

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)

# 2012

Department of the Treasury  
Internal Revenue Service

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

Open to Public Inspection

### A For the 2012 calendar year, or tax year beginning and ending

<b>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization <b>Penobscot Valley Hospital</b>		<b>D</b> Employer identification number <b>01-0545327</b>
	Doing Business As		<b>E</b> Telephone number <b>207-794-3321</b>
	Number and street (or P.O. box if mail is not delivered to street address) Room/suite <b>7 Transalpine Road, Box 368</b>	<b>G</b> Gross receipts \$ <b>26,860,037.</b>	
	City, town, or post office, state, and ZIP code <b>Lincoln, ME 04457</b>		<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions) <b>H(c)</b> Group exemption number ▶
<b>F</b> Name and address of principal officer: <b>David Shannon same as C above</b>			
<b>I</b> Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
<b>J</b> Website: ▶ <b>www.pvhme.org</b>			
<b>K</b> Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶			<b>L</b> Year of formation: <b>1973</b>
<b>M</b> State of legal domicile: <b>ME</b>			

### Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: <b>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) ..... <b>11</b>		
	4	Number of independent voting members of the governing body (Part VI, line 1b) ..... <b>11</b>		
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a) ..... <b>277</b>		
	6	Total number of volunteers (estimate if necessary) ..... <b>34</b>		
	7a	Total unrelated business revenue from Part VIII, column (C), line 12 ..... <b>0.</b>		
	7b	Net unrelated business taxable income from Form 990-T, line 34 ..... <b>0.</b>		
Revenue	8	Contributions and grants (Part VIII, line 1h) ..... <b>100,430.</b>	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g) ..... <b>25,044,297.</b>	<b>100,430.</b>	<b>53,589.</b>
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d) ..... <b>72,409.</b>	<b>25,044,297.</b>	<b>26,448,876.</b>
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) ..... <b>-3,102.</b>	<b>72,409.</b>	<b>52,151.</b>
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12) ..... <b>25,214,034.</b>	<b>-3,102.</b>	<b>-14,678.</b>
			<b>25,214,034.</b>	<b>26,539,938.</b>
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3) ..... <b>14,229.</b>	<b>14,229.</b>	<b>9,935.</b>
	14	Benefits paid to or for members (Part IX, column (A), line 4) ..... <b>0.</b>	<b>0.</b>	<b>0.</b>
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) ..... <b>14,172,619.</b>	<b>14,172,619.</b>	<b>13,470,965.</b>
	16a	Professional fundraising fees (Part IX, column (A), line 11e) ..... <b>0.</b>	<b>0.</b>	<b>0.</b>
		b Total fundraising expenses (Part IX, column (D), line 25) ▶ <b>0.</b>		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) ..... <b>10,497,163.</b>	<b>10,497,163.</b>	<b>13,094,211.</b>
18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25) ..... <b>24,684,011.</b>	<b>24,684,011.</b>	<b>26,575,111.</b>	
19	Revenue less expenses. Subtract line 18 from line 12 ..... <b>530,023.</b>	<b>530,023.</b>	<b>-35,173.</b>	
Net Assets or Fund Balances	20	Total assets (Part X, line 16) ..... <b>16,723,968.</b>	Beginning of Current Year	End of Year
	21	Total liabilities (Part X, line 26) ..... <b>12,132,873.</b>	<b>16,723,968.</b>	<b>15,970,607.</b>
	22	Net assets or fund balances. Subtract line 21 from line 20 ..... <b>4,591,095.</b>	<b>12,132,873.</b>	<b>11,406,094.</b>
		<b>4,591,095.</b>	<b>4,564,513.</b>	

### 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		Date		
	▶ <b>David Shannon, CEO</b> Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	<b>Barbara J. McGuan, CPA</b>	<b>Barbara J. McGuan, CPA</b>	<b>11/14/13</b>	<input type="checkbox"/>	<b>P00219457</b>
	Firm's name ▶ <b>Berry Dunn McNeil &amp; Parker, LLC</b>	Firm's EIN ▶ <b>01-0523282</b>			
	Firm's address ▶ <b>P.O. Box 1100 Portland, ME 04104-1100</b>		Phone no. <b>(207) 775-2387</b>		

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: Penobscot Valley Hospital exists to provide quality healthcare and to serve as an educational and referral resource that meets our customer's needs by providing appropriate services, providing health related information, and making arrangements for additional health

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 \$ 22,312,386. including grants of \$ 9,935. ) (Revenue \$ 26,448,876. ) Penobscot Valley Hospital is a 25 bed critical access hospital in Lincoln, ME. The Hospital provided a wide range of medical services to its patients in 2012, some of the largest being Emergency Room Services, Laboratory Services, Pharmacy Services, & Radiology Services. Please refer to Schedule H for a more comprehensive list of services provided.

4b (Code: ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4c (Code: ) (Expenses \$ including grants of \$ ) (Revenue \$ )

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

4e Total program service expenses 22,312,386.

**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	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	X	

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

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

Input box for Schedule O response

Main table with columns for question number, description, and Yes/No responses. Includes rows for Form 1096, Form W-2G, Form W-3, and various tax compliance questions.

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

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

Section A. Governing Body and Management

Table with columns for question number, description, and Yes/No checkboxes. Includes questions 1a, 1b, 2, 3, 4, 5, 6, 7a, 7b, 8a, 8b, and 9.

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

Table with columns for question number, description, and Yes/No checkboxes. Includes questions 10a, 10b, 11a, 11b, 12a, 12b, 12c, 13, 14, 15a, 15b, 16a, and 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.
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: Ann Marie Rush - 207-794-3321

7 Transalpine Road, Box 368, Lincoln, ME 04457

**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) Frederick Woodman, Jr. President	1.50	X		X				0.	0.	0.
(2) Gilberte Mayo Treasurer	1.50	X		X				0.	0.	0.
(3) Lynn Sanderson Past Board Member	1.50	X						0.	0.	0.
(4) Carl Alessi, M.D. Past Board Member/Current Physician	1.50	X					169,805.	0.	29,352.	
(5) Hervey Clay Board Member	1.50	X						0.	0.	0.
(6) Phillip Dawson, Jr. Vice President	1.50	X		X				0.	0.	0.
(7) Victor Jipson Past Treasurer	1.50	X		X				0.	0.	0.
(8) Michael McFalls Board Member	1.50	X						0.	0.	0.
(9) Ed Woolley Board Member	1.50	X						0.	0.	0.
(10) Richard Wyman Board Member	1.50	X						0.	0.	0.
(11) Annette Haynes Board Member	1.50	X						0.	0.	0.
(12) H. Joseph Thibodeau Board Member	1.50	X						0.	0.	0.
(13) Amanda Dunn Board Member	1.50	X						0.	0.	0.
(14) Pam Hoxie Board Member	1.50	X						0.	0.	0.
(15) David Shannon CEO	50.00			X			220,360.	0.	24,211.	
(16) Ann Marie Rush CFO	50.00			X			148,734.	0.	16,788.	
(17) David L. Ettinger ED Physician	40.00				X		284,643.	0.	25,352.	

**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) David H. Dumont Hospitalist	40.00					X		272,907.	0.	14,299.
(19) Samer Sbayi Surgeon	40.00					X		334,209.	0.	26,357.
(20) Phillip Scaglione Orthopedic Surgeon	40.00					X		301,484.	0.	12,499.
(21) Paul E. Turnquist ED Physician	40.00					X		276,358.	0.	23,763.
<b>1b Sub-total</b>								2,008,500.	0.	172,621.
<b>c Total from continuation sheets to Part VII, Section A</b>								0.	0.	0.
<b>d Total (add lines 1b and 1c)</b>								2,008,500.	0.	172,621.

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 **9**

	Yes	No
3 Did the organization list any <b>former</b> officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual		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	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	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
Emcare, Inc., 7032 Collection Center Drive, Chicago, IL 60693	ED Physician Services	1,009,089.
Nurse Anesthesia of Maine, LLC, 141 North Main Street, Suite 205, Brewer, ME 04412	Nursing Services	629,701.
CompHealth P.O. Box 972651, Dallas, TX 75397-2651	Physician Services	466,360.
NEHE MRI P.O. Box 6600, Newport Beach, CA 92658	MRI Services	366,968.
Quorum Health Resources, LLC, 105 Continental Place, Brentwood, TN	Hospital Management Svcs.	344,688.

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 **17**

**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	
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1 a</b> Federated campaigns	<b>1a</b>					
	<b>b</b> Membership dues	<b>1b</b>					
	<b>c</b> Fundraising events	<b>1c</b>	17,993.				
	<b>d</b> Related organizations	<b>1d</b>					
	<b>e</b> Government grants (contributions)	<b>1e</b>	13,000.				
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>	22,596.				
	<b>g</b> Noncash contributions included in lines 1a-1f: \$		6,407.				
	<b>h Total.</b> Add lines 1a-1f		53,589.				
	<b>Program Service Revenue</b>	<b>2 a</b> Patient Revenue	Business Code 621400	37,597,006.	37,597,006.		
<b>b</b> Meaningful Use Revenue		621400	426,779.	426,779.			
<b>c</b> Cafeteria & Other		722210	208,689.	90,972.		117,717.	
<b>d</b> Provision for Bad Debts		621400	-1,641,335.	-1,641,335.			
<b>e</b> Contractual/Char. Adj.		621400	-10,142,263.	-10,142,263.			
<b>f</b> All other program service revenue							
<b>g Total.</b> Add lines 2a-2f			26,448,876.				
<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest, and other similar amounts)		23,878.			23,878.	
	<b>4</b> Income from investment of tax-exempt bond proceeds						
	<b>5</b> Royalties						
	<b>6 a</b> Gross rents	(i) Real					
		(ii) Personal					
		<b>b</b> Less: rental expenses					
		<b>c</b> Rental income or (loss)					
	<b>d</b> Net rental income or (loss)						
	<b>7 a</b> Gross amount from sales of assets other than inventory	(i) Securities	338,319.				
		(ii) Other	500.				
		<b>b</b> Less: cost or other basis and sales expenses	301,170.	9,376.			
		<b>c</b> Gain or (loss)	37,149.	-8,876.			
	<b>d</b> Net gain or (loss)		28,273.			28,273.	
	<b>8 a</b> Gross income from fundraising events (not including \$ 17,993. of contributions reported on line 1c). See Part IV, line 18	<b>a</b>	4,430.				
<b>b</b> Less: direct expenses		9,553.					
<b>c</b> Net income or (loss) from fundraising events			-5,123.			-5,123.	
<b>9 a</b> Gross income from gaming activities. See Part IV, line 19	<b>a</b>						
	<b>b</b> Less: direct expenses						
	<b>c</b> Net income or (loss) from gaming activities						
<b>10 a</b> Gross sales of inventory, less returns and allowances	<b>a</b>						
	<b>b</b> Less: cost of goods sold						
	<b>c</b> Net income or (loss) from sales of inventory						
<b>Miscellaneous Revenue</b>		<b>Business Code</b>					
<b>11 a</b> Earnings from Subsidiary	900099	21,523.			21,523.		
<b>b</b> Earnings from Investment	900099	-4,532.			-4,532.		
<b>c</b> Loss on Early Extinguishment of D	900099	-26,546.			-26,546.		
<b>d</b> All other revenue							
<b>e Total.</b> Add lines 11a-11d		-9,555.					
<b>12 Total revenue.</b> See instructions.		26,539,938.	26,331,159.	0.	155,190.		

