	621400	-2,021,713.	-2,021,713.			
	e	Contractual/Char. Adj.	621400	-25,214,003.	-25,214,003.			
	f	All other program service revenue						
	g	<b>Total.</b> Add lines 2a-2f			35,158,684.			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		166,435.			166,435.	
	4	Income from investment of tax-exempt bond proceeds						
	5	Royalties						
	6 a	Gross rents	(i) Real	(ii) Personal				
		Less: rental expenses						
		Rental income or (loss)						
		Net rental income or (loss)						
	7 a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other	667,651.	12,000.		
		Less: cost or other basis and sales expenses	639,255.	12,356.				
		Gain or (loss)	28,396.	-356.				
		Net gain or (loss)			28,040.			28,040.
	8 a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	a					
		Less: direct expenses	b					
		Net income or (loss) from fundraising events						
	9 a	Gross income from gaming activities. See Part IV, line 19	a					
Less: direct expenses		b						
Net income or (loss) from gaming activities								
10 a	Gross sales of inventory, less returns and allowances	a						
	Less: cost of goods sold	b						
	Net income or (loss) from sales of inventory							
Miscellaneous Revenue			Business Code					
11 a								
b								
c								
d	All other revenue							
e	<b>Total.</b> Add lines 11a-11d							
12	<b>Total revenue.</b> See instructions.			35,436,647.	35,082,594.	0.	270,565.	

**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  X

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
<i>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</i>				
1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21	68,467.	68,467.		
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	829,755.		829,755.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	15,655,710.	14,427,059.	1,228,651.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	706,482.	633,555.	72,927.	
9 Other employee benefits	2,206,402.	1,961,193.	245,209.	
10 Payroll taxes	1,066,673.	935,992.	130,681.	
11 Fees for services (non-employees):				
a Management				
b Legal	174,575.		174,575.	
c Accounting	76,845.		76,845.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	4,602,069.	4,602,069.		
12 Advertising and promotion	122,997.	51,068.	71,929.	
13 Office expenses	1,430,685.	887,363.	543,322.	
14 Information technology				
15 Royalties				
16 Occupancy	999,310.	994,610.	4,700.	
17 Travel	25,610.	16,451.	9,159.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	212,626.	212,626.		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	1,527,524.	1,527,524.		
23 Insurance	854,007.	200,455.	653,552.	
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 Supplies	2,925,540.	2,919,712.	5,828.	
b Temporary Personnel	1,246,251.	1,246,251.		
c Service Provider Tax	815,116.		815,116.	
d Miscellaneous	594,411.	61,692.	532,719.	
e All other expenses				
25 Total functional expenses. Add lines 1 through 24e	36,141,055.	30,746,087.	5,394,968.	0.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

Check here  if following SOP 98-2 (ASC 958-720)

**Part X Balance Sheet**

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	4,993.	1	1,125.
	2	Savings and temporary cash investments	4,574,061.	2	4,478,791.
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	4,443,416.	4	5,039,118.
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	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 instr). Complete Part II of Sch L		6	
	7	Notes and loans receivable, net	139,966.	7	104,974.
	8	Inventories for sale or use	436,757.	8	451,425.
	9	Prepaid expenses and deferred charges	295,406.	9	299,395.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 28,467,661.		
	b	Less: accumulated depreciation	10b 16,087,693.		
	11	Investments - publicly traded securities	13,073,282.	10c	12,379,968.
	12	Investments - other securities. See Part IV, line 11	2,479,254.	11	2,801,507.
	13	Investments - program-related. See Part IV, line 11		12	
	14	Intangible assets	85,226.	13	
	15	Other assets. See Part IV, line 11		14	72,587.
16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34)	25,532,361.	15		
Liabilities	17	Accounts payable and accrued expenses	2,793,010.	16	25,628,890.
	18	Grants payable		17	3,234,522.
	19	Deferred revenue		18	
	20	Tax-exempt bond liabilities	5,396,208.	19	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D		20	4,817,267.
	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		21	
	23	Secured mortgages and notes payable to unrelated third parties	451,460.	22	
	24	Unsecured notes and loans payable to unrelated third parties		23	256,569.
	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	4,816,962.	24	
	26	<b>Total liabilities.</b> Add lines 17 through 25	13,457,640.	25	6,366,430.
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.			26	14,674,788.
	27	Unrestricted net assets	10,672,567.	27	9,572,855.
	28	Temporarily restricted net assets	58,919.	28	38,012.
	29	Permanently restricted net assets	1,343,235.	29	1,343,235.
	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	<b>Total net assets or fund balances</b>	12,074,721.	33	10,954,102.
	34	<b>Total liabilities and net assets/fund balances</b>	25,532,361.	34	25,628,890.

**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	35,436,647.
2	Total expenses (must equal Part IX, column (A), line 25)	2	36,141,055.
3	Revenue less expenses. Subtract line 2 from line 1	3	-704,408.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	12,074,721.
5	Net unrealized gains (losses) on investments	5	227,609.
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)	9	-643,820.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	10,954,102.

**Part XII Financial Statements and Reporting**

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

		Yes	No
1	Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? _____ 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
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	
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	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? _____		X
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits _____		

Form 990 (2012)



**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 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 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 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ▶	(a) 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 lines 9, 10c, 11, and 12.)						

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

**Section C. Computation of Public Support Percentage**

15 Public support percentage for 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 B**

(Form 990, 990-EZ, or 990-PF)

Department of the Treasury  
Internal Revenue Service

**Schedule of Contributors**

▶ Attach to Form 990, Form 990-EZ, or Form 990-PF.

OMB No. 1545-0047

**2012**

Name of the organization

Down East Community Hospital

Employer identification number

01-0263198

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

501(c)( 3 ) (enter number) organization

4947(a)(1) nonexempt charitable trust not treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

**Note.** Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

**General Rule**

For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

**Special Rules**

For a section 501(c)(3) organization filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi) and received from any one contributor, during the year, a contribution of the greater of (1) \$5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h, or (ii) Form 990-EZ, line 1. Complete Parts I and II.

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III.

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not total to more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of \$5,000 or more during the year ..... ▶ \$ \_\_\_\_\_

**Caution.** An organization that is not covered by the General Rule and/or the Special Rules does not file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on Part I, line 2 of its Form 990-PF, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990-EZ, or 990-PF. Schedule B (Form 990, 990-EZ, or 990-PF) (2012)

Name of organization <b>Down East Community Hospital</b>	Employer identification number <b>01-0263198</b>
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**Part I Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	<hr/> <hr/> <hr/> <hr/>	\$ 16,868.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
2	<hr/> <hr/> <hr/> <hr/>	\$ 40,561.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
	<hr/> <hr/> <hr/> <hr/>	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
	<hr/> <hr/> <hr/> <hr/>	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
	<hr/> <hr/> <hr/> <hr/>	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
	<hr/> <hr/> <hr/> <hr/>	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)

Name of organization

Employer identification number

Down East Community Hospital

01-0263198

**Part II Noncash Property** (see instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		\$ _____	_____
		\$ _____	_____
		\$ _____	_____
		\$ _____	_____
		\$ _____	_____
		\$ _____	_____
		\$ _____	_____
		\$ _____	_____
		\$ _____	_____

Name of organization

Employer identification number

Down East Community Hospital

01-0263198

**Part III** Exclusively religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations that total more than \$1,000 for the year. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this information once.) ▶ \$

Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4

Relationship of transferor to transferee


(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4

Relationship of transferor to transferee


(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4

Relationship of transferor to transferee


(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4

Relationship of transferor to transferee


**SCHEDULE C**  
(Form 990 or 990-EZ)

**Political Campaign and Lobbying Activities**

OMB No. 1545-0047

**2012**

Department of the Treasury  
Internal Revenue Service

For Organizations Exempt From Income Tax Under section 501(c) and section 527

Open to Public  
Inspection

▶ **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 35c (Proxy Tax), then

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

Name of organization Down East Community Hospital Employer identification number 01-0263198

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

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

2 Political expenditures ..... ▶ \$ \_\_\_\_\_

3 Volunteer hours ..... \_\_\_\_\_

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

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

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

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

4a Was a correction made?  Yes  No

b If "Yes," describe in Part IV.

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

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

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ..... ▶ \$ \_\_\_\_\_

3 Total exempt function expenditures. Add lines 1 and 2. Enter here and on Form 1120-POL, line 17b ..... ▶ \$ \_\_\_\_\_

4 Did the filing organization file Form 1120-POL for this year?  Yes  No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

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

**Part II-A** Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A Check  if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).
- B Check  if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying) .....														
b Total lobbying expenditures to influence a legislative body (direct lobbying) .....														
c Total lobbying expenditures (add lines 1a and 1b) .....														
d Other exempt purpose expenditures .....														
e Total exempt purpose expenditures (add lines 1c and 1d) .....														
f Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:35%;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width:65%;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table>	If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e.	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.	Over \$17,000,000	\$1,000,000.		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:													
Not over \$500,000	20% of the amount on line 1e.													
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.													
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.													
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.													
Over \$17,000,000	\$1,000,000.													
g Grassroots nontaxable amount (enter 25% of line 1f) .....														
h Subtract line 1g from line 1a. If zero or less, enter -0- .....														
i Subtract line 1f from line 1c. If zero or less, enter -0- .....														
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No												

**4-Year Averaging Period Under Section 501(h)**  
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

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

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

For each "Yes," response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a)		(b)
	Yes	No	Amount
<b>1</b> 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:			
<b>a</b> Volunteers?		X	
<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
<b>c</b> Media advertisements?		X	
<b>d</b> Mailings to members, legislators, or the public?		X	
<b>e</b> Publications, or published or broadcast statements?		X	
<b>f</b> Grants to other organizations for lobbying purposes?		X	
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
<b>i</b> Other activities?	X		9,072.
<b>j</b> Total. Add lines 1c through 1i			9,072.
<b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b> 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
<b>1</b> Were substantially all (90% or more) dues received nondeductible by members?	1	
<b>2</b> Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
<b>3</b> 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."

