** PUBLIC DISCLOSURE COPY **

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter Social Security numbers on this form as it may be made public.

▶ Information about Form 990 and its instructions is at www.irs.gov/form990

OMB No. 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning and ending

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

C Name of organization: Down East Community Hospital

Doing Business As:

Number and street (or P.O. box if mail is not delivered to street address): 11 Hospital Drive

Room/suite:

City or town, state or province, country, and ZIP or foreign postal code: Machias, ME 04654

F Name and address of principal officer: Douglas Jones
same as C above

D Employer identification number: 01-0263198

E Telephone number: 207-255-3356

G Gross receipts $: 40,326,108.

H(a) Is this a group return for subordinates? ☐ Yes ☒ No

H(b) Are all subordinates included? ☐ Yes ☐ No

If "No," attach a list. (see instructions)

H(c) Group exemption number ▶

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

J Website: ▶ www.dech.org

K Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation: 1963

M State of legal domicile: ME

Part I Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities: Acute Care Critical Access Hospital	
	2	Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets.	
	3	Number of voting members of the governing body (Part VI, line 1a)	15
	4	Number of independent voting members of the governing body (Part VI, line 1b)	13
	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	331
	6	Total number of volunteers (estimate if necessary)	28
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	0.
	b	Net unrelated business taxable income from Form 990-T, line 34	0.

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	83,488.	31,255.
	9	Program service revenue (Part VIII, line 2g)	35,158,684.	32,962,760.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	194,475.	600,832.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0.	0.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	35,436,647.	33,594,847.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	68,467.	194,384.
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	20,465,022.	19,557,411.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	15,607,566.	14,913,784.
	18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	36,141,055.	34,665,579.
	19	Revenue less expenses. Subtract line 18 from line 12	-704,408.	-1,070,732.

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	25,628,890.	24,417,559.
	21	Total liabilities (Part X, line 26)	14,674,788.	13,041,638.
	22	Net assets or fund balances. Subtract line 21 from line 20	10,954,102.	11,375,921.

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: 11/12/14

▶ Lynnette Parr, CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed	PTIN
Barbara J. McGuan, CPA	Barbara J. McGuan, C	11/06/14	☐	P00219457

Firm's name ▶ Berry Dunn McNeil & Parker, LLC — Firm's EIN ▶ 01-0523282

Firm's address ▶ P.O. Box 1100
Portland, ME 04104-1100

Phone no. (207) 775-2387

May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No

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)? *If "Yes," complete Schedule A*	1	X	
2	Is the organization required to complete *Schedule B, Schedule of Contributors*?	2	X	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		X
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	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? *If "Yes," complete Schedule C, Part III*	5		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? *If "Yes," complete Schedule D, Part I*	6		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? *If "Yes," complete Schedule D, Part II*	7		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		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? *If "Yes," complete Schedule D, Part IV*	9		X
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	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? *If "Yes," complete Schedule D, Part VI*	11a	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? *If "Yes," complete Schedule D, Part VII*	11b		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? *If "Yes," complete Schedule D, Part VIII*	11c		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? *If "Yes," complete Schedule D, Part IX*	11d		X
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	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)? *If "Yes," complete Schedule D, Part X*	11f		X
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		X
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b	X	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		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? *If "Yes," complete Schedule F, Parts I and IV*	14b		X
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or other assistance to or for any foreign organization? *If "Yes," complete Schedule F, Parts II and IV*	15		X
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or other assistance to or for foreign individuals? *If "Yes," complete Schedule F, Parts III and IV*	16		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? *If "Yes," complete Schedule G, Part I*	17		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? *If "Yes," complete Schedule G, Part II*	18		X
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		X
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	X	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V ☐

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	32		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	331		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b		X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?	3a			X
b	If "Yes," has it filed a Form 990-T for this year? *If "No," to line 3b, provide an explanation in Schedule O*	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			X
b	If "Yes," enter the name of the foreign country: ▶ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a			X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			X
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a			X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f			X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter:				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter:				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state?	13a			
	Note. See the instructions for additional information the organization must report on Schedule O.				
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			X
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*	14b			

