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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 black lung benefit trust or private foundation)

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 10-01-2012 , 2012, and ending 09-30-2013

☐ Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization
NORTHEAST HOSPITAL CORPORATION

Doing Business As

Number and street (or P O box if mail is not delivered to street address)Room/suite

85 HERRICK ST

City or town, state or country, and ZIP + 4
BEVERLY, MA 01915

F Name and address of principal officer
TIMOTHY O'CONNOR
85 HERRICK ST
BEVERLY,MA 01915

H(a) Is this a group return for affiliates?

☐ Yes☒ No

H(b) Are all affiliates included?

☐ Yes☐ No

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

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3)

☐ 501(c) ()

⏏(insert no)

☐ 4947(a)(1) or ☐ 527

J Website: WWW BEVERLYHOSPITAL ORG

K Form of organization

☒ Corporation

☐ Trust

☐ Association

☐ Other

L Year of formation 1893

M State of legal domicile MA

Part I

Summary

Activities & Governance

1

Briefly describe the organization's mission or most significant activities
PART I, LINE 1 & PART III, LINE 1 COMMITTED TO PROVIDING THE HIGHEST QUALITY MEDICAL CARE TO ALL INDIVIDUALS WHO CAN BENEFIT FROM OUR CONTINUUM OF CARE OUR CONCEPT OF CARE BROADLY EMBRACES THE HEALTH, WELL-BEING AND DIGNITY OF THE PATIENTS WE SERVE, REGARDLESS OF ABILITY TO PAY

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)	3	17
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	14
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	3,017
6	Total number of volunteers (estimate if necessary)	6	350
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	3,799,671
b	Net unrelated business taxable income from Form 990-T, line 34	7b	

Revenue

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	1,759,752	2,213,520
9	Program service revenue (Part VIII, line 2g)	307,324,621	308,436,194
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	3,047,156	2,803,738
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	12,012,298	19,254,658
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	324,143,827	332,708,110

Expenses

13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	19,150	51,030
14	Benefits paid to or for members (Part IX, column (A), line 4)		0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	178,500,368	176,532,853
16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
b	Total fundraising expenses (Part IX, column (D), line 25) 1,248,506		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	132,830,171	136,370,167
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	311,349,689	312,954,050
19	Revenue less expenses Subtract line 18 from line 12	12,794,138	19,754,060

Net Assets or Fund Balances

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	355,394,000	374,551,702
21	Total liabilities (Part X, line 26)	221,845,401	185,647,595
22	Net assets or fund balances Subtract line 21 from line 20	133,548,599	188,904,107

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

TIMOTHY O'CONNOR TREASURER/EVP/CFO OF LHS

2014-08-13

Date

Paid Preparer Use Only

Prnt/Type preparer's name

Firm's name

Firm's address

Preparer's signature

Firm's EIN

Phone no

Date 2014-08-14

Check ☐ if self-employed

PTIN

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

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2012)

Part IIIStatement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

PART I, LINE 1 & PART III, LINE 1 COMMITTED TO PROVIDING THE HIGHEST QUALITY MEDICAL CARE TO ALL INDIVIDUALS WHO CAN BENEFIT FROM OUR CONTINUUM OF CARE OUR CONCEPT OF CARE BROADLY EMBRACES THE HEALTH, WELL-BEING AND DIGNITY OF THE PATIENTS WE SERVE, REGARDLESS OF ABILITY TO PAY

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

If “Yes,” describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

If “Yes,” describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 128,864,507 including grants of \$ 51,030) (Revenue \$ 171,147,173)

INPATIENT SERVICES - NORTHEAST HOSPITAL CORPORATION (THE HOSPITAL) IS A NON-PROFIT COMMUNITY HOSPITAL PROVIDING HIGH QUALITY CARE TO THE SICK AND INJURED, REGARDLESS OF THE ABILITY TO PAY INPATIENT CARE IS AVAILABLE IN THE AREAS OF CRITICAL CARE, GENERAL MEDICINE, SURGERY, MATERNITY/OBSTETRICS, NEWBORN SPECIAL CARE, PEDIATRICS AND PHYSCHIATRY IN FY2013, THE HOSPITAL HAD APPROXIMATELY 24,000 INPATIENT ADMISSIONS THE HOSPITAL HAS FOUR LOCATIONS, BEVERLY HOSPITAL, ADDISON GILBERT HOSPITAL, BEVERLY HOSPITAL AT DANVERS AND BAYRIDGE HOSPITAL

4b

(Code) (Expenses \$ 98,034,156 including grants of \$) (Revenue \$ 130,200,853)

OUTPATIENT SERVICES - THE HOSPITAL PROVIDES A COMPREHENSIVE RANGE OF OUTPATIENT SERVICES, PROVIDING HIGH QUALITY CARE TO THE SICK AND INJURED, REGARDLESS OF THE ABILITY TO PAY, INCLUDING (BUT NOT LIMITED TO) CARDIOLOGY, ONCOLOGY, RADIOLOGY, GERIATRICS, WOMEN'S HEALTH, REHABILITATION, ENDOSCOPY, MAMMOGRAPHY AND CARDIOPULMONARY SERVICES IN FY2013 THE HOSPITAL HAD APPROXIMATELY 406,000 OUTPATIENT ENCOUNTERS

4c

(Code) (Expenses \$ 19,093,531 including grants of \$) (Revenue \$ 25,358,447)

EMERGENCY ROOM - THE HOSPITAL (BEVERLY AND ADDISON) HAS A 24 HOUR EMERGENCY ROOM, PROVIDING HIGH QUALITY CARE TO THE SICK AND INJURED, REGARDLESS OF THE ABILITY TO PAY IN FY2013, THE HOSPITAL HAD APPROXIMATELY 64,000 EMERGENCY ROOM VISITS THE EMERGENCY ROOM HAS BOARD CERTIFIED EMERGENCY MEDICINE PHYSICIANS AND SPECIALTY TRAINED EMERGENCY NURSES PATIENTS SEEKING CARE AT THE HOSPITAL HAVE ACCESS TO ADVANCED LIFE SUPPORT, INTENSIVE CARE CAPABILITIES AND SPECIALLY TRAINED DOCTORS IN PEDIATRICS, CARDIOLOGY AND ANESTHESIA

4d

Other program services (Describe in Schedule O)

(Expenses \$ including grants of \$) (Revenue \$)

4e

Total program service expenses 245,992,194

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 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
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	No
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	No
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	No
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	No
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	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8 Yes	
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	No
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 Yes	
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 Yes	
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	No
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	No
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 Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
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	No
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
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 Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
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 Yes	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV 	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV 	16	No
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 (see instructions)	17	No
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 Yes	
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	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

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

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	17	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	14	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	Yes
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	MA
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☒ Another's website ☒ Upon request ☐ Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	GARY MARLOW NORTHEAST HOSP CORP 85 HERRICK ST BEVERLY, MA (978) 922-3000

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

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 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, or 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

[illegible]

Part VII

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								6,429,757	2,449,846	1,143,883

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **237**

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
NORTHEAST EMERGENCY ASSOCIATIONS 1342 BELMONT ST SUITE 205 BROCKTON MA 02301	ER DOCTORS	8,055,637
IPC HOSITALISTS OF NEW ENGLAND PO BOX 92284 LOS ANGELES CA 90009	HOSPITALISTS	1,182,000
FULL CONTACT ADVERTISING 186 LINCOLN ST SUITE 801 BOSTON MA 02111	ADVERTISING	813,593
LAHEY CLINIC HOSPITAL 41 MALL RD BURLINGTON MA 01805	PHYSICIAN FEES	763,409
TGC LLC PO BOX 130 HIGHLAND MD 20777	CONSULTING SRVS	664,404

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►29

Part VIII

Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c	128,985			
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	181,800			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,902,735			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		2,213,520			
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code 624100	308,436,194	308,436,194		
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		308,436,194			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		66,808	66,808	
4		Income from investment of tax-exempt bond proceeds . .		1,309,072	1,309,072		
5		Royalties					
6a		(i) Real					
		(ii) Personal					
		Gross rents					
		Less rental expenses					
b		Rental income or (loss)					
c		Net rental income or (loss)		2,382,178	2,382,178		
7a		(i) Securities					
		(ii) Other					
		Gross amount from sales of assets other than inventory					
		Less cost or other basis and sales expenses					
b		Gain or (loss)					
c		Net gain or (loss)		1,427,858	1,427,858		
8a		Gross income from fundraising events (not including \$ 128,985 of contributions reported on line 1c) See Part IV, line 18					
		a	54,505				
		b	66,059				
c		Net income or (loss) from fundraising events . .		-11,554			
9a		Gross income from gaming activities See Part IV, line 19					
		a					
		b					
c	Net income or (loss) from gaming activities . .						
10a	Gross sales of inventory, less returns and allowances .						
	a						
	b						
b	Less cost of goods sold						
c	Net income or (loss) from sales of inventory . .						
Miscellaneous Revenue			Business Code				
11a	CHG IN VALUE OF INT RATE SWAP		900001	5,604,797	5,604,797		
b	LAB SSI INCOME		900099	3,790,806		3,790,806	
c	MEANINGFUL USE INCOME		900099	2,836,000	2,836,000		
d	All other revenue			4,652,431	4,643,566	8,865	
e	Total. Add lines 11a-11d			16,884,034			
12	Total revenue. See Instructions			332,708,110	326,706,473	3,799,671	

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	40,000	40,000		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	11,030	11,030		
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	2,942,012	17,780	2,924,232	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	462,306		462,306	
7	Other salaries and wages.	142,738,605	116,345,952	25,515,340	877,313
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	6,099,911	4,954,693	1,114,080	31,138
9	Other employee benefits.	13,856,286	11,200,968	2,584,925	70,393
10	Payroll taxes.	10,433,733	8,330,591	2,050,788	52,354
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	1,439,563		1,439,563	
c	Accounting.	209,593		209,593	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	160,038		160,038	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	36,873,138	29,377,373	7,278,457	217,308
12	Advertising and promotion.	4,606,900		4,606,900	
13	Office expenses.	6,184,630	3,949,647	2,234,983	
14	Information technology.	3,647,169	2,329,166	1,318,003	
15	Royalties.				
16	Occupancy.	9,433,013	6,024,139	3,408,874	
17	Travel.	302,109	192,934	109,175	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	1,558,169		1,558,169	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	17,672,392	11,285,996	6,386,396	
23	Insurance.	3,616,555	2,309,615	1,306,940	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	HOSPITAL MEDICAL SUPPLIES	45,575,471	45,575,471		
b	ALL OTHER EXPENSES	2,890,576	1,845,988	1,044,588	
c	UNCOMPENSATED CARE	2,200,851	2,200,851		
d					
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	312,954,050	245,992,194	65,713,350	1,248,506
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		15,805,004	2	20,273,552
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		36,081,175	4	34,616,563
	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 instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		5,731,388	8	5,765,454
	9	Prepaid expenses and deferred charges		4,150,691	9	3,917,922
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	372,080,858		
	b	Less accumulated depreciation	10b	233,459,828	141,084,600	10c 138,621,030
	11	Investments—publicly traded securities		131,472,011	11	143,548,636
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		21,069,131	15	27,808,545
	16	Total assets. Add lines 1 through 15 (must equal line 34)		355,394,000	16	374,551,702
Liabilities	17	Accounts payable and accrued expenses		30,882,777	17	30,704,710
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		89,216,492	20	91,746,459
	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		289,607	23	288,546
	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		101,456,525	25	62,907,880
	26	Total liabilities. Add lines 17 through 25		221,845,401	26	185,647,595
Net Assets or Fund Balances		Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.				
	27	Unrestricted net assets		115,267,990	27	169,179,280
	28	Temporarily restricted net assets		7,949,199	28	9,213,602
	29	Permanently restricted net assets		10,331,410	29	10,511,225
		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		133,548,599	33	188,904,107
	34	Total liabilities and net assets/fund balances		355,394,000	34	374,551,702

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	332,708,110
2	Total expenses (must equal Part IX, column (A), line 25)	2	312,954,050
3	Revenue less expenses Subtract line 2 from line 1	3	19,754,060
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	133,548,599
5	Net unrealized gains (losses) on investments	5	8,602,615
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	26,998,833
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	188,904,107

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis	2a	No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis	2b	Yes
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	

Additional Data

Software ID:

Software Version:

EIN: 04-2121317

Name: NORTHEAST HOSPITAL CORPORATION

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
HOWARD R GRANT JD MD PRES EFF 12/	1 00 49 00	X		X				0	1,404,056	268,890
DAVID DICHARA MD TRUSTEE	2 00	X						15,900	0	0
STEVEN DEFOSSEZ MD TRUSTEE	2 00	X						1,880	0	0
NANCY PALMER CHAIRWOMAN	2 00	X						0	0	0
GEORGE BURKE TRUSTEE	2 00	X						0	0	0
ROBERT IRWIN TRUSTEE	2 00	X						0	0	0
PAUL MCCONNELL TRUSTEE	2 00	X						0	0	0
ALEXANDER DUMAS MD TRUSTEE	2 00	X						0	0	0
CHARLES FAVAZZO TRUSTEE	2 00	X						0	0	0
CHRIS GEORGE TRUSTEE	2 00	X						0	0	0
PAUL MUNIZ TRUSTEE	2 00	X						0	0	0
JAGRUTI PATEL MD TRUSTEE	2 00	X						0	0	0
MICHAEL SHEA TRUSTEE	2 00	X						0	0	0
KURT MELDEN TRUSTEE	2 00	X						0	0	0
HUGH O'FLYNN MD TRUSTEE	2 00	X						0	0	0
DAVID ST LAURENT TRUSTEE	2 00	X						0	0	0
TAYLOR HUGH MD TRUSTEE	2 00	X						0	0	0
TIMOTHY O'CONNOR TREASURER	1 00 49 00			X				0	810,958	141,710
DENIS CONROY CEO APP 12/3	30 00 10 00			X				453,602	0	32,473
GARY MARLOW ASST TRSR/VP	40 00			X				286,940	0	33,239
DAVID SPACKMAN JD SECRETARY	1 00 49 00			X				0	234,832	36,052
MARYELLEN LEAR ASST SECRETA	40 00			X				89,019	0	13,653
PAULINE PIKE COO	40 00				X			414,716	0	22,903
PETER SHORT VP OF MED AF	40 00				X			358,238	0	30,196
GREGORY BIRD VP PATIENT C	40 00				X			325,103	0	43,912

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JOHANNA RODGERS VP OF PHYSIC	40 00				X			251,448	0	40,584
ALTHEA LYONS VP OF HR	40 00				X			242,794	0	45,714
JOSEPH PORCELLO CONTROLLER	10 00 30 00				X			205,373	0	69,715
CYNTHIA DONALDSON VP OF ANCILL	40 00				X			200,566	0	19,739
PAUL O'SHEA FRMR VP OF A	0 00					X		445,298	0	39,686
BARRY GINSBERG MEDICAL DIRE	40 00					X		304,264	0	46,312
STEVEN GILLESPIE MD	40 00					X		297,264	0	42,509
PAUL PECK VP/CIO	40 00					X		251,816	0	32,594
LISA NEVELING VP OF MARKET	40 00					X		207,045	0	46,088
KENNETH HANOVER FR CEO RES 1	0 00						X	1,748,866	0	47,812
WILLIAM DONALDSON FR VP GEN CN	0 00						X	329,625	0	90,102

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization NORTHEAST HOSPITAL CORPORATION	Employer identification number 04-2121317
--	--

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 33¹/₃% 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 33¹/₃% 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?