<b>1</b> Dues, assessments and similar amounts from members	1	
<b>2</b> Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
<b>a</b> Current year	2a	
<b>b</b> Carryover from last year	2b	
<b>c</b> Total	2c	
<b>3</b> Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
<b>4</b> 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	
<b>5</b> 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, Line 1, Lobbying Activities:**

The Organization pays dues to local associations, a portion of which are attributable to lobbying activities.

**SCHEDULE D**  
**(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Financial Statements**

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

OMB No. 1545-0047

**2012**  
Open to Public Inspection

Name of the organization **Down East Community Hospital** Employer identification number **01-0263198**

**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? .....		<input type="checkbox"/> Yes <input type="checkbox"/> 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? .....		<input type="checkbox"/> Yes <input type="checkbox"/> No

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

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

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

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

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ .....

4 Number of states where property subject to conservation easement is located ▶ .....

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? .....

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)? .....

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.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part 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.

- 1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?  Yes  No
- b If "Yes," explain the arrangement in Part XIII and complete the following table:
- |                                 | Amount |
|---------------------------------|--------|
| c Beginning balance             | 1c     |
| d Additions during the year     | 1d     |
| e Distributions during the year | 1e     |
| f Ending balance                | 1f     |
- 2a Did the organization include an amount on Form 990, Part X, line 21?  Yes  No
- b If "Yes," explain the arrangement in Part 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 year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	2,594,743.	1,653,523.	1,463,886.	1,153,005.	1,635,051.
b Contributions	0.	1,000,900.			
c Net investment earnings, gains, and losses	370,531.	-32,851.	208,434.	326,009.	-463,672.
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses	34,976.	26,829.	18,797.	15,128.	18,374.
g End of year balance	2,930,298.	2,594,743.	1,653,523.	1,463,886.	1,153,005.

- 2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:
- a Board designated or quasi-endowment  43.00 %
  - b Permanent endowment  57.00 %
  - c Temporarily restricted endowment  \_\_\_\_\_ %
- The percentages in lines 2a, 2b, and 2c should equal 100%.
- 3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:
- |                             | Yes | No |
|-----------------------------|-----|----|
| (i) unrelated organizations |     | X  |
| (ii) related organizations  |     | X  |
- b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?
- 4 Describe in Part XIII the intended uses of the organization's endowment funds.

**Part VI Land, Buildings, and Equipment.** See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		257,946.		257,946.
b Buildings		15,316,100.	6,434,283.	8,881,817.
c Leasehold improvements				
d Equipment		11,687,768.	9,159,690.	2,528,078.
e Other		1,205,847.	493,720.	712,127.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				12,379,968.

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

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

**Part VIII Investments - Program Related.** See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
<b>Total.</b> (Col. (b) must equal Form 990, Part X, col. (B) line 13.)		

**Part IX Other Assets.** See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 15.)	

**Part X Other Liabilities.** See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) <b>Unfunded Pension Liability</b>	<b>2,832,084.</b>
(3) <b>Estimated Third Party Payor</b>	
(4) <b>Settlements</b>	<b>3,534,346.</b>
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 25.)	<b>6,366,430.</b>

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

**Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return**

1	Total revenue, gains, and other support per audited financial statements		1
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII.)	2d	
e	Add lines 2a through 2d		2e
3	Subtract line 2e from line 1		3
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	
c	Add lines 4a and 4b		4c
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**

1	Total expenses and losses per audited financial statements		1
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII.)	2d	
e	Add lines 2a through 2d		2e
3	Subtract line 2e from line 1		3
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	
c	Add lines 4a and 4b		4c
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: Growth of investment to provide earnings that will

support operations.

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**SCHEDULE H  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Hospitals**

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

OMB No. 1545-0047

**2012**

Open to Public  
Inspection

Name of the organization **Down East Community Hospital** Employer identification number **01-0263198**

**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	
b 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 its 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) as a factor in determining eligibility for providing free care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %	X	
b Did the organization use FPG as a factor in determining eligibility for providing discounted care? 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% <input type="checkbox"/> Other _____ %		X
c If the organization used factors other than FPG in determining 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, as a factor in determining 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)	1	462	1,052,000.		1,052,000.	2.91%
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs	1	462	1,052,000.		1,052,000.	2.91%
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)			81,165.		81,165.	.22%
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			105,361.		105,361.	.29%
j Total Other Benefits			186,526.		186,526.	.51%
k Total. Add lines 7d and 7j	1	462	1,238,526.		1,238,526.	3.42%





**Part V Facility Information** (continued)

**Section B. Facility Policies and Practices**

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

Name of hospital facility or facility reporting group Down East Community Hospital

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 type="checkbox"/> A definition of the community served by the hospital facility b <input 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 type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input 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 type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a CHNA: 20 _____		
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	3	
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	4	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply): a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date): a <input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA b <input 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 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 type="checkbox"/> Other (describe in 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	7	
8a 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)?	8a	
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
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) Down East Community Hospital

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 free care? If "Yes," indicate the FPG family income limit for eligibility for free care: 200 % If "No," explain in Part VI the criteria the hospital facility used.	X	
11	Used FPG to determine eligibility for providing discounted care? 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.		X
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply):	X	
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 checked="" 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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply):	X	
a	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input checked="" type="checkbox"/> The policy was attached to billing invoices		
c	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available on request		
g	<input type="checkbox"/> Other (describe in Part VI)		

**Billing and Collections**

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 patient's eligibility under the facility's FAP:		
a	<input checked="" type="checkbox"/> Reporting to credit agency		
b	<input checked="" type="checkbox"/> Lawsuits		
c	<input checked="" 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? If "Yes," check all actions in which the hospital facility or a third party engaged:		X
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) Down East Community Hospital

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

- a  Notified individuals of the financial assistance policy on admission
- b  Notified individuals of the financial assistance policy prior to discharge
- c  Notified individuals 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**

	Yes	No
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?	X	
If "No," indicate why:		
a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b <input type="checkbox"/> The hospital facility's policy was not in writing		
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d <input type="checkbox"/> Other (describe in Part VI)		

**Charges to Individuals Eligible for 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 <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b <input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d <input checked="" type="checkbox"/> Other (describe in 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?		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?		X
If "Yes," explain in Part VI.		



**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; 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 I, Line 6a: The senior leadership team, with approval by the board of trustees, manages the community benefit activities of the Hospital. An expense budget is identified annually for community benefit activities. Community benefit activities are reported each year in the Hospital's annual report.

Part III, Line 4: See Page 8 of audited financial statements for footnote disclosure.

Bad debt expense represents actual and estimated write-offs as identified by the Hospital. Actual write-offs represent accounts that have exceeded 90 days in Accounts Receivable with no payment plans established.

Estimated write-offs represent bad debts that are expected based on payment percentage assumptions as determined by the age and payor type of the receivable.

Down East Community Hospital:

Part V, Section B, Line 20d: The Organization offers only free care, so no

**Part VI** Supplemental Information

amount was billed to eligible individuals.

Part VI, Line 2: DECH participates with Eastern Maine Health System's community health needs assessment process. Community meetings are held in the hospital's service area and information is collected and reported in a formalized report that the hospital then uses to evaluate and respond to the health needs of its service area.

Part VI, Line 3: Each private pay patient that receives a bill from the Hospital will receive a copy of the Hospital's free care guidelines and application with their bill. The free care guidelines are posted throughout the hospital in patient waiting areas and the application is also available on the Hospital's website. At every opportunity, billing personnel will communicate to patients the free care policy and encourage patients to apply.

The Hospital also contracts with a collection organization who will review certain private pay patients' eligibility for MaineCare (Medicaid) insurance coverage. The Organization will contact the patients and help take them through the MaineCare application process, if applicable.

Part VI, Line 4: Down East Community Hospital provides services to rural communities of Washington County, with 81% of its admissions coming from its service area covering 24 towns from Harrington to Lubec (16% come from the HSA for Calais Regional Hospital and 1% come from the HSA for Maine Coast Memorial Hospital). The population of 32,175 for the Hospital Service Area (HSA) has an average household income of \$26,081, compared to

Part VI Supplemental Information

\$46,933 for the State of Maine. Of the HSA population, approximately 18% fall below the poverty line and the average age is 40.2 years.

Part VI, Line 5: The Hospital furthers its exempt purpose by promoting the health of the community. The board consists of volunteer community members that are elected by the Corporators of the Hospital.

The Hospital has an open medical staff where all applicants have the opportunity to obtain membership as long as the guidelines as determined by the medical staff bylaws are met.

**SCHEDULE I**  
**(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Grants and Other Assistance to Organizations,  
Governments, and Individuals in the United States**

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 or 22.  
▶ Attach to Form 990.