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

Check if Schedule O contains a response or note to any line 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) Blaine Jones	1.70									
Trustee	0.30	X						0.	0.	0.
(2) Cynthia Huggins	1.70									
Trustee	0.30	X						0.	0.	0.
(3) David Whitney	1.70									
Trustee	0.30	X						0.	0.	0.
(4) Douglas Jones	39.70									
CEO	0.30	X		X				285,198.	2,968.	19,397.
(5) Eric Burke, M.D.	1.70									
Chair	0.30	X		X				0.	0.	0.
(6) Greg Campbell, PhD	1.70									
Past Secretary	0.30	X		X				0.	0.	0.
(7) James Thompson	1.70									
Vice Chair	0.30	X		X				0.	0.	0.
(8) Kara Dwight, DO	39.70									
Trustee	0.30	X						351,865.	0.	18,878.
(9) Katherine Land	1.70									
Trustee	0.30	X						0.	0.	0.
(10) Michael Hennessey	1.70									
Trustee	0.30	X						0.	0.	0.
(11) Mortimer Lockett	1.70									
Trustee	0.30	X						0.	0.	0.
(12) Patti Sansing	1.70									
Trustee	0.30	X						0.	0.	0.
(13) Rebecca Irving	1.70									
Trustee	0.30	X						0.	0.	0.
(14) Rose St. Louis	1.70									
Trustee	0.30	X						0.	0.	0.
(15) Thomas Potter	1.70									
Treasurer	0.30	X		X				0.	0.	0.
(16) Wayne Peters	1.70									
Secretary	0.30	X		X				0.	0.	0.
(17) Lynnette Parr	39.70									
CFO	0.30			X				136,841.	1,424.	14,430.

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII ☐

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512 - 514
Contributions, Gifts, Grants and Other Similar Amounts	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d				
	e Government grants (contributions)	1e				
	f All other contributions, gifts, grants, and similar amounts not included above	1f	31,255.			
	g Noncash contributions included in lines 1a-1f: $					
	h **Total.** Add lines 1a-1f		31,255.			
Program Service Revenue		Business Code				
	2a Patient Revenue	621400	59,956,628.	59,956,628.		
	b Electronic Health Records	621400	561,505.	561,505.		
	c Other Revenue	621400	319,832.	250,400.		69,432.
	d Provision for Bad Debts	621400	-1,998,937.	-1,998,937.		
	e Contractual/Char. Adj.	621400	-25,876,268.	-25,876,268.		
	f All other program service revenue					
	g **Total.** Add lines 2a-2f		32,962,760.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		127,208.			127,208.
	4 Income from investment of tax-exempt bond proceeds					
	5 Royalties					
		(i) Real	(ii) Personal			
	6a Gross rents					
	b Less: rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss)					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	7,204,885.				
	b Less: cost or other basis and sales expenses	6,731,261.				
	c Gain or (loss)	473,624.				
	d Net gain or (loss)		473,624.			473,624.
	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c). See Part IV, line 18	a				
	b Less: direct expenses	b				
	c Net income or (loss) from fundraising events					
	9a Gross income from gaming activities. See Part IV, line 19	a				
	b Less: direct expenses	b				
	c Net income or (loss) from gaming activities					
	10a Gross sales of inventory, less returns and allowances	a				
	b Less: cost of goods sold	b				
	c Net income or (loss) from sales of inventory					
	Miscellaneous Revenue	Business Code				
	11a					
	b					
	c					
	d All other revenue					
	e **Total.** Add lines 11a-11d					
	12 **Total revenue.** See instructions.		33,594,847.	32,893,328.	0.	670,264.

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X ☐

				(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing		1,125.	1	1,105.
	2	Savings and temporary cash investments		4,478,791.	2	4,725,853.
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		5,039,118.	4	4,135,292.
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instr). Complete Part II of Sch L			6	
	7	Notes and loans receivable, net		104,974.	7	69,983.
	8	Inventories for sale or use		451,425.	8	433,019.
	9	Prepaid expenses and deferred charges		299,395.	9	318,380.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 29,096,821.			
	b	Less: accumulated depreciation	10b 17,548,608.	12,379,968.	10c	11,548,213.
	11	Investments - publicly traded securities		2,801,507.	11	3,121,547.
	12	Investments - other securities. See Part IV, line 11			12	
	13	Investments - program-related. See Part IV, line 11			13	
	14	Intangible assets		72,587.	14	64,167.
	15	Other assets. See Part IV, line 11			15	
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		25,628,890.	16	24,417,559.
Liabilities	17	Accounts payable and accrued expenses		3,234,522.	17	3,512,504.
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		4,817,267.	20	4,218,326.
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		256,569.	23	65,167.
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D		6,366,430.	25	5,245,641.
	26	**Total liabilities.** Add lines 17 through 25		14,674,788.	26	13,041,638.
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ X and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		9,572,855.	27	9,993,201.
	28	Temporarily restricted net assets		38,012.	28	39,485.
	29	Permanently restricted net assets		1,343,235.	29	1,343,235.
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building, or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		10,954,102.	33	11,375,921.
	34	Total liabilities and net assets/fund balances		25,628,890.	34	24,417,559.