**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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21	9,935.	9,935.		
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	608,250.	198,157.	410,093.	
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	10,210,819.	9,483,657.	727,162.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	72,538.	65,141.	7,397.	
9 Other employee benefits	1,860,943.	1,750,715.	110,228.	
10 Payroll taxes	718,415.	645,151.	73,264.	
11 Fees for services (non-employees):				
a Management				
b Legal	55,087.	7,972.	47,115.	
c Accounting	66,416.		66,416.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees	5,460.		5,460.	
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	6,749,072.	5,722,460.	1,026,612.	
12 Advertising and promotion	23,720.		23,720.	
13 Office expenses	1,607,551.	476,733.	1,130,818.	
14 Information technology				
15 Royalties				
16 Occupancy	755,775.	706,061.	49,714.	
17 Travel	128,510.	82,070.	46,440.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	302,029.		302,029.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	1,061,163.	1,061,163.		
23 Insurance	299,996.	64,906.	235,090.	
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 <b>Medical Supplies</b>	2,038,265.	2,038,265.		
b <b>Physician Events</b>	1,167.	0.	1,167.	
c				
d				
e All other expenses				
25 <b>Total functional expenses.</b> Add lines 1 through 24e	26,575,111.	22,312,386.	4,262,725.	0.
26 <b>Joint costs.</b> 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	
<b>Assets</b>	<b>1</b> Cash - non-interest-bearing .....	3,158,145.	1	1,410,836.	
	<b>2</b> Savings and temporary cash investments .....	768,291.	2	661,768.	
	<b>3</b> Pledges and grants receivable, net .....		3		
	<b>4</b> Accounts receivable, net .....	2,819,117.	4	3,382,218.	
	<b>5</b> Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L .....		5	51,394.	
	<b>6</b> 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		
	<b>7</b> Notes and loans receivable, net .....		7		
	<b>8</b> Inventories for sale or use .....	479,893.	8	607,544.	
	<b>9</b> Prepaid expenses and deferred charges .....	215,373.	9	228,030.	
	<b>10a</b> Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D .....	<b>10a</b> 17,661,042.			
	<b>b</b> Less: accumulated depreciation .....	<b>10b</b> 10,936,605.	6,818,159.	<b>10c</b> 6,724,437.	
	<b>11</b> Investments - publicly traded securities .....	556,665.	11	644,090.	
	<b>12</b> Investments - other securities. See Part IV, line 11 .....	6,588.	12	23,579.	
	<b>13</b> Investments - program-related. See Part IV, line 11 .....		13		
	<b>14</b> Intangible assets .....	13,334.	14	23,527.	
	<b>15</b> Other assets. See Part IV, line 11 .....	1,888,403.	15	2,213,184.	
<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) .....	16,723,968.	16	15,970,607.		
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses .....	2,838,986.	17	2,821,343.	
	<b>18</b> Grants payable .....		18		
	<b>19</b> Deferred revenue .....		19		
	<b>20</b> Tax-exempt bond liabilities .....	1,024,908.	20	982,850.	
	<b>21</b> Escrow or custodial account liability. Complete Part IV of Schedule D .....		21		
	<b>22</b> Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L .....		22		
	<b>23</b> Secured mortgages and notes payable to unrelated third parties .....	5,060,075.	23	5,182,020.	
	<b>24</b> Unsecured notes and loans payable to unrelated third parties .....		24		
	<b>25</b> 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 .....	3,208,904.	25	2,419,881.	
	<b>26 Total liabilities.</b> Add lines 17 through 25 .....	12,132,873.	26	11,406,094.	
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117 (ASC 958), check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>				
	<b>27</b> Unrestricted net assets .....	4,361,605.	27	4,352,302.	
	<b>28</b> Temporarily restricted net assets .....	152,941.	28	135,662.	
	<b>29</b> Permanently restricted net assets .....	76,549.	29	76,549.	
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>				
	<b>30</b> Capital stock or trust principal, or current funds .....		30		
	<b>31</b> Paid-in or capital surplus, or land, building, or equipment fund .....		31		
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds .....		32		
	<b>33</b> Total net assets or fund balances .....	4,591,095.	33	4,564,513.	
<b>34</b> Total liabilities and net assets/fund balances .....	16,723,968.	34	15,970,607.		

**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	26,539,938.
2	Total expenses (must equal Part IX, column (A), line 25)	2	26,575,111.
3	Revenue less expenses. Subtract line 2 from line 1	3	-35,173.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	4,591,095.
5	Net unrealized gains (losses) on investments	5	8,591.
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	0.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	4,564,513.

**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
2b	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	
2c	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
3b	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)

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

Department of the Treasury  
Internal Revenue Service

**Public Charity Status and Public Support**

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

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

OMB No. 1545-0047

**2012**

Open to Public Inspection

Name of the organization **Penobscot Valley Hospital** Employer identification number **01-0545327**

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

The organization is not a private foundation because it is: (For lines 1 through 11, check only one box.)

- 1  A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2  A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)
- 3  A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4  A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state: \_\_\_\_\_
- 5  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)
- 6  A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 8  A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 9  An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
- 10  An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
- 11  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.
  - a  Type I      b  Type II      c  Type III - Functionally integrated      d  Type III - Non-functionally integrated
- e  By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).
- f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
 

	Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? .....		
(ii) A family member of a person described in (i) above? .....		
(iii) A 35% controlled entity of a person described in (i) or (ii) above? .....		
- h Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document?		(v) Did you notify the organization in col. (i) of your support?		(vi) Is the organization in col. (i) organized in the U.S.?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
<b>Total</b>									

**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
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") .....						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf .....						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge .....						
<b>4 Total.</b> Add lines 1 through 3 .....						
<b>5</b> 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) .....						
<b>6 Public support.</b> 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
<b>7</b> Amounts from line 4 .....						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources .....						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on .....						
<b>10</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.) .....						
<b>11 Total support.</b> Add lines 7 through 10						
<b>12</b> Gross receipts from related activities, etc. (see instructions) .....					<b>12</b>	
<b>13 First five years.</b> 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 <b>stop here</b> .....						<input type="checkbox"/>

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

<b>14</b> Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)) .....	<b>14</b>	%
<b>15</b> Public support percentage from 2011 Schedule A, Part II, line 14 .....	<b>15</b>	%
<b>16a 33 1/3% support test - 2012.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization .....		<input type="checkbox"/>
<b>b 33 1/3% support test - 2011.</b> 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 <b>stop here.</b> The organization qualifies as a publicly supported organization .....		<input type="checkbox"/>
<b>17a 10% -facts-and-circumstances test - 2012.</b> 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 <b>stop here.</b> 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>b 10% -facts-and-circumstances test - 2011.</b> 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 <b>stop here.</b> 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>18 Private foundation.</b> 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
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") .....						
<b>2</b> 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 .....						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513 .....						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf .....						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge .....						
<b>6 Total.</b> Add lines 1 through 5 .....						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons .....						
<b>b</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 .....						
<b>c</b> Add lines 7a and 7b .....						
<b>8 Public support.</b> (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
<b>9</b> Amounts from line 6 .....						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources .....						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 .....						
<b>c</b> Add lines 10a and 10b .....						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on .....						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.) .....						
<b>13 Total support.</b> (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**

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

**Section D. Computation of Investment Income Percentage**

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

**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

Employer identification number

Penobscot Valley Hospital

01-0545327

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>Penobscot Valley Hospital</b>	Employer identification number <b>01-0545327</b>
--	---

**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/>	\$ 6,000.	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/>	\$ 7,000.	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.)
	<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 <b>Penobscot Valley Hospital</b>	Employer identification number <b>01-0545327</b>
--	---

**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 <b>Penobscot Valley Hospital</b>	Employer identification number <b>01-0545327</b>
--	---

**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
<b>(e) Transfer of gift</b>			
<b>Transferee's name, address, and ZIP + 4</b>		<b>Relationship of transferor to transferee</b>	
<b>(e) Transfer of gift</b>			
<b>Transferee's name, address, and ZIP + 4</b>		<b>Relationship of transferor to transferee</b>	
<b>(e) Transfer of gift</b>			
<b>Transferee's name, address, and ZIP + 4</b>		<b>Relationship of transferor to transferee</b>	
<b>(e) Transfer of gift</b>			
<b>Transferee's name, address, and ZIP + 4</b>		<b>Relationship of transferor to transferee</b>	
<b>(e) Transfer of gift</b>			
<b>Transferee's name, address, and ZIP + 4</b>		<b>Relationship of transferor to transferee</b>	
<b>(e) Transfer of gift</b>			
<b>Transferee's name, address, and ZIP + 4</b>		<b>Relationship of transferor to transferee</b>	

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

Department of the Treasury  
Internal Revenue Service

**Political Campaign and Lobbying Activities**

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

OMB No. 1545-0047

**2012**

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 <b>Penobscot Valley Hospital</b>	Employer identification number <b>01-0545327</b>
--	---

**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-.

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

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

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

<b>Limits on Lobbying Expenditures</b> (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
<b>1 a</b>	Total lobbying expenditures to influence public opinion (grass roots lobbying) .....														
<b>b</b>	Total lobbying expenditures to influence a legislative body (direct lobbying) .....														
<b>c</b>	Total lobbying expenditures (add lines 1a and 1b) .....														
<b>d</b>	Other exempt purpose expenditures .....														
<b>e</b>	Total exempt purpose expenditures (add lines 1c and 1d) .....														
<b>f</b>	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e.	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.	Over \$17,000,000	\$1,000,000.		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e.														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.														
Over \$17,000,000	\$1,000,000.														
<b>g</b>	Grassroots nontaxable amount (enter 25% of line 1f) .....														
<b>h</b>	Subtract line 1g from line 1a. If zero or less, enter -0- .....														
<b>i</b>	Subtract line 1f from line 1c. If zero or less, enter -0- .....														
<b>j</b>	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.)

<b>Lobbying Expenditures During 4-Year Averaging Period</b>					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
<b>2a</b> Lobbying nontaxable amount					
<b>b</b> Lobbying ceiling amount (150% of line 2a, column(e))					
<b>c</b> Total lobbying expenditures					
<b>d</b> Grassroots nontaxable amount					
<b>e</b> Grassroots ceiling amount (150% of line 2d, column (e))					
<b>f</b> 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		4,330.
<b>j</b> Total. Add lines 1c through 1i .....			4,330.
<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 the Maine Hospital Association and the

American Hospital Association. A portion of dues paid to the Maine

Hospital Association (\$3,738) and American Hospital Association (\$592)

were attributable to lobbying expenses.

**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

Penobscot Valley Hospital

Employer identification number

01-0545327

**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? .....

Yes  No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ \_\_\_\_\_

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ \_\_\_\_\_

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? .....

Yes  No

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.**

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

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					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

- 2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:
- a Board designated or quasi-endowment  \_\_\_\_\_ %
  - b Permanent endowment  \_\_\_\_\_ %
  - 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   | 3a(i)  |    |
| (ii) related organizations  | 3a(ii) |    |
| b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? | 3b     |    |

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		28,897.		28,897.
b Buildings		7,762,559.	4,469,845.	3,292,714.
c Leasehold improvements		433,876.	406,628.	27,248.
d Equipment		8,752,334.	5,573,835.	3,178,499.
e Other		683,376.	486,297.	197,079.
<b>Total.</b> Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				6,724,437.

**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) <b>Estimated Third-Party Payor Settlements</b>	2,175,613.
(2) <b>Deferred Compensation</b>	37,571.
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 15.)	2,213,184.

**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>Estimated Third-Party Payor</b>	
(3) <b>Settlements</b>	2,382,310.
(4) <b>Deferred Compensation</b>	37,571.
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 25.)	2,419,881.

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 II Fundraising Events.** Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events (add col. (a) through col. (c))
		Golf Tournament (event type)	Fashion Show (event type)	None (total number)	
Revenue	<b>1</b> Gross receipts .....	15,960.	6,463.		22,423.
	<b>2</b> Less: Contributions .....	12,030.	5,963.		17,993.
	<b>3</b> Gross income (line 1 minus line 2) .....	3,930.	500.		4,430.
Direct Expenses	<b>4</b> Cash prizes .....				
	<b>5</b> Noncash prizes .....				
	<b>6</b> Rent/facility costs .....	3,920.	569.		4,489.
	<b>7</b> Food and beverages .....		2,070.		2,070.
	<b>8</b> Entertainment .....				
	<b>9</b> Other direct expenses .....	1,987.	1,008.		2,995.
	<b>10</b> Direct expense summary. Add lines 4 through 9 in column (d) .....				( 9,554 )
	<b>11</b> Net income summary. Combine line 3, column (d), and line 10 .....				-5,124.