OMB No. 1545-0047

**2012**

Open to Public  
Inspection

Name of the organization

**Down East Community Hospital**

Employer identification number  
**01-0263198**

**Part I** General Information on Grants and Assistance

- 1** Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?  Yes  No
- 2** Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States.

**Part II** Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Sunrise Nursing Care Facility 11 Hospital Drive Machias, ME 04654	22-2582949	501(c)(3)	59,860.	0.			Support to affiliate for operations and capital acquisitions.
Women's Health Resource Library P.O. Box 463 Milbridge, ME 04658	55-0880014	501(c)(3)	8,607.	0.			To support the Womens' Health Resource Library.

- 2** Enter total number of section 501(c)(3) and government organizations listed in the line 1 table **2.**
- 3** Enter total number of other organizations listed in the line 1 table **0.**

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

Schedule I (Form 990) (2012)

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

**Part IV** Supplemental Information. Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Schedule I, Part I, Line 2: The Organization only awards grants to qualifying public charities exempt under 501(c)(3) or municipalities. Additional monitoring is not deemed necessary.





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

**Supplemental Information on Tax-Exempt Bonds**  
▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047  
**2012**  
Open to Public Inspection

Name of the organization

Down East Community Hospital

Employer identification number  
01-0263198

**Part I Bond Issues** See Part VI for Columns (a) and (f) Continuations

(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
Maine Health and Higher Educational Facilities A	01-0314384	560425V80	11/01/07	1,035,000.	Finance New Construction and Refinance 1998		X		X	X
Maine Health and Higher Educational Facilities B	01-0314384	560427JA5	06/24/10	5,480,000.	Bond		X		X	X
C										
D										

**Part II Proceeds**

	A	B	C	D
1 Amount of bonds retired	364,800.	1,724,095.		
2 Amount of bonds legally defeased				
3 Total proceeds of issue	1,040,241.	5,865,921.		
4 Gross proceeds in reserve funds	48,449.	341,845.		
5 Capitalized interest from proceeds				
6 Proceeds in refunding escrows				
7 Issuance costs from proceeds	33,641.	65,460.		
8 Credit enhancement from proceeds				
9 Working capital expenditures from proceeds				
10 Capital expenditures from proceeds	969,739.			
11 Other spent proceeds		5,473,542.		
12 Other unspent proceeds				
13 Year of substantial completion	2010	2010		

	2010		Yes	No	Yes	No	Yes	No
	Yes	No						
14 Were the bonds issued as part of a current refunding issue?	X		X					
15 Were the bonds issued as part of an advance refunding issue?	X		X					
16 Has the final allocation of proceeds been made?	X		X					
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		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		X				
2 Are there any lease arrangements that may result in private business use of bond-financed property?		X		X				

	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		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		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?		X		X				
8a Has there been a sale or disposition of any of the bond-financed property to a non-governmental person other than a 501(c)(3) organization since the bonds were issued?		X		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?								

**Part IV Arbitrage**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has the issuer filed Form 8038-T?		X		X				
2 If "No" to line 1, did the following apply?								
a Rebate not due yet?		X		X				
b Exception to rebate?		X		X				
c No rebate due?		X		X				
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		X				
4a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X				
b Name of provider								
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
5a Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X				
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6 Were any gross proceeds invested beyond an available temporary period?		X		X				
7 Has the organization established written procedures to monitor the requirements of section 148?		X		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		X				

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

Schedule K, Part I, Bond Issues:  
 (a) Issuer Name: Maine Health and Higher Educational Facilities Authority  
 (f) Description of Purpose: Finance New Construction and Equipment

(a) Issuer Name: Maine Health and Higher Educational Facilities Authority

Part II, Line 3

Bond Issue Proceeds

The total proceeds of issue listed on line 3 differ from the issue prices listed on Part I due to the amount of premiums of each bond.



**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
Downeast Medical Associate	Entity more than 35	297,000.	Dr. Aziz Ma		X
Rita Ten, M.D.	Family member of Dr	428,988.	Dr. Rita Te		X

**Part V Supplemental Information**

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

Sch L, Part IV, Business Transactions Involving Interested Persons:

(a) Name of Person: Downeast Medical Associates

(b) Relationship Between Interested Person and Organization:

Entity more than 35% owned by Aziz Massaad, former director

(c) Amount of Transaction \$ 297,000.

(d) Description of Transaction: Dr. Aziz Massaad provided on-call physician services through his medical practice Downeast Medical Associates, to the Organization.

(e) Sharing of Organization Revenues? = No

(a) Name of Person: Rita Ten, M.D.

(b) Relationship Between Interested Person and Organization:

Family member of Dr. Aziz Massaad, former board member

(c) Amount of Transaction \$ 428,988.

(d) Description of Transaction: Dr. Rita Ten provided physician anesthesia services to the Organization.

(e) Sharing of Organization Revenues? = No

SCHEDULE O  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No. 1545-0047

2012

Open to Public  
Inspection

Name of the organization

Down East Community Hospital

Employer identification number

01-0263198

Form 990, Part I, Lines 8-18:

Prior year numbers have been restated to present revenue net of bad  
debt expense.

Form 990, Part III, Line 1, Description of Organization Mission:

expectations.

Form 990, Part III, Line 4d, Other Program Services:

Various other medical services supplied to patients.

Expenses \$ 22,268,568. incl grants of \$ 68,467. Revenue \$ 7,516,650.

Form 990, Part VI, Section A, line 6: Effective January 1, 2011, Down  
East Health System undertook a corporate restructuring whereby Down East  
Health System and Down East Health Trust were merged into Down East  
Community Hospital, leaving the Hospital as the surviving corporation.

As a result of this merger, the members of the Organization, known as  
"Corporators," shall be those individuals who are Corporators of Down East  
Community Hospital as of January 1, 2011, and such other individuals as may  
be elected to membership in this Corporation by a majority vote of  
(i) those Corporators present at the Annual Meeting of this Corporation; or  
(ii) the Board of Trustees.

A Corporator is elected for life, unless the Corporator voluntarily  
resigns.

Name of the organization

Down East Community Hospital

Employer identification number

01-0263198

Additionally, those individuals who are appointed as members of the Active Medical Staff of Down East Community Hospital are eligible to serve as Corporators during the period of their appointment to the Active Medical Staff if so desired.

Form 990, Part VI, Section A, line 7a: Effective January 1, 2011, the Corporators shall elect the Trustees of this Corporation from a slate of nominees presented by the Nominating Committee in accordance with the provisions of the Bylaws.

Form 990, Part VI, Section B, line 11: The 990 is reviewed by the CEO and CFO and a copy is provided to the full board before filing.

Form 990, Part VI, Section B, Line 12c: In order to monitor compliance with the conflict of interest policy for the Organization, each member of the board of trustees is required annually to submit a conflict of interest document and the compliance officer verifies the receipt of these documents. The compliance officer also reviews payments issued to the board of trustees and any contracts in effect with board members. Department managers and key personnel are also required to submit a conflict of interest statement annually and new employees sign a conflict of interest statement at the time of hire.

Form 990, Part VI, Section B, Line 15a: Compensation for the Organization's CEO is set by the Executive Compensation Committee made up of independent board members.

Name of the organization

Down East Community Hospital

Employer identification number

01-0263198

Form 990, Part VI, Section C, Line 19: The financial Statements and annual report are made available to the public upon request. The Organization's governing documents and conflict of interest policy are not made available to the public.

## Form 990, Part IX, Line 11g, Other Fees:

## Purchased Services:

Program service expenses	1,768,609.
Management and general expenses	0.
Fundraising expenses	0.
Total expenses	1,768,609.

## Professional Fees:

Program service expenses	2,747,897.
Management and general expenses	0.
Fundraising expenses	0.
Total expenses	2,747,897.

## Collection Fees:

Program service expenses	85,563.
Management and general expenses	0.
Fundraising expenses	0.
Total expenses	85,563.

Total Other Fees on Form 990, Part IX, line 11g, Col A	4,602,069.
--	------------

## Form 990, Part XI, line 9, Changes in Net Assets:

Unfunded Pension Liability Adjustment	-643,820.
---------------------------------------	-----------





**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.

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?

	Yes	No
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) Sunrise Nursing Care Facility	B	59,860	Fair Market Value
(2) Sunrise Nursing Care Facility	Q	122,006	Fair Market Value
(3) Sunrise Nursing Care Facility	S	130,688	Fair Market Value
(4) Sunrise Nursing Care Facility	A	14,200	Fair Market Value
(5)			
(6)			





## Application for Extension of Time To File an Exempt Organization Return

▶ **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](http://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.*

<b>Type or print</b>	Name of exempt organization or other filer, see instructions. <b>Down East Community Hospital</b>	Employer identification number (EIN) or <b>01-0263198</b>
File by the due date for filing your return. See instructions.	Number, street, and room or suite no. If a P.O. box, see instructions. <b>11 Hospital Drive</b>	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <b>Machias, ME 04654</b>	

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 (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

**Lynnette Parr**

- The books are in the care of ▶ **11 Hospital Drive - Machias, ME 04654**  
 Telephone No. ▶ **207-255-3356** FAX No. ▶ \_\_\_\_\_
- 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) \_\_\_\_\_. 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.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until **August 15, 2013**, to file the exempt organization return for the organization named above. The extension is for the organization's return for:  
 ▶  calendar year **2012** or  
 ▶  tax year beginning \_\_\_\_\_, and ending \_\_\_\_\_

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

3a 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.	<b>3a</b>	\$	0.
3b 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.	<b>3b</b>	\$	0.
3c 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.	<b>3c</b>	\$	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  **X**
- 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 <small>File by the due date for filing your return. See instructions.</small>	Name of exempt organization or other filer, see instructions <b>Down East Community Hospital</b>	Employer identification number (EIN) or <b>01-0263198</b>
	Number, street, and room or suite no. If a P.O. box, see instructions. <b>11 Hospital Drive</b>	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <b>Machias, ME 04654</b>	

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 (sec. 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.**

**Lynnette Parr**

• The books are in the care of **11 Hospital Drive - Machias, ME 04654**  
 Telephone No. **207-255-3356** FAX No. \_\_\_\_\_

- 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) \_\_\_\_\_ . 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.