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.**

▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at** *www.irs.gov/form990.*

OMB No. 1545-0047

2013

Open to Public Inspection

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

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?	11g(i)	
(ii)	A family member of a person described in (i) above?	11g(ii)	
(iii)	A 35% controlled entity of a person described in (i) or (ii) above?	11g(iii)	

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	
Total									

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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 **Total support.** (Add lines 9, 10c, 11, and 12.)						

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

Section C. Computation of Public Support Percentage

15 Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2013** (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from **2012** Schedule A, Part III, line 17	18	%

19a **33 1/3% support tests - 2013.** 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 - 2012.** 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 ▶ ☐

** PUBLIC DISCLOSURE COPY **

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.
▶ Information about Schedule B (Form 990, 990-EZ, or 990-PF) and its instructions is at www.irs.gov/form990 .

OMB No. 1545-0047

2013

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

Organization type (check one):

Filers of:	Section:
Form 990 or 990-EZ	[X] 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

[X] 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 its Form 990-PF, Part I, line 2, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization: Down East Community Hospital

Employer identification number: 01-0263198

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

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

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

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
▶ See separate instructions. ▶ Information about Schedule C (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2013

Open to Public Inspection

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	Employer identification number
Down East Community Hospital	01-0263198

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

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

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

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

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

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

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

Part II-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) Yes	(a) No	(b) Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?	X		9,631.
j Total. Add lines 1c through 1i			9,631.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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:

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

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

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

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

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

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII and complete the following table:

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

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

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

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	2,930,298.	2,594,743.	1,653,523.	1,463,886.	1,153,005.
b Contributions			1,000,900.		
c Net investment earnings, gains, and losses	470,402.	370,531.	-32,851.	208,434.	326,009.
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses	28,733.	34,976.	26,829.	18,797.	15,128.
g End of year balance	3,371,967.	2,930,298.	2,594,743.	1,653,523.	1,463,886.

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

a Board designated or quasi-endowment ▶ 43.00 %
b Permanent endowment ▶ 57.00 %
c Temporarily restricted endowment ▶ .00 %

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)		X
(ii) related organizations	3a(ii)		X
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.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		257,946.		257,946.
b Buildings		15,573,546.	6,997,669.	8,575,877.
c Leasehold improvements				
d Equipment		12,505,021.	10,014,528.	2,490,493.
e Other		760,308.	536,411.	223,897.
Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				11,548,213.

Schedule D (Form 990) 2013

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII.)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII.)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total revenue. Add lines **3** and **4c.** *(This must equal Form 990, Part I, line 12.)*			5	

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" to Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIII.)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII.)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses. Add lines **3** and **4c.** *(This must equal Form 990, Part I, line 18.)*			5	

Part XIII Supplemental Information.

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

Part V, line 4:

Explanation: Growth of investment to provide earnings that will support operations.

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

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	X	
2	Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount	2 1,139,394.		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	
6	Enter Medicare allowable costs of care relating to payments on line 5	6	
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☐ Cost to charge ratio ☐ Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	X	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b		X

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians - see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

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

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A) 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	1	X	
If "Yes," indicate what the CHNA report describes (check all that apply):			
a [X] A definition of the community served by the hospital facility			
b [X] Demographics of the community			
c [X] Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d [X] How data was obtained			
e [X] The health needs of the community			
f [X] Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g [X] The process for identifying and prioritizing community health needs and services to meet the community health needs			
h [X] The process for consulting with persons representing the community's interests			
i [X] Information gaps that limit the hospital facility's ability to assess the community's health needs			
j [ ] Other (describe in Section C)			
2 Indicate the tax year the hospital facility last conducted a CHNA: 20 10			
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	X	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C	4	X	
5 Did the hospital facility make its CHNA report widely available to the public?	5	X	
If "Yes," indicate how the CHNA report was made widely available (check all that apply):			
a [ ] Hospital facility's website (list url):			
b [X] Other website (list url): http://chna.emh.org			
c [X] Available upon request from the hospital facility			
d [ ] Other (describe in Section C)			
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year):			
a [X] Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b [ ] Execution of the implementation strategy			
c [ ] Participation in the development of a community-wide plan			
d [ ] Participation in the execution of a community-wide plan			
e [ ] Inclusion of a community benefit section in operational plans			
f [X] Adoption of a budget for provision of services that address the needs identified in the CHNA			
g [X] Prioritization of health needs in its community			
h [ ] Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i [ ] Other (describe in Section C)			
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Section C which needs it has not addressed and the reasons why it has not addressed such needs	7	X	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		X
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)* Down East Community Hospital