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

A family member of a person described in (i) above?

(iii)

A 35% controlled entity of a person described in (i) or (ii) above?
- h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1 - 9 above or IRC section (see instructions))	(iv) Is the organization in 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 II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

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

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))	14					
15 Public support percentage for 2011 Schedule A, Part II, line 14	15					
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶						
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶						
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶						
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶						
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶						

Part IIIPart III

Support Schedule for Organizations Described in Section 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

Part IV **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

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

Attach to Form 990. See separate instructions.

Name of the organization NORTHEAST HOSPITAL CORPORATION	Employer identification number 04-2121317
--	--

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?		☐ Yes ☐ No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?		☐ Yes ☐ No

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

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

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

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

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

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

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____

(ii) Assets included in Form 990, Part X ▶ \$ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____

b Assets included in Form 990, Part X ▶ \$ 1,800,000

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

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☒ Preservation for future generations
- 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 |
| 1c | |
| 1d | |
| 1e | |
| 1f | |

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance
- 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 | b (c)Two years back | (d)Three years back | (e)Four years back |
|----|--|---------------|---------------------|---------------------|--------------------|
| 1a | Beginning of year balance | 18,280,609 | 16,419,163 | 17,765,603 | 13,090,008 |
| b | Contributions | 1,516,024 | 1,169,967 | 990,656 | 4,378,469 |
| c | Net investment earnings, gains, and losses | 1,445,254 | 2,204,342 | -839,966 | 1,545,146 |
| d | Grants or scholarships | 113,205 | 94,295 | 87,321 | 105,855 |
| e | Other expenditures for facilities and programs | 1,403,856 | 1,418,568 | 1,409,809 | 1,142,165 |
| f | Administrative expenses | | | | |
| g | End of year balance | 19,274,826 | 18,280,609 | 16,419,163 | 17,765,603 |
- 2

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

Board designated or quasi-endowment

b

Permanent endowment

53 000 %

c

Temporarily restricted endowment

47 000 %

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

(i)

unrelated organizations

3a(i)

Yes

No

(ii)

related organizations

3a(ii)

No

b

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

3b

4

Describe in Part XIII the intended uses of the organization's endowment funds
- Part VI

Land, Buildings, and Equipment. See Form 990, Part X, line 10.
- | Description of property | (a) Cost or other basis (investment) | (b) Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|---------------------------------|------------------------------|----------------|
| 1a Land | 943,315 | 19,036,111 | | 19,979,426 |
| b Buildings | 5,009,662 | 176,319,818 | 88,915,095 | 92,414,385 |
| c Leasehold improvements | | | | |
| d Equipment | 504,799 | 170,267,153 | 144,544,733 | 26,227,219 |
| e Other | | | | |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) | | | | 138,621,030 |
- Schedule D (Form 990) 2012

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

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

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

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

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
SUPPLEMENTAL FINANCIAL INFORMATION	SCHEDULE D, PAGE 4, PART XIII	PART XIV - SUPPLEMENTAL INFORMATION PART III, LINE 4 COLLECTIONS AND RELATION TO EXEMPT PURPOSE THE ARTWORK, "OLD FORT AND TEN POUND ISLAND" BY FITZ HUGH LANE, C. 1850 IS BY A LOCAL ARIST, WHICH SERVES TO STRENGTHEN THE LINK WITH COMMUNITY RESIDENTS WHO UTILIZE THE HOSPITAL. PART V, LINE 4, INTENDED USES FOR ENDOWMENT FUNDS. ENDOWMENT FUNDS ARE USED AS EARMARKED BY DONORS TO COVER COSTS OF ONGOING PROGRAMS OF THE HOSPITAL.

Additional Data

Software ID:

Software Version:

EIN: 04-2121317

Name: NORTHEAST HOSPITAL CORPORATION

Form 990, Schedule D, Part X, - Other Liabilities

1	(a) Description of Liability	(b) Book Value
	ACCRUED PENSION LIABILITY	19,133,625
	SERIES G,H,I LIABILITY SWAPS	10,626,058
	TAXABLE BOND - SERIES I	9,500,000
	ESTIMATED 3RD PARTY SETTLEMENT	8,684,084
	PROFESSIONAL LIABILITY RESERVE	7,320,105
	DUE TO AFFILIATES	4,623,917
	POST RETIREMENT MEDICAL BENEFITS	1,634,432
	OTHER NON CURRENT LIABILITIES	942,604
	CURRENT POST RETIREMENT MED BENEFITS	226,156
	CURRENT INSTALLMENT OF LT DEBT	

SCHEDULE F
(Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

► Complete if the organization answered "Yes" to Form 990,
Part IV, line 14b, 15, or 16.
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization
NORTHEAST HOSPITAL CORPORATION

Employer identification number
04-2121317

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

- 1 For grantmakers. Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☐ Yes ☒ No
- 2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States.
- 3 Activites per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
CARIBBEAN/BERMUDA			INVESTMENTS	INVESTMENT MGMT	
3a Sub-total					16,501,000
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)					16,501,000

Part II

Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)

- 2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter ▶
- 3 Enter total number of other organizations or entities ▶

Part III

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

Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*

☒ Yes ☐ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*

☐ Yes ☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)*

☐ Yes ☒ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)*

☐ Yes ☒ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)*

☒ Yes ☐ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713).*

☐ Yes ☒ No

Supplemental Information

Complete this part to provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

[illegible]

Additional Data

Software ID:
Software Version:
EIN: 04-2121317
Name: NORTHEAST HOSPITAL CORPORATION

Form 990 Schedule F - Supplemental Information

Identifier	ReturnReference	Explanation
ACTIVITIES PER REGION	SCHEDULE F, PAGE 1, PART I, LINE 3	CARIBBEAN/BERMUDA 0 16,501,000

Form 990 Schedule F - Supplemental Information

Identifier	ReturnReference	Explanation
ADDITIONAL INFORMATION	SCHEDULE F, PAGE 5, PART V	PART I, LINE 1, COLUMNS (B) AND (C) ARE 0

SCHEDULE G
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a. Form 990-EZ filers are not required to complete this part.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization NORTHEAST HOSPITAL CORPORATION
--

Employer identification number

04-2121317

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1. Indicate whether the organization raised funds through any of the following activities. Check all that apply.

a ☐ Mail solicitations	e ☐ Solicitation of non-government grants
b ☐ Internet and email solicitations	f ☐ Solicitation of government grants
c ☐ Phone solicitations	g ☐ Special fundraising events
d ☐ In-person solicitations	

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☒ **Yes** ☐ **No**

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
Total ▶						

3 List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing

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

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		AGH GOLF TOURNA (event type)	BH GOLF TOURNAM (event type)	(total number)	(add col (a) through col (c))
Revenue	1	Gross receipts	77,915	105,575	183,490
	2	Less Contributions . . .	59,475	69,510	128,985
	3	Gross income (line 1 minus line 2)	18,440	36,065	54,505
Direct Expenses	4	Cash prizes			
	5	Noncash prizes . . .	3,920		3,920
	6	Rent/facility costs . . .	13,310	39,870	53,180
	7	Food and beverages .	6,119		6,119
	8	Entertainment			
	9	Other direct expenses .	1,330	1,510	2,840
	10	Direct expense summary Add lines 4 through 9 in column (d) ▶			
	11	Net income summary Combine line 3, column (d), and line 10 ▶			
					(66,059)
					-11,554

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

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col (a) through col (c))
Revenue	1	Gross revenue			
	2	Cash prizes			
Direct Expenses	3	Non-cash prizes			
	4	Rent/facility costs			
	5	Other direct expenses . . .			
	6	Volunteer labor	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
	7	Direct expense summary Add lines 2 through 5 in column (d) ▶			
	8	Net gaming income summary Combine lines 1 and 7 in column (d) ▶			

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," explain _____

Does the organization operate gaming activities with nonmembers? ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	13a
b An outside facility	13b

14 Enter the name and address of the person who prepares the organization's gaming/special events books and records

Name 

Address 

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization  \$ _____ and the amount of gaming revenue retained by the third party  \$ _____

c If "Yes," enter name and address of the third party

Name 

Address 

16 Gaming manager information

Name 

Gaming manager compensation  \$

Description of services provided 

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year  \$ _____

Part IV Supplemental Information. Complete this part to provide the explanations required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also complete this part to provide any additional information (see instructions).

Identifier	Return Reference	Explanation
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SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
NORTHEAST HOSPITAL CORPORATION

Employer identification number
04-2121317

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a Yes	
b	If "Yes," was it a written policy?	1b Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☐ 200% ☒ Other <u>400 000 %</u> b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	No
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4 Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b	No
b	If "Yes," did the organization make it available to the public?	5c	
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.		6a Yes	
		6b Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		2,901	5,611,432	3,324,248	2,287,184	0 730 %
b Medicaid (from Worksheet 3, column a)		53,646	39,989,157	34,291,606	5,697,551	1 820 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .		16,784	9,233,753	6,845,077	2,388,676	0 760 %
d Total Financial Assistance and Means-Tested Government Programs . .		73,331	54,834,342	44,460,931	10,373,411	3 310 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	496		1,913,493	15,964	1,897,529	0 610 %
f Health professions education (from Worksheet 5)			69,042	23,277	45,765	0 010 %
g Subsidized health services (from Worksheet 6)		5,297	24,960,393	20,589,441	4,370,952	1 400 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	79		137,808		137,808	0 040 %
j Total. Other Benefits	575	5,297	27,080,736	20,628,682	6,452,054	2 060 %
k Total. Add lines 7d and 7j . .	575	78,628	81,915,078	65,089,613	16,825,465	5 380 %

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	1	35,000		35,000	0.010 %
3	Community support	4	55,600		55,600	0.020 %
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building	5	5,577		5,577	
7	Community health improvement advocacy					
8	Workforce development					
9	Other	1	5,000		5,000	
10	Total	11	101,177		101,177	0.030 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?

1

No

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

3,602,978

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

512,232

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

96,826,569

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

101,852,483

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-5,025,914

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

Yes

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

No

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 %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	NORTHEAST HOSPITAL CORPORATION 85 HERRICK ST BEVERLY, MA 01915	X	X					X			

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)

NORTHEAST HOSPITAL CORPORATION

Name of hospital facility or facility reporting group

For single facility filers 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 If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	☒ A definition of the community served by the hospital facility		
b	☒ Demographics of the community		
c	☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	☒ How data was obtained		
e	☒ The health needs of the community		
f	☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	☒ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	☒ The process for consulting with persons representing the community's interests		
i	☒ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	☒ Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	Yes
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	Yes
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
a	☒ Hospital facility's website		
b	☒ Available upon request from the hospital facility		
c	☐ Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	☒ 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	☒ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	☒ 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 Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	Yes
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	No
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)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 400 0% If "No," explain in Part VI the criteria the hospital facility used	10	Yes
11	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care __% If "No," explain in Part VI the criteria the hospital facility used	11	No
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☒ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☒ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	13	Yes
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes
a ☒ The policy was posted on the hospital facility's website			
b ☒ The policy was attached to billing invoices			
c ☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☒ The policy was posted in the hospital facility's admissions offices			
e ☒ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☒ Other (describe in Part VI)			
Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	Yes
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP		
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

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

☐

Notified individuals of the financial assistance policy on admission
- b

☐

Notified individuals of the financial assistance policy prior to discharge
- c

☐

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☐

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	☒ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☒ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	☒ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	☐ Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. 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?

Name and address	Type of Facility (describe)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
OTHER TESTING METHODS FOR FREE OR DISCOUNTED CARE	PART I LINE 3C	THE HOSPITAL DID NOT USE FPG TO DETERMINE ELIGIBILITY FOR PROVIDING DISCOUNTED CARE TO LOW INCOME INDIVIDUALS THERE ARE TWO CIRCUMSTANCES WHERE THE HOSPITAL WILL OFFER DISCOUNTED CARE TO LOW INCOME INDIVIDUALS 1PATIENTS WHO DO NOT QUALIFY FOR ENROLLMENT IN A MASSACHUSETTS STATE PUBLIC ASSISTANCE PROGRAM SUCH AS OUTOFSTATE RESIDENTS BUT WHO MAY OTHERWISE MEET THE GENERAL FINANCIAL ELIGIBILITY CATEGORIES OF A STATE PUBLIC ASSISTANCE PROGRAM MAY RECEIVE A DISCOUNTED BILL THE HOSPITAL WILL PROVIDE AN APPROPRIATE DISCOUNT ON THE BILL ONCE THE DETERMINATION IS MADE 2WHEN A PATIENT REQUESTS A DISCOUNT ON AN UNPAID BILL THE HOSPITAL WILL REVIEW THE PATIENTS DOCUMENTED FINANCIAL SITUATION AND PAYMENT ACTIVITY THIS REVIEW IS CONSIDERED A SEPARATE FINANCIAL PROGRAM OFFERED BY THE HOSPITAL AND IS APPLIED ON A UNIFORM BASIS TO ALL PATIENTS ANY DISCOUNT THE HOSPITAL PROVIDES IS CONSISTENT WITH FEDERAL AND STATE TAX REQUIREMENTS AND DOES NOT INFLUENCE A PATIENT TO RECEIVE SERVICES FROM THE HOSPITAL
RELATED ORGANIZATION INFORMATION	PART I LINE 6A	NORTHEAST HEALTH SYSTEM PARENT HOLDING COMPANY OF NORTHEAST HOSPITAL CORPORATION PREPARES THE COMMUNITY BENEFIT REPORT

Identifier	ReturnReference	Explanation
SUBSIDIZED HEALTH SERVICES EXPLANATION	PART I LINE 7G	THE SUBSIDIZED HEALTH SERVICES NET COMMUNITY BENEFIT EXPENSE OF 4370952 IS A RESULT OF PROVIDING BEHAVIORALMENTAL HEALTH INPATIENT AND OUTPATIENT CARE TO THE COMMUNITY DESPITE A FINANCIAL LOSS TO THE ORGANIZATION MEDICAID AND OTHER MEANS TESTED GOVERNMENT PROGRAMS WERE NOT INCLUDED IN THIS EXPENSE
COSTING METHODOLOGY EXPLANATION	PART I LINE 7	LINE 7A WAS CALCULATED USING WORKSHEET 1 LINE 7B WAS CALCULATED USING AN INTERNAL COST ACCOUNTING SYSTEM THE INTERNAL COST ACCOUNTING SYSTEM PROVIDES MANAGEMENT FINANCIAL INFORMATION ACROSS ALL PAYERS AND SERVICES OF THE ORGANIZATION A COST TO CHARGE RATIO WAS USED TO CALCULATE 7A AND 7B AND WAS DERIVED FROM WORKSHEET 2 LINES 7E 7F AND 7I WERE CALCULATED BY TAKING COMMUNITY AND CHARITY CARE PROGRAM REVENUES AND EXPENSES FROM THE GENERAL LEDGER PLUS RELATED DIRECT AND INDIRECT COSTS THESE COSTS WERE CALCULATED BY TAKING THE NUMBER OF EMPLOYEE HOURS SPENT ON EACH PROGRAM MULTIPLIED BY A STANDARD RATE PLUS A FRINGE FACTOR TO CALCULATE BENEFIT COSTS LINE 7G WAS CALCULATED BY TAKING QUALIFYING SUBSIDIZED HEALTH SERVICES NET REVENUE LESS RELATED DIRECT AND INDIRECT COSTS EXCLUDING ANY AMOUNTS RELATED TO BAD DEBT FINANCIAL ASSISTANCE MEDICAID AND OTHER MEANS TESTED GOVERNMENT PROGRAMS FROM AN INTERNAL FINANCIAL REPORTING SYSTEM WHICH WE RECONCILE TO THE GENERAL LEDGER