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

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

**9** Enter the state(s) in which the organization operates gaming activities: \_\_\_\_\_  
**a** Is the organization licensed to operate gaming activities in each of these states?  Yes  No  
**b** If "No," explain: \_\_\_\_\_

**10a** Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year?  Yes  No  
**b** If "Yes," explain: \_\_\_\_\_



**SCHEDULE H  
(Form 990)**

**Hospitals**

OMB No. 1545-0047

**2012**

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

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

Name of the organization **Penobscot Valley Hospital** Employer identification number **01-0545327**

**Part I Financial Assistance and Certain Other Community Benefits at Cost**

	Yes	No
<b>1a</b> Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	X	
<b>b</b> If "Yes," was it a written policy?	X	
<b>2</b> 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		
<b>3</b> 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.		
<b>a</b> Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> 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>b</b> Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> 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 checked="" type="checkbox"/> Other <u>275</u> %	X	
<b>c</b> 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.		
<b>4</b> 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	
<b>5a</b> Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
<b>b</b> If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	X	
<b>c</b> 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?		X
<b>6a</b> Did the organization prepare a community benefit report during the tax year?		X
<b>b</b> If "Yes," did the organization make it available to the public?		

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

<b>7 Financial Assistance and Certain Other Community Benefits at Cost</b>	<b>(a)</b> Number of activities or programs (optional)	<b>(b)</b> Persons served (optional)	<b>(c)</b> Total community benefit expense	<b>(d)</b> Direct offsetting revenue	<b>(e)</b> Net community benefit expense	<b>(f)</b> Percent of total expense
<b>Financial Assistance and Means-Tested Government Programs</b>						
<b>a</b> Financial Assistance at cost (from Worksheet 1)			1,061,696.		1,061,696.	4.00%
<b>b</b> Medicaid (from Worksheet 3, column a)			5,754,455.	5,461,387.	293,068.	1.10%
<b>c</b> Costs of other means-tested government programs (from Worksheet 3, column b)						
<b>d Total</b> Financial Assistance and Means-Tested Government Programs			6,816,151.	5,461,387.	1,354,764.	5.10%
<b>Other Benefits</b>						
<b>e</b> Community health improvement services and community benefit operations (from Worksheet 4)			6,541.	666.	5,875.	.02%
<b>f</b> Health professions education (from Worksheet 5)						
<b>g</b> Subsidized health services (from Worksheet 6)						
<b>h</b> Research (from Worksheet 7)						
<b>i</b> Cash and in-kind contributions for community benefit (from Worksheet 8)						
<b>j Total.</b> Other Benefits			6,541.	666.	5,875.	.02%
<b>k Total.</b> Add lines 7d and 7j			6,822,692.	5,462,053.	1,360,639.	5.12%



Part V Facility Information

Section A. Hospital Facilities

(list in order of size, from largest to smallest)

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

Name, address, and primary website address

1 Penobscot Valley Hospital
7 Transalpine Road
Lincoln, ME 04457

Table with columns: Licensed hospital, General medical & surgical, Children's hospital, Teaching hospital, Critical access hospital, Research facility, ER-24 hours, ER-other, Other (describe), Facility reporting group. Row 1 contains 'X' marks in the first four columns.

**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 Penobscot Valley Hospital

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

	Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
<b>1</b> 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		X
If "Yes," indicate what the CHNA report describes (check all that apply):		
<b>a</b> <input type="checkbox"/> A definition of the community served by the hospital facility		
<b>b</b> <input type="checkbox"/> Demographics of the community		
<b>c</b> <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
<b>d</b> <input type="checkbox"/> How data was obtained		
<b>e</b> <input type="checkbox"/> The health needs of the community		
<b>f</b> <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
<b>g</b> <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
<b>h</b> <input type="checkbox"/> The process for consulting with persons representing the community's interests		
<b>i</b> <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
<b>j</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>2</b> Indicate the tax year the hospital facility last conducted a CHNA: 20 _____		
<b>3</b> 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		
<b>4</b> Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI		
<b>5</b> 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):		
<b>a</b> <input type="checkbox"/> Hospital facility's website		
<b>b</b> <input type="checkbox"/> Available upon request from the hospital facility		
<b>c</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>6</b> If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date):		
<b>a</b> <input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
<b>b</b> <input type="checkbox"/> Execution of the implementation strategy		
<b>c</b> <input type="checkbox"/> Participation in the development of a community-wide plan		
<b>d</b> <input type="checkbox"/> Participation in the execution of a community-wide plan		
<b>e</b> <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
<b>f</b> <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
<b>g</b> <input type="checkbox"/> Prioritization of health needs in its community		
<b>h</b> <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
<b>i</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>7</b> 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		
<b>8a</b> 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)?		
<b>8b</b> If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?		
<b>c</b> 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) Penobscot Valley 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 <i>free</i> care? .....	X	
If "Yes," indicate the FPG family income limit for eligibility for free care: <u>200</u> %			
If "No," explain in Part VI the criteria the hospital facility used.			
11	Used FPG to determine eligibility for providing <i>discounted</i> care? .....	X	
If "Yes," indicate the FPG family income limit for eligibility for discounted care: <u>275</u> %			
If "No," explain in Part VI the criteria the hospital facility used.			
12	Explained the basis for calculating amounts charged to patients? .....	X	
If "Yes," indicate the factors used in determining such amounts (check all that apply):			
a	<input checked="" type="checkbox"/> Income level		
b	<input type="checkbox"/> Asset level		
c	<input type="checkbox"/> Medical indigency		
d	<input type="checkbox"/> Insurance status		
e	<input type="checkbox"/> Uninsured discount		
f	<input type="checkbox"/> Medicaid/Medicare		
g	<input 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? .....	X	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply):			
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available on request		
g	<input checked="" type="checkbox"/> Other (describe in Part VI)		
<b>Billing and Collections</b>			
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 type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? .....		X
If "Yes," check all actions in which the hospital facility or a third party engaged:			
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		

**Part V Facility Information** (continued) Penobscot Valley 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**

**19** Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

	Yes	No
<b>19</b>	<input checked="" type="checkbox"/>	

If "No," indicate why:

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

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

**20** Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.

- a  The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b  The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c  The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d  Other (describe in Part VI)

**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?

If "Yes," explain in Part VI.

<b>21</b>		<input checked="" type="checkbox"/>
<b>22</b>		<input checked="" type="checkbox"/>

**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?

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 III, Line 4: 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 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.

Part III, Line 8: The Organization uses its Medicare Cost Report to obtain the amounts reported above.

Part III, Line 9b: The Hospital would not initiate collection efforts against a patient that qualified for a sliding fee scale unless that patient failed to meet their obligation under payment arrangement agreed to by both parties. After it was determined that the patient did not qualify for a readjustment to their payment terms, the Hospital would follow normal notification practices dictated by our collection policy

**Part VI** Supplemental Information

until the account eventually ended up in collections.

Penobscot Valley Hospital:

Part V, Section B, Line 14g: The FAP application is sent with all first time statements. A notice of the FAP is also posted in the FAQ section of the Organization's website. Notices are also posted at all entrances to the Hospital and at various locations within the building.

Penobscot Valley Hospital:

Part V, Section B, Line 20d: The Hospital applied the determined discount to the gross charge amount for self pay patients. The Hospital applied the determined discount to the remaining balance after insurance payment, if applicable.

Part VI, Line 2: In 2010, PVH joined three other healthcare organizations in performing a joint community needs assessment for all of our service areas in northern Penobscot County. This group retained professional help to do the research, community focus groups, surveys, data manipulation, and report writing. We looked to identify gaps in services for the entire area, and also to try and identify opportunities for collaboration in providing those services to our communities. In addition to this assessment, the three largest hospitals in the state conducted a state-wide needs assessment that was broken down by county and service area. This too has provided us with information to use in our hospital planning sessions.

**Part VI Supplemental Information**

We continually ask our patients if there are things that we could do better, or if there are services that they need that are not currently being offered locally. If something is identified that we have the capability to do, then we try to meet the needs of our community. One example would be expanding the hours available for walk-in services at our laboratory and x-ray departments. This was done in response to feedback from a survey done by the staff.

Part VI, Line 3: Notices regarding PVH's charity care policy are posted around the hospital. We also have information in each patient room, and our employees know to refer patients to the registration or billing offices of the hospital if they have questions.

Part VI, Line 4: Lincoln is a rural community of approximately 5,700 people located in north central Maine. Our service area consists of many small towns that use Lincoln as a hub. The hospital, school system, logging companies, and paper mill are the major employers in town. Life and industry primarily revolve around the woods of central Maine. It is an area rich with history for making paper.

Maine is one of the oldest states in the nation according to the latest US Census report, and Lincoln reflects that demographic. The median resident age in 2008 was 40.7 years. Lincoln is located in a modest area of the State, where the median resident income in 2008 was \$32,229. Maine's average income for that same time period was \$46,581.

Part VI, Line 5: Penobscot Valley Hospital in Lincoln, Maine provides a substantial range of free or low-cost services, care, and educational

**Part VI Supplemental Information**

opportunities to the Lincoln Lakes Region in northern Maine. PVH is one of the largest employers in the area and provides careers for more than 225 people in a region in which people struggle to find full-time, good paying employment. PVH is also the only rural health center with emergency care in the region for many of our patients and clients. The nearest Critical Access Hospital is 30 minutes away, and the nearest full service hospital is more than 45 minutes away from PVH. Sustaining PVH's longevity not only means vital services remain nearby for our patients but also that the economic vitality of the region is better secured.

During 2012, PVH partnered with many agencies to reach a broad range of people. Some of those agencies included Colonial Healthcare, Eastern Maine Community College, Golden Key Senior Center, Health Access Network, Husson University, Katahdin Shared Services, Katahdin Valley Community College, Lincoln Lakes Region Chamber of Commerce, LifeFlight, the Lincoln Police Department, the Lincoln Fire Department, Maine Centers for Disease Control and Prevention, Maine Department of Transportation, Millinocket Regional Hospital, R.S.U. #67, SAD #30, SAD #31, PVH Auxiliary, PVH Cancer Support Group, SPRINT for Life, the University of Maine, WomenHeart and more. These partnerships allowed PVH to provide education, services, training and informational materials to people in our region.

**Auxiliary**

The PVH Auxiliary is a group of men and women who work as a team to volunteer for hospital-related events, greet patients and their families, and supply certain items to patients as needed. One of their biggest focuses is "baby bags" - a goody bag that each new mother receives with helpful items for her and the new baby. They also provide scholarships to

**Part VI Supplemental Information**

non-traditional students pursuing a degree in the healthcare industry.

**Blood Drives**

PVH held two American Red Cross blood drives in 2012 - one in June and another in December, both at the Lincoln Knights of Columbus Hall. The blood drives resulted in over 100 units of blood being collected for those in need.

**Cancer Support Group**

This group meets twice a month at PVH with two survivors leading the group. All area cancer survivors and their caregivers are invited to attend for help in dealing with cancer. Discussion topics include finances, transportation, cancer centers, and occasional guest speakers. The group helps to fund education, transportation and other care costs for area cancer patients that are in need.

**Childbirth Education and Obstetric Care**

Each quarter, PVH provides education at low or no cost to expectant mothers and families. These classes are typically held on the weekends and teach breastfeeding, comfort during pregnancy, relaxation techniques, pain control, baby care, and much more. For those families delivering at PVH, they are showered with gifts from the PVH Auxiliary, enjoy the baby's first birthday cake made special by our Food Services Staff, and receive books through the Raising Readers program.

