Regional Medical Center at Lubec

Reports Required by Government Auditing Standards and OMB Circular A-133

June 30, 2012

CONTENTS

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<u>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*</u>

To the Board of Trustees
Regional Medical Center at Lubec
Lubec, Maine

We have audited the financial statements of Regional Medical Center at Lubec, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Regional Medical Center at Lubec's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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To the Board of Trustees
Regional Medical Center at Lubec

This report is intended solely for the information and use of the Board of Trustees, management, and state and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

MacPage LLC

Augusta, Maine
December 11, 2012

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Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance With OMB Circular A-133

To the Board of Trustees
Regional Medical Center at Lubec
Lubec, Maine

Compliance

We have audited the compliance of Regional Medical Center at Lubec with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Center's compliance with those requirements.

In our opinion, Regional Medical Center at Lubec complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questions costs as item 2012-1.

Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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To the Board of Trustees
Regional Medical Center at Lubec

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Regional Medical Center at Lubec's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and the corrective action plan. We did not audit Regional Medical Center at Lubec's response and, accordingly, we express no opinion on the response.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Regional Medical Center at Lubec as of and for the year ended June 30, 2012, and have issued our report thereon dated December 11, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinion on the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Trustees, management, and state and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Macpage LLC

Augusta, Maine
December 11, 2012

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor/Program Title	CFDA Number	Grant Number	Grant Period	Federal Award	Grant Period Expenditures
U.S. Department of Health and Human Services					
Consolidated Health Centers	93.224	6 H80 CS 00150-10-03	01/01/11-12/31/11	$ 317,959	$ 60,700
Consolidated Health Centers	93.224	6 H80 CS 00150-11-03	01/01/12-12/31/12	327,848	170,623
Subtotal CFDA 93.224					231,323
Affordable Care Act Grants for New and Expanded Services Under the Health Center Program	93.527	6 H80 CS 00150-10-03	01/01/11-12/31/11	249,857	226,416
Affordable Care Act Grants for New and Expanded Services Under the Health Center Program	93.527	6 H80 CS 00150-11-03	01/01/12-12/31/12	260,461	110,061
Subtotal CFDA 93.527					336,477
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6 H76HA00729-10-03	04/01/11-03/31/12	419,250	312,995
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	5 H76HA00729-11-00	04/01/12-03/31/13	419,250	86,916
Subtotal CFDA 93.918					399,911
Human Immunodeficiency Virus (HIV) Prevention Projects for CBO	93.939	5U65PS002344-01	07/01/10-06/30/11	337,248	38,960
Human Immunodeficiency Virus (HIV) Prevention Projects for CBO	93.939	5U65PS002344-02	07/01/11-06/30/12	338,938	326,628
Subtotal CFDA 93.939					365,588
U.S. Department of Health and Human Services Federal Pass through Maine Department Of Health and Human Services					
Child Care and Development Block Grant	93.575	CFS-11-1040	10/01/10-09/30/11	96,124	8,746
Acquired Immunodeficiency Syndrom (AIDS) Activity	93.940	CDC-11-253	01/01/11-12/31/11	50,000	16,865
Total U.S. Department of Health and Human Services					1,358,910
U.S. Department of Education					
Alcohol Abuse Reduction Initiative	84.184	Q184A080093	07/01/08-08/31/11	1,181,537	33,442
Total U.S. Department of Education					33,442
U.S. Department of Agriculture-Federal Pass through Maine Department of Health and Human Services					
Child and Adult Care Food Program	10.558	FP-11-368	10/01/10 - 9/30/11	Entitlement	2,100
Child and Adult Care Food Program	10.558	FP-12-467	10/01/11 - 9/30/12	Entitlement	6,238
Subtotal CFDA 10.558					8,338
Total U.S.Department of Agriculture					8,338
TOTAL FEDERAL EXPENDITURES					$ 1,400,690

See independent auditors' report on schedule of expenditures of federal awards.
The accompanying notes are an integral part of this schedule.

Notes to Schedule of Expenditures of Federal Awards

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The accompanying schedule includes all federal award programs of Regional Medical Center at Lubec (the Center) for the fiscal year ended June 30, 2012. The reporting entity is defined in the notes to the financial statements of Regional Medical Center at Lubec.

PURPOSE OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Office of Management and Budget (OMB) Circular A-133 requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

BASIS OF ACCOUNTING

The information presented in the Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting, which is consistent with the reporting in the Center's financial statements.

BASIS OF PRESENTATION

The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.

Federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations.

Major programs have been identified in the attached Schedule of Findings and Questioned Costs.

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Center provides federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	$199,376
Alcohol Abuse Reduction Initiative	84.184A	$11,743
Human Immunodeficiency Virus (HIV) Prevention Projects for CBO	93.939	$164,048

Schedule of Findings and Questioned Costs

June 30, 2012

Section I **Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	√ No
Significant deficiency(ies) identified?	____ Yes	√ None reported
Noncompliance material to financial statements noted?	____ Yes	√ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	√ No
Significant deficiency(ies) identified?	√ Yes	____ None reported
Type of auditors' report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	√ Yes	____ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.224	Consolidated Health Centers
93.527	Affordable Care Act Grants for New and Expanded Services Under the Health Center Program

Dollar threshold used to distinguish between Type A and Type B programs:		$300,000
Auditee qualified as low-risk auditee?	√ Yes	____ No

Section II **Financial Statement Findings**

None noted.