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	PART II	LINE 2 ECONOMIC DEVELOPMENT BEVERLY MAIN STREETS DOWNTOWN 2020 INITIATIVE DOWNTOWN 2020 IS BEVERLY MAIN STREETS VISION FOR WHAT DOWNTOWN BEVERLY CAN AND SHOULD BECOME A VIBRANT COMMUNITY THAT CELEBRATES THE ARTS AND CREATIVITY WITH COOL PLACES TO LIVE WORK SHOP PLAY AND EXPERIENCE THE VISION REPRESENTS MORE THAN 1000 VOICES FROM THE COMMUNITY AND IT CENTERS AROUND 3 GOALS 1DOWNTOWN BEVERLY WILL BE RECOGNIZED AS A REGIONAL CENTER FOR THE ARTS CULTURE CREATIVE INDUSTRY AND INNOVATION 2DOWNTOWN BEVERLY WILL BE THE LOCATION OF CHOICE FOR RETAIL AND CREATIVE BUSINESSES THAT APPEAL TO RESIDENTS STUDENTS AND VISITORS 3DEVELOPMENT IN DOWNTOWN BEVERLY WILL FOLLOW A CLEAR DIRECTION THAT LEVERAGES THE UNIQUE ASSETS OF EACH CORRIDOR LINE 3 COMMUNITY SUPPORT NHC GRANT PROGRAM ADDISON GILBERT BEVERLY HOSPITALS COMMUNITY COLLABORATIVE GRANT ADDRESSES SIGNIFICANT HEALTH ISSUES IN OUR NORTH SHORE CAPE ANN COMMUNITIES IN FY13 NHC LAUNCHED A NEW COMMUNITY COLLABORATIVE GRANT TO ADDRESS SIGNIFICANT HEALTH ISSUES IN THE NORTH SHORE COMMUNITIES THE GRANT PROGRAM IS A KEY ASPECT OF THE NHC COMMUNITY BENEFIT PROGRAM AND IS A DIRECT RESULT OF OUR MOST RECENT COMMUNITY HEALTH NEEDS ASSESSMENT THROUGH THE GRANT NHC AWARDED FOUR 10000 GRANTS FOR INNOVATIVE COMMUNITY BASED INITIATIVES ON ONE OF THE THREE KEY AREAS 1 PROMOTION OF MENTAL AND BEHAVIORAL HEALTH EDUCATION PREVENTION AND EARLY INTERVENTION 2 PROMOTION OF HEALTHY LIFESTYLES AND 3 IMPROVING CHRONIC DISEASE PREVENTION INCLUDING DIABETES STROKE CANCER AND HEART DISEASE AND THOSE THAT IMPROVE ACCESS TO HEALTH SERVICES AND RESOURCES IN THE COMMUNITY THE GRANTS WERE MADE TO THE FOLLOWING ORGANIZATIONS 1STERLING CENTER YMCABE HEALTHY BEVERLY TO IMPLEMENT A RAISEDBED GARDEN PROGRAM WITH CURRICULUM AT EACH OF THE FIVE BEVERLY PUBLIC ELEMENTARY SCHOOLS 2 GRACE CENTER IN GLOUCESTER TO EXPAND THEIR CURRENT CASE MANAGEMENT OFFERINGS TO CLIENTELE WHO SUFFER FROM MENTAL HEALTH AND SUBSTANCE ABUSE RELATED HEALTHCARE ISSUES 3 BEVERLY PUBLIC SCHOOLS INTEGRATED COMPREHENSIVE RESOURCES IN SCHOOLS PROGRAM WHICH CALLS FOR EXPANDED MENTAL HEALTH COVERAGE IN THE SCHOOLS NURSES OFFICE FOR STUDENTS 4 EXPRESS YOURSELF INC TO EXPAND UPON THEIR CREATIVE OUTREACH PROGRAM FOR CHILDREN WHO ARE COPING WITH BEHAVIORAL HEALTH ISSUES THROUGH ART AND MUSIC BEVERLY BOOTSTRAPS MOBILE MARKET BEVERLY HOSPITAL FUNDED BEVERLY BOOTSTRAPS WITH A 10000 GRANT TO OFFER FRESH PRODUCE TO RESIDENTS OF THE BEVERLY HOUSING AUTHORITY THROUGH A MOBILE MARKET ON A WEEKLY BASIS EACH WEEK FROM JUNE TO OCTOBER RESIDENTS WERE ABLE TO ACCESS PRODUCE AT NO COST WHILE ALSO LEARNING ABOUT BASIS NUTRITION AND RECIPES FROM CLINICAL MANAGERS AT NORTHEAST HOSPITAL CORPORATION DURING THE YEAR 428 HOUSEHOLDS WERE SERVED 770 TOTAL INDIVIDUALS WERE SERVED AND 37513 POUNDS OF PRODUCE WAS DISTRIBUTED FIRST PARISH CHURCH COMMUNITY SUPPER PROGRAM IN FY13 DUE TO THE PERSISTENT UNEMPLOYMENT AND HOMELESSNESS BEVERLY BOOTSTRAPS EXPERIENCED A RECORD AMOUNT OF REQUESTS FOR ASSISTANCE IN FY13 NHC FUNDED A WEEKLY SUPPER PROGRAM AT THE FIRST PARISH CHURCH TO PROVIDE A HOT AND NUTRITIOUS MEAL EVERY TUESDAY NIGHT THE PROGRAM PROVIDED MEALS FOR MORE THAN 2200 COMMUNITY MEMBERS
BAD DEBT EXPENSE EXPLANATION	PART III LINE 4	PART III LINE 2 BAD DEBT EXPENSE AT COSTBAD DEBT EXPENSE WAS CALCULATED BY TAKING BAD DEBT WRITEOFFS PER THE GENERAL LEDGER BRINGING THIS DOWN TO COST THEN NETTING THIS TOTAL BY ACTUAL BAD DEBT RECOVERIES PART III LINE 3 BAD DEBT PATIENTS ELIGIBLE FOR CHARITY CARE WAS DETERMINED BY REVIEWING SPECIFIC PATIENT BALANCES THIS AMOUNT CONSISTS OF PATIENTS WITH A BALANCE FROM A PRIOR VISIT WHO DID NOT QUALIFY FOR FREE CARE AT THAT TIME WHO LATER CAME TO THE HOSPITAL FOR A VISIT AND NOW QUALIFIES FOR FREE CARE CHARGES RELATED TO THIS PREVIOUS VISIT ARE WRITTEN OFF AS BAD DEBT SINCE THEY WERE NOT ELIGIBLE FOR FREE CARE AT THAT TIME PART III LINE 4 THE HOSPITAL INCLUDES ITS BAD DEBT EXPENSE AS A LINE ITEM PROVISION FOR BAD DEBTS NET IN THE AUDITED STATEMENT OF OPERATIONS THIS AMOUNT REPRESENTS A COMMUNITY BENEFIT BECAUSE SERVICES WERE PROVIDED TO PATIENTS THAT ULTIMATELY QUALIFIED FOR CHARITY CARE PROVISION FOR BAD DEBTS FOOTNOTE THESE AMOUNTS REPRESENT COMMUNITY BENEFITS BECAUSE THEY WERE PROVIDED TO PATIENTS THAT ULTIMATELY QUALIFIED FOR CHARITY CARE

Identifier	ReturnReference	Explanation
MEDICARE EXPLANATION	PART III LINE 8	PART III LINE 8 THESE COSTS REPRESENT A COMMUNITY BENEFIT BECAUSE THE PAYMENT FROM MEDICARE IS LESS THAN THE COST TO PROVIDE CARE AND THAT SHORTFALL IS ABSORBED BY THE HOSPITAL IN ADDITION THE HOSPITAL PROVIDES CARE TO A SUBSTANTIAL POPULATION OF MEDICAID PATIENTS AT PAYMENT LEVELS WELL BELOW COST
COLLECTION PRACTICES EXPLANATION	PART III LINE 9B	PART III LINE 9B THE HOSPITALS CREDIT AND COLLECTION POLICIES ARE DEVELOPED TO ENSURE COMPLIANCE WITH APPLICABLE CRITERIA REQUIRED UNDER 1 THE MASSACHUSETTS HEALTH SAFETY NET ELIGIBILITY REGULATION 1146 CMR 1300 2 THE CENTERS FOR MEDICARE AND MEDICAID SERVICES MEDICARE BAD DEBT REQUIREMENTS 42 CFR 41389 AND 3 THE MEDICARE PROVIDER REIMBURSEMENT MANUAL PART I CHAPTER 3 THIS POLICY IS AVAILABLE TO ALL PATIENTS UPON REQUEST FOR ANY PATIENTS WHO ARE UNINSURED OR UNDERINSURED THE HOSPITALS FINANCIAL COUNSELORS WILL WORK WITH THESE PATIENTS AND ASSIST THEM WITH FINDING A FINANCIAL ASSISTANCE PROGRAM THAT MAY COVER SOME OR ALL OF UNPAID BILLS ONCE THE HOSPITAL KNOWS PATIENTS QUALIFY FOR CHARITY CARE ALL COLLECTION PROCEDURES END AND THE FULL BALANCE OR THE AMOUNT THAT QUALIFIES UNDER FREE CARE IS WRITTEN OFF FINANCIAL ASSISTANCE IS INTENDED TO HELP LOWINCOME PATIENTS WHO DO NOT OTHERWISE HAVE THE ABILITY TO PAY FOR THEIR HEALTH CARE SERVICES FINANCIAL ASSISTANCE PROGRAMS INCLUDE BUT ARE NOT LIMITED TO MASSHEALTH COMMONWEALTH CARE CHILDRENS MEDICAL SECURITY PLAN HEALTHY START AND HEALTHY SAFETY NET PATIENTS UNDER THESE PROGRAMS WILL RECEIVE AN INITIAL BILL BUT ARE EXEMPT FROM ANY FURTHER COLLECTION OR BILLING PROCEDURES PURSUANT TO MASSACHUSETTS STATE REGULATIONS