**Disaster Preparedness**

PVH participates in a regional disaster preparedness committee with several other agencies including doctors' groups, other hospitals, local

**Part VI Supplemental Information**

police and fire departments, schools, and other organizations. The goal of these monthly meetings is to prepare for pandemic flu, natural disasters, or other incidents that could affect our communities as well as to find ways to work together to share resources and protect the community.

**Economic Impact**

PVH is one of the largest employers in the Lincoln Lakes Region. By employing more than 240 people in the community, PVH is a critical leader in creating and maintaining jobs and livelihoods in the region.

**Education**

Each week, the PVH staff places articles and ads in the local paper, the Lincoln News, the PVH website, PVH Facebook page, and other nearby publications covering topics that are helpful to the general public. These include topics such as hand hygiene, disease prevention, and nutritional advice. The hospital also produces a variety of brochures and educational materials covering a wide range of health-related topics which are handed out to the public. Our Quality Improvement department conducted two lectures to the University of Maine nursing students on quality and service issues. Our Pharmacist provided members of the Golden Key Senior Center with education on medical safety. Staff have worked to create educational displays in our lobby which have included a "bug" display of artwork created by students at Ella P. Burr elementary school to promote proper hand hygiene and infection prevention among our staff and community. In February, WomenHeart hosted a display to educate staff and community members about heart disease in women.

**Part VI Supplemental Information****Educational Tours**

Students from local schools throughout the region, as well as Boy and Girl Scout troops, were given tours of PVH during 2012. During the tours, students learn age-specific healthcare information like proper hand hygiene, ambulance tours, x-ray processing, and laboratory testing.

**Falls Risks**

PVH is also providing education on fall risks and measures that can be taken at home to decrease a patient's risk of falls and injury. The hospital provides patients with a handout that teaches ways to make their home safe and other tips to avoid falls. There is an active Falls Team who works on projects to make the hospital and our community a safer place.

**Food Cupboard Support**

Throughout the year, staff and visitors to the PVH Cafeteria place change in a special container by the checkout counter. Periodically, this change is removed and donated to the Lincoln Area Food Cupboard, which supplies food, clothing, and other necessities to people in need. In 2012, PVH collected over \$400 for the Lincoln Area Food Cupboard.

**ImPACT Program at Mattanawcook Academy**

PVH has provided MA with software to help prevent long-term brain injuries through the Maine Concussion Management Initiative, a program created by Dr. William Heinz, a Portland orthopedist, and Dr. Paul Berkner, director of health services at Colby College in Waterville. During the month of August, about 160 student-athletes at MA took the ImPACT testing. ImPACT stands for Immediate Post-Concussion Assessment and Cognitive Testing and is a computerized neurocognitive testing program used as a standard tool

**Part VI** Supplemental Information

used in comprehensive clinical management of concussions for athletes of all ages. Dr. Carl Alessi oversees the program at PVH and will monitor any student athlete presenting signs of a concussion or head injury during the sports season.

**Influenza**

Our clinicians and support staff held multiple influenza vaccination clinics for our community in Penobscot Valley Primary Care and the PVH Specialty Clinic. On October 24, the Maine Center for Disease Control and Prevention stopped by PVH to recognize our extraordinary efforts to vaccinate staff from influenza. During 2011-2012 flu season, over 90% of staff at PVH had received the influenza vaccination.

**Internships/Job Shadowing/Job Skills**

The hospital works closely with students from across the state. PVH has hosted many job shadow opportunities from local high school and college students. Northern Penobscot Tech Region III had students complete their clinical rotations for Medial Assistant, Certified Nursing Assistant and Phlebotomy at the hospital. Husson University sent students to the PVH Pharmacy for their rotations. PVH has also worked with the University of Maine School of Nursing and Kennebec Valley Community College Radiology Program.

PVH also partnered with the University of Maine Business School students in the American Marketing Association to conduct a community awareness and perception study. The students gained valuable, real-life education skills through survey implementation, data collection, analysis, and business presentation.

**Part VI Supplemental Information****Laboratory Services**

Medical Laboratory Technologists in the PVH Laboratory make weekly visits to four area nursing homes to collect specimens from residents. The technologists have also provided free educational sessions to nursing home staff members on specimen collection.

**LifeFlight of Maine**

The LifeFlight helicopters are known for transporting critical patients to the care they need quickly and safely. Though not talked about as often, the crew and equipment on board are just as important to the patient's survival and recovery as the helicopter itself. LifeFlight relies on private donations to help fund the more than \$175,000 of advanced medical equipment on board each helicopter. In 2012, PVH donated \$4,500 toward this worthy cause.

Part VI, Line 7, List of States Receiving Community Benefit Report:

ME

Form 990, Schedule H, Part VI, Line 5:

Continuation of Schedule H, Part VI, Line 5

**Lincoln Chamber of Commerce**

In May, PVH hosted a Business After Hours event with the Lincoln Lakes Region Chamber of Commerce. At the event, business members were introduced to hospital staff and visited stations around the hospital including surgical services, tele-trauma and tele-medicine in the emergency room, orthopedics, urology, and the new patient beds.

**Part VI Supplemental Information****Lincoln Expo**

In April, staff at PVH volunteered their time to teach the community about services offered at PVH. Attendees at the Lincoln Expo had the opportunity to learn about the ambulance units. The EMS crew was teaching the difference between a heart attack and a stroke. They also had the Seatbelt Enforcer on loan from the Maine Department of Transportation, which demonstrates the impact of a 5mph collision and why it's so important to wear your seatbelt. Other education was provided on hand hygiene and infection, imaging and radiology services, general and orthopedic surgery.

**Meeting Space for Non-Profits**

PVH offers conference room space to local non-profit organizations. This space is offered when it does not interfere with hospital business, at no cost to the organizations.

**Nursing Home Presents**

Each year, the PVH staff collects presents for local nursing home residents. These gifts are given to local residents of nursing and boarding homes, who may not have received holiday gifts otherwise. The staff and residents truly look forward to each holiday season. Our two dozen presents were distributed to area nursing home residents in time for the holidays.

**Primary Care**

Penobscot Valley Primary Care is located in the hospital's Medical Arts Building at 252 Enfield Road and provides primary care services for patients.

**Part VI Supplemental Information****Public CPR, First Aid, and Babysitting Classes**

PVH staff makes several classes available to the community throughout the year at low or no cost to teenagers and adults.

**School Visits**

Professionals at PVH often visit local schools to share information on health-related topics with young people. These range from our infection prevention officer teaching students the importance of good handwashing, laboratory technicians teaching kids about their career field, to our laparoscopic surgeon explaining surgical procedures to kids on their level. Normally, students are given something to help retain the material, such as coloring books, posters, informational materials for parents, or small promotional items such as hand sanitizer or bandage containers. New this year, our registered dietitian visited students involved in the Carleton Project at Northern Penobscot Tech Region III and taught a session on Cooking Matters to help diversify the students' skills.

**Social Work Networking**

Each month, PVH hosts a networking luncheon for social workers and others who do similar work in the community. PVH provides education for them and facilitates discussions about social work-related issues.

**SPRINT for Life**

PVH also supports a grant-funded community health coalition in collaboration with Millinocket Regional Hospital and the River Coalition in Old Town. SPRINT for Life is part of a statewide system of

**Part VI Supplemental Information**

public health organizations called Healthy Maine Partnerships that bring people and resources together to improve the health of Maine residents.

1. 5K Run/Walk for Wellness: Nearly 80 participants raced in the 5K organized by SPRINT during the Lincoln Homecoming celebration. The walk raises awareness of the importance of living a healthy lifestyle.

2. Providing Opportunities to Dispose of Unwanted Medications: Promoted the national and statewide Prescription and Drug Take Back event on September 29 with the Lincoln Police Department. In addition to the events, SPRINT purchased a drug drop box for the Lincoln Public Safety Building so that community members can dispose of medications on an ongoing basis.

3. Raising Readers: Staff worked with Health Access Network to develop a process to disseminate 5-2-1-0 Let's Go materials to families. As a result, 5-2-1-0 bookmarks on healthy eating and active lifestyles are being given to all children with the books they receive through the "Raising Readers" program at well child visits.

4. Substance Abuse Prevention: Staff worked with SAD #30 to help them host an underage drinking/substance abuse town hall forum in April. Chief Deputy Troy Morton along with staff facilitated a training session for school faculty and staff during their in-service regarding youth signs and symptoms of substance abuse. He also facilitated the evening forum along with staff. There was a great turnout for the evening presentation for this small community with over 40 people attending. "Parents Who Host Lose the Most" table tents were distributed to businesses in the Lincoln area. Approximately 74 table tents were disseminated to 14 businesses such as restaurants and

**Part VI Supplemental Information**

convenience stores. A press release was printed in the 5/17 edition of the Lincoln News talking about "Parents Who Host Lose the Most" and describing the table tent project.

5. Tobacco Cessation: The town of Lincoln's homecoming festival was promoted as smoke free, and portable signage was placed throughout the community to remind attendees not to smoke. Signs were used by many local vendors to promote a smoke-free area around their site.

6. Tobacco Prevention: Staff worked with Penobscot Valley Hospital to address compliance with their tobacco free policy. Media outreach materials were created and used to remind the community that PVH is tobacco free, in and around its facilities. Reminders appeared in the local newspaper, the Lincoln News. Staff also consulted with the Maine Tobacco-Free Hospital Network and began the process to implement some strategies to curb tobacco use by patients, visitors, and staff.

7. Walking School Bus: Staff and coalition members implemented a Walking School Bus program for elementary school students in Lincoln for the month of October. The walks took place every Wednesday during the month and averaged 60 participants.

### Vital Services

PVH provides vital services to the community, of which most are paid for through individuals, insurance companies, MaineCare and Medicare.

In 2012, the hospital handled or performed:

1. 42,793 patient visits
2. 8,089 visits to the emergency room
3. 892 operating room cases
4. 77 newborns
5. 1,530 ambulance runs



**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

**Penobscot Valley Hospital**

Employer identification number

**01-0545327**

**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.

<b>1 (a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
Alpine Health Services P.O. Box 460 West Enfield, ME 04493	22-2533280	501(c)(3)	9,935.	0.			To fund operations

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

**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)

**Part III** Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Part III can be duplicated if additional space is needed.

(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: Once a month the controller for Alpine prepares a spreadsheet listing cash on hand, expenses for the month, and balance needed. If Alpine is short on cash for that month the spreadsheet is printed and attached to a Check Request for the hospital for the amount that is needed to fund Alpine's expenses for that month.