4 I request an additional 3-month extension of time until **November 15, 2013.**

5 For calendar year **2012**, or other tax year beginning \_\_\_\_\_, and ending \_\_\_\_\_.

6 If the tax year entered in line 5 is for less than 12 months, check reason:  Initial return  Final return  
 Change in accounting period

7 State in detail why you need the extension  
**Information from third parties has not yet been received. Therefore, additional time is necessary to file a complete and accurate return.**

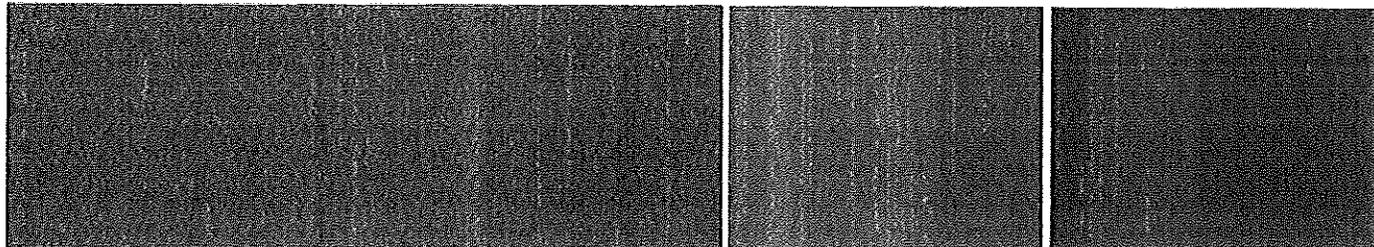
8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	\$	0.
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	\$	0.
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.	8c	\$	0.

**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 **Barbara J. McBrien** Title **CPA**

Date **08/13/13**



**Down East**  
**COMMUNITY**  
*Our Health, Our Hospital*

**DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY**

**FINANCIAL STATEMENTS**

with

**ADDITIONAL INFORMATION**

**December 31, 2012 and 2011**

**With Independent Auditor's Report**



**DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY**

**Consolidated Financial Statements**

**December 31, 2012 and 2011**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Down East Community Hospital and Subsidiary

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Down East Community Hospital and Subsidiary (the Hospital), which comprise the balance sheets as of December 31, 2012 and 2011, 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 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 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 financial statements based on our audits. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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, the financial statements referred to above present fairly, in all material respects, the financial position of Down East Community Hospital and Subsidiary as of December 31, 2012 and 2011, and the results of its operations, changes in net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

The Board of Trustees  
Down East Community Hospital and Subsidiary

***Other Matters***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules 1,2,3 and 4 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
March 15, 2013

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 3,290,276	\$ 3,679,529
Certificate of deposit	724,109	461,240
Patient accounts receivable, net of estimated uncollectibles of \$2,775,075 in 2012 and \$2,500,899 in 2011	4,548,286	4,402,895
Assets limited as to use, current portion	416,288	410,298
Other receivables	703,740	283,763
Supplies and other	451,425	436,757
Prepaid expenses and other assets	<u>344,271</u>	<u>316,287</u>
Total current assets	10,478,395	9,990,769
Assets limited as to use, excluding current portion	2,968,955	2,654,128
Property and equipment, net	12,717,071	13,458,857
Deferred financing costs, less accumulated amortization of \$26,514 in 2012 and \$13,875 in 2011	<u>72,587</u>	<u>85,226</u>
Total assets	<u>\$ 26,237,008</u>	<u>\$ 26,188,980</u>

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

---

**LIABILITIES AND NET ASSETS**

	<u>2012</u>	<u>2011</u>
Current liabilities		
Current portion of long-term debt	\$ 751,377	\$ 720,603
Accounts payable and accrued expenses	1,955,745	1,341,646
Accrued payroll and amounts withheld	1,402,439	1,557,059
Estimated third-party payor settlements	<u>3,534,044</u>	<u>2,481,004</u>
Total current liabilities	7,643,605	6,100,312
Unfunded pension liability	2,832,084	2,367,035
Long-term debt, excluding current portion	<u>4,322,459</u>	<u>5,127,065</u>
Total liabilities	<u>14,798,148</u>	<u>13,594,412</u>
Commitment and contingencies (Notes 8 and 9)		
Net assets		
Unrestricted	10,057,613	11,192,414
Temporarily restricted	38,012	58,919
Permanently restricted	<u>1,343,235</u>	<u>1,343,235</u>
Total net assets	<u>11,438,860</u>	<u>12,594,568</u>
Total liabilities and net assets	<u>\$ 26,237,008</u>	<u>\$ 26,188,980</u>

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**DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY**

**Consolidated Statements of Operations**

**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Unrestricted revenues, gains, and other support		
Patient service revenue		\$ 38,445,294
(net of contractual allowances and discounts)	<b>\$38,057,250</b>	
Less provision for bad debts	<u>2,048,222</u>	<u>1,950,062</u>
Net patient service revenue	<b>36,009,028</b>	36,495,232
Investment income	194,824	179,612
Other revenue	1,050,222	798,541
Electronic health record incentives	672,430	495,225
Net assets released from restrictions for operations	<u>31,399</u>	<u>13,878</u>
Total revenues, gains, and other support	<b><u>37,957,903</u></b>	<b><u>37,982,488</u></b>
Expenses		
Salaries	17,934,545	17,771,426
Employee benefits	4,340,991	3,894,380
Purchased services	2,268,688	2,784,440
Temporary personnel	1,246,251	1,618,225
Professional fees	2,747,897	2,789,310
Supplies	3,314,101	3,334,145
Other	5,081,121	4,707,134
Depreciation and amortization	1,587,383	1,626,928
Interest	<u>212,626</u>	<u>236,137</u>
Total expenses	<b><u>38,733,603</u></b>	<b><u>38,762,125</u></b>
Operating loss	<b>(775,700)</b>	<b>(779,637)</b>
Non-operating gains		
Contributions	<u>57,110</u>	<u>8,142</u>
Total non-operating gains	<b><u>57,110</u></b>	<b><u>8,142</u></b>
Deficiency of revenues, gains, and other support over expenses	<b>(718,590)</b>	<b>(771,495)</b>
Change in net unrealized gains (losses) on investments	227,609	(132,257)
Unfunded pension liability adjustment	<u>(643,820)</u>	<u>(1,424,834)</u>
Decrease in unrestricted net assets	<b><u>\$ (1,134,801)</u></b>	<b><u>\$ (2,328,586)</u></b>

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

**DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY**

**Consolidated Statements of Changes in Net Assets**

**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Unrestricted net assets		
Deficiency of revenues, gains, and other support over expenses	\$ (718,590)	\$ (771,495)
Change in net unrealized gains (losses) on investments	227,609	(132,257)
Unfunded pension liability adjustment	<u>(643,820)</u>	<u>(1,424,834)</u>
Decrease in unrestricted net assets	<u>(1,134,801)</u>	<u>(2,328,586)</u>
Temporarily restricted net assets		
Contributions, net	10,485	11,500
Investment income	7	13
Net assets released from restrictions	<u>(31,399)</u>	<u>(13,878)</u>
Decrease in temporarily restricted net assets	<u>(20,907)</u>	<u>(2,365)</u>
Permanently restricted net assets		
Contributions	<u>-</u>	<u>1,000,000</u>
Increase in permanently restricted net assets	<u>-</u>	<u>1,000,000</u>
Decrease in net assets	<u>(1,155,708)</u>	<u>(1,330,951)</u>
Net assets, beginning of year	<u>12,594,568</u>	<u>13,925,519</u>
Net assets, end of year	<u>\$ 11,438,860</u>	<u>\$ 12,594,568</u>