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI	2 NEEDS ASSESSMENT THE COMMUNITY BENEFITS PROGRAM AT NORTHEAST HOSPITAL CORPORATION NHC IS A PROGRAM ESTABLISHED TO PARTNER WITH COMMUNITY LEADERS AND ORGANIZATIONS TO ASSESS THE HEALTH CARE NEEDS OF THE COMMUNITY NHC IS PART OF LAHEY HEALTH SYSTEM LHS A VERTICALLY AND HORIZONTALLY INTEGRATED NETWORK OF HOSPITALS LONGTERM CARE FACILITIES ASSISTED LIVING FACILITIES HEALTH AND SOCIAL SERVICE AGENCIES AND COMMUNITY BASED PRIMARY CARE AND SPECIALTY CARE NHC INCORPORATES THE COMMUNITY HEALTH CONCEPTS OF WELLNESS ADAPTATION SELF CARE AND HEALTH PROMOTION STRATEGIES USED IN COMMUNITY BENEFITS HEALTH ACTIVITIES INCLUDE PREVENTION EARLY DETECTION EARLY INTERVENTION LONGTERM MANAGEMENT AND COLLABORATIVE EFFORTS WITH THE AFFILIATE ORGANIZATIONS THAT MAKE UP LHS HEALTH ISSUES ADDRESSED ENCOMPASS SAFETY CHRONIC DISEASE INFECTIOUS DISEASE SUBSTANCE ABUSE AND BEHAVIORAL HEALTH THE IMPORTANCE OF THE COMMUNITY HEALTH NEEDS ASSESSMENT AND THE HOSPITALS COLLECTIVE EFFORTS TO ADDRESS THE HEALTHCARE NEEDS OF THE NORTH SHORE HAVE NEVER BEEN GREATER THE ECONOMIC DOWNTURN HAS HAD A TREMENDOUS IMPACT ON THOUSANDS OF INDIVIDUALS AND FAMILIES THROUGHOUT THE REGION NHC CONTINUES TO WORK IN PARTNERSHIP WITH THE COMMUNITIES IT SERVES AND WITH HEALTHRELATED ORGANIZATIONS THROUGHOUT THE NORTH SHORE TO MEET THE AREAS HEALTHCARE NEEDS AND IMPROVE THE OVERALL HEALTH STATUS OF THE COMMUNITY THE COMMUNITY BENEFITS COMMITTEE AT NHC ENSURES THAT THE ORGANIZATION CONDUCTS HEALTH NEEDS ASSESSMENTS FOR ITS 16 TOWNCITY PRIMARY SERVICE AREA AS MANDATED BY THE MASSACHUSETTS ATTORNEY GENERAL NHC WITH THE HELP OF NORTHEAST HEALTH SYSTEM AFFILIATES WILL FOCUS THE COMMUNITY BENEFITS PLAN AROUND THE FOUR STATEWIDE PRIORITIES SET FORTH BY THE ATTORNEY GENERALS OFFICE WHICH INCLUDE CHRONIC DISEASE MANAGEMENT FOR DISADVANTAGED POPULATIONS REDUCING HEALTH DISPARITIES PROMOTING WELLNESS OF VULNERABLE POPULATIONS AND SUPPORTING HEALTH CARE REFORM NHCS MOST RECENT HEALTH NEEDS ASSESSMENT WAS CONDUCTED FROM 20102012 WHICH WAS FINALIZED IN 2013 THE HOSPITALS INTERNAL COMMITTEE NHC INTERNAL STEERING COMMITTEE OVERSEES THE ASSESSMENT ALONG WITH AN OUTSIDE CONTRACTOR JOHN SNOW INC JSI JSI AND NHC INTERNAL STEERING COMMITTEE DEVELOPED A FINAL APPROACH AND SET OF METHODS INCLUDING DATA COLLECTION COMMUNITY INVOLVEMENT STRATEGIC PLANNING AND REPORTING ACTIVITIES THAT WILL MEET IRS AND STATE COMMUNITY BENEFIT REQUIREMENTS AND THAT ARE CUSTOMIZED TO THE SERVICE AREA AND THE NEEDS OF THE HOSPITAL THE ASSESSMENT INITIATIVE WAS CONDUCTED IN TWO PHASES PHASE 1 CONDUCTED A PRELIMINARY NEEDS ASSESSMENT RELYING HEAVILY ON SECONDARY HEALTH RELATED DATA FROM THE MASSACHUSETTS DEPARTMENT OF HEALTH MASSACHUSETTS COMMUNITY HEALTH INFORMATION PROFILE MASSCHIP SYSTEM AND OTHER NATIONAL STATE AND LOCAL SOURCES JSI ASSESSED HEALTH STATUS HOSPITAL EMERGENCY DEPARTMENT AND INPATIENT TRENDS IDENTIFIED HEALTH ISSUES AND BARRIERS TO CARE AND IDENTIFIED WHAT POPULATION WAS MOST AT RISK THE INFORMATION COLLECTED RELATED TO DEMOGRAPHIC AND SOCIOECONOMIC CHARACTERISTICS SOCIAL DETERMINANTS OF HEALTH HEALTH STATUS AND ACCESS TO CARE AND SERVICE UTILIZATION THE PROJECT TEAM ALSO INTERVIEWED OVER 50 HOSPITAL AND COMMUNITY BASED HEALTH SERVICE PROVIDERS AND OTHER KEY COMMUNITY STAKEHOLDERS THE PURPOSES OF THE INTERVIEWS WERE TO REFINE TOPICS FOR DATA COLLECTION AND ANALYSIS AND TO SET THE STAGE FOR THE DEVELOPMENT OF A COMPREHENSIVE COMMUNITY SURVEY DURING PHASE II JSI COLLECTED DATA THROUGH THE DISTRIBUTION OF COMMUNITY SURVEYS THAT WERE SENT OUT THROUGH THE MAIL TO RANDOMLY SELECTED LOCAL COMMUNITIES TOPICS ON THE TWENTY PAGE SURVEY INCLUDED ACCESS AND BARRIERS TO CARE HEALTH BEHAVIORS AND LIFESTYLE CHRONIC DISEASE AND PREVENTION SELFREPORTED HEALTH STATUS DISABILITIES AND CARE GIVING ELDER HEALTH AND PERCEIVED CONCERNS AND COMMUNITY PRIORITIES OUT OF THE 2300 SURVEYS SENT OUT 1179 WERE RECEIVED BACK KEY FINDINGS FROM THE ASSESSMENT SHOWED THAT THE NORTH SHORE AND CAPE ANN REGION OF MASSACHUSETTS ARE HEALTHIER AND HAVE BETTER ACCESS TO HEALTHCARE THAN THOSE LIVING IN ESSEX COUNTY COMMONWEALTH OF MA AND THE NATION THERE WERE DISPARITIES IN ACCESS TO HEALTH THOUGH PARTICULARLY OLDER ADULTS AND THOSE IN LOWER INCOME BRACKETS KEY FINDINGS FROM THE SECONDARY DATA REVIEW AND SURVEYS FELL INTO SEVEN CATEGORIES INCLUDING ACCESS TO CARE CHRONIC DISEASE HEALTH RISK FACTORS MENTAL HEALTH SUBSTANCE ABUSE ORAL HEALTH AND MATERNAL AND CHILD HEALTH SEE ATTACHED COMMUNITY HEALTH NEEDS ASSESSMENT REPORT FOR FURTHER INFORMATION ON THESE FINDINGS LHS AND THE STAFF AT NHC ARE COMMITTED TO DEVELOPING HOSPITAL SERVICES AND OTHER COMMUNITY BASED PROGRAMS THAT ARE ALTERED TO MEET THE NEEDS OF THE COMMUNITIES THEY SERVE THE HOSPITALS WORK COLLABORATIVELY WITH COMMUNITY PARTNERS TO DEVELOP PROGRAMS AND SERVICES THAT PROVIDE HEALTH EDUCATION EXPANDING ACCESS TO CARE ELIMINATING BARRIERS TO CARE AND IMPROVING OVERALL HEALTH STATUS
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI	3 PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE THE HOSPITAL PROVIDES PATIENTS WITH INFORMATION ABOUT THE AVAILABILITY OF FINANCIAL ASSISTANCE PROGRAMS THAT ARE AVAILABLE THROUGH THE STATE OF MASSACHUSETTS OR THROUGH THE HOSPITALS OWN FINANCIAL ASSISTANCE PROGRAM WHICH MAY COVER ALL OR SOME OF THEIR UNPAID BILL FOR EVERY PATIENT THAT REQUIRES ANY KIND OF FINANCIAL ASSISTANCE THE HOSPITAL HAS FINANCIAL COUNSELORS AVAILABLE TO ASSIST LOWINCOME PATIENTS WHO DO NOT HAVE THE ABILITY TO PAY FOR THEIR HEALTH CARE SERVICES SUCH ASSISTANCE TAKES INTO ACCOUNT EACH INDIVIDUALS ABILITY TO CONTRIBUTE TO THE COST OF HIS OR HER CARE FINANCIAL ASSISTANCE PROGRAMS INCLUDE BUT ARE NOT LIMITED TO MASSHEALTH COMMONWEALTH CARE CHILDRENS MEDICAL SECURITY PLAN HEALTHY START AND HEALTHY SAFETY NET EACH PATIENT REQUIRING ASSISTANCE COMPLETES AN APPLICATION THROUGH THE VIRTUAL GATEWAY AN INTERNET PORTAL DESIGNED BY THE MASSACHUSETTS EXECUTIVE OFFICE OF HEALTH HUMAN SERVICES TO PROVIDE THE GENERAL PUBLIC MEDICAL PROVIDERS AND COMMUNITY BASED ORGANIZATIONS WITH AN ONLINE APPLICATION FOR THE PROGRAMS OFFERED BY THE STATE OR THROUGH A STANDARD PAPER APPLICATION THAT ALSO GETS SENT TO THE MASSACHUSETTS EXECUTIVE OFFICE THIS OFFICE SOLELY MANAGES THE APPLICATION PROCESS FOR THE PROGRAMS LISTED ABOVE THE HOSPITAL ALSO INFORMS AND EDUCATES PATIENTS ABOUT STATE AND FEDERAL INSURANCE ASSISTANCE PROGRAMS BY MAKING THIS INFORMATION AVAILABLE ON PATIENT HOSPITAL BILLS ON NOTICES POSTED AT EVERY REGISTRATION SITE IN BROCHURES AT REGISTRATION DESKS AND WAITING ROOMS VIA PHONE PATIENT PHONE CALLS THROUGH COMMUNITY EVENTS AND HEALTH FAIRS AND BY ESTABLISHING RELATIONSHIPS WITH COMMUNITY AGENCIES SUCH AS SENIOR CITIZEN CENTERS SHELTERS FOOD PANTRIES BOARD OF HEALTH AND SCHOOL NURSES

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI	4 COMMUNITY INFORMATION THE HOSPITAL SERVES THE NORTH SHORE COMMUNITY IN MASSACHUSETTS WHICH HAS A POPULATION OF APPROXIMATELY 300000 THIS AREA INCLUDES BEVERLY DANVERS PEABODY SAUGUS LYNN MARBLEHEAD SALEM HAMILTON IPSWICH ESSEX MANCHESTER GLOUCESTER AND ROCKPORT BUT ANYONE WHO COMES TO ONE OF THE FACILITIES AND REQUIRES CARE WILL RECEIVE IT REGARDLESS OF WHETHER THEY LIVE IN THIS COMMUNITY EIGHTY PERCENT OF THE COMMUNITY IS WHITE 813 HAVE ENGLISH HAS A FIRST LANGUAGE AND 90 HAVE GRADUATED FROM HIGH SCHOOL AS REPORTED IN OUR PUBLIC HEALTH ASSESSMENT REPORT 87 OF THE ADULTS IN THE HOSPITALS SERVICE AREA HAVE A PERSONAL HEALTH CARE PROVIDER AND 80 HAVE HEALTH INSURANCE
HEALTH OF COMMUNITY IN RELATION TO EXEMPT PURPOSE	PART VI	5 PROMOTION OF COMMUNITY HEALTH IN ADDITION TO THE HOSPITALS COMMUNITY BENEFITS PROGRAMS INITIATIVES AND ACTIVITIES AS NOTED THROUGHOUT SCHEDULE H NHC HAS FURTHER PROMOTED THE HEALTH OF THE COMMUNITY BY ENCOURAGING ITS MANAGERS AND STAFF TO ACTIVELY PARTICIPATE IN OTHER NOTFORPROFIT COMMUNITY ORGANIZATIONS EITHER AS BOARD MEMBERS OR SUPPORTERS THE HOSPITAL RESPONSIBLY MANAGES FACILITY UPDATES AND TECHNOLOGICAL IMPROVEMENT THAT ENABLES NHC TO PROVIDE THE NORTH SHORE WITH CONVENIENT SAFE AND EFFECTIVE HEALTHCARE THE HOSPITAL HAS A COMMUNITY BOARD WITH MEMBERS FROM THE NORTH SHORE AND SURROUNDING AREAS AS WELL AS AN OPEN MEDICAL STAFF WHICH ALLOWS PHYSICIANS TO APPLY AND RECEIVE HOSPITAL PRIVILEGES THE BOARD OF TRUSTEES REVIEWS AND APPROVES THE HOSPITALS ANNUAL BUDGET AND DETERMINES ESTIMATED SURPLUS FUNDS TO BE INVESTED BACK IN THE COMMUNITY TOWARDS COMMUNITY NEEDS ASSESSMENTS HOSPITAL PROGRAMS HEALTH INITIATIVES ETC NORTHEAST HOSPITAL CORPORATION HAS SEVERAL COMMUNITY BENEFIT SERVICES THAT PROMOTE THE HEALTH OF THE COMMUNITIES THE ORGANIZATION SERVES THESE INCLUDE HEALTH SCREENINGS CLINICS AND SEMINARS DEVELOPED FOR BREAST CANCER SKIN CANCER DEPRESSION DIABETES BONE DENSITY BLOOD PRESSURE FLU AND CPR IN ADDITION RISK ASSESSMENTS ARE DEVELOPED FOR CARDIOVASCULAR OSTEOPOROSIS DIABETES BODY MASS INDEX AND BREAST CANCER A NUMBER OF DISEASE MANAGEMENT INITIATIVES HAVE BEEN INSTITUTED INCLUDING CARDIAC REHABILITATION HEART FAILURE MANAGEMENT PULMONARY REHABILITATION OSTEOPOROSIS MANAGEMENT VASCULAR HEALTH AND WOMENS HEALTH SCREENINGS THE HOSPITAL ALSO HOLDS FREE SUPPORT GROUPS TO THE COMMUNITY FOR RESIDENTS WITH BREAST CANCER MELANOMA PROSTATE CANCER ALZHEIMERS EARLY STATE OF MEMORY LOSS POSTPARTUM DEPRESSION EPILEPSY DIABETES OR HAVE EXPERIENCED A STROKE INFANT LOSS AND LOSS OF A FAMILY MEMBER IN 2003 NHC CREATED THE LIFESTYLE MANAGEMENT INSTITUTE LMI THE LMI PROVIDES PROGRAMS AND EDUCATION ON HOW TO LIVE A HEALTHY LIFESTYLE AND PROACTIVELY IDENTIFIES POPULATIONS WITH OR AT RISK OF ESTABLISHED MEDICAL CONDITIONS THE LMI OFFERS A FULL RANGE OF SERVICES TO THE COMMUNITY INCLUDING RISK ASSESSMENT PREVENTION EDUCATION DIAGNOSTIC TESTING COORDINATED MEDICAL TREATMENT AND CONTINUOUS MONITORING EFFECTIVE DISEASE MANAGEMENT USING APPROPRIATE MEDICAL PROTOCOLS REDUCES THE NUMBER OF HOSPITAL ADMISSIONS AND EMERGENCY ROOM VISITS SHORTENS THE LENGTH OF HOSPITAL STAYS AND IMPROVES THE OVERALL HEALTH AND QUALITY OF LIFE FOR PEOPLE WITH CHRONIC ILLNESS

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE INFORMATION	PART VI	6 AFFILIATED HEALTH CARE SYSTEM NORTHEAST HEALTH SYSTEM INC NHS IS AN INTEGRATED HEALTHCARE SYSTEM COMPRISED OF A NETWORK OF HOSPITALS BEHAVIORAL HEALTH LONGTERM CARE AND HUMAN SERVICE AFFILIATES OFFERING NORTH SHORE RESIDENTS GENERAL AND SPECIALIZED MEDICAL CARE NHS HAS A COMMITMENT TO BOTH PATIENTS AND THEIR FAMILIES TO PROVIDE HIGHQUALITY CARE IN A COMFORTING SETTING THE ORGANIZATIONS THAT MAKE UP THIS NETWORK INCLUDE NHC ORGANIZED FOR THE PURPOSE OF OPERATING A HOSPITAL NORTHEAST MEDICAL PRACTICE ORGANIZED TO MANAGE AND OPERATE ACCESSIBLE PHYSICIAN PRACTICES SEACOAST NURSING AND REHABILITATION CENTER ORGANIZED FOR PURPOSE OF OPERATING A NURSING HOME NORTHEAST SENIOR HEALTH CORPORATION ORGANIZED FOR THE PURPOSE OF PROVIDING ELDERLY AND ASSISTED LIVING HOUSING NORTHEAST BEHAVIORAL HEALTH ORGANIZED TO PROVIDE OUTPATIENT SERVICES CROSSCULTURAL PROGRAMS COMMUNITY SUPPORT SERVICES YOUTH RESIDENTIAL SERVICES SUBSTANCE ABUSE SERVICES PREVENTION SERVICES TRAUMA SERVICES EARLY CHILDHOOD SERVICES AND MEDICAL SERVICES IN THE GREATER NORTHSHORE AND CAB HEALTH RECOVERY ORGANIZED FOR THE PURPOSE OF PROVIDING TREATMENT FOR SUBSTANCE ABUSE THROUGH THIS CONTINUUM OF SERVICES NHS PROVIDES FOR A WIDE RANGE OF THE HEALTH NEEDS OF THE RESIDENTS OF THE NORTH SHORE IN A COORDINATED EFFICIENT AND COMPREHENSIVE MANNER LAHEY HEALTH SYSTEM INC PARENT WAS ORGANIZED IN ANTICIPATION OF THE AFFILIATION OF LAHEY CLINIC FOUNDATION INC FOUNDATION AND NORTHEAST HEALTH SYSTEM INC NHS THE TAXEXEMPT PARENT ENTITIES OF TWO PREVIOUSLY UNRELATED TAXEXEMPT HEALTH CARE SYSTEMS AS OF MAY 1 2012 PURSUANT TO THE AFFILIATION THE PARENT IS THE SOLE CORPORATE MEMBER OF THE FOUNDATION AND NHS THE PARENT WAS FORMED TO ACT AS THE PARENT ORGANIZATION OF AN INTEGRATED HEALTH CARE SYSTEM NHS IS THE SOLE MEMBER OF NORTHEAST HOSPITAL CORPORATION NHC AND FUNCTIONS AS THE PARENT HOLDING COMPANY FOR NORTHEAST HOSPITAL CORPORATION AND OTHER AFFILIATED ORGANIZATIONS SEE SCHEDULE R FOR FULL LIST OF AFFILIATIESRELATED ORGANIZATIONS
LIST OF STATES WHERE COMMUNITY BENEFIT REPORT IS FILED	PART VI	MASSACHUSETTS

Identifier	ReturnReference	Explanation
NORTHEAST HOSPITAL CORPORATION LINE NUMBER 1 PART V LINE 3	PART V LINE 3	SEE PART VI 2
NORTHEAST HOSPITAL CORPORATION LINE NUMBER 1 PART V LINE 4	PART V LINE 4	ADDISON GILBERT BEVERLY HOSPITAL AT DANVERS