Schedule of Findings and Questioned Costs - Continued

June 30, 2012

Section III <u>**Federal Award Findings and Questioned Costs**</u>

Finding 2012-1

Programs

Consolidated Health Centers CFDA 93.224
Affordable Care Act Grants for New and Expanded Services Under the Health Center Program CFDA 93.527

Criteria

Program Income - Health centers are required to have a corresponding schedule of discounts applied and adjusted based on the patient's ability to pay (42 USC 254b(k)(3)(G)(i)). The patient's ability to pay is determined based on the official poverty guideline, as revised annually by HHS (42 CFR sections 51c.107(b)(5), 56.108(b)(5), and 56.303(f)).

Condition and Context

A sample of forty patients for whom discounts were applied and adjusted based on the patient's ability to pay (sliding fee discounts) were selected for testing. The following was noted:

- The calculated sliding fee discount for three patients in the sample was deemed incorrect based upon the documentation provided to support the patient's sliding fee application.
- One sliding fee application maintained in the patient's file was not signed by the patient.
- Six sliding fee applications maintained in the patient's files did not have an indication that they were approved by the billing supervisor.

Questioned Costs

The total sliding fee discount tested in the sample of forty patients was approximately $2,700. The test found three errors totaling $18. Projecting this error rate to the entire population of sliding fee discounts totaling approximately $172,000, likely questioned costs are approximately $1,100.

Cause and Effect

The Center did not consistently apply established policies and procedures related to sliding fee adjustment calculations and the documentation of the review and the approval in certain instances was lacking and therefore, was not in compliance with applicable federal requirements.

Recommendations

We recommend that the Center review its policies and procedures over sliding fee discounts to ensure calculations are performed in accordance with federal requirements. Specifically, the Center should provide training to staff to ensure the income verification process and sliding fee discount calculation is correctly applied. The Center should require that all income verifications and sliding fee discount calculations be reviewed by the billing supervisor. The billing supervisor should initial and date the forms indicating the review was performed.

View of Responsible Officials and Planned Corrective Action

Management agrees with the finding. Refer to attached corrective action plan.

HealthWays
partners on the path to wellness

HealthWays
The Regional Medical Center at Lubec, Inc.

December 11, 2012

Regional Medical Center at Lubec respectfully submits the following corrective action plan for the year ended June 30, 2012.

Name and address of independent public account firm:

Macpage LLC
One Market Square
Augusta, ME 04330

Audit Period: June 30, 2012

The finding from the June 30, 2012 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Federal Award Finding

Consolidated Health Centers CFDA 93.224
Affordable Care Act Grants for New and Expanded Services Under the Health Center Program CFDA 93.527

2012-1

Condition and Context: A sample of forty patients for whom discounts were applied and adjusted based on the patient's ability to pay (sliding fee discounts) were selected for testing. The following was noted:

- The calculated sliding fee discount for three patients in the sample was deemed incorrect based upon the documentation provided to support the patient's sliding fee application.
- One sliding fee application maintained in the patient's file was not signed by the patient.
- Six sliding fee applications maintained in the patient's files did not have an indication that they were approved by the billing supervisor.

Recommendation: The Center should review its policies and procedures over sliding fee discounts to ensure calculations are performed in accordance with federal requirements. Specifically, the Center should provide training to staff to ensure the income verification process and sliding fee discount calculation is correctly applied. The Center should require that all income verifications and sliding fee discount calculations be reviewed by the billing supervisor. The billing supervisor should initial and date the forms indicating the review was performed.

Action Taken:

Management agrees with this recommendation. The CFO has met with the Billing Supervisor to ensure she understands and follows the written policies and procedures regarding sliding fee discount calculations. The Billing Supervisor has met with her staff to review how the discounts are calculated and to ensure that they are presented to her for final review and approval before implementation and filing. Going forward the CFO and Billing Supervisor will review a sample of sliding fee applications quarterly for compliance.

Please contact Andrew Seeley at 207-733-1090 ext. 2119 if you have questions regarding this plan.

Sincerely yours,

Marilyn F. Hughes, CEO

Marilyn Hughes
Chief Executive Officer, Regional Medical Center at Lubec

Regional Medical Center at Lubec

Financial Report

June 30, 2012

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Independent Auditors' Report

Board of Trustees
Regional Medical Center at Lubec
Lubec, Maine

We have audited the accompanying statements of financial position of Regional Medical Center at Lubec (the Center) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements. The schedules of expenses on pages 18 through 24 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Macpage LLC

Augusta, Maine
December 11, 2012

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Statements of Financial Position

June 30,

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ 89,458	$ 172,335
Investments	435,882	875,685
Accounts receivable, net	580,717	672,202
Grants receivable	78,617	86,632
Estimated settlements due from third party payors		9,502
Prepaid expenses	47,199	89,181
Total Current Assets	1,231,873	1,905,537
Property and Equipment, Net	771,318	927,645
Other Assets		
Long-lived asset held for sale		156,923
Restricted escrow deposits		20,016
Quoddy Regional Land Trust - not used in operations	168,845	168,845
Total Other Assets	168,845	345,784
Total Assets	$ 2,172,036	$ 3,178,966
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 112,993	$ 143,537
Accrued expenses	307,708	476,142
Deferred revenue	35,195	102,161
Estimated settlements due to third party payors		1,060
Current portion of long-term debt		10,944
Total Current Liabilities	455,896	733,844
Long-Term Debt, Net of Current Portion		195,504
Total Liabilities	455,896	929,348
Net Assets		
Unrestricted net assets:		
Undesignated	1,529,615	2,063,093
Designated	186,525	186,525
Total Net Assets	1,716,140	2,249,618
Total Liabilities and Net Assets	$ 2,172,036	$ 3,178,966