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

**DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY**

**Consolidated Statements of Cash Flows**

**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Decrease in net assets	\$ (1,155,708)	\$ (1,330,951)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Unfunded pension liability adjustment	643,820	1,424,834
Depreciation and amortization	1,587,383	1,626,928
Provision for bad debts	2,048,222	1,950,062
Loss (gain) on sale of property	356	(190)
Net realized and unrealized (gains) losses on investments	(256,005)	102,819
Restricted contributions and income	(10,485)	(1,011,513)
Changes in assets and liabilities		
Patient accounts receivable	(2,193,613)	(2,550,907)
Estimated third-party payor settlements	1,053,040	29,889
Other receivables	58,023	(154,219)
Other current assets	(42,652)	110,110
Accounts payable and accrued expenses	(18,521)	264,084
Pension accrual	(178,771)	(184,070)
Net cash provided by operating activities	<u>1,535,089</u>	<u>276,876</u>
Cash flows from investing activities		
(Purchases) proceeds in certificate of deposit	(262,869)	557,964
Purchase of property and equipment	(845,314)	(1,631,368)
Purchase of assets limited as to use	(732,463)	(1,821,348)
Proceeds from sale of property and equipment	12,000	9,350
Proceeds from sale of assets limited as to use	667,651	851,097
Net cash used by investing activities	<u>(1,160,995)</u>	<u>(2,034,305)</u>
Cash flows from financing activities		
Proceeds from the restricted contributions and investment income	10,485	1,011,513
Repayment of long-term debt	(773,832)	(808,131)
Net cash (used) provided by financing activities	<u>(763,347)</u>	<u>203,382</u>
Net decrease in cash and cash equivalents	(389,253)	(1,554,047)
Cash and cash equivalents, beginning of year	<u>3,679,529</u>	<u>5,233,576</u>
Cash and cash equivalents, end of year	<u>\$ 3,290,276</u>	<u>\$ 3,679,529</u>
Supplemental disclosure of cash flow information		
Cash paid during year for interest	<u>\$ 221,026</u>	<u>\$ 247,323</u>

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

# DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2012 and 2011

### Nature of Operations

Down East Community Hospital and Subsidiary (the Hospital) is a not-for-profit entity located in Machias, Maine, established to provide health care services through its acute care facility to residents of Washington County in the Eastern Maine area. Sunrise Nursing Care (Sunrise) is a wholly-owned subsidiary of the Hospital. The Hospital is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

Prior to January 1, 2011, the Hospital was a subsidiary of Down East Health System (the System). The System included the Hospital, Sunrise, and Down East Health Trust (the Trust). The Hospital, Sunrise, and the Trust were wholly-owned subsidiaries of the System. Effective January 1, 2011, the System undertook a corporate restructuring whereby the System and the Trust were merged into the Hospital, leaving the Hospital as the surviving corporation, and the Hospital became the sole corporate member of Sunrise.

On July 2, 2009, Eastern Maine Healthcare Systems was appointed Emergency Receiver for the Hospital, in response to investigations of clinical practices by the Centers for Medicare and Medicaid (CMS) and threatened disqualification from the Medicare program. The Hospital has satisfied the Department of Health and Human Services through onsite surveys and it now meets licensing standards applicable to Maine critical access hospitals as evidenced by the restoration of their full operating license as of July 23, 2010. As of October 21, 2011, the court confirmed the receivership was successfully concluded.

### 1. Significant Accounting Policies

#### Principles of Consolidation

The consolidated financial statements represent the parent and subsidiary activities after the elimination of all material intercompany balances and activity.

#### Use of Estimates

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

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## DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

### Notes to Consolidated Financial Statements

December 31, 2012 and 2011

#### Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. At December 31, 2012, the Hospital had cash and money market account balances in financial institutions that exceeded federal depository insurance limits; however, management believes the credit risk related to these investments is minimal. The Hospital has not experienced any losses in such accounts.

To minimize risk, the Hospital utilizes a sweep account. On a daily basis after activity has been posted to the operating account, the bank will withdraw excess funds from the account and invest the monies in U.S. government securities. The bank then repurchases the securities at the beginning of the next banking day.

#### Accounts Receivable

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to 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 a credit to patient accounts receivable.

In evaluating the collectibility of accounts receivable, the Hospital analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Data for each major payor source is regularly reviewed to evaluate the adequacy of the allowance for doubtful accounts. For receivables relating to services provided to patients having third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a corresponding provision for bad debts. For receivables relating to self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a provision for bad debts in the period of service based on past experience, which indicates that many patients are unable or unwilling to pay amounts for which they are financially responsible. The difference between the standard rates (or discounted rates if negotiated or eligible) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

The allowance for doubtful accounts was \$2,775,075 and \$2,500,899 at December 31, 2012 and 2011, respectively, and relates almost entirely to self-pay accounts. Gross self-pay accounts receivable were \$2,730,850 and \$2,336,959 at December 31, 2012 and 2011, respectively. During 2012 and 2011, self-pay write-offs were \$1,465,557 and \$1,116,517, respectively.

# DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2012 and 2011

### Supplies

Supplies are carried at average cost.

### Assets Limited As To Use

Assets limited as to use are primarily cash, equity securities and debt securities. 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 the deficiency of revenue and gains over expenses, 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 within the deficiency of revenue and gains over expenses. Interest and dividends are reported as unrestricted other revenue or as increases in temporarily restricted assets, as appropriate.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets and statements of operations. Investments are periodically reviewed for impairment to determine if such declines are other than temporary. At December 31, 2012 and 2011, all impairments were considered temporary. At December 31, 2012, market value exceeded historical costs.

### Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

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

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## DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

### Notes to Consolidated Financial Statements

December 31, 2012 and 2011

#### Deferred Financing Costs and Premiums

Deferred financing costs represent expenses incurred in obtaining long-term financing and are being amortized over the life of the related bonds using the straight-line method. Original issue premiums on the Hospital's bonds is also being amortized over the life of the related bonds using the straight-line method.

#### 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 by the Hospital in perpetuity.

#### Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments at amounts different from its established rates. Payment arrangements include cost reimbursement, prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

#### Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

#### Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

# DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2012 and 2011

### Deficiency of Revenues, Gains, and Other Support Over Expenses

The Hospital's statement of operations includes deficiency of revenues, gains, and other support over expenses. Changes in unrestricted net assets which are excluded from this measure include unrealized gains and losses on investments, permanent transfers of assets, and unfunded pension liability adjustments.

### Reclassifications

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

### New Accounting Pronouncements

In July 2011, the Financial Accounting Standards Board (FASB) amended Accounting Standards Codification (ASC) 954, *Health Care Entities*, to require health care entities to change the presentation of the 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 (net of contractual allowances and discounts). Additionally, enhanced disclosures are required about the policies for recognizing revenue and assessing bad debts. The amendments also require disclosure of qualitative and quantitative information about significant changes in the allowance for doubtful accounts. The amendments to ASC 954 were effective for the Hospital beginning January 1, 2012 and have been incorporated into the Hospital's December 31, 2012 financial statements.

In August 2010, the FASB issues ASU No. 2010-24, *Health Care Entities (Topic 954), Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that a health care entity should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The Hospital's adoption of ASU No. 2010-24 was effective for the year beginning January 1, 2012.

### Subsequent Events

The Hospital has considered transactions or events occurring through March 15, 2013, which was the date the financial statements were available to be issued.

## 2. Net Patient Service Revenue

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

- Medicare - The Hospital was granted Critical Access Hospital (CAH) status, effective August 1, 2005. Under CAH designation, the Hospital is reimbursed 101% of its allowable cost for inpatient and outpatient services rendered to Medicare patients.

The Hospital's Medicare cost reports have been audited by the fiscal intermediary through December 31, 2008, and final settlements completed through December 31, 2006.

## DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

### Notes to Consolidated Financial Statements

December 31, 2012 and 2011

- MaineCare - As a CAH, services rendered to MaineCare recipients are reimbursed at 109% of allowable cost.

The Hospital's MaineCare cost reports have been audited through December 31, 2007, and final settlements completed through July 31, 2005.

- Sunrise Nursing Care - Under the MaineCare program, Sunrise is reimbursed for the care of qualified residents at specified interim contractual rates during the year. Differences between these interim contractual rates and the "cost" of this care as defined and limited by the Principles of Reimbursement, governing the respective programs, are determined and settled on a retroactive basis. Sunrise's cost reports have been audited through December 31, 2010.

Revenue from the Medicare and MaineCare programs accounted for approximately 43% and 23%, respectively, of the Hospital's gross patient service revenue for the year ended December 31, 2012 and 39% and 24%, respectively, for the year ended December 31, 2011. Approximately 73% of Sunrise's residents served during 2012, and approximately 85% served during 2011, were beneficiaries of the MaineCare or federal Medicare programs. Laws and regulations governing the Medicare and MaineCare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Hospital recognizes patient service revenue associated with services rendered to patients who have third-party payor coverage on the basis of contractual rates for such services. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates (or on the basis of discounted rates, if negotiated or provided by policy). Based on historical trends, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services rendered. Thus, the Hospital records a provision for bad debts related to uninsured patients in the period the services are rendered.

Patient service revenue (net of contractual allowances and discounts) for the years ended December 31 is as follows:

	<u>2012</u>	<u>2011</u>
Self-pay revenue	\$ 3,260,121	\$ 3,384,656
All other payors and Sunrise	<u>34,797,129</u>	<u>35,060,638</u>
	<u>\$ 38,057,250</u>	<u>\$ 38,445,294</u>

In 2012 and 2011, changes in prior year estimates changed net patient service revenue by \$199,400 and \$(680,000), respectively.

**DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2012 and 2011**

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

The Hospital's patient service revenue, contractual, and other allowances consisted of the following for the years ended December 31:

	<u>2012</u>	<u>2011</u>
Gross patient service revenue		
Inpatient	\$ 12,494,018	\$ 10,840,375
Outpatient	48,839,094	48,114,584
Sunrise Nursing Care	<u>1,938,141</u>	<u>1,948,347</u>
Gross patient service revenue	<u>63,271,253</u>	<u>60,903,306</u>
Less Medicare/Medicaid allowances	18,259,346	15,575,751
Less other allowances	5,150,592	4,575,441
Less charity care	<u>1,804,065</u>	<u>2,306,820</u>
	<u>25,214,003</u>	<u>22,458,012</u>
Patient service revenue (net of contractual allowances and discounts)	<u>38,057,250</u>	<u>38,445,294</u>
Less provision for bad debts	<u>2,048,222</u>	<u>1,950,062</u>
Net patient service revenue	<u>\$ 36,009,028</u>	<u>\$ 36,495,232</u>

**3. Charity Care**

The Hospital maintains records to identify the amount of charges foregone for services and supplies furnished under its charity care policy, as well as the estimated cost of those services and supplies and equivalent service statistics. The following information measures the level of charity care provided during the year ended December 31:

	<u>2012</u>	<u>2011</u>
Charges foregone, based on established rates	<u>\$ 1,804,065</u>	<u>\$ 2,306,820</u>
Estimated costs and expenses incurred to provide charity care	<u>\$ 1,052,000</u>	<u>\$ 1,396,000</u>
Equivalent percentage of charity care charges to all Hospital patient charges	2.94%	3.91%

Costs of providing charity care services has been estimated based on an overall financial statement ratio of costs to charges applied to charges foregone.

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

4. Assets Limited As to Use

Assets limited as to use are cash and investments stated at fair value and consist of the following:

	<u>2012</u>	<u>2011</u>
Under Board designation for capital improvements and operating purposes	\$ 1,587,708	\$ 1,251,974
Funds held for residents and others	25,994	21,627
Under debt agreements - held by trustee	390,294	388,671
Temporarily restricted	38,012	58,919
Permanently restricted	<u>1,343,235</u>	<u>1,343,235</u>
	3,385,243	3,064,426
Less current portion	<u>416,288</u>	<u>410,298</u>
	<u>\$ 2,968,955</u>	<u>\$ 2,654,128</u>

Investment income and gains on investments for 2012 and 2011, are comprised of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 166,435	\$ 150,187
Realized gains on investments	28,396	29,438
Change in net unrealized gains (losses) on investments	<u>227,609</u>	<u>(132,257)</u>
	<u>\$ 422,440</u>	<u>\$ 47,368</u>

5. Temporarily and Permanently Restricted Net Assets

The Hospital's permanently restricted net assets consist of endowment funds and investments held in perpetuity, the income on which is unrestricted. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Earnings in excess of 7% will be retained as temporarily restricted until released by direction of the Board.

Temporarily restricted net assets are held in the form of cash and are available for capital and medical library expenditures.

**DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2012 and 2011**

**6. Property and Equipment**

The details of property and equipment at December 31, 2012 and 2011, were as follows:

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 1,086,689	\$ 1,086,689
Building	17,226,163	16,061,690
Equipment	10,821,895	10,736,452
Construction in progress	<u>465,564</u>	<u>1,003,540</u>
	<b>29,600,311</b>	<b>28,888,371</b>
Less accumulated depreciation	<u>16,883,240</u>	<u>15,429,514</u>
Property and equipment, net	<u><b>\$12,717,071</b></u>	<u><b>\$13,458,857</b></u>

FASB ASC 410, *Asset Retirement and Environmental Obligations*, requires entities to record asset retirement obligations at fair value if they can be reasonably estimated. The State of Maine requires special disposal procedures relating to building materials containing asbestos. The Hospital building contains some asbestos, but a liability has not been recognized because there are no current plans to renovate the building that would require removal of the asbestos; accordingly, the liability has an indeterminate settlement date and its fair value cannot be reasonably estimated.

**7. Long-Term Debt**

Long-term debt consists of:

	<u>2012</u>	<u>2011</u>
Maine Health and Higher Educational Facilities Authority (MHHEFA) Revenue Bonds, Series 2010B, interest rates varying from 2.5% to 5.00%, principal due in amounts ranging from \$495,000 in 2013 to \$650,000 in 2020.	\$ 3,849,169	\$ 4,329,169
Plus original issue premium, net of accumulated amortization of \$93,264 and \$54,672 at December 31, 2012 and 2011, respectively.	292,657	331,249
MHHEFA Revenue Bonds, Series 2007B, interest rates varying from 4.0% to 4.25%, principal due in amounts ranging from \$65,000 in 2013 to \$80,000 in 2022.	672,005	732,005

**DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Plus original issue premium, net accumulated amortization of \$1,805 and \$1,456 at December 31, 2012 and 2011, respectively.	3,436	3,785
Bangor Savings Bank loan at 5.75%, payable in monthly installments of \$16,734 including interest, over a five-year period ending April 2014; collateralized by equipment purchased with proceeds.	<u>256,569</u>	<u>451,460</u>
	5,073,836	5,847,668
Less current portion	<u>(751,377)</u>	<u>(720,603)</u>
Long-term debt, excluding current installments	<u>\$ 4,322,459</u>	<u>\$ 5,127,065</u>

During 2010, the Hospital refinanced its MHHEFA Revenue Bonds, series 1998A with proceeds from the issuance of MHHEFA Revenue Bonds, Series 2010B. The Series 2007B and 2010B Bonds are collateralized by a first mortgage on substantially all of the property and equipment of the Hospital and a security interest in the Hospital's gross receipts. The revenue bond indentures also places limits on the incurrence of additional borrowings and require that the Hospital satisfy certain restrictive covenants as long as the bonds are outstanding. At December 31, 2012, the Hospital was not compliance with these covenants.

In connection with the MHHEFA Revenue Bonds, the Hospital is required to make deposits of interest and principal of sufficient amounts to make the annual principal and semi-annual interest payments and to retire the bonds when due. Included in assets limited as to use is \$390,294 and \$388,671 at December 31, 2012 and 2011, respectively, which will be used to make future principal and interest payments.

Scheduled principal payments on long-term debt are as follows:

2013	\$ 751,377
2014	640,200
2015	600,000
2016	625,000
2017	650,000
Thereafter	<u>1,807,259</u>
	<u>\$ 5,073,836</u>

## DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

### Notes to Consolidated Financial Statements

December 31, 2012 and 2011

#### 8. Commitments and Contingencies

##### Malpractice Insurance

The Hospital insures its medical malpractice risks on a claims-made basis under a policy which covers all employees. A claims-made policy provides specified coverage for claims reported during the policy term. The policy contains a provision which allows the Hospital to purchase "tail" coverage for an indefinite period of time to avoid any lapse in insurance coverage. The Hospital intends to renew coverage on a claims-made basis and anticipates that such coverage will be available.

The Hospital is subject to complaints, claims and litigation due to potential claims which arise in the normal course of doing business. U.S. generally accepted accounting principles require the Hospital to accrue the ultimate cost of malpractice claims when the incident that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset. Amounts accrued under this provision are included in other receivables and accrued expenses in the balance sheets.

##### Litigation

The Hospital is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the future financial position or results from operations.

#### 9. Employee Benefit Plan

##### Obligations and Funded Status

The Hospital sponsors a non-contributory defined benefit pension plan. The benefits are based on years of service and the employees' compensation during employment. The Hospital's funding policy is to contribute the amount recommended by the Hospital's actuary to fulfill requirements of the Employee Retirement Income Security Act of 1974 or the maximum allowed under the Internal Revenue Service rules governing contributions to employee retirement plans.

On July 24, 2006, the Board of Trustees voted to curtail benefits under the plan effective September 30, 2006. All benefits for active employees became fully vested at that time. The projected benefit obligation at December 31, 2006 has been adjusted to reflect a curtailment gain of \$635,985, which is primarily due to the elimination of deferred losses. There are no immediate plans to settle the benefit obligation.

ASC 715, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position and to recognize through nonoperating gains (losses) changes in the funded status in the year in which the changes occur. The funded status of a plan should be measured as of the date of the Hospital's year-end balance sheet, with limited exceptions.

**DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2012 and 2011**

The following table sets forth funded status of the defined benefit plan and amounts recognized in the Hospital's financial statements:

	<u>2012</u>	<u>2011</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 7,319,032	\$ 6,107,222
Loss due to changes in estimates at prior measurement date	-	604,551
Interest cost	328,922	256,162
Actuarial loss	1,040,756	584,250
Benefits paid	<u>(278,310)</u>	<u>(233,153)</u>
Benefit obligation at end of year	<u>\$ 8,410,400</u>	<u>\$ 7,319,032</u>
Change in plan assets		
Fair value of plan assets at beginning of year	4,951,997	4,980,951
Actual return on plan assets	565,629	(11,801)
Employer contributions	339,000	216,000
Benefits paid	<u>(278,310)</u>	<u>(233,153)</u>
Fair value of plan assets at end of year	<u>\$ 5,578,316</u>	<u>\$ 4,951,997</u>
Funded status		
Benefit obligations	\$ (8,410,400)	\$ (7,319,032)
Fair value of plan assets	<u>5,578,316</u>	<u>4,951,997</u>
	<u>\$ (2,832,084)</u>	<u>\$ (2,367,035)</u>
Components of net periodic benefit cost		
Interest cost	328,922	256,162
Expected return on plan assets	(372,950)	(357,140)
Amortization of net loss	<u>204,257</u>	<u>132,908</u>
Net periodic benefit cost	<u>\$ 160,229</u>	<u>\$ 31,930</u>

Included in unrestricted net assets at December 31, 2012 and 2011, are unrecognized actuarial losses of \$4,003,597 and \$3,359,777, respectively, which have not been recognized in net periodic pension cost. The amount expected to be recognized in 2013 is \$100,000.

# DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2012 and 2011

### Assumptions

The weighted average assumptions used in the measurement of the Hospital's benefit obligation at December 31 are shown in the following table:

	<u>2012</u>	<u>2011</u>
Discount rate	3.90 %	4.22 %

The weighted average assumptions used in the measurement of the Hospital's benefit net periodic benefit cost for the years ended December 31, 2012 and 2011 are shown in the following table:

	<u>2012</u>	<u>2011</u>
Discount rate	4.22 %	5.35 %
Expected long-term return on plan assets	7.50 %	7.50 %

The Hospital considers various factors in estimating the expected long-term rate of return on plan assets. Among the factors considered are the historical long-term returns on plan assets, the current and expected allocation of plan assets, input from actuaries and investment consultants, and long-term inflation assumptions. The expected allocation of plan assets is based on a diversified portfolio consisting of various mutual funds and investments with insurance companies.

### Plan Assets

The Hospital's investment policy for its pension plan is to balance risk and return using a diversified portfolio consisting primarily of high quality equity and fixed income securities. To accomplish this goal, the plan's assets are actively managed by outside investment managers with the objective of optimizing long-term return while maintaining a high standard of portfolio quality and proper diversification. The Hospital monitors the maturities of fixed income securities so that there is sufficient liquidity to meet current payment obligations. The Hospital's Finance Committee provides oversight of the plan investments and the performance of the investment managers. The Hospital's pension plan asset allocation at December 31 is as follows:

<u>Asset Category</u>	<u>2012</u>	<u>2011</u>	<u>Target Range</u>
Equity securities	60 %	65 %	55 - 65%
Cash and fixed income securities	<u>40</u>	<u>35</u>	31 - 50%
Total	<u>100 %</u>	<u>100 %</u>	

# DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2012 and 2011

Investment values are based on quoted prices for identical assets. Fixed income securities include an investment contract with an insurance company that pays a guaranteed rate of return. The contract is carried at cost, which was \$1,301,970 and \$1,171,678 at December 31, 2012 and 2011, respectively. All other plan investments are in mutual funds.

### Cash Flows

#### Contributions

The Hospital expects to contribute \$135,000 to its pension plan in 2013.

#### Estimated Future Benefit Payments

The following benefit payments are expected to be paid:

2013	\$ 302,000
2014	311,000
2015	323,000
2016	341,000
2017	345,000
Years 2018 - 2022	2,193,000

### 401(k) Plan

In October 2006, the Hospital established a 401(k) Plan (the "Plan") which is available to all employees. Employees may participate in the Plan if they are 21 years of age, are full-time or part-time employees with 1,000 or more service hours, and have completed one continuous year of service. Employees have full and immediate rights to all funds set aside for them under the Plan. The Hospital will match 50% of the first 2% of employee contributions. Eligible employees will receive a core contribution ranging from 3% to 5% of salary, depending on years of service. A separate Plan was established for Sunrise which also matches 50% of the first 2% of employee deferrals and provides for a 2% base contribution. Employer contribution expense for the Plan was approximately \$545,766 and \$547,900 in 2012 and 2011, respectively.

### 10. Self-Insurance Plan

The Hospital is partially self-insured with respect to health benefits of employees. The deductible under the Hospital's insurance policy is \$110,000 per individual with an aggregate deductible based on the number of covered lives. The aggregate cost of claims, exclusive of administrative costs, was \$2,302,440 and \$2,009,542 in December 31, 2012 and 2011, respectively.

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

11. Concentrations

**Credit Risk**

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

	<u>2012</u>	<u>2011</u>
Medicare	33.8 %	22.1 %
MaineCare	15.8	24.5
Blue Cross	5.2	10.1
Commercial	17.1	18.1
Patients and other	<u>28.1</u>	<u>25.2</u>
	<u>100.0 %</u>	<u>100.0 %</u>

**Labor Force**

The Hospital's unionized labor workforce are members of the Maine State Nurses Association Local Unit #124 and Local Unit #210. The union contract has been negotiated through April 25, 2015.

12. Electronic Health Records Incentive Program

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The Medicare criteria for meaningful use will be staged in three steps from fiscal year 2011 through 2015. 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 Hospital.

The Medicaid program will provide 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. There will be no payment adjustments under the Medicaid EHR incentive program.

During 2012 and 2011, the Hospital recorded meaningful use revenues of \$672,430 and \$495,225, respectively, from the Medicaid EHR program. The Hospital has demonstrated a minimum of 10% Medicaid encounters and is upgrading to a certified physician practice EHR.

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

**13. Functional Expenses**

The Hospital provides general health care services to residents within its geographic location and of its nursing facility. Expenses related to providing these services in December 31, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Health care services	\$ 34,007,979	\$ 33,972,093
General and administrative	<u>4,725,624</u>	<u>4,790,032</u>
	<u>\$ 38,733,603</u>	<u>\$ 38,762,125</u>

**14. Fair Value Measurement**

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

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

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

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

The fair value of Level 2 assets is primarily based on quoted market prices of underlying assets, comparable securities, interest rates and credit risks. Those techniques are significantly affected by the assumptions used, including discount rate and estimates of future cash flows.

**DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2012 and 2011**

Assets measured at fair value on a recurring basis are summarized below:

	<u>Fair Value Measurements at December 31, 2012, Using</u>			
	<u>Total</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets:</b>				
Certificates of deposit	\$ 724,109	\$ 724,109	\$ -	\$ -
Assets limited as to use				
Cash and cash equivalents	583,736	583,736	-	-
U.S. Government securities	197,065	197,065	-	-
Marketable equity securities	1,708,873	1,708,873	-	-
Corporate bonds	251,540	-	251,540	-
Mutual funds	<u>644,029</u>	<u>644,029</u>	-	-
<b>Total</b>	<b><u>\$ 4,109,352</u></b>	<b><u>\$ 3,857,812</u></b>	<b><u>\$ 251,540</u></b>	<b><u>\$ -</u></b>

	<u>Fair Value Measurements at December 31, 2012, Using</u>			
	<u>Total</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Investments - held by defined benefit pension plan (Note 9)</b>				
Group annuity contract	\$ 1,301,970	\$ -	\$ 1,301,970	\$ -
Mutual funds	<u>4,276,346</u>	<u>4,276,346</u>	-	-
<b>Total</b>	<b><u>\$ 5,578,316</u></b>	<b><u>\$ 4,276,346</u></b>	<b><u>\$ 1,301,970</u></b>	<b><u>\$ -</u></b>

**DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2012 and 2011**

	<u>Fair Value Measurements at December 31, 2011, Using</u>			
	<u>Total</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets:</b>				
Certificates of deposit	\$ 461,240	\$ 461,240	\$ -	\$ -
Assets limited as to use				
Cash and cash equivalents	585,172	585,172	-	-
U.S. Government securities	142,223	142,223	-	-
Marketable equity securities	1,442,866	1,442,866	-	-
Corporate bonds	285,175	-	285,175	-
Mutual funds	<u>608,990</u>	<u>608,990</u>	-	-
<b>Total</b>	<b><u>\$ 3,525,666</u></b>	<b><u>\$ 3,240,491</u></b>	<b><u>\$ 285,175</u></b>	<b><u>\$ -</u></b>

	<u>Fair Value Measurements at December 31, 2011, Using</u>			
	<u>Total</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Investments - held by defined benefit pension plan (Note 9)</b>				
Group annuity contract	\$ 1,171,678	\$ -	\$ 1,171,678	\$ -
Mutual funds	<u>3,780,319</u>	<u>3,780,319</u>	-	-
<b>Total</b>	<b><u>\$ 4,951,997</u></b>	<b><u>\$ 3,780,319</u></b>	<b><u>\$ 1,171,678</u></b>	<b><u>\$ -</u></b>

**ADDITIONAL INFORMATION**

## DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

## Consolidating Balance Sheet

December 31, 2012

## ASSETS

	Down East Community Hospital	Sunrise Nursing Care	Eliminations	Consolidated
Current assets				
Cash and cash equivalents	\$ 3,175,762	\$ 114,514	-	\$ 3,290,276
Certificate of deposit	724,109	-	-	724,109
Patient accounts receivable, net of estimated uncollectibles	4,368,661	179,625	-	4,548,286
Assets limited as to use, current portion	412,597	3,691	-	416,288
Other receivables	670,457	45,899	(12,616)	703,740
Supplies and other	451,425	-	-	451,425
Prepaid expenses and other assets	299,395	44,876	-	344,271
Total current assets	10,102,406	388,605	(12,616)	10,478,395
Assets limited as to use, excluding current portion	2,968,955	-	-	2,968,955
Long-term receivables, net	104,974	-	(104,974)	-
Property and equipment, net	12,379,968	337,103	-	12,717,071
Deferred financing costs, less accumulated amortization	72,587	-	-	72,587
Total assets	\$ 25,628,890	\$ 725,708	\$ (117,590)	\$ 26,237,008