Identifier	ReturnReference	Explanation
NORTHEAST HOSPITAL CORPORATION LINE NUMBER 1 PART V LINE 12H	PART V LINE 12H	PART V 10 SEE PART I LINE 3C FOR HOW THE HOSPITAL DETERMINED ELIGIBILITY FOR DISCOUNTED CARE
NORTHEAST HOSPITAL CORPORATION LINE NUMBER 1 PART V LINE 14G	PART V LINE 14G	THE HOSPITAL HAS FINANCIAL COUNSELORS AVAILABLE FOR ANY PATIENT WHO REQUIRES HELP FILING FOR FINANCIAL ASSISTANCE THE COUNSELORS PERFORM FINANCIAL SCREENING AND HELP PATIENTS WITH MASSHEALTH COMMONWEALTH CARE HEALTH SAFETY NET MEDICAL HARDSHIP DISABILITY AND LONG TERM CARE APPLICATIONS THE HOSPITAL IS ALSO INVOLVED WITH COMMUNITY LIASON OUTREACH ACTIVITIES IN ADDITION TO HELPING PATIENTS WHO ARE ADMITTED TO THE HOSPITAL FINANCIAL COUNSELORS HELP SCREEN AND ENROLL PATIENTS IN THE COMMUNITY WHEN THEY ARE REFERRED TO THE HOSPITAL AGENCIES THE HOSPITAL HAS ESTABLISHED RELATIONSHIPS WITH INCLUDE COUNCILS ON AGING SHINE SERVING HEALTH INSURANCE NEEDS OF ELDERS CHEC COMMUNITY HEALTH EDUCATION CENTER PUBLIC SCHOOLS HOMELESS SHELTERS FOOD PANTRIES BOARD OF HEALTH IN GLOUCESTER AND BEVERLY POLICE DEPT IN GLOUCESTER AND BEVERLY AND LOCAL PHYSICIAN OFFICES

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization
NORTHEAST HOSPITAL CORPORATION

Employer identification number
04-2121317

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code 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
(1) STERLING CENTER YMCA 254 ESSEX ST BEVERLY,MA 01915	04-2104913		10,000				CHRONIC DISEASE MGMT
(2) EXPRESS YOURSELF 6 ELLIS ST PEABODY,MA 01960	04-3294365		10,000				BEHAVIORAL HEALTH
(3) BEVERLY PUBLIC SCHOOL DISTRICT 502 CABOT ST BEVERLY,MA 01915	04-6001379		10,000				BEHAVIORAL HEALTH
(4) THE GRACE CENTER 60 MIDDLE ST GLOUCESTER,MA 01930	45-2987540		10,000				SUBSTANCE ABUSE

2

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

3

Enter total number of other organizations listed in the line 1 table

Part III

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

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) E TORREY JOHNSON SCHLSHP	9	7,030			
(2) MEDICAL STAFF SCHOLARSHIP	2	4,000			

Part IV

Supplemental Information.

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

Identifier	Return Reference	Explanation
PROCEDURES FOR MONITORING THE USE OF GRANT FUNDS INSIDE THE UNITED STATES	SCHEDULE I, PAGE 1, PART I, LINE 2	GRANTS TO INDIVIDUALS INSIDE THE US THE ELIZABETH TORREY JOHNSON SCHOLARSHIP FUND IS MAINTAINED BY THE FRIENDS OF BEVERLY HOSPITAL (A GROUP WHO CREATES AND SUPPORTS PROGRAMS AND ACTIVITIES THAT ENRICH BEVERLY HOSPITAL) THE FUND WAS ESTABLISHED IN 1964 AND SINCE THEN HAS PROVIDED ANNUAL SCHOLARSHIPS TO NUMEROUS APPLICANTS ALL ELIGIBLE APPLICANTS MUST SUBMIT AN APPLICATION THAT INCLUDES THE COST OF TUITION, ROOM & BOARD, FEES AND ALL AVAILABLE FINANCIAL RESOURCES THEY HAVE BEEN AWARDED RECIPIENTS ARE HIGH SCHOOL STUDENTS WHO HAVE VOLUNTEERED A MINIMUM OF 100 HOURS AT THE HOSPITAL AND PLAN TO HAVE CAREERS IN HEALTH CARE CONFIRMATION OF ENROLLMENT IN COLLEGE IS REQUIRED THE MEDICAL STAFF SCHOLARSHIPS AWARDS 2,000 TO SEVERAL STUDENTS IN THE HOSPITAL'S PRIMARY CARE SERVICE AREA AFTER STUDENTS APPLY FOR THE SCHOLARSHIPS THEIR APPLICATIONS ARE REVIEWED AND THE RECIPIENTS ARE CHOSEN BY A COMMITTEE OF THE MEDICAL STAFF GRANTS TO ORGANIZATIONS INSIDE THE US NHC REQUESTS APPLICATIONS FOR FUNDING THAT RELATES TO THE MAIN FOCUSES OF THE COMMUNITY HEALTH NEEDS ASSESSMENT, WHICH INCLUDES MENTAL AND BEHAVIORAL HEALTH, CHRONIC DISEASE MANAGEMENT AND ACCESS TO HEALTHCARE SERVICES GRANT REQUESTS MAY BE SUBMITTED FOR UP TO 10,000 PER ORGANIZATION IN ANY ONE CATEGORY PROGRAMS OR SERVICES UNDER THE GRANT INITIATIVE MUST BE DELIVERED WITHIN THE NHC PRIMARY SERVICE AREA ELIGIBLE APPLICANTS INCLUDE LOCAL COALITIONS OR COLLABORATIVE EFFORTS THAT ARE INTERESTED IN IMPROVING COMMUNITY HEALTH ALL APPLICANTS MUST HAVE AN APPROPRIATE FISCAL AGENT SUCH AS A 501 (C)(3) OR MUNICIPALITY AN OBJECTIVE GRANT REVIEW TEAM WILL REVIEW AND SCORE ALL PROPOSALS AND MAKE FINAL FUNDING DECISIONS ANY APPLICATION THAT DOES NOT MEET THE TIMELINE MAY NOT BE REVIEWED AND/OR MAY RECEIVE A LOWER TOTAL SCORE REVIEWERS WILL BE SCREENED OUT FOR ANY POTENTIAL CONFLICT OF INTEREST IN THE FUNDING DECISION

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
NORTHEAST HOSPITAL CORPORATION

Employer identification number
04-2121317

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 idemnification 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)		
1b If any of the boxes in 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 officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?		
3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III ☒ 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		
4a Receive a severance payment or change-of-control payment?	Yes	
4b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
4c Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		No
Only 501(c)(3) and 501(c)(4) organizations only 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		
5a The organization?		No
5b Any related organization? If "Yes," to line 5a or 5b, describe in Part III		No
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		
6a The organization?		No
6b Any related organization? If "Yes," to line 6a or 6b, describe in Part III		No
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	Yes	
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		No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?		

Part II

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
SEVERANCE, NONQUALIFIED, AND EQUITY-BASED PAYMENTS	SCHEDULE J, PAGE 1, PART I, LINE 4	TIMOTHY O'CONNOR 0 117,000 0 GARY MARLOW 0 16,501 0 CYNTHIA DONALDSON 0 18,017 0 PAUL O'SHEA 231,784 0 0 KENNETH HANOVER 734,000 0 0 WILLIAM DONALDSON 50,412 34,000 0
NON-FIXED PAYMENTS PROVIDED	SCHEDULE J, PAGE 1, PART I, LINE 7	THE NON-FIXED PAYMENT BONUSES REPORTED IN SCHEDULE J, PART II, COLUMN (B)(II) ARE DETERMINED BY AN INDEPENDENT COMPENSATION COMMITTEE, WHICH INCLUDES A GROUP OF TRUSTEES. IN A SUBJECTIVE MANNER, THE COMMITTEE TAKES INTO ACCOUNT THE ACHIEVEMENTS OF BOTH THE ORGANIZATION AND THE INDIVIDUAL TO DETERMINE THE APPROPRIATE AMOUNT OF SUCH BONUSES, WHICH INCLUDE, BUT ARE NOT LIMITED TO, THE ORGANIZATION MEETING ITS CORPORATE GOALS, (INCLUDING NET INCOME) AND QUALITY MEASURES, (SUCH AS PATIENT SATISFACTION AND QUALITY OF CARE).
OTHER ADDITIONAL INFORMATION	SCHEDULE J, PART III	SCHEDULE J, PART II THE HOSPITAL AND ITS RELATED ORGANIZATIONS DO NOT COMPENSATE ANY TRUSTEE IN THEIR CAPACITY AS TRUSTEE. ALL COMPENSATION PAID IS FOR WORK PERFORMED IN THEIR CAPACITY OTHER THAN TRUSTEE, WHICH IS LISTED ON FORM 990, PART VII, DIRECTLY FOLLOWING THE TITLE OF THE TRUSTEE. SCHEDULE J, LINE 4, NON-QUALIFIED DEFERRED COMPENSATION PLAN THE HOSPITAL MAINTAINS A 457B NONQUALIFIED DEFERRED COMPENSATION PLAN FOR CERTAIN EXECUTIVE MANAGEMENT EMPLOYEES. EMPLOYEES CONTRIBUTE A PORTION OF THEIR SALARIES (THROUGH PAYROLL DEDUCTION) TO THE PLAN. THERE ARE NO EMPLOYER CONTRIBUTIONS TO THIS PLAN. LAHEY CLINIC FOUNDATION (RELATED ORGANIZATION) MAINTAINS A 457F NONQUALIFIED DEFERRED COMPENSAION PLAN FOR CERTAIN PHYSICIANS, EXECUTIVE MANAGEMENT AND DEFINED MEDICAL STAFF. THE PLAN OFFERS PARTICIPATING EMPLOYEES AN ANNUAL DEFERRAL OF COMPENSATION IN ADDITION TO THEIR SALARIES.

Software ID:
Software Version:
EIN: 04-2121317
Name: NORTHEAST HOSPITAL CORPORATION

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
HOWARD R GRANT JD MD	(i) (ii)	1,020,410	360,750	22,896	239,397	29,493	1,672,946	
TIMOTHY O'CONNOR	(i) (ii)	700,450	87,750	22,758	117,000	24,710	952,668	
DENIS CONROY	(i) (ii)	384,176	62,728	6,698	10,000	22,473	486,075	
GARY MARLOW	(i) (ii)	269,644	17,296		10,000	23,239	320,179	
DAVID SPACKMAN JD	(i) (ii)	226,808		8,024	25,202	10,850	270,884	
PAULINE PIKE	(i) (ii)	359,716	55,000		10,000	12,903	437,619	
PETER SHORT	(i) (ii)	327,053	25,481	5,704	10,000	20,196	388,434	
GREGORY BIRD	(i) (ii)	292,299	32,804		10,000	33,912	369,015	
JOHANNA RODGERS	(i) (ii)	226,075	25,373		10,000	30,584	292,032	
ALTHEA LYONS	(i) (ii)	218,037	24,757		10,000	35,714	288,508	
JOSEPH PORCELLO	(i) (ii)	171,769	25,000	8,604	33,555	36,160	275,088	
CYNTHIA DONALDSON	(i) (ii)	181,470	19,096		8,114	11,625	220,305	
PAUL O'SHEA	(i) (ii)	25,522	20,000	399,776	8,729	30,957	484,984	
BARRY GINSBERG	(i) (ii)	304,264			10,000	36,312	350,576	
STEVEN GILLESPIE	(i) (ii)	297,264			10,000	32,509	339,773	
PAUL PECK	(i) (ii)	231,117	20,699		10,000	22,594	284,410	
LISA NEVELING	(i) (ii)	181,349	15,600	10,096	7,711	38,377	253,133	
KENNETH HANOVER	(i) (ii)	681,235	135,000	932,631	10,000	37,812	1,796,678	
WILLIAM DONALDSON	(i) (ii)	206,153	30,000	93,472	66,801	23,301	419,727	

Schedule K (Form 990)	Supplemental Information on Tax Exempt Bonds ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI. ▶ Attach to Form 990. ▶ See separate instructions.	OMB No 1545-0047
		2012
		Open to Public Inspection

Department of the Treasury Internal Revenue Service	Name of the organization NORTHEAST HOSPITAL CORPORATION	Employer identification number 04-2121317
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Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	MASS DEV FIN AGENCY SERIES H	04-3431814	57586EC41	11-30-2012	23,000,000	CONSTR AMBUL FAC		X		X		X
B	MASS HLTH & EDU FAC'S AUTH SERIES G	04-2456011	57586CDV4	10-27-2004	55,000,000	CONS/RENO BH ER/GAR		X		X		X
C	MASS HLTH & EDU FAC'S AUTH SRS M-2	04-2456011	57585KA57	05-30-2003	13,410,000	RENOV BH ENDO , PACU		X		X	X	
D	MASS DEV FIN AGENCY SERIES J	04-3431814	57586EC41	11-30-2012	15,065,000	REFIN SERIES F-2,F-3		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired		9,200,000		9,200,000		2,374,450		
2	Amount of bonds legally defeased								
3	Total proceeds of issue		23,987,136		56,994,032		13,591,143		15,065,000
4	Gross proceeds in reserve funds		3,990,244		3,990,244		97,184		
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows		22,852,308		9,375,639				14,808,680
7	Issuance costs from proceeds		147,692		814,592		67,050		256,320
8	Credit enhancement from proceeds		2,375,606		2,375,606				
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds		38,370,020		38,370,020		12,001,950		
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion		2007		2007		2004		2012
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X		X			X	X	
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III

Private Business Use

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

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		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		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		X		X	
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		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?		X		X		X		X
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		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?		X		X		X		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X		X		X
b	Exception to rebate?		X		X		X		X
c	No rebate due?	X		X		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		X			X
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X		X			X		X
b	Name of provider	BANK OF AMERICA		MERRILL LYNCH					
c	Term of hedge	30 0		29 8					
d	Was the hedge superintegrated?		X		X				
e	Was a hedge terminated?		X		X				

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

Identifier	Return Reference	Explanation
See Additional Data Table		

Software ID:

Software Version:

EIN: 04-2121317

Name: NORTHEAST HOSPITAL CORPORATION

Form 990 Schedule K, Part VI - Supplemental Information

Identifier	Return Reference	Explanation
DATE REBATE COMPUTATION PERFORMED	SCHEDULE K	MASS DEV FIN AGENCY SERIES H 091613 MASS HLTH EDU FACS AUTH SERIES G 121713 MASS HLTH EDU FACS AUTH SRS M2 MASS DEV FIN AGENCY SERIES J 021814

Form 990 Schedule K, Part VI - Supplemental Information

Identifier	Return Reference	Explanation
ADDITIONAL INFORMATION	SCHEDULE K	MASS HLTH EDU FACS AUTH SRS M2 SERIES M2 REBATE COMPUTATIONS ARE DONE AT THE POOL LEVEL AN NUALLY

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 to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization NORTHEAST HOSPITAL CORPORATION	Employer identification number 04-2121317
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Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION	FORM 990 - ORGANIZATION'S MISSION	PART I, LINE 1 & PART III, LINE 1 COMMITTED TO PROVIDING THE HIGHEST QUALITY MEDICAL CARE TO ALL INDIVIDUALS WHO CAN BENEFIT FROM OUR CONTINUUM OF CARE. OUR CONCEPT OF CARE BROADLY EMBRACES THE HEALTH, WELL-BEING AND DIGNITY OF THE PATIENTS WE SERVE, REGARDLESS OF ABILITY TO PAY

Identifier	Return Reference	Explanation
EXPLANATION ON VOLUNTEERS AND TYPES OF SERVICES OR BENEFITS	FORM 990, PAGE 1, PART I, LINE 6	VOLUNTEERS SUPPORT THE SERVICES OF THE HOSPITAL'S STAFF. THEY ARE TRAINED AND SUPERVISED BY EMPLOYEES OF THE DEPARTMENT TO WHICH THEY ARE ASSIGNED. INDIVIDUAL VOLUNTEER SCHEDULES MAY VARY DEPENDING ON DEPARTMENT NEEDS AND MAY INCLUDE EVENING AND WEEKEND HOURS. VOLUNTEERS RECEIVE TRAINING SPECIFIC TO THEIR DUTIES PRIOR TO PERFORMING THEIR JOB AND ARE OFTEN PAIRED WITH A VETERAN VOLUNTEER OR STAFF MEMBER UNTIL THEY ARE COMFORTABLE WORKING ON THEIR OWN. VOLUNTEERS ATTEND HOSPITAL ORIENTATION TO LEARN SAFETY, INFECTION CONTROL, AND PATIENT CONFIDENTIALITY INCLUDING HIPAA REQUIREMENTS PRIOR TO BEING PLACED. THEY ARE ALSO GIVEN HEALTH SCREENINGS AND RECEIVE YEARLY SAFETY UPDATES.