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statement of Activities

Year ended June 30, 2012

	General and Board Designated	Limited Use	Total Net Assets
Revenue and Other Support			
Grants from governmental agencies and others	$ 1,451,927	$ 70,841	$ 1,522,768
Patient service revenue	1,813,896	748,898	2,562,794
Contract revenue	207,966		207,966
Other revenue	127,092	3,301	130,393
Investment income	2,510		2,510
Gifts and bequests	100,440	32,401	132,841
Net assets released from restriction and transfers:			
Limited use transfers	(87,104)	87,104	
Total Revenue and Other Support	3,616,727	942,545	4,559,272
Expenses			
Allied Health Service		629,992	629,992
Bureau of Primary Health Care Programs			
July to December, 2011	1,672,729		1,672,729
January to June, 2012	1,380,531	43,737	1,424,268
Community Service Programs	147,012	199,077	346,089
Other Health Services	806,018		806,018
Telemedicine Programs	143,915	69,739	213,654
Total Expenses	4,150,205	942,545	5,092,750
Change in Net Assets	(533,478)		(533,478)
Net Assets, Beginning of Year	2,249,618		2,249,618
Net Assets, End of Year	$ 1,716,140	$ -	$ 1,716,140

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statement of Activities

Year ended June 30, 2011

	General and Board Designated	Limited Use	Total Net Assets
Revenue and Other Support			
Grants from governmental agencies and others	$ 1,756,735	$ 226,151	$ 1,982,886
Patient service revenue	2,409,364	903,726	3,313,090
Contract revenue	216,383		216,383
Other revenue		13,622	13,622
Investment income	6,598		6,598
Net assets released from restriction and transfers:			
Limited use transfers	64,605	(64,605)	
Total Revenue and Other Support	4,453,685	1,078,894	5,532,579
Expenses			
Allied Health Service		711,744	711,744
Bureau of Primary Health Care Programs			
July to December, 2010	1,617,475		1,617,475
January to June, 2011	1,584,813	21,371	1,606,184
Community Service Programs	393,507	266,550	660,057
Other Health Services	804,858		804,858
Telemedicine Programs	199,072	79,229	278,301
Total Expenses	4,599,725	1,078,894	5,678,619
Change in Net Assets	(146,040)		(146,040)
Net Assets, Beginning of Year	2,395,658		2,395,658
Net Assets, End of Year	$ 2,249,618	$ -	$ 2,249,618

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Year Ended June 30, 2012

	Allied Health Services	Bureau of Primary Health Care Programs	Community Service Programs	Other Health Services	Sunrise & Other Management Contracts	Telemedicine Programs	Total Program Services	General and Administrative: Administration	General and Administrative: Facility	Total
Salaries	$ 286,281	$ 1,350,967	$ 158,508	$ 225,303	$ 89,160	$ 81,656	$ 2,191,875	$ 341,392	$ 92,247	$ 2,625,514
Payroll taxes and benefits	50,650	416,686	71,716	65,358	32,407	25,711	662,528	132,013	46,405	840,946
Contractual	174,254	405,442	44,785	384,944	54,254	600	1,064,279	135,255	6,672	1,206,206
Supplies, postage & other miscellaneous	13,000	135,077	13,628	18,202	4,225	1,271	185,403	26,368	19,036	230,807
Travel	39,755	20,748	7,796	38,973	162	2,949	110,383	4,145	2,858	117,386
Utilities		11,472	157	280	25		11,934	93	64,157	76,184
Equipment maintenance and lease		8,427				2,010	10,437		751	11,188
Insurance		6,546	3,531		3,276	653	14,006	3,059	16,113	33,178
Telephone	2,975	46,309	7,728	11,338	10,173	8,472	86,995	13,208		100,203
Depreciation & amortization		2,955	1,800		1,288	72,407	78,450	9,454	60,143	148,047
Conferences & training	2,517	9,224	483		50	2,780	15,054	1,943		16,997
Interest									3,935	3,935
Billing	46,986	212,138			(46,986)		212,138	(212,138)		
Facility	13,574	204,897	11,504	6,755	11,403	2,245	250,378	61,939	(312,317)	
	629,992	2,830,888	321,636	751,153	159,437	200,754	4,893,860	516,731		5,410,591
Allocation of indirect expenses		281,545	31,462	60,175	(159,437)	12,900	226,645	(516,731)		(290,086)
	629,992	3,112,433	353,098	811,328		213,654	5,120,505			5,120,505
Transfers to other programs		(15,436)	(7,009)	(5,310)			(27,755)			(27,755)
	$ 629,992	$ 3,096,997	$ 346,089	$ 806,018	$ -	$ 213,654	$ 5,092,750	$ -	$ -	$ 5,092,750