**SCHEDULE J  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Compensation Information**

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

**2012**

Open to Public Inspection

Name of the organization

Penobscot Valley Hospital

Employer identification number

01-0545327

**Part I Questions Regarding Compensation**

	Yes	No								
<p><b>1a</b> Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.</p> <table border="0"> <tr> <td><input type="checkbox"/> First-class or charter travel</td> <td><input type="checkbox"/> Housing allowance or residence for personal use</td> </tr> <tr> <td><input type="checkbox"/> Travel for companions</td> <td><input type="checkbox"/> Payments for business use of personal residence</td> </tr> <tr> <td><input type="checkbox"/> Tax indemnification and gross-up payments</td> <td><input type="checkbox"/> Health or social club dues or initiation fees</td> </tr> <tr> <td><input type="checkbox"/> Discretionary spending account</td> <td><input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)</td> </tr> </table>	<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use	<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence	<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees	<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)		
<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use									
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence									
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees									
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)									
<p><b>b</b> If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain .....</p>	<b>1b</b>									
<p><b>2</b> Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a? .....</p>	<b>2</b>									
<p><b>3</b> Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Compensation committee</td> <td><input type="checkbox"/> Written employment contract</td> </tr> <tr> <td><input checked="" type="checkbox"/> Independent compensation consultant</td> <td><input checked="" type="checkbox"/> Compensation survey or study</td> </tr> <tr> <td><input type="checkbox"/> Form 990 of other organizations</td> <td><input checked="" type="checkbox"/> Approval by the board or compensation committee</td> </tr> </table>	<input checked="" type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract	<input checked="" type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study	<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee				
<input checked="" type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract									
<input checked="" type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study									
<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee									
<p><b>4</b> During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:</p> <p><b>a</b> Receive a severance payment or change-of-control payment? .....</p> <p><b>b</b> Participate in, or receive payment from, a supplemental nonqualified retirement plan? .....</p> <p><b>c</b> Participate in, or receive payment from, an equity-based compensation arrangement? .....</p> <p>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.</p>	<b>4a</b>	<b>4b</b>	<b>4c</b>							
			X							
			X							
			X							
<p><b>Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.</b></p> <p><b>5</b> For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:</p> <p><b>a</b> The organization? .....</p> <p><b>b</b> Any related organization? .....</p> <p>If "Yes" to line 5a or 5b, describe in Part III.</p>	<b>5a</b>	<b>5b</b>								
			X							
			X							
<p><b>6</b> For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:</p> <p><b>a</b> The organization? .....</p> <p><b>b</b> Any related organization? .....</p> <p>If "Yes" to line 6a or 6b, describe in Part III.</p>	<b>6a</b>	<b>6b</b>								
			X							
			X							
<p><b>7</b> For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III .....</p>	<b>7</b>		X							
<p><b>8</b> Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III .....</p>	<b>8</b>		X							
<p><b>9</b> If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)? .....</p>	<b>9</b>									

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

Schedule J (Form 990) 2012

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Carl Alessi, M.D. Past Board Member/Current Physician	(i)	169,805.	0.	0.	1,000.	28,352.	199,157.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(2) David Shannon CEO	(i)	207,200.	5,900.	7,260.	0.	24,211.	244,571.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(3) Ann Marie Rush CFO	(i)	145,134.	0.	3,600.	0.	16,788.	165,522.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(4) David L. Ettinger ED Physician	(i)	282,043.	0.	2,600.	3,675.	21,677.	309,995.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(5) David H. Dumont Hospitalist	(i)	255,907.	0.	17,000.	3,675.	10,624.	287,206.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(6) Samer Sbayi Surgeon	(i)	334,209.	0.	0.	2,600.	23,757.	360,566.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(7) Phillip Scaglione Orthopedic Surgeon	(i)	301,484.	0.	0.	0.	12,499.	313,983.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(8) Paul E. Turnquist ED Physician	(i)	276,358.	0.	0.	0.	23,763.	300,121.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

**Part III Supplemental Information**

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

Dave Shannon, CEO & Ann Marie Rush, CFO are compensated by Quorum Health Resources, an unrelated organization, for services rendered to the Organization. The amounts listed below are not included in the total reported on Form 990, Part VII, Section B for Quorum Health Resources, LLC. A breakdown of their 2012 compensation is as follows:

Dave Shannon, CEO:

Salary: \$207,200

Bonus: \$5,900

Benefits: \$24,211

Automobile Allowance: \$7,260

Ann Marie Rush:

Salary: \$145,134

Benefits: \$16,788

Automobile Allowance: \$3,600

**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.**

Name of the organization

Penobscot Valley Hospital

Employer identification number  
01-0545327

Part I Bond Issues See Part VI for Column (a) 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	No
A Maine Health and Higher Educational Facilities A	01-0314384	560427EU4	06/28/12	1,117,769.	To refinance Series 2002A bond		X		X	X	
B											
C											
D											

Part II Proceeds									
	A		B		C		D		
1 Amount of bonds retired	2,888.								
2 Amount of bonds legally defeased									
3 Total proceeds of issue	1,117,769.								
4 Gross proceeds in reserve funds	132,031.								
5 Capitalized interest from proceeds									
6 Proceeds in refunding escrows									
7 Issuance costs from proceeds	24,765.								
8 Credit enhancement from proceeds									
9 Working capital expenditures from proceeds									
10 Capital expenditures from proceeds									
11 Other spent proceeds	960,973.								
12 Other unspent proceeds									
13 Year of substantial completion	2012								
	Yes	No	Yes	No	Yes	No	Yes	No	
14 Were the bonds issued as part of a current refunding issue?		X							
15 Were the bonds issued as part of an advance refunding issue?	X								
16 Has the final allocation of proceeds been made?	X								
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X								

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

**Part III Private Business Use** (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>3a</b> Are there any management or service contracts that may result in private business use of bond-financed property? .....		X						
<b>b</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? .....								
<b>c</b> Are there any research agreements that may result in private business use of bond-financed property? .....		X						
<b>d</b> 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? .....								
<b>4</b> 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 .....		%		%		%		%
<b>5</b> 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 .....		%		%		%		%
<b>6</b> Total of lines 4 and 5 .....		%		%		%		%
<b>7</b> Does the bond issue meet the private security or payment test? .....		X						
<b>8a</b> 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						
<b>b</b> If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of .....		%		%		%		%
<b>c</b> If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2? .....								
<b>9</b> Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2? .....		X						

**Part IV Arbitrage**

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

**Part IV Arbitrage** (Continued)

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

**Part V Procedures To Undertake Corrective Action**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations? .....		X						

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

**Schedule K, Part I, Bond Issues:**

(a) Issuer Name:

Maine Health and Higher Educational Facilities Authority Revenue Bonds

Part II, Line 3

Bond Issue Proceeds

The total proceeds of issue listed on line 3 differ from the issue price listed on Part I due to the amount of the premium on the 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
Amy Woodman	Family member of Fr	40,290.	Employment		X
Debbie Rancourt	Family member of Fr	74,743.	Employment		X

**Part V Supplemental Information**

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

**Schedule L, Part II, Loans To and From Interested Persons:**

(a) Name of Person: Samer Sbayi

(b) Relationship with Organization: Employee of the Organization

(c) Purpose of Loan: Sign-On Loan

(a) Name of Person: Phillip Scaglione

(b) Relationship with Organization: Employee of the Organization

(c) Purpose of Loan: Sign-On Loan

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

(a) Name of Person: Amy Woodman

(b) Relationship Between Interested Person and Organization:

Family member of Frederick Woodman, Jr., Board President

(a) Name of Person: Debbie Rancourt

(b) Relationship Between Interested Person and Organization:

Family member of Frederick Woodman, Jr., Board President

**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

Penobscot Valley Hospital

Employer identification number

01-0545327

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:

services. PVH provides vital services to the community which are not  
accessible in any other way to many of our patients due to geographical  
or transportation issues. See Schedule H for additional details.

Form 990, Part VI, Section B, line 11: Once Form 990 is prepared by the  
certified public accounting firm, a draft copy is e-mailed to the  
controller. The controller will then review the Form, and also compare it  
with the previous year's 990. Once the controller is satisfied with the  
draft copy, it is forwarded to the CFO. The CFO will then review the  
document. Any questions she has will either be answered by the controller  
or the accounting firm. Once the CFO approves the draft 990, a copy is  
provided to the board of directors for their review. Once the board has  
approved the draft, the accounting firm is notified and the final version  
is prepared for filing.

Form 990, Part VI, Section B, Line 12c: It is the expectation of Penobscot  
Valley Hospital that our board of directors, medical staff, regular and  
contracted employees, and our volunteers avoid activities that may involve,  
or appear to involve, a conflict of interest. This is a standard of conduct  
communicated through Administrative Policy 109 "Code of Ethics," our code

Name of the organization Penobscot Valley Hospital	Employer identification number 01-0545327
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of conduct and ethics, and our medical by-laws. These documents are drafted and signed off by the president of the board of directors, the chief executive officer, chief of medical staff and the compliance officer as appropriate. Every individual employed by, or otherwise representing the Hospital, is responsible for complying with this standard.

It is the responsibility of the compliance officer and the chief executive officer to ensure that this standard is communicated, maintained and enforced within the Organization. Administrative Policy 127 "Compliance Reporting" outlines the expectation for reporting non-compliance, the mechanisms in place to do so, and the investigative process. Such mechanisms include a 24-hour confidential reporting hotline. Education on Penobscot Valley Hospital's code of conduct and ethics is provided during orientation or at the beginning of the business relationship. Reinforcement of this education is provided annually and upon any business contract renewal.

Form 990, Part VI, Section B, Line 15: CEO & CFO - Quorum Health Resources, an unrelated organization, does an extensive national compensation analysis. Ranges are presented to the finance/personnel committee of the board by QHR, and the wage is set.

Other officer's wages are set using a state-wide wage survey conducted annually by Dix Consulting. Wages are set by evaluating the position in conjunction with the job description listed in the survey.

Form 990, Part VI, Section C, Line 19: The Organization does not make its governing documents, conflict of interest policy, and financial statements

Name of the organization <b>Penobscot Valley Hospital</b>	Employer identification number <b>01-0545327</b>
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available to the public.

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

Physician Fees:

Program service expenses	2,701,400.
Management and general expenses	0.
Fundraising expenses	0.
Total expenses	2,701,400.

Purchased Services:

Program service expenses	3,021,060.
Management and general expenses	1,026,612.
Fundraising expenses	0.
Total expenses	4,047,672.
Total Other Fees on Form 990, Part IX, line 11g, Col A	6,749,072.

**Related Organizations and Unrelated Partnerships**

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

Name of the organization **Penobscot Valley Hospital** Employer identification number **01-0545327**

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
Alpine Health Services, Inc. - 22-2533280 P.O. Box 460 West Enfield, ME 04493	Support to provide health services in underserved areas of Maine.	Maine	501(c)(3)	Line 9	Penobscot Valley Hospital	X	



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

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

**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
<b>a</b> Receipt of <b>(i)</b> interest <b>(ii)</b> annuities <b>(iii)</b> royalties or <b>(iv)</b> rent from a controlled entity .....		X
<b>b</b> Gift, grant, or capital contribution to related organization(s) .....	X	
<b>c</b> Gift, grant, or capital contribution from related organization(s) .....		X
<b>d</b> Loans or loan guarantees to or for related organization(s) .....		X
<b>e</b> Loans or loan guarantees by related organization(s) .....		X
<b>f</b> Dividends from related organization(s) .....		X
<b>g</b> Sale of assets to related organization(s) .....		X
<b>h</b> Purchase of assets from related organization(s) .....		X
<b>i</b> Exchange of assets with related organization(s) .....		X
<b>j</b> Lease of facilities, equipment, or other assets to related organization(s) .....		X
<b>k</b> Lease of facilities, equipment, or other assets from related organization(s) .....		X
<b>l</b> Performance of services or membership or fundraising solicitations for related organization(s) .....		X
<b>m</b> Performance of services or membership or fundraising solicitations by related organization(s) .....		X
<b>n</b> Sharing of facilities, equipment, mailing lists, or other assets with related organization(s) .....		X
<b>o</b> Sharing of paid employees with related organization(s) .....		X
<b>p</b> Reimbursement paid to related organization(s) for expenses .....		X
<b>q</b> Reimbursement paid by related organization(s) for expenses .....		X
<b>r</b> Other transfer of cash or property to related organization(s) .....		X
<b>s</b> 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)			
(2)			
(3)			
(4)			
(5)			
(6)			







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**Penobscot  
Valley  
Hospital**

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**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**and**

**ADDITIONAL INFORMATION**

**December 31, 2012 and 2011**

**With Independent Auditor's Report**



**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Consolidated Financial Statements**

**December 31, 2012 and 2011**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Penobscot Valley Hospital and Subsidiary

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

We have audited the accompanying consolidated financial statements of Penobscot Valley Hospital and Subsidiary (the Hospital), which comprise the consolidated 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 consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors  
Penobscot Valley Hospital and Subsidiary

***Opinion***

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

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated **report date** on our consideration of Penobscot Valley Hospital and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Penobscot Valley Hospital and Subsidiary's internal control over financial reporting and compliance.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
June 5, 2013

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Consolidated Balance Sheets**