Identifier	Return Reference	Explanation
FINANCIAL ACCOUNTS IN FOREIGN COUNTRIES	FORM 990, PART V, LINE 4B	BERMUDA, CAYMAN ISLANDS, BRITISH VIRGIN ISLANDS

Identifier	Return Reference	Explanation
RELATED PARTY INFORMATION AMONG OFFICERS	FORM 990, PAGE 6, PART VI, LINE 2	DAVID SPACKMAN NHC/NMP/NHS/PRN/NSH/SCST/NPC SECR/CLERK OFFICER FOR ALL CORPORATIONS TIM O'CONNOR NHC/NMP/NHS/PRN/NSH/SCST/NPC TRSR/DIR OFFICER FOR ALL CORPORATIONS HOWARD GRANT NHC/NMP/NHS/NSH/SCST/NPC PRESIDENT OFFICER FOR ALL CORPORATIONS MARY ELLEN LEAR NHC/NMP/NHS/NSH/SCST/NPC ASST CLERK OFFICER FOR ALL CORPORATIONS GARY MARLOW NHC/NHS/NSH/SCST/NPC ASST TRSR OFFICER FOR ALL CORPORATIONS STEVEN DEFOSSEZ, MD AUGUSTINE O'KEEFE, MD TRUSTEE TRUSTEE BOTH MD'S FOR BEVERLY RAD ASC

Identifier	Return Reference	Explanation
SIGNIFICANT CHANGES TO ORGANIZATIONAL DOCUMENTS	FORM 990, PAGE 6, PART VI, LINE 4	NORTHEAST HOSPITAL CORPORATION'S BY-LAWS WERE AMENDED AND RESTATED ON MARCH 29, 2013

Identifier	Return Reference	Explanation
CLASSES OF MEMBERS OR STOCKHOLDERS	FORM 990, PAGE 6, PART VI, LINE 6	EFFECTIVE MAY 1, 2012, LAHEY CLINIC FOUNDATION, INC AND NORTHEAST HEALTH SYSTEM, INC COMPLETED AN AFFILIATION WITH EACH OTHER AND ESTABLISHED A NEW ORGANIZATION, LAHEY HEALTH SYSTEM, INC ("LHS"), TO SERVE AS THE PARENT OF THE COMBINED HEALTH SYSTEM LHS IS NOW THE SOLE CORPORATE MEMBER OF LAHEY CLINIC FOUNDATION, INC AND NORTHEAST HEALTH SYSTEM, INC THE SOLE CORPORATE MEMBER OF THE REPORTING ORGANIZATION IS NORTHEAST HEALTH SYSTEM, INC THE REPORTING ORGANIZATION'S MEMBER HAS, WITH RESPECT TO THE REPORTING ORGANIZATION, THE RIGHT TO EXERCISE ALL POWERS CONFERRED ON MEMBERS OF NON-PROFIT CORPORATIONS UNDER MASSACHUSETTS GENERAL LAWS CHAPTER 180, INCLUDING, WITHOUT LIMITATION, POWERS WITH THE RESPECT TO THE FOLLOWING (A) APPOINTMENT AND REMOVAL OF MEMBERS OF THE BOARD OF TRUSTEES (SUBJECT TO CERTAIN TRANSITION RULES IN PLACE THROUGH MAY 1, 2016), (B) AMENDMENT OF THE ARTICLES OF ORGANIZATION, (C) AMENDMENTS OF THE BY-LAWS, (D) THE SALE, LEASE, EXCHANGE OR OTHER DISPOSITION OF ALL OR SUBSTANTIALLY ALL OF THE CORPORATION'S ASSETS AND (E) THE MERGER OR CONSOLIDATION OF THE CORPORATION WITH ANOTHER CORPORATION ADDITIONAL, THE RIGHT OF THE REPORTING ORGANIZATION'S MEMBER, NORTHEAST HEALTH SYSTEM, INC , TO EXERCISE ITS AUTHORITY AS A MEMBER OF THE REPORTING ORGANIZATION IS SUBJECT TO THE APPROVAL OF LCF/NHS'S CORPORATE MEMBER, LHS, WHICH MAY ALSO EXERCISE SUCH POWERS DIRECTLY

Identifier	Return Reference	Explanation
ELECTION OF MEMBERS AND THEIR RIGHTS	FORM 990, PAGE 6, PART VI, LINE 7A	SEE LINE 6

Identifier	Return Reference	Explanation
DECISIONS SUBJECT TO APPROVAL OF MEMBERS	FORM 990, PAGE 6, PART VI, LINE 7B	SEE LINE 6

Identifier	Return Reference	Explanation
ORGANIZATION'S PROCESS USED TO REVIEW FORM 990	FORM 990, PAGE 6, PART VI, LINE 11B	THE HOSPITAL'S MANAGEMENT PREPARED THE IRS FORM 990 AND WAS REVIEWED BY INDEPENDENT TAX CONSULTANTS (THE CONSULTANTS DID NOT SIGN AS PAID PREPARER) THE FINAL FORM 990 WAS PROVIDED TO THE ENTIRE BOARD OF TRUSTEES BEFORE THE FILING DATE VIA A SECURE WEBSITE. LHS'S EXECUTIVE MANAGEMENT REVIEWED AND PRESENTED THE FINAL DRAFT OF FORM 990 TO THE AUDIT AND COMPLIANCE COMMITTEE OF THE LAHEY HEALTH SYSTEM, INC BOARD OF TRUSTEES PRIOR TO THE FILING DATE.

Identifier	Return Reference	Explanation
ENFORCEMENT OF CONFLICTS POLICY	FORM 990, PAGE 6, PART VI, LINE 12C	EACH YEAR THE MEMBERS OF THE BOARD ARE PROVIDED WITH A COPY OF THE CONFLICT OF INTEREST POLICY AND ASKED TO LIST ANY POTENTIAL CONFLICTS THIS SIGNED FORM IS KEPT ON FILE WITH THE CORPORATE RECORDS AND THE CHAIR AND CEO ARE MADE AWARE OF ANY POTENTIAL CONFLICTS IF ANY CONFLICTS EXIST, THE TRUSTEE IS EXCUSED FROM THE DISCUSSIONS AND THE VOTE

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR TOP OFFICIAL	FORM 990, PAGE 6, PART VI, LINE 15A	THE COMPENSATION COMMITTEE, COMPRISED OF INDEPENDENT TRUSTEES, MEETS ANNUALLY TO REVIEW EXECUTIVE GOALS, SALARIES, INCENTIVES, PAYMENT PROGRAMS AND BENEFITS FOR THE CEO AND EXECUTIVE MANAGEMENT THE COMMITTEE USES COMPARATIVE DATA FROM SULLIVAN & COTTER & LAWRENCE ASSOCIATES (EXTERNAL COMPENSATION CONSULTANTS) TO ENSURE EXECUTIVE COMPENSATION AND BENEFITS ARE IN LINE WITH THE REST OF THE INDUSTRY OUTSIDE LEGAL COUNSEL ADVISES THE COMMITTEE AND RECORDS MINUTES FROM THE MEETINGS THE HOSPITAL'S VP OF HUMAN RESOURCES PROVIDES THE COMMITTEE WITH ANY REQUESTED INFORMATION

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR OFFICERS	FORM 990, PAGE 6, PART VI, LINE 15B	THE COMPENSATION COMMITTEE, COMPRISED OF INDEPENDENT TRUSTEES, MEETS ANNUALLY TO REVIEW EXECUTIVE GOALS, SALARIES, INCENTIVES, PAYMENT PROGRAMS AND BENEFITS FOR THE CEO, EXECUTIVE MANAGEMENT (KEY EMPLOYEES) THE COMMITTEE USES COMPARATIVE DATA FROM SULLIVAN & COTTER & LAWRENCE ASSOCIATES (EXTERNAL COMPENSATION CONSULTANTS) TO ENSURE EXECUTIVE COMPENSATION AND BENEFITS ARE IN LINE WITH THE REST OF THE INDUSTRY OUTSIDE LEGAL COUNSEL ADVISES THE COMMITTEE AND RECORDS MINUTES FROM THE MEETINGS THE HOSPITAL'S VP OF HUMAN RESOURCES PROVIDES THE COMMITTEE WITH ANY REQUESTED INFORMATION

Identifier	Return Reference	Explanation
GOVERNING DOCUMENTS DISCLOSURE EXPLANATION	FORM 990, PAGE 6, PART VI, LINE 19	THE ARTICLES OF ORGANIZATION IS A PUBLIC DOCUMENT FILED WITH THE SECRETARY OF STATE OF THE COMMONWEALTH OF MASSACHUSETTS THE ARTICLES OF ORGANIZATION, BY-LAWS AND CONFLICT OF INTEREST POLICY ARE AVAILABLE TO THE PUBLIC UPON REQUEST THE ORGANIZATION PUBLISHES AN ANNUAL REPORT, WHICH CONTAINS AUDITED FINANCIAL STATEMENTS AND LISTINGS OF BOARD MEMBERS THE IRS FORM 990 AND MASSACHUSETTS FORM PC ARE AVAILABLE UPON REQUEST IN ADDITION, THE ORGANIZATION PRESENTS FINANCIAL STATEMENTS TO THE PUBLIC AS AN ATTACHMENT TO ITS FORM PC

Identifier	Return Reference	Explanation
OTHER FEES FOR SERVICES	FORM 990, PART IX, LINE 11G	NONEMPLOYED HEALTHCARE WRKERS 16,514,935 0 0 SERVICE CONTRACTS 3,252,396 1,840,431 0 FOOD/CAFETERIA COSTS 2,471,627 1,398,617 0 PROFESSIONAL FEES 3,250,563 1,839,393 0 CONSULTING FEES 1,039,955 588,479 0 ALL OTHER EXPENSES 2,847,897 1,611,537 0 FUNDRAISING EXPENSES 0 0 217,308

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS EXPLANATION	FORM 990, PART XI, LINE 9	MIN PENSION & POST RETIREMENT ADJ 26,631,280 RESTR INVESTMENT GAINS 179,699 CHNG IN INT IN BENEFICIAL TRUST 179,815 OTHER 8,039

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
NORTHEAST HOSPITAL CORPORATION

Employer identification number
04-2121317

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
See Additional Data Table							

Part III

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

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

Part IV

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

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

Part V

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

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

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

j Lease of facilities, equipment, or other assets to related organization(s)

k Lease of facilities, equipment, or other assets from related organization(s)

l Performance of services or membership or fundraising solicitations for related organization(s)

m Performance of services or membership or fundraising solicitations by related organization(s)

n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

r Other transfer of cash or property to related organization(s)

s Other transfer of cash or property from related organization(s)

Yes

No

1a Yes

1b No

1c No

1d Yes

1e No

1f No

1g No

1h No

1i No

1j Yes

1k No

1l No

1m Yes

1n Yes

1o Yes

1p Yes

1q Yes

1r Yes

1s Yes

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) NORTHEAST MEDICAL PRACTICE	A	213,629	FMV

Schedule R (Form 990) 2012

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.

[illegible]

Software ID:
Software Version:
EIN: 04-2121317
Name: NORTHEAST HOSPITAL CORPORATION

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
ADDITIONAL INFORMATION	SCHEDULE R	SCHEDULE R PART IV PERPETUAL TRUSTS 7 LAHEY CLINIC FOUNDATION AND NORTHEAST HOSPITAL CORPORATION HAVE FOUR AND THREE PERPETUAL TRUSTS RESPECTIVELY THE PERPETUAL TRUSTS ARE DOMICILED IN MASSACHUSETTS AND PENNSYLVANIA SCHEDULE R PART IV REMAINDER TRUSTS 17 LAHEY CLINIC FOUNDATION HAS SEVENTEEN REMAINDER TRUSTS THE REMAINDER TRUSTS ARE DOMICILED IN MASSACHUSETTS AND NEW HAMPSHIRE SCHEDULE R PART IV POOLED INCOME FUNDS 4 LAHEY CLINIC FOUNDATION AND NORTHEAST HOSPITAL CORPORATION HAVE THREE AND ONE POOLED INCOME FUNDS RESPECTIVELY SCHEDULE R PART II PUBLIC CHARITY STATUS NORTHEAST HEALTH SYSTEM INC 11C IIIFI LAHEY HEALTH SYSTEM INC 11C IIIFI SCHEDULE R PART V LINES LS ALL ENTITIES WITHIN THE LAHEY HEALTH SYSTEM SHARE FACILITIES EQUIPMENT MAILING LISTS AND OTHER ASSETS AND PROVIDE VARIOUS CORPORATE AND OTHER SERVICES TO EACH OTHER THESE ENTITIES REIMBURSE ONE ANOTHER FOR EXPENSES INCURRED SUCH AS EMPLOYEE SALARIES MATERIALS SUPPLIES HEALTHDENTAL INSURANCE UTILITIES ETC CASH IS ALSO TRANSFERRED BETWEEN THESE CORPORATIONS FOR THESE EXPENSES

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
PERPETUAL TRUSTS (7) 41 MALL RD BURLINGTON, MA 01805	SUPPORT	MA	SEE VII	TRUST					No
REMAINDER TRUST (17) 41 MALL RD BURLINGTON, MA 01805	SUPPORT	MA	SEE VII	TRUST					No
POOLED INCOME FUNDS (4) 41 MALL RD BURLINGTON, MA 01915	SUPPORT	MA	SEE VII	TRUST					No
NORTHEAST MASSACHUSETTS INDEMNITY GOVERNORS SQ 23 LIME TREE BAY AVE CJ 98-0440187	INSURANCE	CJ	NEHS INC	C CORP					No
NORTHEAST PROPRIETARY CORP 85 HERRICK ST BEVERLY, MA 01915 04-2855191	MED SRVS	MA	NEHS INC	C CORP					No
LAHEY CLINIC INSURANCE CO LTD PO BOX HM2450 BD	INSURANCE	BD	LHS INC	C CORP					No
PERPETUAL TRUSTS (7) 41 MALL RD BURLINGTON, MA 01805	SUPPORT	MA	SEE VII	TRUST					No
REMAINDER TRUST (17) 41 MALL RD BURLINGTON, MA 01805	SUPPORT	MA	SEE VII	TRUST					No
POOLED INCOME FUNDS (4) 41 MALL RD BURLINGTON, MA 01915	SUPPORT	MA	SEE VII	TRUST					No
NORTHEAST MASSACHUSETTS INDEMNITY GOVERNORS SQ 23 LIME TREE BAY AVE CJ 98-0440187	INSURANCE	CJ	NEHS INC	C CORP					No
NORTHEAST PROPRIETARY CORP 85 HERRICK ST BEVERLY, MA 01915 04-2855191	MED SRVS	MA	NEHS INC	C CORP					No
LAHEY CLINIC INSURANCE CO LTD PO BOX HM2450 BD	INSURANCE	BD	LHS INC	C CORP					No

AMENDED AND RESTATED BY-LAWS
OF
NORTHEAST HOSPITAL CORPORATION

Revised	9/26/02
	1/13/04
	4/30/04
	1/10/06
	12/11/07
	03/26/09
	01/12/10
	3/15/11
	5/1/12
	10/1/12
	3/29/13

NORTHEAST HOSPITAL CORPORATION
RESTATED AND AMENDED BY-LAWS

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AMENDED AND RESTATED BYLAWS
OF
NORTHEAST HOSPITAL CORPORATION

SECTION 1

NAME, PURPOSES, LOCATION,
CORPORATE SEAL, FISCAL YEAR AND RULES OF CONSTRUCTION

1 1 Name and Purposes

The name and purposes of Northeast Hospital Corporation (the “Corporation”) shall be as set forth in its Articles of Organization. These Amended and Restated Bylaws (these “Bylaws”), the powers of the Corporation and Trustees and Officers, and all matters concerning the conduct and regulation of the affairs of the Corporation shall be subject to such provisions in regard thereto, if any, as are set forth in the Articles of Organization as from time to time in effect.