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Year Ended June 30, 2011

	Allied Health Services	Bureau of Primary Health Care Programs	Community Service Programs	Other Health Services	Sunrise & Other Management Contracts	Telemedicine Programs	Total Program Services	General and Administrative: Administration	General and Administrative: Facility	Total
Salaries	$ 288,977	$ 1,509,214	$ 242,808	$ 241,140	$ 112,764	$ 110,690	$ 2,505,593	$ 284,666	$ 117,143	$ 2,907,402
Payroll taxes and benefits	63,004	556,376	120,326	88,299	39,271	41,331	908,607	133,505	61,352	1,103,464
Contractual	208,425	112,056	187,459	313,794	63,950	330	886,014	136,383	12,606	1,035,003
Supplies, postage & other miscellaneous	21,032	146,801	22,651	31,678	6,410	4,341	232,913	29,321	15,020	277,254
Travel	36,684	26,449	10,873	48,036	169	2,481	124,692	10,656	2,855	138,203
Utilities		10,324	220				10,544	4,187	78,831	93,562
Equipment		98,731					98,731			98,731
Equipment maintenance and lease		7,955					7,955		1,382	9,337
Insurance		5,120	3,526		3,527	404	12,577	3,912	16,152	32,641
Telephone	4,002	52,830	9,267	10,826	12,747	9,909	99,581	8,149	167	107,897
Depreciation & amortization		8,891	1,800		1,288	83,342	95,321	7,889	71,029	174,239
Loss on impairment of property								79,052		79,052
Conferences & training	2,817	27,985	2,245	1,540	634	2,366	37,587	8,317		45,904
Interest									9,548	9,548
Billing	63,068	217,529			(63,068)		217,529	(217,529)		
Facility	23,735	250,350	24,370	8,960	12,684	5,010	325,109	60,976	(386,085)	
	711,744	3,030,611	625,545	744,273	190,376	260,204	5,562,753	549,484		6,112,237
Allocation of indirect expenses		291,118	60,005	67,865	(190,376)	18,097	246,709	(549,484)		(302,775)
	711,744	3,321,729	685,550	812,138		278,301	5,809,462			5,809,462
Capitalized equipment		(81,070)					(81,070)			(81,070)
Transfers to other programs		(17,000)	(25,493)	(7,280)			(49,773)			(49,773)
	$ 711,744	$ 3,223,659	$ 660,057	$ 804,858	$ -	$ 278,301	$ 5,678,619	$ -	$ -	$ 5,678,619

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years Ended June 30,

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ (533,478)	$ (146,040)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	148,047	174,239
Loss on impairment of property		79,052
Provision for bad debt	14,880	8,798
Gain on sale of property and equipment	(73,936)	
Unrealized loss on investments	4,063	4,047
(Increase) decrease in assets:		
Accounts receivable	76,605	(169,062)
Grants receivable	8,015	(23,755)
Estimated settlements due from third party payors	9,502	1,883
Prepaid expenses	41,982	(43,119)
Restricted escrow deposits	20,016	
Increase (decrease) in liabilities:		
Accounts payable	(30,544)	(1,860)
Accrued expenses	(168,439)	22,811
Deferred revenue	(66,966)	5,043
Estimated settlements due to third party payors	(1,060)	98
Total adjustments	(17,835)	58,175
Net cash flows from operating activities	(551,313)	(87,865)
Cash flows from investing activities:		
Purchase of property and equipment	(18,211)	(93,746)
Proceeds from sale of property and equipment	2,355	
Proceeds from sale of long lived assets held for sale	255,000	
Net redemption of investments	435,740	20,573
Net cash flows from investing activities	674,884	(73,173)
Cash flows from financing activities:		
Principal payments on long-term debt	(206,448)	(10,469)
Net cash flows from financing activities	(206,448)	(10,469)
Net change in cash	(82,877)	(171,507)
Cash, beginning of year	172,335	343,842
Cash, end of year	$ 89,458	$ 172,335
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 3,935	$ 9,548

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Regional Medical Center at Lubec (the Center) is a Maine nonprofit organization whose purpose is to provide medical, dental and other health and community services in Washington County, Maine and its surrounding communities. Programs offered by the Center serve the needs of adults, teenagers, and children. The Center operates a child care center, a fitness center, provides substance abuse and mental health counseling, home health care, and offers several patient community educational programs. A sliding fee based on patient income is used to provide charity care when rendering services.

Financial Statement Presentation

The financial statements of the Center have been prepared using the accrual method of accounting in accordance with professional standards. Under these standards, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted assets, and permanently restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are those whose use by the Center has been limited by donors to a specific time or purpose. Permanently restricted net assets are those subject to donor-imposed stipulations that they be maintained permanently by the Center. The Center had no temporarily or permanently restricted net assets for the years ended June 30, 2012 and 2011.

The Center reports certain revenues and expenses as limited use in the statements of activities. These revenues and expenses are allocated to the Center's various activities. While most programs offer comprehensive services, some may be limited due to the following: government limiting services to be offered, specific goals and objectives from the funding sources, specialty services requiring specific certifications and licenses, and seasonal programs with one objective to be delivered within a specific time period. Activities within these programs and services are closely monitored for compliance in both financial and performance measures to ensure that non-specific use of the funds does not occur.