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

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

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	X	

If "No," indicate why:

- a [ ] 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 Section C)
- d [ ] Other (describe in Section C)

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 [X] Other (describe in Section C)

21	During the tax year, did the hospital facility charge any FAP-eligible individual 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 Section C.		X
22	During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Section C.		X

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A, " "Facility B," etc.

included:

Other area hospitals

Physician leaders

Federally Qualified Health Centers

Healthy Maine Partnerships

District Liaisons linked to Maine CDC

Home Health and Long Term Care leaders

Social Service Agencies

Leaders of the tribal communities

Business leaders

Legislative leaders

Representatives of the State administration

Attendees were provided an executive summary of the assessment as well as a summary table of data reflective of the service area. A presentation was made by EMHS staff who led the assessment, providing sample data, trends over time and the priorities and recommendations as suggested by the research consultants.

Down East Community Hospital:

Part V, Section B, Line 4: The Hospital conducted its community health needs assessment along with Eastern Maine Health Systems, MaineGeneral, & MaineHealth.

Part V Facility Information *(continued)*

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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

How many non-hospital health care facilities did the organization operate during the tax year? 0

Name and address	Type of Facility (describe)

Part VI Supplemental Information *(Continuation)*

Part VI, Line 2:

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

Part VI, Line 3:

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

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

Part VI, Line 4:

Explanation: Down East Community Hospital provides services to rural communities of Washington County, Maine. The population of 32,190 for the Hospital Service Area (HSA) has an average household income of $36,486, compared to $48,219 for the State of Maine. Of the HSA population, approximately 19.8% fall below the poverty level and 21.4% of the population is over age 65. During 2012, DECH captured a 42.8% inpatient

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.**

▶ **Information about Schedule I (Form 990) and its instructions is at** *www.irs.gov/form990*

OMB No. 1545-0047

2013

Open to Public Inspection

Name of the organization
Down East Community Hospital

Employer identification number
01-0263198

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

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ..... [X] Yes [ ] No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States.

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Sunrise Nursing Care Facility 11 Hospital Drive Machias, ME 04654	22-2582949	501(c)(3)	185,305.	0.			Support to affiliate for operations and capital acquisitions.
Women's Health Resource Library P.O. Box 463 Milbridge, ME 04658	55-0880014	501(c)(3)	9,079.	0.			To support the Womens' Health Resource Library.

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

3 Enter total number of other organizations listed in the line 1 table ..... ▶ 0.

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" on Form 990, Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990

OMB No. 1545-0047

2013

Open to Public Inspection

Name of the organization

Down East Community Hospital

Employer identification number

01-0263198

Part I Questions Regarding Compensation

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

Part III Supplemental Information

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.

Part I, Line 4a:

Explanation: Wayne Dodwell, Former CEO, received a severance payment in the amount of $125,000 during calendar year 2013.

Part III Private Business Use *(Continued)*

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?		X		X				
b If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	%		%		%		%	
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6 Total of lines 4 and 5	%		%		%		%	
7 Does the bond issue meet the private security or payment test?		X		X				
8a Has there been a sale or disposition of any of the bond-financed property to a non-governmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9 Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?		X		X				

Part IV Arbitrage

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

SCHEDULE L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions With Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2013

Open To Public Inspection

Name of the organization: Down East Community Hospital

Employer identification number: 01-0263198

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

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

2 Enter the amount of tax incurred by the organization managers or disqualified persons during the year under section 4958 ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ $

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a or Form 990, Part IV, line 26; or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22.

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization? To	(d) From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	(g) No	(h) Approved by board or committee? Yes	(h) No	(i) Written agreement? Yes	(i) No
Total ▶ $												

Part III Grants or Assistance Benefiting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

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.

▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990

OMB No. 1545-0047

2013

Open to Public Inspection

Name of the organization: Down East Community Hospital

Employer identification number: 01-0263198

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

expectations.

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

Various other medical services supplied to patients.

Expenses $ 23,244,266. incl grants of $ 194,384. Revenue $ 17,961,110.

Form 990, Part VI, Section A, line 6:

Explanation: The members of the Organization, known as "Corporators," shall be those individuals who are Corporators of Down East Community Hospital as of January 1, 2011, and such other individuals as may be elected to membership in this Corporation by a majority vote of

(i) those Corporators present at the Annual Meeting of this Corporation; or

(ii) the Board of Trustees.

A Corporator is elected for life, unless the Corporator voluntarily resigns, or the Corporator fails to attend two sucessive annual meetings of the Corporation.