1 2 Location

The principal office of the Corporation in The Commonwealth of Massachusetts shall initially be located at the place set forth in the Articles of Organization. The Trustees may change the location of the principal office in The Commonwealth of Massachusetts effective upon filing a certificate with the Secretary of The Commonwealth.

1 3 Corporate Seal

The seal of the Corporation, if any, shall be in a form determined from time to time by the Board of Trustees of the Corporation (the “Board of Trustees” or “Trustees”).

1 4 Fiscal Year

The fiscal year of the Corporation shall, unless otherwise decided by Lahey Health System, Inc. (“LHS”), end on September 30 in each year.

1 5 Rules of Construction

For purposes of these Bylaws: (a) section headings are inserted only as a matter of convenience and for reference and in no way define, limit or extend the scope of any of their provisions, (b) “including” and other words or phrases of inclusion will not be construed as terms of limitation, (c) whenever the context so requires, the singular includes the plural and the plural includes the singular, and (d) the personal pronouns “he” or “she” and the possessive pronouns “his” or “hers,” as used in these Bylaws, shall

be construed to be gender neutral, referring to males or females as appropriate to the context

SECTION 2

MEMBERS

2 1 Members

The sole member of the Corporation shall be Northeast Health System, Inc (the “Member”)

2 2 Powers

The Member shall have the right to exercise all powers conferred on members of non-profit corporations under Massachusetts General Laws Chapter 180 Notwithstanding anything to the contrary herein, the powers of the Member shall be subject to, and limited by, the powers of LHS in accordance with the Member’s Bylaws and the Affiliation Agreement dated as of March 2, 2012 between the Member and Lahey Clinic Foundation, Inc (the “Affiliation Agreement”), including, without limitation, any and all Positive and Negative reserved powers set forth in the Member’s Bylaws and/or the Affiliation Agreement

Any action to be taken by the Member shall be deemed duly authorized when taken by the Board of Trustees of the Member (the “Member’s Board”) or its duly authorized representative, and, where required by the Member’s Bylaws and/or the Affiliation Agreement, with evidence of LHS’ approval Any such action by the Member may be taken without a meeting if confirmed through a duly authorized written communication by the Member’s Board or its representative filed with the Clerk of the Corporation

2 2 1 Positive Powers

Without limiting the generality of the first sentence of Section 2 2, the Member shall have the power to take the following actions, subject to the reserved powers of LHS set forth in Section 2 2 (a) appoint and remove members of the Board of Trustees in accordance with Section 3 1 of the Amended and Restated Bylaws of the Member (“Member’s Bylaws”), (b), amend the Articles of Organization or Bylaws of the Corporation, (c) cause the Corporation to enter into (i) managed care contracts, other payer agreements, exclusive contracts, agreements not-to-compete, or similar arrangements, (ii) contracts for management services with potentially significant multi-year budgetary impact, or (iii) other multi-year service contracts with potentially significant multi-year budgetary impact, (d) merge or otherwise consolidate the Corporation with another corporation, (e) dispose of all or substantially all of the property and assets of the Corporation, or dispose of any subsidiary or affiliated corporations of the Corporation, (f) create or acquire a subsidiary or affiliated corporation of the Corporation, (g) discontinue or institute a department or departments or programs which could

reasonably be anticipated to materially affect the financial status of the Corporation or its ability to continue to conduct its business, (h) to the extent legally permissible, take such actions to cause assets of the Corporation to be transferred, other than in the ordinary course of conduct of Corporation business, to the Member to advance the charitable purposes of the Member or the Corporation (subject to a decision by the Board of Trustees that such transfer of assets furthers the charitable purposes of the Corporation), (i) dissolve the Corporation to the extent permitted by law, and (j)

2 2 2 Negative Powers

Without limiting the generality of the first sentence of Section 2 2, the Member shall have the power to approve or disapprove the following actions of the Corporation, subject to the reserved powers of LHS set forth in Section 2 2 (a) approval of the Corporation's strategic, financial and operational plans and annual operating and capital budgets, (b) approval of capital expenditures beyond the approved capital budget, (c) the borrowing of money or incurrence of debt, (d) entry into managed care contracts, exclusive contracts and other multi-year material contracts, (e) entry into any partnership/affiliation arrangements or joint venture proposals, (f) the creation, acquisition or disposal of any subsidiary or affiliated corporation, (g) the addition or elimination of any departments or programs, and (h) amendments to the Bylaws

2 3 Annual Meeting

The annual meeting of the Corporation shall be held on the same day and at the same place as the annual meeting of the Member's Board, at a time to be determined by the Member

2 4 Other Meetings

In addition to the annual meeting, other meetings of the Corporation may be held at any time and at any place when called by the Chair of the Board of Trustees (the "Chair"), by the President/CEO, or by any one quarter (1/4) of the Trustees and shall be called upon written petition to the Clerk signed by the Member

2 5 Notice of Meetings

The Clerk shall give at least seven (7) days notice of meetings of the Corporation by mail to the Member and to LHS, and no other notice by publication or otherwise shall be required

SECTION 3

BOARD OF TRUSTEES

3 1 Number, Election and Term of Office

There shall be a Board of Trustees consisting, until May 1, 2016, of persons who are elected from time to time by the Board of Trustees of LHS from a slate of candidates proposed by the Board of Trustees. If LHS does not approve of any candidate on the slate proposed by the Board of Trustees, the Board of Trustees shall propose a new slate of candidates for consideration. Notwithstanding the foregoing, a majority of the Board of Trustees shall be Independent Trustees (as defined in the Member's Bylaws). A Trustee may be removed, and shall otherwise serve, as set forth in the Member's Bylaws. The President, the CEO, the Chair of the Board of Trustees of the Member, and the President of the Medical Staff shall be *ex officio* voting members, of the Board of Trustees.

The Board of Trustees may appoint one or more Honorary Trustees who (i) shall not be Trustees as the term is defined in these Bylaws, (ii) shall not be voting members of the Board of Trustees, and (iii) shall hold office until removed by a vote of the majority of Trustees then in office.

3 2 Powers and Responsibilities

The affairs of the Corporation shall be managed by the Board of Trustees which shall have and may exercise all the powers of the Corporation to the full extent provided by law, the Articles of Organization and these Bylaws, subject to the reserved powers of LHS and the Member set forth in Section 2 2.

The responsibilities of the Board of Trustees will include the following: (a) providing recommendations to the Member's Board and Board of Trustees of LHS (the "LHS Board") regarding the establishment of the Corporation's policies, the maintenance of patient care quality and the provision of clinical services and community service planning in a manner responsive to local community needs, (b) ensuring compliance with all accreditation requirements, including credentialing and other medical staff matters, (c) providing oversight for institutional planning, making recommendations for new clinical services, and participating in an annual review of the Corporation's strategic and financial plan and goals, (d) reviewing and recommending approval of operating and capital budgets as well as making recommendations with respect to capital expenditures, (e) making recommendations with respect to quality assessment and improvement programs, (f) providing oversight of risk management programs relating to patient care and safety, (g) reviewing disaster plans that deal with both internal (*e.g.*, fire) and external disasters, and (h) evaluating recruitment needs to ensure adequate medical staff capacity to continue to meet community needs.

3 3 Compensation

Trustees shall not be entitled to compensation for their services as Trustees but may receive compensation for other services performed for the Corporation subject to such Trustee's compliance with the conflict of interest procedures established by Section 10

3 4 Meetings

3 4 1 Annual Meeting

The annual meeting of the Trustees shall be held on the third Tuesday in January or a date as set forth by the Board of Trustees

3 4 2 Regular Meetings

Regular meetings of the Trustees shall be held at such places and at such times as the Trustees may determine

3 4 3 Special Meetings

Special meetings of the Trustees shall be held at any time and at any place when called by the Chair, by the President, the CEO, by five (5) or more Trustees, by the Member's Board, or by the LHS Board

3 4 4 Notice of Meetings

Notice of each meeting of the Trustees, stating the place, date and time and the purposes of the meeting, shall be given to each Trustee, to the Chair of the LHS Board, to the President and Chief Executive Officer of LHS, to the Chair of the Member's Board, and to the President and Chief Executive Officer of the Member. Notice shall be given at least seven (7) days before regular meetings and at least forty-eight (48) hours before special meetings. Notice shall be given in writing, in person or by telephone, voice mail, facsimile, email or other electronic means. Written notice by mail is effective upon deposit with the United States postal service, postage prepaid, and addressed to the Trustee's address, the Member's address, or LHS' address, as applicable, as shown in the Corporation's records. Electronic notice is effective upon transmission. Whenever notice of a meeting is required, such notice need not be given to any Trustee if a written waiver of notice, executed by him/her (or her/his attorney thereunto authorized) before or after the meeting, is filed with the records of the meeting, or to any Trustee who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him/her

3 4 5 Quorum

At any meeting of the Trustees a majority of the Trustees then in office shall constitute a quorum, provided, however, that a majority of the Independent Trustees (as such terms are defined in the Member's Bylaws) are in attendance

Any meeting may be adjourned by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice

3 4 6 Action by Vote

When a quorum is present at any meeting, a majority of the Trustees present and voting shall decide any question, including election of Officers, unless otherwise provided by law, the Articles of Organization or these Bylaws

3 4 7 Action by Writing

Any action required or permitted to be taken at any meeting of the Trustees may be taken without a meeting if all the Trustees consent to the action in writing and the written consents are filed with the records of the meetings of the Trustees. Such consents shall be treated for all purposes as a vote at a meeting.

3 4 8 Presence through Communication Equipment

Unless otherwise provided by law or the Articles of Organization, Trustees may participate in a meeting of the Board of Trustees by means of a conference telephone, videoconference or similar communications equipment, provided, however, that all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at a meeting.

SECTION 4

COMMITTEES

4 1 General Provisions

The Board of Trustees may at any time, by vote of a majority of the Trustees then in office, authorize or establish such special or *ad hoc* committees (each a “Committee” and collectively, the “Committees”) as it deems appropriate for the conduct of the affairs of the Corporation. The Board of Trustees may also abolish any Committee at any time. The general rules of governance and other requirements pertaining to Committees shall be the same as those set forth in Section 6.1 of LHS’ Bylaws. The Committees shall coordinate with committees of LHS’ Board, committees of the Member’s Board, and committees of the Board of Trustees or Board of Directors, as applicable, of any affiliate of the Corporation in carrying out their duties.

4 2 Standing Committee

The Corporation shall have a Quality Care Committee which shall also act as a Patient Care Assessment Committee, as described in more detail below.

Membership The Quality Care Committee shall be appointed by the Board of Trustees and shall consist of the President or her/his designee, the CEO or his/her designee, the President of the Medical Staff and at least one (1) Trustee of the Corporation who shall Chair the Quality Care Committee, two (2) additional Trustees selected from this Corporation or from the Member, at least three (3) actively practicing physicians on the Medical Staff, the Chief Operating Officer of the Corporation, the Chief Medical Officer of the Corporation, the Vice President for Patient Care Services of the Corporation, the Director of Performance Improvement of the Corporation, the Director of Risk Management of the Corporation, and such other persons as the Board of Trustees may appoint. The Chair of the Quality Care Committee shall serve for one (1) or more annual terms, except that no Chair shall serve for more than five (5) annual terms.

Structure of the Patient Care Assessment Program

Program Regulations There shall be a patient care assessment program (the "Program") administered by the various committees of the Corporation's hospitals and Medical Staff whose functions in the aggregate, as described in these Bylaws, the Medical Staff Bylaws and the hospitals' patient care assessment plan (the "Plan"), satisfy the requirements of the Regulations Governing the Establishment of Participation in Qualified Patient Care Assessment Programs issued by the Board of Registration in Medicine ("Program Regulations") as set forth at 243 CMR 3.00 et seq., as amended from time to time, including, without limitation, those elements of such a Program pertaining to internal audit and incident reporting described at 243 CMR 3.07, reporting of major incidents to the Board of Registration in Medicine as required by 243 CMR 3.08, notification to employees and patients as required by 243 CMR 3.12(a) and (c) and the establishment of procedures to assure (1) compliance with the requirements of G.L. c. 112, § 5 and 243 CMR 3.12(d) and (2) monitoring and counseling of health care providers impaired by drugs or alcohol as required by 243 CMR 3.09. The violation of any bylaw or regulation approved by the Corporation's hospitals to satisfy the Program Regulations may constitute grounds for summary suspension of employment, practice, association for the purpose of providing patient care or privileges at the Corporation's hospitals, subject to such rights of notice, hearing and appeal as may be provided under these Bylaws, the Medical Staff Bylaws and the employment policies and procedures of the Corporation's hospitals.

Patient Care Assessment Committee and Coordinator

- (a) The functions assigned by the Program Regulations to the Patient Care Assessment Committee shall be carried out by the Quality Care Committee.