Net Patient Service Revenue

Revenue is recorded at the Center's standard charges for medical and dental services rendered. Under the terms of agreements with Medicare, MaineCare, and other third party payors, reimbursement for the care of program beneficiaries may differ from the standard charges. Differences are recorded as contractual adjustments, which are reflected as an adjustment to patient service revenue together with patient discounts and free services to indigent patients. Credit is extended without collateral.

Charity Care

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

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Grants and Contracts

The Center receives funding from the federal Public Health Service Agency for its medical operations under a Bureau of Primary Health Care (BPHC) grant program. Since the BPHC grant is available for use in the majority of the Center's operations, it is reported as unrestricted in the financial statements.

The Center reports revenue from the Public Health Service BPHC grant on a pro rata basis over the grant period because it is intended to subsidize the deficits in the Center's medical operations. Other grant revenue is reported as revenue when earned.

Deferred Revenue

Deferred revenue represents grant funds received for which grant revenue has not been earned.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. At June 30, 2012 and 2011, the allowance for doubtful accounts was $95,870 and $80,990, respectively.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Center considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

The Center's capitalization policy is to capitalize and depreciate fixed asset purchases costing greater than $5,000 and to expense any assets below that threshold. Land, building and equipment acquisitions are recorded at cost. Gifts of land, building and equipment are recorded at estimated fair value at the time of donation. Depreciation is computed on the straight-line basis over the assets' estimated useful lives of 3 to 30 years. Assets include those acquired with funds provided by a Hill-Burton Grant of $320,900 in prior years.

Net Assets Designated for Investment

Assets designated for investment include assets set aside by the Board of Trustees for future capital improvements. The Trustees retain control over assets set aside for capital improvements and may, at their discretion, change or eliminate the designation.

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Gifts and Bequests

The Center reports gifts of cash and other assets as restricted support if received with donor stipulations that limit the use of donated assets. When a donor restriction expires, i.e., when a stipulated time restriction or purpose restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In 2006, Quoddy Regional Land Trust donated approximately 32 acres of land to the Center subject to a perpetual conservation easement including a right of first refusal on the protected property. The conservation easement restricts any development and stipulates that the protected property be maintained "as a scenic old-farm and ocean front preserve." The fair value of the donated land was $168,845.

Use of Estimates

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

Income Taxes

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made. The Center is not classified as a private foundation.

Management evaluated the Center's tax positions and concluded that the Center had taken no uncertain tax positions that required adjustment to the financial statements. When necessary, the Center accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. The Center does not expect that unrecognized tax benefits arising from tax positions will change significantly within the next twelve months. The Center is subject to U.S. federal and state examinations by tax authorities for years ending June 30, 2009 through June 30, 2012.

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Expenses

Expenses are allocated on a functional basis among the Center's various programs and support services. Expenses that can be identified with a specific program are charged directly to the program. Other expenses, including facility and administrative, are common to several functions and are allocated using appropriate statistical bases.

	2012	2011
Program services	**$4,576,019**	$5,129,135
Management and general	**516,731**	549,484
	$5,092,750	$5,678,619

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Center uses various methods including market, income and cost approaches. Based on these approaches, the Center often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Center is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques. Level 3 valuations incorporate the entity's own assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Center performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the years ended June 30, 2012 and 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements - Continued

Investment Securities

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Reclassifications

Certain reclassifications have been made to the 2011 amounts to conform to the 2012 presentation. There was no effect on previously reported change in net assets.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	2012	2011
Land	$ 199,707	$ 211,766
Land improvements	176,221	176,122
Buildings and improvements	1,735,859	1,775,473
Equipment	1,159,706	1,173,716
Quoddy Regional Land Trust (not used in operations)	(168,845)	(168,845)
	3,102,648	3,168,232
Less: accumulated depreciation and amortization	2,331,330	2,240,587
	$ 771,318	$ 927,645

The National Health Service Corps (NHSC), a federal agency that supplements health care services in rural areas by supporting regional health centers, has provided medical equipment and furnishings to the Center. Equipment, originally valued at $71,458, donated to the Center by NHSC, must be returned should their relationship terminate.

NOTE 3 - LONG-LIVED ASSET HELD FOR SALE

During 2011, management of the Center placed a building currently being used in operations up for sale. Long-lived assets that are to be disposed of by sale are required to be reported at the lower of carrying amount or fair value less cost to sell. Due to a depressed real estate market, a market analysis indicated that the building's net realizable value was less than its carrying amount of $235,975. Accordingly, the Center recognized an impairment loss of $79,052, which was included in general and administrative expenses in the Center's statement of functional expenses. The building was sold in 2012 for a gain of $13,475 and was include in other revenue in the statement of activities for the year ended June 30, 2012.

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 4 - INVESTMENTS

Investments are carried at fair value and are summarized as follows at June 30,

	2012	2011
Certificates of deposit	$414,358	$850,098
Common stock	21,524	25,587
	$435,882	$875,685

The Center's certificates of deposit have maturities of thirty months and interest rates ranging from 1.39% to 1.98%.