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

Form 990, Part VI, Section A, line 7a:

Explanation: The Corporators shall elect the Trustees of this Corporation

Name of the organization: Down East Community Hospital

Employer identification number: 01-0263198

Management and general expenses	263,232.
Fundraising expenses	0.
Total expenses	2,753,867.
Professional Fees:	
Program service expenses	2,720,829.
Management and general expenses	0.
Fundraising expenses	0.
Total expenses	2,720,829.
Collection Fees:	
Program service expenses	0.
Management and general expenses	78,418.
Fundraising expenses	0.
Total expenses	78,418.
Total Other Fees on Form 990, Part IX, line 11g, Col A	5,553,114.
Form 990, Part XI, line 9, Changes in Net Assets:	
Unfunded Pension Liability Adjustment	1,573,225.

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity? Yes	(i) No

Part VI **Unrelated Organizations Taxable as a Partnership** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners sec. 501(c)(3) orgs.? Yes	(e) No	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

BerryDunn

Down East COMMUNITY
Our Health, Our Hospital

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

FINANCIAL STATEMENTS

with

ADDITIONAL INFORMATION

December 31, 2013 and 2012

With Independent Auditor's Report

BerryDunn

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Down East Community Hospital and Subsidiary

We have audited the accompanying financial statements of Down East Community Hospital and Subsidiary (the Hospital), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Down East Community Hospital and Subsidiary as of December 31, 2013 and 2012, 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.

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2013 and 2012

ASSETS

	2013	2012
Current assets		
Cash and cash equivalents	**$ 4,299,628**	$ 3,290,276
Certificate of deposit	**6,691**	724,109
Patient accounts receivable, net of estimated uncollectibles of $2,776,391 in 2013 and $2,775,075 in 2012	**3,271,938**	4,548,286
Assets limited as to use, current portion	**414,220**	416,288
Other receivables	**994,291**	703,740
Supplies	**433,019**	451,425
Prepaid expenses and other assets	**337,549**	344,271
Total current assets	**9,757,336**	10,478,395
Assets limited as to use, excluding current portion	**3,412,169**	2,968,955
Property and equipment, net	**11,844,058**	12,717,071
Deferred financing costs, less accumulated amortization of $34,934 in 2013 and $26,514 in 2012	**64,167**	72,587
Total assets	**$ 25,077,730**	$ 26,237,008

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

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Consolidated Statements of Operations

Years Ended December 31, 2013 and 2012

	2013	2012
Unrestricted revenues, gains, and other support		
Patient service revenue (net of contractual allowances and discounts)	**$35,950,111**	$ 38,057,250
Less provision for bad debts	**2,003,573**	2,048,222
Net patient service revenue	**33,946,538**	36,009,028
Investment income	**600,828**	194,824
Other revenue	**850,167**	1,107,332
Electronic health record incentives	**561,505**	672,430
Net assets released from restrictions for operations	**10,485**	31,399
Total revenues, gains, and other support	**35,969,523**	38,015,013
Expenses		
Salaries	**17,414,659**	17,934,545
Employee benefits	**3,842,083**	4,340,991
Purchased services	**2,286,610**	2,268,688
Temporary personnel	**1,079,613**	1,246,251
Professional fees	**2,720,829**	2,747,897
Supplies	**3,315,965**	3,314,101
Other	**4,544,959**	5,081,121
Depreciation and amortization	**1,574,026**	1,587,383
Interest	**182,258**	212,626
Total expenses	**36,961,002**	38,733,603
Deficiency of revenues, gains, and other support over expenses	**(991,479)**	(718,590)
Change in net unrealized gains (losses) on investments	**(80,674)**	227,609
Unfunded pension liability adjustment	**1,573,225**	(643,820)
Increase (decrease) in unrestricted net assets	**$ 501,072**	$ (1,134,801)