**December 31, 2012 and 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 1,520,937	\$ 3,237,946
Patient accounts receivable, net of allowance for doubtful accounts and contractual allowances of \$2,836,785 and \$3,027,402 in 2012 and 2011, respectively	3,240,899	2,700,779
Estimated third-party payor settlements	1,181,971	422,971
Current portion of assets limited as to use	64,028	67,486
Supplies, prepaid expenses and miscellaneous receivables	<u>1,028,287</u>	<u>831,321</u>
Total current assets	7,036,122	7,260,503
Assets limited as to use, net of current portion	1,211,528	1,224,062
Property and equipment, net	6,944,762	7,046,425
Long-term estimated third-party payor settlements	993,642	1,448,932
Other assets	61,098	29,834
Investment in affiliate	<u>9,097</u>	<u>13,629</u>
Total assets	<u>\$ 16,256,249</u>	<u>\$ 17,023,385</u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Current portion of long-term debt	\$ 400,069	\$ 304,069
Accounts payable	1,281,410	1,427,425
Accrued salaries and related benefits	1,519,994	1,387,326
Accrued expenses	23,018	24,235
Estimated third-party payor settlements	<u>2,382,310</u>	<u>3,192,404</u>
Total current liabilities	5,606,801	6,335,459
Long-term debt, net of current portion	6,047,364	6,080,331
Deferred compensation	<u>37,571</u>	<u>16,500</u>
Total liabilities	<u>11,691,736</u>	<u>12,432,290</u>
Commitments and contingencies (Notes 10 and 13)		
Net assets		
Unrestricted	4,352,302	4,361,605
Temporarily restricted	135,662	152,941
Permanently restricted	<u>76,549</u>	<u>76,549</u>
Total net assets	<u>4,564,513</u>	<u>4,591,095</u>
Total liabilities and net assets	<u>\$ 16,256,249</u>	<u>\$ 17,023,385</u>

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

**PENOBSCOT VALLEY 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		
Gross patient service revenue	\$ <u>37,597,006</u>	\$ <u>35,479,280</u>
Deductions from revenue		
Contractual adjustments	<u>8,615,234</u>	8,533,483
Charity care	<u>1,527,029</u>	1,360,647
	<u>10,142,263</u>	<u>9,894,130</u>
 Patient service revenue (net of contractual allowances and discounts)	 <u>27,454,743</u>	 25,585,150
Less provision for bad debts	<u>1,641,335</u>	<u>1,166,803</u>
 Net patient service revenue	 <u>25,813,408</u>	 24,418,347
 Other revenue	 <u>248,743</u>	 274,733
Meaningful use revenue	<u>426,779</u>	406,601
Net assets released from restrictions used for operations	<u>7,335</u>	<u>6,926</u>
 Total unrestricted revenues, gains, and other support	 <u>26,496,265</u>	 <u>25,106,607</u>
 Expenses		
Salaries and benefits	<u>13,560,402</u>	12,423,998
Supplies and other	<u>11,647,508</u>	10,941,015
Depreciation and amortization	<u>1,069,104</u>	1,006,269
Interest expense	<u>316,832</u>	<u>339,242</u>
 Total expenses	 <u>26,593,846</u>	 <u>24,710,524</u>
 Operating (loss) gain	 <u>(97,581)</u>	 <u>396,083</u>
 Other gains (losses)		
Contributions	-	75
Investment income	<u>55,252</u>	70,180
(Loss) gain on investment in affiliate	<u>(4,532)</u>	5,731
Loss on early extinguishment of long-term debt	<u>(26,546)</u>	-
Other income	<u>173</u>	<u>246</u>
 Other gains, net	 <u>24,347</u>	 <u>76,232</u>
 (Deficiency) excess of revenues, gains, and other support over expenses and other gains	 <u>(73,234)</u>	 472,315
 Change in net unrealized gains on investments	 <u>8,591</u>	 (49,226)
 Net assets released from restrictions used for purchase of property and equipment	 <u>55,340</u>	 <u>45,584</u>
 (Decrease) increase in unrestricted net assets	 <u>\$ (9,303)</u>	 <u>\$ 468,673</u>

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

**PENOBSCOT VALLEY 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		
Operating (loss) gain	\$ (97,581)	\$ 396,083
Other gains, net	24,347	76,232
Change in net unrealized gains on investments	8,591	(49,226)
Net assets released from restrictions used for purchase of property and equipment	<u>55,340</u>	<u>45,584</u>
(Decrease) increase in unrestricted net assets	<u>(9,303)</u>	<u>468,673</u>
Temporarily restricted net assets		
Contributions	45,081	82,619
Investment income	315	427
Net assets released from restrictions	<u>(62,675)</u>	<u>(52,510)</u>
(Decrease) increase in temporarily restricted net assets	<u>(17,279)</u>	<u>30,536</u>
(Decrease) increase in net assets	<u>(26,582)</u>	499,209
Net assets, beginning of year	<u>4,591,095</u>	<u>4,091,886</u>
Net assets, end of year	<u>\$ 4,564,513</u>	<u>\$ 4,591,095</u>

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

**PENOBSCOT VALLEY 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		
Change in net assets	\$ (26,582)	\$ 499,209
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	1,069,104	1,006,269
Provision for bad debts	1,641,335	1,166,803
Loss on early extinguishment of long-term debt	26,546	-
Net realized and unrealized gain on investments	(45,740)	(3,259)
Loss (gain) on investment in affiliate	4,532	(5,731)
Restricted contributions and investment income	(45,396)	(83,046)
(Increase) decrease in		
Patient accounts receivable	(2,181,455)	(1,345,955)
Estimated third-party payor settlements	(303,710)	683,228
Supplies, prepaid expenses and miscellaneous receivables	(198,341)	(132,006)
Other assets	(10,828)	-
Increase (decrease) in		
Accounts payable and accrued expenses	(147,232)	24,073
Accrued salaries and related benefits	132,668	113,134
Estimated third-party payor settlements	<u>(810,094)</u>	<u>82,855</u>
Net cash (used) provided by operating activities	<u>(895,193)</u>	<u>2,005,574</u>
Cash flows from investing activities		
Purchases of property and equipment	(571,245)	(621,313)
Proceeds from sale of investments	338,319	230,400
Purchases of investments	<u>(276,587)</u>	<u>(289,951)</u>
Net cash used by investing activities	<u>(509,513)</u>	<u>(680,864)</u>
Cash flows from financing activities		
Payments on long-term debt	(357,699)	(279,662)
Proceeds from restricted contributions and investment income	<u>45,396</u>	<u>83,046</u>
Net cash used by financing activities	<u>(312,303)</u>	<u>(196,616)</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,717,009)</u>	1,128,094
Cash and cash equivalents, beginning of year	<u>3,237,946</u>	<u>2,109,852</u>
Cash and cash equivalents, end of year	<u>\$ 1,520,937</u>	<u>\$ 3,237,946</u>
Supplemental disclosure		
Cash paid for interest	<u>\$ 308,745</u>	<u>\$ 329,652</u>

**Noncash transactions**

In 2012, the Hospital entered into a capital lease obligation, acquiring assets with a value of \$394,186. The lease commitment and capital assets have been treated as noncash transactions.

During 2012, the Hospital refinanced its Series 2002A Bonds (\$947,126) by issuing Series 2012A Bonds (\$927,969). The Series 2012A Bonds and retirement of the Series 2002A Bonds have been treated as noncash transactions.

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

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2012 and 2011

### **Nature of Operations**

Penobscot Valley Hospital is a not-for-profit organization located in Lincoln, Maine, established to provide primary, emergency, and acute care services in Northern Penobscot County. Alpine Health Services, Inc. owns and leases property within the same service area.

### **1. Financial Reporting**

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of Penobscot Valley Hospital (the Hospital) and its wholly-owned, not-for-profit subsidiary, Alpine Health Services, Inc. (Alpine). All significant intercompany balances and transactions have been eliminated in consolidation.

### **2. Summary of Significant Accounting Policies**

#### **Use of Estimates**

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

#### **Cash and Cash Equivalents**

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

#### **Patient Accounts Receivable**

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to 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. Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have 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 associated with self-pay patients (which includes both patients without insurance and patients with deductible and

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2012 and 2011

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 the 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.

During 2012, the Hospital increased its estimate from \$873,799 to \$1,121,529 in the allowance for doubtful accounts relating to self-pay patients. During 2012, self pay write-offs increased from \$979,693 to \$1,324,087. Such increases resulted from trends experienced in the collection of amounts from self-pay patients.

### **Supplies**

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

### **Assets Limited as to Use**

Assets limited as to use primarily consist of assets held by trustees under indenture agreements, assets restricted by donors, and designated assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and which it may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital have been classified as current assets in the consolidated balance sheets.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Assets limited as to use are periodically reviewed for impairment to determine if such declines are other than temporary. Any such impairment is included in the (deficiency) excess of revenues, gains, and other support over expenses and other gains.

### **Property and Equipment**

Property and equipment acquisitions are recorded at cost or, if contributed, at fair value determined at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the asset's useful life. 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 the (deficiency) excess of revenues, gains, and other support over expenses and other gains, 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

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2012 and 2011

must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

### Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital have 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 to the Hospital at amounts different from its established rates. Payment arrangements include 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. 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>1,527,029</u>	\$ <u>1,360,647</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>1,079,000</u>	\$ <u>949,000</u>
Equivalent percentage of charity care charges to all Hospital patient charges	<u>4.06%</u>	<u>3.84%</u>

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

PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

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

The consolidated statements of operations include (deficiency) excess of revenues, gains, and other support over expenses and other gains. Changes in unrestricted net assets which are excluded from this measure, consistent with industry practice, include unrealized gains and losses on investments, and net assets released from restrictions for the purchase of property and equipment.

**Donor-Restricted Gifts**

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise 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 consolidated statements of operations as net assets released from restrictions.

**Functional Expenses**

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services were as follows:

	<u>2012</u>	<u>2011</u>
Health care services	<b>\$22,585,255</b>	\$21,051,811
Rental services	<b>24,577</b>	37,299
General and administrative	<b><u>3,984,014</u></b>	<u>3,621,414</u>
	<b><u>\$26,593,846</u></b>	<b><u>\$24,710,524</u></b>

**Income Taxes**

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

**Defined Contribution Plan**

The Hospital offers a discretionary 403(b) retirement plan to all of its employees. The Hospital matches participant contributions and all employees participating in the plan are eligible for the match. The Hospital matches 50% of the employee's deferrals up to 3% of compensation. During 2012 and 2011, the Hospital expensed \$72,538 and \$62,614, respectively, related to the Plan.

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2012 and 2011**

**New Accounting Pronouncement**

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 revenues 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 are effective for the Hospital beginning January 1, 2012 and have been incorporated into the Hospital's December 31, 2012 consolidated financial statements.

**Subsequent Events**

The Hospital has considered transactions or events occurring through June 5, 2013, which was the date that the financial statements were available to be issued.

**Reclassifications**

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform with the 2012 presentation.

**3. Net Patient Service Revenue**

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

**Medicare**

The Hospital is a Critical Access Hospital and is reimbursed based on allowable costs for its inpatient and outpatient services provided to Medicare patients. The Hospital is reimbursed at tentative interim rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2005.

**MaineCare**

As a Critical Access Hospital, the Hospital is also reimbursed based on allowable costs for inpatient and outpatient services rendered to MaineCare patients. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Hospital's MaineCare cost reports have been audited by the MaineCare fiscal intermediary through December 31, 2005.

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2012 and 2011

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounted charges and per diem payments. These agreements do not constitute a significant part of the Hospital's net patient service revenue.

Revenue from the Medicare and MaineCare programs accounted for approximately 46% and 20%, respectively, of the Hospital's patient revenue for the year ended December 31, 2012, and 48% and 21%, respectively, of the Hospital's patient revenue for the year ended December 31, 2011. 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. Net patient service revenue decreased by approximately \$481,000 in 2012 and increased by approximately \$267,000 in 2011 due to adjustment of allowances or recognition of settlements no longer subject to audits, reviews, and investigations.