NOTE 5 - ESTIMATED SETTLEMENTS DUE TO THIRD PARTY PAYORS AND PATIENT SERVICE REVENUE

Approximately 42% and 44% of total revenue in 2012 and 2011, respectively, was derived from the Federal Medicare and Maine MaineCare programs. Charges for services to beneficiaries of these programs were billed to the Medicare intermediary and the Maine Department of Health and Human Services, respectively. Settlements for differences between the interim rates paid by Medicare and MaineCare and the Center's actual cost for rendering care, as defined by the "Principles for Reimbursement" (Principles), which govern the respective programs, are based on annual cost reporting. Amounts estimated to be due or owed to the facility for annual settlements under these programs are reflected in the accompanying statements.

Patient service revenue consisted of the following:

	2012		
	Undesignated Unrestricted	Limited Use	Total
Child care		$ 77,858	$ 77,858
Dental charges	$ 259,610		259,610
Fitness center		18,508	18,508
Home health care		652,532	652,532
Medical charges	1,068,020		1,068,020
Mental health charges	206,342		206,342
Other service fees	8,855		8,855
Patient education	10,100		10,100
School clinic	19,651		19,651
Substance abuse	241,318	-	241,318
	$ 1,813,896	$ 748,898	$ 2,562,794

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 5 - ESTIMATED SETTLEMENTS DUE TO THIRD PARTY PAYORS AND PATIENT SERVICE REVENUE - CONTINUED

	2011		
	Undesignated Unrestricted	Limited Use	Total
Child care		$ 156,100	$ 156,100
Dental charges	$ 244,310		244,310
Fitness center		29,529	29,529
Home health care		718,097	718,097
Medical charges	1,607,583		1,607,583
Mental health charges	224,204		224,204
Other service fees	5,675		5,675
Patient education	9,897		9,897
School clinic	12,905		12,905
Substance abuse	304,790	-	304,790
	$ 2,409,364	$ 903,726	$ 3,313,090

Although management expects to receive the estimated amounts, different interpretations of the governing principles by regulatory authorities could result in subsequent adjustments. The eventual settlements will not become final until cost reports are examined and approved by the Medicare intermediary and Maine Department of Health and Human Services. Any difference between the estimated amount due and the final settlement are recorded as an increase or decrease in patient service revenue in the year of final determination.

NOTE 6 - CONTRACTUAL ADJUSTMENTS AND CHARITY CARE

The amounts which the Center charged for patient services at established rates, along with the difference between the amounts charged and the amounts realized under third-party reimbursement formulas (contractual adjustments) and the amounts classified as charity care, are shown below for the years ended June 30:

	2012	2011
Gross patient service charges	**$3,015,535**	$3,555,170
Contractual adjustments	**(280,872)**	(39,424)
Charity care	**(171,869)**	(202,656)
Net patient service revenue	**$2,562,794**	$3,313,090

The Center accepts patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies, which define charity services as those services for which no payment is anticipated. In assessing a patient's eligibility for charity care, the Center uses federally established poverty guidelines. The Center is required to provide a full discount to patients with annual incomes at or below 100% of the poverty guidelines. For those patients with income between 100% and 200% of poverty guidelines, fees must be charged in accordance with a sliding scale discount policy based on family size and income. No discounts may be provided to patients with incomes over 200% of federal poverty guidelines.

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 6 - CONTRACTUAL ADJUSTMENTS AND CHARITY CARE - CONTINUED

Charity care is measured based on services provided at established rates but is not included in net patient service revenue. Costs and expenses incurred in providing these services are included in operating expenses. The Center determines the costs associated with providing charity care by calculating a ratio of costs to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. Under this methodology, the estimated costs of caring for charity care patients for the years ended June 30, 2012 and 2011 were approximately $172,000 and $203,000, respectively. Charges for services rendered to individuals from whom payment is expected and ultimately not received are written off and included as an operating expense as part of the provision for bad debts.

NOTE 7 - RECENT ACCOUNTING PRONOUNCEMENTS

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-07, which requires reclassifying the provisions for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. It also requires enhanced disclosure about the policies for recognizing revenue and assessing bad debts, disclosures of patient service revenue, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The provisions of ASU 2011-07 are effective for the Center beginning July 1, 2012. The Center does not expect that the impact of this accounting pronouncement will be significant to the financial statements.

NOTE 8 - LINE OF CREDIT

The Center has a $150,000 line of credit with Bar Harbor Bank & Trust. The interest rate is a variable rate which is .50 percent per annum below the prime rate. The line of credit is secured by a pledge or mortgage of any bonds, stocks, or other securities, accounts or other property, real or personal, of the Center. There was no balance outstanding on the line of credit as of June 30, 2012 and 2011.

NOTE 9 - LONG TERM DEBT

Long-term debt at June 30 consisted of the following:

	2011
4.5% note payable to Rural Development due in monthly installments of $1,668, including interest, through May 2025; collateralized by all assets of the Center. The note was paid in full during 2012.	$ 206,448
Less: current portion of long-term debt	10,944
Long-term debt, net of current portion	$ 195,504

Pursuant to the provisions of the Rural Development loan agreements, the Center was required to set aside one year of monthly payments as a minimum requirement in a separate cash account to be used for future repairs and improvement to the related assets. The accumulated deposits at June 30, 2011 totaled $20,016.