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

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Increase (decrease) in net assets	**$ 502,545**	$ (1,155,708)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Unfunded pension liability adjustment	**(1,573,225)**	643,820
Depreciation and amortization	**1,574,026**	1,587,383
Provision for bad debts	**2,003,573**	2,048,222
Net realized and unrealized gains on investments	**(392,950)**	(256,005)
Restricted contributions and income	**(11,958)**	(10,492)
Changes in assets and liabilities		
Patient accounts receivable	**(727,225)**	(2,193,613)
Estimated third-party payor settlements	**399,102**	1,053,040
Other receivables	**(290,551)**	58,023
Other current assets	**25,128**	(42,652)
Accounts payable and accrued expenses	**277,307**	(18,521)
Pension accrual	**25,336**	(178,771)
Net cash provided by operating activities	**1,811,108**	1,534,726
Cash flows from investing activities		
(Purchases) proceeds from maturity of certificate of deposit	**717,418**	(262,869)
Purchase of property and equipment	**(692,593)**	(844,958)
Purchase of assets limited as to use	**(7,253,081)**	(732,463)
Proceeds from sale of property and equipment	**-**	12,000
Proceeds from sale of assets limited as to use	**7,204,885**	667,651
Net cash used by investing activities	**(23,371)**	(1,160,639)
Cash flows from financing activities		
Proceeds from restricted contributions and investment income	**11,958**	10,492
Repayment of long-term debt	**(790,343)**	(773,832)
Net cash used by financing activities	**(778,385)**	(763,340)
Net increase (decrease) in cash and cash equivalents	**1,009,352**	(389,253)
Cash and cash equivalents, beginning of year	**3,290,276**	3,679,529
Cash and cash equivalents, end of year	**$ 4,299,628**	$ 3,290,276
Supplemental disclosure of cash flow information		
Cash paid during year for interest	**$ 190,983**	$ 221,026

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

In evaluating the collectibility of accounts receivable, the Hospital analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Data for each major payor source is regularly reviewed to evaluate the adequacy of the allowance for doubtful accounts. For receivables relating to services provided to patients having third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a corresponding provision for bad debts at varying levels based on the age of the receivables and payor source. For receivables relating to self-pay patients and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a provision for bad debts in the period of service based on past experience, which indicates that many patients are unable or unwilling to pay amounts for which they are financially responsible. Actual write-offs are charged against the allowance for doubtful accounts.

The allowance for doubtful accounts was $2,776,391 and $2,775,075 at December 31, 2013 and 2012, respectively. Gross self-pay accounts receivable were approximately $2,628,000 and $2,699,000 at December 31, 2013 and 2012, respectively. During 2013 and 2012, self-pay write-offs were $3,593,342 and $3,337,078, respectively, which include accounts written off to charity care.

Supplies

Supplies are carried at average cost.

Assets Limited As To Use

Assets limited as to use are primarily cash, equity securities and debt securities. Investments in equity securities with readily determinable fair values, and all investments in debt securities, are recorded at fair value.

Realized gains or losses on the sale of investments are determined by use of average cost. Unrealized gains and losses on investments are excluded from the deficiency of revenues, gains, and other support over expenses, and reported as an increase or decrease in net assets, except that declines in fair value that are judged to be other than temporary are reported within the deficiency of revenues, gains, and other support over expenses. Interest and dividends are reported as unrestricted other revenue or as increases in temporarily restricted net assets, as appropriate.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets and statements of operations. Investments are periodically reviewed for impairment to determine if such declines are other than temporary. At December 31, 2013, fair value exceeded historical costs for substantially all investments.

Charity Care

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

Donor-Restricted Gifts

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

Deficiency of Revenues, Gains, and Other Support Over Expenses

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

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform with the current year's presentation.

Subsequent Events

The Hospital has considered transactions or events occurring through March 21, 2014, which was the date the financial statements were available to be issued.

2. Net Patient Service Revenue

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

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

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

	2013	2012
Gross patient service revenue		
Inpatient	**$ 12,538,771**	$ 12,494,018
Outpatient	**47,417,857**	48,839,094
Sunrise Nursing Care	**1,869,751**	1,938,141
Gross patient service revenue	**61,826,379**	63,271,253
Less Medicare/Medicaid allowances	**17,676,394**	18,259,346
Less other allowances	**6,312,064**	5,150,592
Less charity care	**1,887,810**	1,804,065
	25,876,268	25,214,003
Patient service revenue (net of contractual allowances and discounts)	**35,950,111**	38,057,250
Less provision for bad debts	**2,003,573**	2,048,222
Net patient service revenue	**$ 33,946,538**	$ 36,009,028

3. Charity Care

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

	2013	2012
Charges forgone, based on established rates	**$ 1,887,810**	$ 1,804,065
Estimated costs and expenses incurred to provide charity care	**$ 1,076,000**	$ 1,052,000
Equivalent percentage of charity care charges to all Hospital patient charges	**3.15%**	2.94%

Costs of providing charity care services have been estimated based on an overall ratio of costs to charges for cost report preparation purposes.