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Consolidating Balance Sheet (Concluded)

December 31, 2012

LIABILITIES AND NET ASSETS

	Down East Community Hospital	Sunrise Nursing Care	Eliminations	Consolidated
Current liabilities				
Current portion of long-term debt	\$ 751,377	-	-	\$ 751,377
Accounts payable and accrued expenses	1,908,547	59,814	(12,616)	1,955,745
Accrued payroll and amounts withheld	1,325,975	76,464	-	1,402,439
Estimated third-party payor settlements	<u>3,534,346</u>	<u>(302)</u>	-	<u>3,534,044</u>
Total current liabilities	7,520,245	135,976	(12,616)	7,643,605
Advances from affiliate	-	104,974	(104,974)	-
Unfunded pension liability	2,832,084	-	-	2,832,084
Long-term debt, excluding current portion	<u>4,322,459</u>	-	-	<u>4,322,459</u>
Total liabilities	<u>14,674,788</u>	<u>240,950</u>	<u>(117,590)</u>	<u>14,798,148</u>
Net assets				
Unrestricted	9,572,855	484,758	-	10,057,613
Temporarily restricted	38,012	-	-	38,012
Permanently restricted	<u>1,343,235</u>	-	-	<u>1,343,235</u>
Total net assets	<u>10,954,102</u>	<u>484,758</u>	-	<u>11,438,860</u>
Total liabilities and net assets	<u>\$ 25,628,890</u>	<u>\$ 725,708</u>	<u>\$ (117,590)</u>	<u>\$ 26,237,008</u>

## DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

## Consolidating Balance Sheet

December 31, 2011

## ASSETS

	Down East Community Hospital	Sunrise Nursing Care	Eliminations	Consolidated
Current assets				
Cash and cash equivalents	\$ 3,534,736	\$ 144,793	\$ -	\$ 3,679,529
Certificate of deposit	461,240	-	-	461,240
Patient accounts receivable, net of estimated uncollectibles	4,208,615	194,280	-	4,402,895
Assets limited as to use, current portion	408,204	2,094	-	410,298
Other receivables	234,801	72,933	(23,971)	283,763
Supplies and other	436,757	-	-	436,757
Prepaid expenses and other assets	<u>295,406</u>	<u>20,881</u>	-	<u>316,287</u>
Total current assets	9,579,759	434,981	(23,971)	9,990,769
Assets limited as to use, excluding current portion	2,654,128	-	-	2,654,128
Long-term receivables, net	139,966	-	(139,966)	-
Property and equipment, net	13,073,282	385,575	-	13,458,857
Deferred financing costs, less accumulated amortization	<u>85,226</u>	-	-	<u>85,226</u>
Total assets	<u>\$ 25,532,361</u>	<u>\$ 820,556</u>	<u>\$ (163,937)</u>	<u>\$ 26,188,980</u>

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Consolidating Balance Sheet (Concluded)

December 31, 2011

LIABILITIES AND NET ASSETS

	Down East Community Hospital	Sunrise Nursing Care	Eliminations	Consolidated
Current liabilities				
Current portion of long-term debt	\$ 720,603	-	-	\$ 720,603
Accounts payable and accrued expenses	1,317,847	47,770	(23,971)	1,341,646
Accrued payroll and amounts withheld	1,475,163	81,896	-	1,557,059
Estimated third-party payor settlements	<u>2,449,927</u>	<u>31,077</u>	<u>-</u>	<u>2,481,004</u>
Total current liabilities	5,963,540	160,743	(23,971)	6,100,312
Advances from affiliate	-	139,966	(139,966)	-
Unfunded pension liability	2,367,035	-	-	2,367,035
Long-term debt, excluding current portion	<u>5,127,065</u>	<u>-</u>	<u>-</u>	<u>5,127,065</u>
Total liabilities	<u>13,457,640</u>	<u>300,709</u>	<u>(163,937)</u>	<u>13,594,412</u>
Net assets				
Unrestricted	10,672,567	519,847	-	11,192,414
Temporarily restricted	58,919	-	-	58,919
Permanently restricted	<u>1,343,235</u>	<u>-</u>	<u>-</u>	<u>1,343,235</u>
Total net assets	<u>12,074,721</u>	<u>519,847</u>	<u>-</u>	<u>12,594,568</u>
Total liabilities and net assets	<u>\$ 25,532,361</u>	<u>\$ 820,556</u>	<u>\$ (163,937)</u>	<u>\$ 26,188,980</u>

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Consolidating Statement of Operations

Year Ended December 31, 2012

	Down East Community Hospital	Sunrise Nursing Care	Eliminations	Consolidated
Unrestricted revenues, gains, and other support				
Patient service revenue (net of contractual allowances and discounts)	\$ 36,119,109	\$ 1,938,141	-	\$ 38,057,250
Less provision for bad debts	<u>2,021,713</u>	<u>26,509</u>	-	<u>2,048,222</u>
Net patient service revenue	34,097,396	1,911,632	-	36,009,028
Investment income				
Other revenue	194,824	-	-	194,824
Electronic health record incentives	405,726	644,496	-	1,050,222
Net assets released from restrictions for operations	672,430	-	-	672,430
Total revenues, gains, and other support	<u>35,401,775</u>	<u>2,556,128</u>	-	<u>37,957,903</u>
Expenses				
Salaries	16,441,329	1,493,216	-	17,934,545
Employee benefits	4,023,693	317,298	-	4,340,991
Purchased services	2,104,553	164,135	-	2,268,688
Temporary personnel	1,246,251	-	-	1,246,251
Professional fees	2,747,897	-	-	2,747,897
Supplies	3,082,871	231,230	-	3,314,101
Other	4,694,807	386,314	-	5,081,121
Depreciation and amortization	1,527,524	59,859	-	1,587,383
Interest	212,626	-	-	212,626
Total expenses	<u>36,081,551</u>	<u>2,652,052</u>	-	<u>38,733,603</u>
Operating loss	(679,776)	(95,924)	-	(775,700)
Non-operating gains				
Contributions	56,135	975	-	57,110
Total non-operating gains	<u>56,135</u>	<u>975</u>	-	<u>57,110</u>
Deficiency of revenues, gains, and other support over expenses	(623,641)	(94,949)	-	(718,590)
Change in net unrealized gains and losses on investments	227,609	-	-	227,609
Unfunded pension liability adjustment	(643,820)	-	-	(643,820)
Transfers (to) from affiliates	<u>(59,860)</u>	<u>59,860</u>	-	<u>-</u>
Decrease in unrestricted net assets	<u>\$ (1,099,712)</u>	<u>\$ (35,089)</u>	<u>\$ -</u>	<u>\$ (1,134,801)</u>

## DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

## Consolidating Statement of Operations

Year Ended December 31, 2011

	Down East Community Hospital	Sunrise Nursing Care	Down East Health Trust	Eliminations	Consolidated
Unrestricted revenues, gains, and other support					
Patient service revenue (net of contractual allowances and discounts)	\$ 36,496,947	\$ 1,948,347	\$ -	\$ -	\$ 38,445,294
Less provision for bad debts	<u>1,939,992</u>	<u>10,070</u>	-	-	<u>1,950,062</u>
Net patient service revenue	34,556,955	1,938,277	-	-	36,495,232
Investment income					
Other revenue	179,326	286	-	-	179,612
Electronic health record incentives	353,487	445,054	-	-	798,541
Net assets released from restrictions for operations	495,225	-	-	-	495,225
Total revenues, gains, and other support	<u>13,313</u>	<u>565</u>	-	-	<u>13,878</u>
	<u>35,598,306</u>	<u>2,384,182</u>	-	-	<u>37,982,488</u>
Expenses					
Salaries	16,324,946	1,446,480	-	-	17,771,426
Employee benefits	3,564,351	330,029	-	-	3,894,380
Purchased services	2,631,950	152,490	-	-	2,784,440
Temporary personnel	1,918,225	-	-	-	1,918,225
Professional fees	2,789,310	-	-	-	2,789,310
Supplies	3,111,928	222,217	-	-	3,334,145
Other	4,368,937	338,197	-	-	4,707,134
Depreciation and amortization	1,563,986	62,942	-	-	1,626,928
Interest	<u>233,499</u>	<u>2,638</u>	-	-	<u>236,137</u>
Total expenses	<u>36,207,132</u>	<u>2,554,993</u>	-	-	<u>38,762,125</u>
Operating loss	(608,826)	(170,811)	-	-	(779,637)
Non-operating gains					
Contributions	<u>7,379</u>	<u>763</u>	-	-	<u>8,142</u>
Total non-operating gains	<u>7,379</u>	<u>763</u>	-	-	<u>8,142</u>
Deficiency of revenues, gains, and other support over expenses	(601,447)	(170,048)	-	-	(771,495)
Change in net unrealized gains and losses on investments	(132,257)	-	-	-	(132,257)
Unfunded pension liability adjustment	(1,424,834)	-	-	-	(1,424,834)
Transfers (to) from affiliates	<u>(151,637)</u>	<u>359,879</u>	<u>(208,242)</u>	-	-
(Decrease) increase in unrestricted net assets	<u>\$ (2,310,175)</u>	<u>\$ 189,831</u>	<u>\$ (208,242)</u>	<u>\$ -</u>	<u>\$ (2,328,586)</u>