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 10 - CONCENTRATION OF CREDIT RISK

The Center maintains cash and cash equivalents in a local financial institution, which may, at times, exceed the federally insured limits. The Center has a master repurchase agreement with the local financial institution. Under the agreement, funds on deposit exceeding federally insured limits or other amounts as set forth in the agreement are invested in overnight repurchase agreements of U.S. Government Mortgage Backed, U.S. Treasury and U.S. Agency securities. The financial institution has granted to the Center a security interest in the financial institution's right, title, and interest, which the financial institution currently owns or may acquire thereafter in any securities subject to repurchase agreements with the Center, all proceeds of such securities to secure the financial institution's obligations to the Center under the agreement, and the specific transactions that may occur between the Center and the financial institution under the agreement.

The Center maintains certificates of deposit in a local financial institution through the Certificate of Deposit Account Registry Service (CDARS). When deposits are placed with a CDARS network member, that institution uses the CDARS service to place those funds into certificates of deposit issued by other network members. This occurs in increments below the FDIC insurance maximum of $250,000.

The Center has not experienced any losses in its cash and cash equivalents or certificates of deposit and believes that it is not exposed to any significant risk.

NOTE 11 - PENSION PLAN

The Center has a discretionary defined contribution profit sharing plan, which covers all employees working more than twenty-hours per week. Furthermore, this plan requires three-years of service before an employee is 100 percent vested. The Center's contribution rate for the years ended June 30, 2012 and 2011 was 3%. For the years ended June 30, 2012 and 2011, profit sharing expenses were $62,549 and $73,798, respectively. The Board of Directors voted to suspend further contributions effective May 1, 2012.

NOTE 12 - LEASES

The Center has entered into several operating leases for building space. Future minimum lease payments under leases are as follows for the years ending June 30:

2013	$ 20,916
2014	5,916
2015	5,916
2016	2,165
	$ 34,913

Total lease expense was $44,802 and $30,161 for the years ended June 30, 2012 and 2011, respectively.

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 13 - FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Certificates of Deposit	**$414,358**		**$414,358**	
Common Stock	**21,524**	**$21,524**	**-**	
Total	**$435,882**	**$21,524**	**$414,358**	

Fair values of assets measured on a recurring basis at June 30, 2011 were as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Level 1	Level 2	Level 3
Certificates of Deposit	$850,098		$850,098	
Common Stock	25,587	$25,587	-	
Total	$875,685	$25,587	$850,098	

NOTE 14 - EVALUATION OF SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including the auditors' report, which was the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

Schedule of Expenses - Allied Health Services

Year Ended June 30, 2012

	Sunrise	Administration and Facility	Total
Salaries	$ 235,569	$ 50,712	$ 286,281
Payroll taxes & benefits	37,837	12,813	50,650
Contractual		174,254	174,254
Supplies, postage & other miscellaneous		13,000	13,000
Travel	36,149	3,606	39,755
Telephone		2,975	2,975
Conferences & training		2,517	2,517
Billing		46,986	46,986
Facility	6,229	7,345	13,574
	315,784	314,208	629,992
Allocation of administration and facility expenses	314,208	(314,208)	
	629,992		629,992
Transfers to other programs			
	$ 629,992	$ -	$ 629,992

Schedule of Expenses - Bureau of Primary Health Care Programs

Year Ended June 30, 2012

	Medical	Lab	Dental	Patient Education	Counseling	ARRA Stimulus	School Clinic	OSA	BPHC Admin	Total
Salaries	$ 605,425	$ 26,709	$ 238,518	$ 21,842	$ 66,059	$ 59,662	$ 3,374	$ 153,428	$ 175,950	$ 1,350,967
Payroll taxes & benefits	160,257	8,266	71,339	2,132	19,838	20,398	907	53,045	80,504	416,686
Contractual	370,752	692	1,980		3,701	4,322	347	12,271	11,377	405,442
Supplies, postage & other miscellaneous	65,516	16,360	41,476	1,283	1,304	969	246	6,263	1,660	135,077
Travel	12,799		1,178	149	95	2,236		3,748	543	20,748
Utilities	8,060		465		555	555		1,837		11,472
Equipment										
Equipment maintenance & lease	2,439	5,988								8,427
Insurance	3,707						11	146	2,682	6,546
Telephone	17,698	857	2,570	857	2,892	2,595	893	13,231	4,716	46,309
Depreciation & amortization	1,805		1,150							2,955
Conferences & training	5,929		2,021	93	72	58	14	353	684	9,224
Other	192,138	12,118	81,162	5,546		10,132			(301,096)	
Billing	126,932		36,874		10,399	10,001	1,835	26,097		212,138
Facility	121,179	6,267	20,618	3,419	4,025	7,882		18,527	22,980	204,897
	1,694,636	77,257	499,351	35,321	108,940	118,810	7,627	288,946		2,830,888
Allocation of indirect expenses	168,639	7,726	49,935	3,532	10,712	11,725	728	28,548		281,545
	1,863,275	84,983	549,286	38,853	119,652	130,535	8,355	317,494		3,112,433
Transfers to other programs	(8,241)				(1,816)	(1,562)	(347)	(3,470)		(15,436)
	$ 1,855,034	$ 84,983	$ 549,286	$ 38,853	$ 117,836	$ 128,973	$ 8,008	$ 314,024	$ -	$ 3,096,997

See independent auditors' report.