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 (but before the provision for bad debts), recognized during the fiscal year ended December 31, 2012 totaled \$27,454,743, of which, \$24,960,001 was revenue from third-party payors and \$2,494,742 was revenue from self-pay patients.

#### 4. Assets Limited as to Use

Assets limited as to use consist of the following:

	<u>2012</u>	<u>2011</u>
Under Board designation:		
Cash and short-term investments	\$ 146,700	\$ 260,625
Marketable equity securities	389,332	341,537
Mutual funds	171,373	139,311
Bonds and fixed income securities	<u>83,385</u>	<u>75,817</u>
	790,790	817,290
Under loan agreement:		
Cash and cash equivalents	208,527	177,282
Held by trustee under debt agreement:		
Cash and short-term investments	64,028	67,486
Donor restricted:		
Cash and short-term investments	<u>212,211</u>	<u>229,490</u>
	1,275,556	1,291,548
Less current portion	<u>64,028</u>	<u>67,486</u>
Assets limited as to use, net of current portion	<u>\$ 1,211,528</u>	<u>\$ 1,224,062</u>

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2012 and 2011**

Investment income and gains (losses) for assets limited as to use are comprised of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 18,103	\$ 17,695
Realized gains on sales of investments	<u>37,149</u>	<u>52,485</u>
Investment income	55,252	70,180
Unrealized gains (losses) on investments	<u>8,591</u>	<u>(49,226)</u>
Total investment return	<u>\$ 63,843</u>	<u>\$ 20,954</u>

**5. Property and Equipment**

A summary of property and equipment follows:

	<u>2012</u>	<u>2011</u>
Land and land improvements	\$ 473,160	\$ 364,610
Buildings and fixed equipment	12,100,473	12,078,964
Major moveable equipment	5,220,552	4,517,722
Vehicles	<u>261,372</u>	<u>261,372</u>
	18,055,557	17,222,668
Less accumulated depreciation and amortization	<u>(11,110,795)</u>	<u>(10,176,243)</u>
Net property and equipment	<u>\$ 6,944,762</u>	<u>\$ 7,046,425</u>

**6. Line of Credit**

The Hospital has a \$1,500,000 line of credit with a bank with an interest rate of 3% above one-month LIBOR, never to fall below 4%, through July 31, 2013. Collateral for the line is a security interest in all assets. The interest rate at December 31, 2012 was 4%. There was no outstanding balance as of December 31, 2012 and 2011.

**7. Long-Term Debt**

A summary of long-term debt follows:

	<u>2012</u>	<u>2011</u>
Three 4.125% mortgage notes payable to the U.S. Department of Agriculture, Rural Development, due in monthly installments of \$23,345, including interest, through April 2032; collateralized by substantially all assets of the Hospital.	\$ 3,714,834	\$ 3,843,356

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Maine Health and Higher Educational Facilities Authority Revenue Bonds, Series 2002 (average coupon rate 4.66%) required annual debt service payments ranging from \$138,000 to \$142,000 through July 2022, net of original issue discount of \$2,830 in 2011; was collateralized by a security interest in the Hospital's gross receipts, equipment and a mortgage lien on its facility. Refunded in 2012.	-	1,024,908
Maine Health and Higher Educational Facilities Authority Revenue Bonds, Series 2012 (average coupon rate 3.52%) requiring annual debt service payments ranging from \$95,000 to \$120,000 through July 2022, including original issue premium of \$54,881 in 2012; collateralized by a security interest in the Hospital's gross receipts, equipment and a mortgage lien on its facility.	<b>982,850</b>	-
5.25% mortgage note payable to the U.S. Department of Agriculture, Rural Development, due in monthly installments of \$2,638, including interest, through March 2025; collateralized by property in West Enfield, Maine, owned by Alpine. The mortgage has been guaranteed by the Hospital.	<b>282,563</b>	299,417
7.6% mortgage note payable in monthly installments of \$3,615, including interest, through December 2013, with a final balloon payment of \$202,943; collateralized by property in Lincoln, Maine.	<b>228,108</b>	252,803
Capital lease obligation payable in equal monthly installments of \$10,104, including interest at prime plus 2.00% (5.25% at December 31, 2012), through December 2021; collateralized by leased equipment.	<b>909,650</b>	963,916
Capital lease obligation payable in equal monthly installments of \$7,484, including interest at prime plus 2.00% (5.25% at December 31, 2012), through January 2017; collateralized by leased equipment.	<u><b>329,428</b></u>	<u>-</u>
	<b>6,447,433</b>	6,384,400
Less current portion	<u><b>400,069</b></u>	<u>304,069</u>
Long-term debt, excluding current portion	<u><b>\$ 6,047,364</b></u>	<u><b>\$ 6,080,331</b></u>

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2012 and 2011**

The indenture related to the revenue bonds contains certain provisions regarding debt service coverage ratios, limitations on additional indebtedness, liens on property and equipment, and restrictions on encumbering revenues.

Scheduled principal repayments on long-term debt and capital leases are as follows:

<u>Year ending December 31,</u>	<u>Long-Term Debt</u>	<u>Capital Lease Obligations</u>
2013 (included in current liabilities)	\$ 267,865	\$ 211,055
2014	271,355	211,055
2015	285,293	211,055
2016	299,737	237,995
2017	314,623	155,671
Thereafter	<u>3,769,482</u>	<u>592,748</u>
	<u>\$ 5,208,355</u>	1,619,579
Less amount representing interest under capital lease obligations		<u>(380,501)</u>
		<u>\$ 1,239,078</u>

**8. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Health care services		
Purchase of equipment	\$ 120,981	\$ 138,574
Meeting the Challenge	5,497	5,489
Income on certificate of deposit - indigent care	<u>9,184</u>	<u>8,878</u>
	<u>\$ 135,662</u>	<u>\$ 152,941</u>

Permanently restricted net assets are restricted to:

Certificate of deposit to be held in perpetuity, the income from which is expendable for indigent care	<u>\$ 76,549</u>	<u>\$ 76,549</u>
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# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2012 and 2011

### 9. Concentrations of 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	29 %	25 %
Medicaid	18	27
Anthem-Blue Cross	6	7
Other third-party payors	16	15
Patients	<u>31</u>	<u>26</u>
	<u>100 %</u>	<u>100 %</u>

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

### 10. Commitments and Contingencies

#### Commitments

The Hospital has an agreement with Emcare Physician Services, Inc. (the Company) to provide management and administrative services to the Hospital's emergency department. The Hospital has agreed to pay the Company a specified hourly rate for Hospital physician coverage. The contract automatically renews for one-year terms, but may be terminated by either party by providing written notice of termination 120 days prior to renewal.

Alpine leased office space to a local healthcare provider for \$31,296 per year under the terms of a seven-year lease which was terminated on February 28, 2013. Effective March 1, 2013, a new lease agreement was entered into with the same provider for \$36,825 per year under the terms of the one-year lease agreement. The lease renews automatically unless either party gives one-year written notice to terminate the lease.

#### Medical Malpractice Claims and Other Litigation

The Hospital insures its medical malpractice risks on a claims-made basis under a policy which covers all employees of the Hospital. 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 is subject to complaints, claims and litigation due to potential claims which arise in the normal course of doing business. 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. The Hospital has evaluated its exposure to losses arising from potential claims and determined that no such accrual is necessary for the year ended December 31, 2012. The Hospital intends to renew coverage on a claims-made basis and anticipates that such coverage will be available.

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2012 and 2011

### 11. Deferred Compensation

The Hospital has established a deferred compensation plan that permits management and highly compensated employees to defer portions of their compensation based on Internal Revenue Service guidelines. The Hospital has recorded \$37,571 and \$16,500 at December 31, 2012 and 2011, respectively, to reflect its liability under this plan. The Hospital has recorded a corresponding asset of \$37,571 and \$16,500 at December 31, 2012 and 2011, respectively, which is included in other assets in the consolidated balance sheets. Under the plan, all gains and losses in the plan investments increase or decrease the deferred compensation liability and corresponding asset.

### 12. Meaningful Use Revenue

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The Medicare criteria for meaningful use will be staged in three steps. 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, and 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.

The Hospital recorded meaningful use revenue of \$426,779 and \$406,601 from the Medicaid EHR program for the years ended December 31, 2012 and 2011, respectively. The Hospital has demonstrated a minimum of 10% Medicaid encounters and is upgrading to a certified EHR.

### 13. Operating Leases

The Hospital leases various office, housing space, and medical equipment under operating leases. Lease expense for the years ended December 31, 2012 and 2011 was \$252,616 and \$330,358, respectively.

The following is a schedule of future minimum rental payments under the above noncancelable operating leases as of December 31, 2012:

2013	\$ 151,773
2014	138,834
2015	79,724
2016	42,911
2017	39,278
Thereafter	<u>3,269</u>
	<u>\$ 455,789</u>

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2012 and 2011

### 14. Investment in Affiliate

The Hospital is a member of a shared services nonprofit corporation, Katahdin Shared Services, Inc. (KSS), which provides ultrasound, occupational therapy, and nutritional services to Penobscot Valley Hospital and another member hospital. KSS's earnings or loss has been allocated to its members based proportionately on charges rendered to each member. The (loss) earnings from the affiliate for the years ended December 31, 2012 and 2011 of \$(4,532) and \$5,731, respectively, is reflected in other gains (losses) in the consolidated statements of operations.

The cost of services purchased by the Hospital from KSS was \$271,001 and \$299,167 for 2012 and 2011, respectively, and is included in supplies and other expenses in the consolidated statements of operations. The 2012 and 2011 accounts payable include \$64,584 and \$73,031, respectively, due to KSS.

### 15. 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.

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2012 and 2011**

Items measured at fair value on a recurring basis in these financial statements are as follows:

	<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>				
Cash and cash equivalents	\$ 146,700	\$ 146,700	\$ -	\$ -
Marketable equity securities	389,332	389,332	-	-
Mutual funds	171,373	171,373	-	-
Corporate bonds	60,542	-	60,542	-
Other fixed income	22,843	22,843	-	-
Investments to fund deferred compensation	<u>37,571</u>	<u>37,571</u>	<u>-</u>	<u>-</u>
	<u>\$ 828,361</u>	<u>\$ 767,819</u>	<u>\$ 60,542</u>	<u>\$ -</u>

	<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>				
Cash and cash equivalents	\$ 260,625	\$ 260,625	\$ -	\$ -
Marketable equity securities	341,537	341,537	-	-
Mutual funds	139,311	139,311	-	-
Corporate bonds	64,072	-	64,072	-
Other fixed income	11,745	11,745	-	-
Investments to fund deferred compensation	<u>16,500</u>	<u>16,500</u>	<u>-</u>	<u>-</u>
	<u>\$ 833,790</u>	<u>\$ 769,718</u>	<u>\$ 64,072</u>	<u>\$ -</u>

Level 2 investments have been measured using quoted market prices of similar assets.