6. Property and Equipment

The details of property and equipment at December 31, 2013 and 2012 were as follows:

	2013	2012
Land and improvements	**$ 1,092,714**	$ 1,086,689
Building	**17,494,762**	17,226,163
Equipment	**11,643,041**	10,821,895
Construction in progress	**16,818**	465,564
	30,247,335	29,600,311
Less accumulated depreciation	**18,403,277**	16,883,240
Property and equipment, net	**$11,844,058**	$12,717,071

7. Long-Term Debt

Long-term debt consists of:

	2013	2012
Maine Health and Higher Educational Facilities Authority (MHHEFA) Revenue Bonds, Series 2010B, interest rates varying from 3.00% to 5.00%, principal due in amounts ranging from $510,000 in 2014 to $650,000 in 2020.	**$ 3,354,169**	$ 3,849,169
Plus original issue premium, net of accumulated amortization of $131,856 and $93,264 at December 31, 2013 and 2012, respectively.	**254,065**	292,657
MHHEFA Revenue Bonds, Series 2007B, interest rates varying from 4.0% to 4.25%, principal due in amounts ranging from $65,000 in 2014 to $80,000 in 2022.	**607,005**	672,005
Plus original issue premium, net accumulated amortization of $2,154 and $1,805 at December 31, 2013 and 2012, respectively.	**3,087**	3,436
Bangor Savings Bank loan at 5.75%, payable in monthly installments of $16,734 including interest, over a five-year period ending April 2014; collateralized by equipment purchased with proceeds.	**65,167**	256,569
	4,283,493	5,073,836
Less current portion	**(640,167)**	(751,377)
Long-term debt, excluding current installments	**$ 3,643,326**	$ 4,322,459

The Hospital is subject to complaints, claims and litigation due to potential claims which arise in the normal course of doing business. GAAP requires the Hospital to accrue the ultimate cost of malpractice claims when the incident that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset. Amounts accrued under this provision are included in other receivables and accrued expenses in the balance sheets and were $917,000 and $478,000 at December 31, 2013 and 2012, respectively.

Litigation

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

9. Employee Benefit Plans

Defined Benefit Pension Plan

Obligations and Funded Status

The Hospital sponsors a non-contributory defined benefit pension plan. The benefits are based on years of service and the employees' compensation during employment. The Hospital's funding policy is to contribute the amount recommended by the Hospital's actuary to fulfill requirements of the Employee Retirement Income Security Act of 1974.

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

Financial Accounting Standards Board Accounting Standards Codification Topic 715, Compensation - Retirement Benefits, requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its balance sheet and to recognize changes in the funded status in the year in which the changes occur. The funded status of a plan should be measured as of the date of the Hospital's year-end balance sheet, with limited exceptions.

Assumptions

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

	2013	2012
Discount rate	**4.81 %**	3.90 %

The weighted average assumptions used in the measurement of the Hospital's benefit net periodic benefit cost for the years ended December 31, 2013 and 2012 are shown in the following table:

	2013	2012
Discount rate	**3.90 %**	4.22 %
Expected long-term return on plan assets	**7.50 %**	7.50 %

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

Plan Assets

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

Asset Category	2013	2012	Target Range
Equity securities	**62 %**	60 %	55 - 65%
Cash and fixed income securities	**38**	40	31 - 50%
Total	**100 %**	100 %	

11. Concentrations

Credit Risk

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

	2013	2012
Medicare	31.9 %	33.8 %
MaineCare	12.6	15.8
Blue Cross	5.9	5.2
Commercial	18.4	17.1
Patients and other	31.2	28.1
	100.0 %	100.0 %

Labor Force

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

12. Electronic Health Records Incentive Program

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The Medicare criteria for meaningful use will be staged in three steps from fiscal year 2011 through 2015. The meaningful use attestation is subject to audit by CMS in future years. As part of this process, a final settlement amount for the incentive payments could be established that differs from the initial calculation, and could result in return of a portion or all of the incentive payments received by the Hospital.

The Medicaid program will provide incentive payments to hospitals and eligible professionals as they adopt, implement, upgrade or demonstrate meaningful use in the first year of participation and demonstrate meaningful use for up to five remaining participation years. There will be no payment adjustments under the Medicaid EHR incentive program.

During 2013 and 2012, the Hospital recorded meaningful use revenues of $99,045 and $672,430, respectively, from the Medicaid EHR program. During 2013, the Hospital also recorded meaningful use revenues of $462,460 from the Medicare EHR program.