Schedule of Expenses - Community Service Programs

Year Ended June 30, 2012

	Downeast Teen Leadership Camp	Alcohol Abuse Reduction	QBCC Childcare	WC/MAPP	CHC Evaluation	MCD Evaluation	Fitness Port	After School	Summer Rec	Total
Salaries	$ 1,073	$ 7,080	$ 81,382	$ 3,596	$ 16,465	$ 14,097	$ 8,896	$ 25,919		$ 158,508
Payroll taxes & benefits	522	2,311	43,845	1,258	5,979	4,510	3,220	10,071		71,716
Contractual	12,953	16,668	5,115		2,084		4,964	3,001		44,785
Supplies, postage & other miscellaneous	975	467	10,293				944	912	$ 37	13,628
Travel	1,085	3,769	1,298	72			113	1,459		7,796
Utilities							157			157
Insurance			1,494				2,037			3,531
Telephone	16	555	4,182	27	448	810	952	738		7,728
Depreciation & amortization							1,800			1,800
Conferences & training			53				430			483
Facility			4,797		900	800	5,007			11,504
	16,624	30,850	152,459	4,953	25,876	20,217	28,520	42,100	37	321,636
Allocation of indirect expenses	1,662	2,593	15,246	495	2,379	2,022	2,852	4,210	3	31,462
	18,286	33,443	167,705	5,448	28,255	22,239	31,372	46,310	40	353,098
Transfers to other programs		(4,925)			(2,084)					(7,009)
	$ 18,286	$ 28,518	$ 167,705	$ 5,448	$ 26,171	$ 22,239	$ 31,372	$ 46,310	$ 40	$ 346,089

See independent auditors' report.

Schedule of Expenses - Other Health Services

Year Ended June 30, 2012

	Maine Cancer Foundation	Child Health	HIV	HIV Case Management	HIV CDC	DSMA	AMHC Detox	Total
Salaries	$ 1,481	$ 26	$ 112,109	$ 9,043	$ 98,284	$ 547	$ 3,813	$ 225,303
Payroll taxes & benefits	328	275	31,092	2,345	29,936	224	1,158	65,358
Contractual	550		216,240		166,289	1,865		384,944
Supplies, postage & other	2,078		5,913	339	9,212	585	75	18,202
Travel	285		16,752	2,080	19,856			38,973
Utilities			280					280
Telephone	207	17	3,819	1,525	5,361		409	11,338
Facility			3,341		3,414			6,755
	4,929	318	389,546	15,332	332,352	3,221	5,455	751,153
Allocation of indirect expenses	493	32	24,171	1,533	33,235	166	545	60,175
	5,422	350	413,717	16,865	365,587	3,387	6,000	811,328
Transfers to other programs			(3,750)			(1,560)		(5,310)
	$ 5,422	$ 350	$ 409,967	$ 16,865	$ 365,587	$ 1,827	$ 6,000	$ 806,018

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Schedule of Expenses - Sunrise & Other Management Contracts

Year Ended June 30, 2012

	Sunrise Administration Contract	Sunrise Billing Contract	Total
Salaries	$ 74,070	$ 15,090	$ 89,160
Payroll taxes & benefits	25,122	7,285	32,407
Contractual	38,153	16,101	54,254
Supplies, postage & other miscellaneous	2,577	1,648	4,225
Travel	162		162
Utilities	25		25
Insurance	3,276		3,276
Telephone	7,366	2,807	10,173
Depreciation & amortization	1,288		1,288
Conferences & training	50		50
Billing		(46,986)	(46,986)
Facility	7,348	4,055	11,403
	159,437		159,437
Allocation of indirect costs	(159,437)		(159,437)
	$ -	$ -	$ -

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Schedule of Expenses - Telemedicine Programs

Year Ended June 30, 2012

	Maine Telemedicine Services
Salaries	$ 81,656
Payroll taxes & benefits	25,711
Contractual	600
Supplies, postage & other miscellaneous	1,271
Travel	2,949
Equipment	2,010
Insurance	653
Telephone	8,472
Depreciation & amortization	72,407
Conferences & training	2,780
Facility	2,245
	200,754
Allocation of indirect expenses	12,900
	$ 213,654

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Schedule of Expenses - Administration & Facility

Year Ended June 30, 2012

	Administration	Billing	Total Administration	Facility RMCL	Bradley Facility	McCurdy Facility	Gooch Facility	Total Facility
Salaries	$ 252,976	$ 88,415	$ 341,391	$ 91,672	$ 575			$ 92,247
Payroll taxes & benefits	91,403	40,610	132,013	46,078	327			46,405
Contractual	81,004	54,251	135,255	2,217	121	$ 73	$ 4,261	6,672
Supplies, postage & other miscellaneous	14,536	11,833	26,369	8,177	4	37	10,818	19,036
Travel	2,755	1,390	4,145	2,858				2,858
Utilities	93		93	56,234	405	3,165	4,353	64,157
Equipment maintenance & lease				597	69		85	751
Insurance	3,059		3,059	13,375	412	980	1,346	16,113
Telephone	9,248	3,960	13,208					
Depreciation & amortization	7,967	1,487	9,454	50,430	445	3,871	5,397	60,143
Conferences & training	1,224	719	1,943					
Interest							3,935	3,935
Billing		(212,138)	(212,138)					
Facility	52,466	9,473	61,939	(271,638)	(2,358)	(8,126)	(30,195)	(312,317)
	516,731		516,731					
Allocation of indirect costs	(516,731)		(516,731)					
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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