## **ADDITIONAL INFORMATION**

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Consolidating Balance Sheet**

**December 31, 2012  
(With Comparative Totals for December 31, 2011)**

**ASSETS**

	Penobscot Valley Hospital	Alpine Health Services, Inc.	Eliminations	<b>2012 Consolidated</b>	2011 Consolidated
Current assets					
Cash and cash equivalents	\$ 1,490,705	\$ 30,232	\$ -	\$ <b>1,520,937</b>	\$ 3,237,946
Patient accounts receivable, net	3,240,899	-	-	<b>3,240,899</b>	2,700,779
Estimated third-party payor settlements	1,181,971	-	-	<b>1,181,971</b>	422,971
Current portion of assets limited as to use	64,028	-	-	<b>64,028</b>	67,486
Supplies, prepaid expenses and miscellaneous receivables	<u>1,028,287</u>	<u>-</u>	<u>-</u>	<b><u>1,028,287</u></b>	<u>831,321</u>
Total current assets	7,005,890	30,232	-	<b>7,036,122</b>	7,260,503
Assets limited as to use, net of current portion	1,161,961	49,567	-	<b>1,211,528</b>	1,224,062
Property and equipment, net	6,724,437	220,325	-	<b>6,944,762</b>	7,046,425
Long-term estimated third-party payor settlements	993,642	-	-	<b>993,642</b>	1,448,932
Other assets	61,098	-	-	<b>61,098</b>	29,834
Investment in affiliates	<u>23,579</u>	<u>-</u>	<u>(14,482)</u>	<b><u>9,097</u></b>	<u>13,629</u>
Total assets	<u>\$ 15,970,607</u>	<u>\$ 300,124</u>	<u>\$ (14,482)</u>	<b><u>\$ 16,256,249</u></b>	<u>\$ 17,023,385</u>

## LIABILITIES AND NET ASSETS

	Penobscot Valley Hospital	Alpine Health Services, Inc.	Eliminations	2012 Consolidated	2011 Consolidated
<b>Current liabilities</b>					
Current portion of long-term debt	\$ 383,027	\$ 17,042	\$ -	\$ 400,069	\$ 304,069
Accounts payable	1,281,410	-	-	1,281,410	1,427,425
Accrued salaries and related benefits	1,519,994	-	-	1,519,994	1,387,326
Accrued expenses	19,939	3,079	-	23,018	24,235
Estimated third-party payor settlements	<u>2,382,310</u>	<u>-</u>	<u>-</u>	<u>2,382,310</u>	<u>3,192,404</u>
Total current liabilities	5,586,680	20,121	-	5,606,801	6,335,459
Long-term debt, net of current portion	5,781,843	265,521	-	6,047,364	6,080,331
Deferred compensation	<u>37,571</u>	<u>-</u>	<u>-</u>	<u>37,571</u>	<u>16,500</u>
Total liabilities	<u>11,406,094</u>	<u>285,642</u>	<u>-</u>	<u>11,691,736</u>	<u>12,432,290</u>
<b>Net assets</b>					
Unrestricted	4,352,302	14,482	(14,482)	4,352,302	4,361,605
Temporarily restricted	135,662	-	-	135,662	152,941
Permanently restricted	<u>76,549</u>	<u>-</u>	<u>-</u>	<u>76,549</u>	<u>76,549</u>
Total net assets	<u>4,564,513</u>	<u>14,482</u>	<u>(14,482)</u>	<u>4,564,513</u>	<u>4,591,095</u>
Total liabilities and net assets	<u>\$ 15,970,607</u>	<u>\$ 300,124</u>	<u>\$ (14,482)</u>	<u>\$ 16,256,249</u>	<u>\$ 17,023,385</u>

## PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Consolidating Statement of Operations

Year Ended December 31, 2012  
(With Comparative Totals for the Year Ended December 31, 2011)

	Penobscot Valley Hospital	Alpine Health Services, Inc.	Eliminations	2012 Consolidated	2011 Consolidated
Gross patient service revenue	\$ 37,597,006	\$ -	\$ -	\$ 37,597,006	\$ 35,479,280
Deductions from revenue					
Contractual adjustments	8,615,234	-	-	8,615,234	8,533,483
Charity care	1,527,029	-	-	1,527,029	1,360,647
	<u>10,142,263</u>	<u>-</u>	<u>-</u>	<u>10,142,263</u>	<u>9,894,130</u>
Patient service revenue (net of contractual allowances and discounts)	27,454,743	-	-	27,454,743	25,585,150
Less provision for bad debts	1,641,335	-	-	1,641,335	1,166,803
Net patient service revenue	25,813,408	-	-	25,813,408	24,418,347
Other revenue	212,751	35,992	-	248,743	274,733
Meaningful use revenue	426,779	-	-	426,779	406,601
Net assets released from restrictions used for operations	7,335	-	-	7,335	6,926
Total unrestricted revenues, gains and other support	<u>26,460,273</u>	<u>35,992</u>	<u>-</u>	<u>26,496,265</u>	<u>25,106,607</u>
Expenses					
Salaries and benefits	13,560,402	-	-	13,560,402	12,423,998
Supplies and other	11,645,675	1,833	-	11,647,508	10,941,015
Depreciation and amortization	1,061,163	7,941	-	1,069,104	1,006,269
Interest expense	302,029	14,803	-	316,832	339,242
Total expenses	<u>26,569,269</u>	<u>24,577</u>	<u>-</u>	<u>26,593,846</u>	<u>24,710,524</u>
Operating (loss) gain	<u>(108,996)</u>	<u>11,415</u>	<u>-</u>	<u>(97,581)</u>	<u>396,083</u>
Other gains (losses)					
Contributions	-	-	-	-	75
Investment income	55,252	-	-	55,252	70,180
(Loss) gain on investment in affiliate	(4,532)	-	-	(4,532)	5,731
Loss on early extinguishment of long-term debt	(26,546)	-	-	(26,546)	-
Earnings of subsidiary	21,523	-	(21,523)	-	-
Other income	-	173	-	173	246
Net other gains	<u>45,697</u>	<u>173</u>	<u>(21,523)</u>	<u>24,347</u>	<u>76,232</u>
(Deficiency) excess of revenues, gains and other support over expenses and losses	(63,299)	11,588	(21,523)	(73,234)	472,315
Change in net unrealized gains on investments	8,591	-	-	8,591	(49,226)
Net assets released from restrictions used for purchase of property and equipment	55,340	-	-	55,340	45,584
Transfer (to) from affiliate	<u>(9,935)</u>	<u>9,935</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Decrease) increase in unrestricted net assets	<u>\$ (9,303)</u>	<u>\$ 21,523</u>	<u>\$ (21,523)</u>	<u>\$ (9,303)</u>	<u>\$ 468,673</u>

## PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

Schedule of Patient Service Revenue (Net of Contractual Allowances and Discounts)  
(Hospital Only)

Year Ended December 31, 2012  
(With Comparative Totals for the Year Ended December 31, 2011)

	<u>Inpatient</u>	<u>Outpatient</u>	<u>2012 Total</u>	<u>2011 Total</u>
Adults and pediatrics	\$ 3,125,449	\$ -	\$ 3,125,449	\$ 3,315,888
Intensive care unit	291,006	-	291,006	353,120
Nursery	45,470	-	45,470	47,883
Operating room	1,072,516	2,426,257	3,498,773	2,941,304
Recovery room	50,556	69,244	119,800	112,434
Delivery and labor room	87,777	1,609	89,386	90,257
Anesthesiology	139,646	378,622	518,268	460,270
Radiology - diagnostic	1,043,103	7,589,613	8,632,716	8,323,202
Laboratory	962,087	4,117,631	5,079,718	4,991,408
Blood storing and processing	68,561	65,074	133,635	135,295
Respiratory therapy	414,362	792,115	1,206,477	1,271,531
Physical therapy	410,428	1,077,487	1,487,915	1,636,267
Medical supplies charged to patients	267,896	441,132	709,028	695,455
Drugs charged to patients	1,142,730	1,065,184	2,207,914	2,253,298
Clinic	245,655	1,551,616	1,797,271	1,093,400
Emergency	696,878	6,741,636	7,438,514	6,460,601
Ambulance services	112,140	1,101,998	1,214,138	1,295,515
Dietary	-	1,528	1,528	2,152
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total gross patient service revenue	<u>\$ 10,176,260</u>	<u>\$ 27,420,746</u>	<u>37,597,006</u>	<u>35,479,280</u>
Contractual allowances			8,615,234	8,533,483
Charity care			<u>1,527,029</u>	<u>1,360,647</u>
			<u>10,142,263</u>	<u>9,894,130</u>
Patient service revenue (net of contractual allowances and discounts)			<u>\$ 27,454,743</u>	<u>\$ 25,585,150</u>

## PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

Schedule of Operating Expenses  
(Hospital Only)Year Ended December 31, 2012  
(With Comparative Totals for the Year Ended December 31, 2011)

	<u>Salaries</u>	<u>Non-salary</u>	<u>2012 Total</u>	<u>2011 Total</u>
Employee benefits	\$ 122,746	\$ 2,784,905	\$ 2,907,651	\$ 2,806,290
Administrative and general	1,095,755	2,604,677	3,700,432	3,332,267
Operation of plant	304,295	646,162	950,457	897,753
Laundry and linen	22,209	16,483	38,692	35,678
Housekeeping	182,174	75,492	257,666	248,906
Dietary	242,334	361,383	603,717	601,514
Nursing administration	464,248	213,697	677,945	668,265
Central services and supply	-	1,746	1,746	3,056
Medical records	196,550	112,573	309,123	236,538
Social services	147,827	24,422	172,249	168,637
Adults and pediatrics	2,210,312	269,541	2,479,853	2,455,523
Intensive care unit	71,345	31,004	102,349	99,687
Nursery	-	22,153	22,153	24,973
Operating room	549,388	231,922	781,310	615,006
Delivery and labor room	4,071	3,315	7,386	8,662
Anesthesiology	-	641,462	641,462	612,781
Radiology	405,418	1,319,755	1,725,173	1,726,529
Laboratory	640,319	677,745	1,318,064	1,304,829
Cardio-pulmonary therapy	171,526	35,686	207,212	216,495
Physical therapy	430,490	59,022	489,512	566,091
Medical supplies charged to patients	100,945	490,090	591,035	441,830
Drugs charged to patients	56,489	1,106,740	1,163,229	1,157,395
Clinic	1,602,409	479,761	2,082,170	1,278,024
Emergency	1,625,712	2,180,097	3,805,809	3,680,065
Ambulance services	<u>128,935</u>	<u>40,747</u>	<u>169,682</u>	<u>168,565</u>
	<u>\$ 10,775,497</u>	<u>\$ 14,430,580</u>	<u>25,206,077</u>	<u>23,355,359</u>
Depreciation and amortization			<u>1,061,163</u>	995,155
Interest expense			<u>302,029</u>	<u>322,711</u>
Total operating expenses			<u>\$ 26,569,269</u>	<u>\$ 24,673,225</u>

**SUPPLEMENTAL INFORMATION**

**Governmental Report**



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

The Board of Directors  
Penobscot Valley Hospital and Subsidiary

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Penobscot Valley Hospital and Subsidiary (the Hospital), which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 5, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berry Dunn McNeil & Parker, LLC*

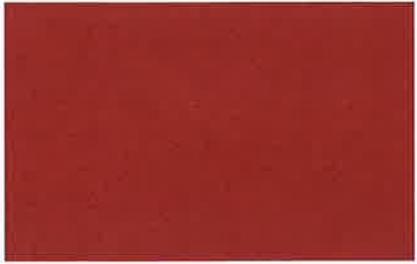
Portland, Maine  
June 5, 2013

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Schedule of Findings and Responses**

**Year Ended December 31, 2012**

**None**



# 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  **X**
- 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>Penobscot Valley Hospital</b>	Employer identification number (EIN) or <b>01-0545327</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>7 Transalpine Road, Box 368</b>	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <b>Lincoln, ME 04457</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

**Ann Marie Rush**

- The books are in the care of ▶ **7 Transalpine Road, Box 368 - Lincoln, ME 04457**  
 Telephone No. ▶ **207-794-3321** 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

<b>3a</b> 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.
<b>b</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.	<b>3b</b>	\$	0.
<b>c Balance due.</b> 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

<b>Type or print</b>	Name of exempt organization or other filer, see instructions <b>Penobscot Valley Hospital</b>	Employer identification number (EIN) or <b>01-0545327</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>7 Transalpine Road, Box 368</b>	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <b>Lincoln, ME 04457</b>	

Enter the Return code for the return that this application is for (file a separate application for each return) 0 | 1

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.**

**Ann Marie Rush**

The books are in the care of **7 Transalpine Road, Box 368 - Lincoln, ME 04457**  
 Telephone No. **207-794-3321** 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.**

<b>8a</b> 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>8a</b>	\$	0.
<b>b</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.	<b>8b</b>	\$	0.
<b>c Balance due.</b> Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	<b>8c</b>	\$	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 McGuan** Title **CPA** Date **08/13/13**