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

	Fair Value Measurements at December 31, 2013, Using			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Certificate of deposit	$ 6,691	$ 6,691	$ -	$ -
Assets limited as to use				
Cash and cash equivalents	704,842	704,842	-	-
Marketable equity securities	2,122,660	2,122,660	-	-
Corporate bonds	628,997	-	628,997	-
Mutual funds	369,890	369,890	-	-
Total	$ 3,833,080	$ 3,204,083	$ 628,997	$ -
Investments - held by defined benefit pension plan (Note 9)				
Fixed income contract	$ 1,432,903	$ -	$ 1,432,903	$ -
Mutual funds	4,784,210	4,784,210	-	-
Total	$ 6,217,113	$ 4,784,210	$ 1,432,903	$ -

ADDITIONAL INFORMATION

Schedule 1

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Consolidating Balance Sheet (Concluded)

December 31, 2013

LIABILITIES AND NET ASSETS

	Down East Community Hospital	Sunrise Nursing Care	Eliminations	Consolidated
Current liabilities				
Current portion of long-term debt	$ 640,167	$ -	$ -	**$ 640,167**
Accounts payable and accrued expenses	2,121,252	47,668	(16,090)	**2,152,830**
Accrued payroll and amounts withheld	1,391,252	91,409	-	**1,482,661**
Estimated third-party payor settlements	3,961,446	(28,300)	-	**3,933,146**
Total current liabilities	8,114,117	110,777	(16,090)	**8,208,804**
Advances from affiliate	-	69,983	(69,983)	**-**
Unfunded pension liability	1,284,195	-	-	**1,284,195**
Long-term debt, excluding current portion	3,643,326	-	-	**3,643,326**
Total liabilities	13,041,638	180,760	(86,073)	**13,136,325**
Net assets				
Unrestricted	9,993,201	565,484	-	**10,558,685**
Temporarily restricted	39,485	-	-	**39,485**
Permanently restricted	1,343,235	-	-	**1,343,235**
Total net assets	11,375,921	565,484	-	**11,941,405**
Total liabilities and net assets	$ 24,417,559	$ 746,244	$ (86,073)	**$ 25,077,730**

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Consolidating Balance Sheet (Concluded)

December 31, 2012

LIABILITIES AND NET ASSETS

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

Schedule 4

DOWN EAST COMMUNITY HOSPITAL AND SUBSIDIARY

Consolidating Statement of Operations

Year Ended December 31, 2012

	Down East Community Hospital	Sunrise Nursing Care	Eliminations	Consolidated
Unrestricted revenues, gains, and other support				
Patient service revenue (net of contractual allowances and discounts)	$ 36,119,109	$ 1,938,141	$ -	$ 38,057,250
Less provision for bad debts	2,021,713	26,509	-	2,048,222
Net patient service revenue	34,097,396	1,911,632	-	36,009,028
Investment income	194,824	-	-	194,824
Other revenue	461,861	645,471	-	1,107,332
Electronic health record incentives	672,430	-	-	672,430
Net assets released from restrictions for operations	31,399	-	-	31,399
Total revenues, gains, and other support	35,457,910	2,557,103	-	38,015,013
Expenses				
Salaries	16,441,329	1,493,216	-	17,934,545
Employee benefits	4,023,693	317,298	-	4,340,991
Purchased services	2,104,553	164,135	-	2,268,688
Temporary personnel	1,246,251	-	-	1,246,251
Professional fees	2,747,897	-	-	2,747,897
Supplies	3,082,871	231,230	-	3,314,101
Other	4,694,807	386,314	-	5,081,121
Depreciation and amortization	1,527,524	59,859	-	1,587,383
Interest	212,626	-	-	212,626
Total expenses	36,081,551	2,652,052	-	38,733,603
Deficiency of revenues, gains, and other support over expenses	(623,641)	(94,949)	-	(718,590)
Change in net unrealized gains and losses on investments	227,609	-	-	227,609
Unfunded pension liability adjustment	(643,820)	-	-	(643,820)
Transfers (to) from affiliates	(59,860)	59,860	-	-
Decrease in unrestricted net assets	$ (1,099,712)	$ (35,089)	$ -	$ (1,134,801)

Form **8868**
(Rev. January 2014)

Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File an Exempt Organization Return

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

▶ **Information about Form 8868 and its instructions is at** *www.irs.gov/form8868* .

OMB No. 1545-1709

- 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* 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.

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

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 (other than individual)	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

- The books are in the care of ▶ Lynnette Parr 11 Hospital Drive - Machias, ME 04654
  Telephone No. ▶ 207-255-3356 Fax No. ▶
- If the organization does not have an office or place of business in the United States, check this box ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ [ ]. If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension is for.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until August 15, 2014, to file the exempt organization return for the organization named above. The extension is for the organization's return for:
▶ [X] calendar year 2013 or
▶ [ ] tax year beginning _____, and ending _____.

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

3a	If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	$	0.
b	If this application is for Forms 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.	3b	$	0.
c	**Balance due.** Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	$	0.

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