- (b) The functions assigned by the Program Regulations to the Patient Care Assessment Coordinator shall be carried out by the Quality Care Committee
- (c) The Quality Care Committee shall have the responsibility for implementing, by delegation, oversight, facilitation, coordination, or otherwise, the Program and ensuring compliance with the Program Regulations
- (d) The Quality Care Committee, in consultation with the other medical peer review committees, shall develop a written Plan which describes the Program as required by the Program Regulations. The written Plan shall be reviewed and updated annually by the Board of Trustees and filed with the Board of Registration in Medicine
- (e) The term “medical peer review committee” shall be interpreted as including the Quality Care Committee and all committees, and agents of such committees, charged under these Bylaws or the Plan with any responsibility for (i) the evaluation or improvement of the quality of health care rendered by health care providers, (ii) the determination whether health care services were performed in compliance with the applicable standards of care, (iii) the determination whether the cost of health care services rendered was considered reasonable by the providers of health care services in the area, (iv) the determination whether the actions of a health care provider call into question her/his fitness to provide health care services, or (v) the evaluation and assistance of health care providers impaired or allegedly impaired by reason of alcohol, drugs, physical disability, mental instability or otherwise. Without limiting the foregoing, the peer review activities conducted by the Board of Trustees and the department heads or their designees shall be considered the activities of a medical peer review committee
- (f) The proceedings, reports, records, findings, recommendations, evaluations, opinions, deliberations or other actions by a medical peer review committee in its discharge of the medical peer review functions set forth in (e) above, and the identity of and information provided to such individuals shall be treated as confidential to the extent permitted by law and public regulations. This confidentiality shall not prevent or be waived by the transmission of necessary information to the Quality Care Committee, the Board of Trustees (or other Committees thereof), or to the committees or individuals within the Corporation’s hospitals to enable them to fulfill their responsibilities under the Program or otherwise. Nor shall this confidentiality prevent or be waived by the transmission

of information required by law or regulation, including responses to requests from other health care facilities for information relevant to their credentialing activities

Providers not Subject to Medical Staff Privileges Delineation Process

The Quality Care Committee shall assure that the Board of Trustees receives regular reports on the competency of care providers who are not subject to the medical staff privileges delineation process

SECTION 5

OFFICERS

5.1 General Provisions

The Officers of the Corporation shall be a President, a CEO, a Chair, a Treasurer, and a Clerk. The President, Treasurer and Clerk shall be those persons then serving in such offices of the Member. The CEO shall be appointed by the President/CEO of LHS. The Chair shall be elected by the Board of Trustees for a term of one year and may be removed by the Board of Trustees. The Corporation may also have such other Officers and agents, if any, as the Board of Trustees may from time to time appoint or remove.

Except as set forth above, the general requirements, procedures, and duties for Officers and agents of the Corporation shall be the same as those set forth in Section 5 of the Amended and Restated Bylaws of the Member.

5.2 Compensation

Compensation for the President, the CEO and all senior executives (including the President/CEO, the "Senior Executives") of the Corporation shall be set by LHS and shall be subject to approval by the Compensation/Benefits Committee of LHS' Board. The term "Compensation" shall include the following: salary, bonuses, severance benefits, deferred compensation (whether provided through salary deferral, insurance vehicle, SERP or other retirement funding vehicle), any payment, contingent or otherwise, which is intended to provide funding or other benefits to the Senior Executives whether vesting immediately or at some future date, and any benefits not generally available to all full-time employees of the Corporation. Any agreement not in effect as of the Effective Date of the Affiliation Agreement purporting to establish duration or conditions of employment, Compensation or benefits, other than as may generally be available to all full-time employees of the Corporation, shall be null and void unless authorized in writing by the President and Chief Executive Officer of LHS.

SECTION 6

MEDICAL STAFF

6 1 Organization

The Board of Trustees shall organize the practitioners granted practice privileges in any of the Corporation's hospitals into a Medical Staff (the "Medical Staff") under medical staff bylaws described in Section 6 2 (the "Medical Staff Bylaws") There shall be a Medical Executive Committee consisting of those individuals serving from time to time as members of the Executive Committee of the Medical Staff, pursuant to the Medical Staff Bylaws The Board of Trustees shall consider recommendations of the Medical Staff and appoint to it, in numbers not exceeding the Corporation's hospital's needs, practitioners who meet the qualifications for membership as set forth in the Medical Staff Bylaws Each member of the Medical Staff shall have appropriate authority and responsibility for the care of her/his patients, subject to such limitations as are contained in these Bylaws and in the Bylaws and rules and regulations of the Medical Staff and subject further to any limitations imposed by the Board of Trustees

6 2 Medical Staff Bylaws

There shall be Bylaws and Rules and Regulations for the Medical Staff setting forth its organization and government Proposed Bylaws and Rules and Regulations may be recommended by the Medical Staff, but only those approved by the Board of Trustees shall become effective

SECTION 7

INDEMNIFICATION

7 1 Indemnification of Trustees, Officers, and Employees

The Corporation shall, to the extent legally permissible, indemnify the Member as well as each person who is serving, or who has served at any time (i) as a Trustee or Officer of the Corporation or of any of its affiliates, (ii) as a member of a committee established by the Board of Trustees of the Corporation or of any of its affiliates, (iii) as an employee of the Corporation, or (iv) at the Corporation's request as a member, trustee or officer of another organization or in a capacity with respect to any employee benefit plan (the Member and each such person being called in this Section 7 1 a "Person") against all expenses and liabilities (including counsel fees, judgments, fines, penalties and amounts payable in settlements if such settlements are approved pursuant to this Section 7 1) reasonably incurred by or imposed upon such Person in connection with any threatened, pending or completed action, suit or other proceeding, whether civil, criminal, administrative or investigative, in which such Person may become involved by reason of serving or having served in such capacity (other than a proceeding voluntarily initiated by such Person unless s/he is successful on the merits, the proceeding was authorized by the Corporation or the proceeding seeks a declaratory judgment regarding such Person's own

conduct), provided, however, that no indemnification shall be provided for any such Person with respect to any matter as to which s/he shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that her/his action was in, or not opposed to, the best interests of the Corporation or, to the extent such matter relates to service with respect to any employee benefit plan, in the best interests of the participants or beneficiaries of such employee benefit plan. A Person whose duties include service or responsibilities as a fiduciary with respect to an affiliate of the Corporation shall be deemed to have acted in good faith in the reasonable belief that her/his action was in the best interests of the Corporation if s/he acted in good faith in the reasonable belief that her/his action was in the best interests of such affiliate or of the participants or beneficiaries of, or other persons with interests in such subsidiary or organization to whom s/he had a fiduciary duty.

Such indemnification shall include payment by the Corporation of expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition of such action or proceeding, upon receipt of an undertaking by the Person to repay such payment if s/he shall be adjudicated to be not entitled to indemnification under this Section 7.1, which undertaking may be accepted without regard to the financial ability of such Person to make repayment.

Notwithstanding the foregoing, as to any matter disposed of by compromise payment by any Person pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless such compromise shall, after notice that it involves such indemnification, be approved as in the best interests of the Corporation:

- (i) by a disinterested majority of the Trustees then in office,
- (ii) by a majority of the disinterested Trustees then in office, provided, however, that there has been obtained an opinion in writing of legal counsel to the effect that such Person appears to have acted in good faith in the reasonable belief that her/his action was in the best interests of the Corporation, or
- (iii) by the Member.

Any indemnification or advance of expenses under this Section 7.1 shall be paid promptly, and in any event within thirty (30) days, after the receipt by the Corporation of a written request therefor from the Person, unless with respect to a claim for indemnification the Corporation shall have determined that the Person is not entitled to indemnification. If the Corporation denies the request or if payment is not made within such thirty-day period, the Person may at any time thereafter seek to enforce her/his rights hereunder in a court of competent jurisdiction and, if successful in whole or in part, s/he shall be entitled also to indemnification for the expenses of prosecuting such action. Unless otherwise provided by law, the burden of proving that the Person is not entitled to indemnification shall be on the Corporation.

The right of indemnification under this Section 7.1 shall be a contract right inuring to the benefit of the Persons entitled to be indemnified hereunder, and no amendment or repeal of this Section 7.1 shall adversely affect any right of such Persons existing at the time of such amendment or repeal

The indemnification provided hereunder shall inure to the benefit of the heirs, executors and administrators of the Persons entitled to indemnification hereunder. The indemnification provided hereunder may, to the extent authorized by the Corporation, apply to the Trustees, Officers, employees, and other persons associated with constituent corporations that have been merged into or consolidated with the Corporation who would have been entitled to indemnification hereunder had they served in such capacity with or at the request of the Corporation

The right of indemnification under this Section 7.1 shall be in addition to and not exclusive of all other rights to which such Persons may be entitled. Nothing contained in this Section 7.1 shall affect any rights to indemnification to which Corporation agents other than the Persons entitled to indemnification hereunder may be entitled by contract or otherwise under law

7.2 Indemnification of Agents

Under the same circumstances as described in Section 7.1, the Corporation may, but shall not be required to, indemnify and/or pay reasonable interim expenses incurred by (i) an agent of the Corporation or (ii) an agent of another entity while serving in such capacity at the request of the Corporation, to the maximum extent permitted by applicable law. A determination as to whether the Corporation shall indemnify or pay interim expenses in any specific case pursuant to this Section 7.2 shall be made by the Board of Trustees in accordance with applicable law. No amendment or repeal of this Section 7.2 or any relevant provision of applicable law shall in any way diminish the right to indemnification under this Section 7.2 with respect to any act or omission occurring prior to such amendment or repeal

SECTION 8

INSPECTION OF BOOKS AND PAPERS

All books, papers and documents of every kind belonging to the Corporation, wherever located, shall be open to the inspection of members of the Board of Trustees, the Member's Board, and the LHS Board at all times during regular operating hours, subject to such reasonable limitations as the Board of Trustees may provide

SECTION 9

PERSONAL LIABILITY

The Trustees and Officers of the Corporation and members of Committees established by the Board of Trustees shall not be personally liable for any debt, liability or obligation of the Corporation. All persons, corporations or other entities extending credit to, contracting with, or having any claim against, the Corporation, may look only to the funds and property of the Corporation for the payment of any such contract or claim or for the payment of any debt, damages, judgment or decree, or of any money that may otherwise become due or payable to them from the Corporation.

SECTION 10

CONFLICTS OF INTEREST

A conflict of interest statement, conflict of interest reporting procedures, and a confidentiality statement for members of the Board of Trustees shall be adopted by the Board of Trustees. The statement and procedures shall be reviewed at least annually.

SECTION 11

BENEFACTORS, SPONSORS, ADVISORS, AND FRIENDS OF THE CORPORATION

The Board of Trustees may from time to time designate certain persons or groups of persons as benefactors, sponsors, advisors, or friends of the Corporation or such other title as the Board may deem appropriate.

SECTION 12

AMENDMENTS

The Board of Trustees may amend these Bylaws subject to the approval of the Member. The Member may amend these Bylaws on its own initiative.

Amended by the Trustees of Lahey Health System, Inc. pursuant to Section 3.2 of the Member's Bylaws on March 29, 2013.

David G. Spackman

David G. Spackman, Clerk

**Northeast Hospital
Corporation and Affiliate**
Consolidated Financial Statements and
Supplemental Information
September 30, 2013 and 2012

Northeast Hospital Corporation and Affiliate
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September 30, 2013 and 2012

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Independent Auditor's Report

To the Board of Trustees of
Lahey Health System, Inc

We have audited the accompanying consolidated financial statements of Northeast Hospital Corporation and Affiliate (the "Corporation"), which comprise the consolidated balance sheets as of September 30, 2013 and September 30, 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Hospital's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 Northeast Hospital Corporation and Affiliate at September 30, 2013 and September 30, 2012, and the results of their operations, their change in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information and other supplementary schedules on pages 37 through 43 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information and supplementary schedules have 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 consolidating information and supplementary schedules are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the balance sheet and results of operations of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position and results of operations of the individual companies. Additionally, the supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

PricewaterhouseCoopers LLP

January 31, 2014

Northeast Hospital Corporation and Affiliate

Consolidated Balance Sheets

September 30, 2013 and 2012

	2013	2012
Assets		
Current		
Cash and cash equivalents	\$ 21,113	\$ 16,103
Patient accounts receivables, less allowance for uncollectible accounts of \$11,181 in 2013 and \$11,788 in 2012	35,928	35,646
Inventories of supplies	5,765	5,764
Prepaid expenses and deposits	4,006	4,254
Current portion of assets whose use is limited or restricted	486	820
Other receivables	1,253	1,855
Due from affiliates	6,699	1,992
Total current assets	<u>75,250</u>	<u>66,434</u>
Assets whose use is limited or restricted		
by board designation for		
Assets held by trustee under bond indenture agreements	4,087	5,977
Investments, other	955	813
Donor-restricted assets for specific purposes	9,214	7,949
Donor-restricted assets for permanent endowment	6,596	6,597
Total assets whose use is limited or restricted	<u>20,852</u>	<u>21,336</u>
Property, plant and equipment, net	138,769	141,165
Deferred debt issue costs	3,014	2,922
Professional insurance receivable	10,266	9,979
Other assets	3,445	3,805
Beneficial interest in perpetual and lead trusts	3,915	3,735
Long-term investments	118,296	105,582
Due from affiliates	479	621
Total assets	<u>\$ 374,286</u>	<u>\$ 355,579</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued expenses	\$ 13,796	\$ 13,126
Accrued payroll and employee benefits	17,977	17,458
Accrued interest payable	107	169
Current portion of long-term debt	3,130	7,709
Accrued postretirement benefits	226	245
Estimated third-party settlements, net	8,684	7,382
Due to affiliates	5,598	102
Total current liabilities	<u>49,518</u>	<u>46,191</u>
Long term debt, less current portion	98,405	98,056
Accrued pension benefits	19,693	51,458
Accrued postretirement benefits	1,634	1,892
Professional liability reserves	11,776	11,561
Other noncurrent liabilities	11,847	17,299
Total long term liabilities	<u>143,355</u>	<u>180,266</u>
Total liabilities	<u>192,873</u>	<u>226,457</u>
Commitments and contingencies (Note 16)		
Net Assets		
Unrestricted	161,688	110,842
Temporarily restricted	9,214	7,949
Permanently restricted	10,511	10,331
Total net assets	<u>181,413</u>	<u>129,122</u>
Total liabilities and net assets	<u>\$ 374,286</u>	<u>\$ 355,579</u>

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

Northeast Hospital Corporation and Affiliate
Consolidated Statements of Operations
Years Ended September 30, 2013 and 2012

	2013	2012
Unrestricted net assets		
Revenues		
Net patient service revenue	\$ 333,521	\$ 333,051
Provision for bad debts	(10,038)	(9,869)
Net patient service revenue after provision for bad debts	323,483	323,182
Other revenues	9,603	9,114
Net assets released from restrictions	874	820
Total revenues	333,960	333,116
Expenses		
Salaries and wages, nonphysicians	147,286	147,537
Salaries and wages, physicians	8,441	7,061
Employee benefits	32,254	35,519
Supplies and other	118,206	113,723
Depreciation	17,732	17,823
Interest	1,558	2,212
Health Safety Net assessment	2,201	2,463
Total expenses	327,678	326,338
Income from operations	6,282	6,778
Nonoperating gains (losses), net		
Investment income	3,437	2,549
Unrestricted contributions	694	689
Fundraising costs	(1,249)	(296)
Other income (expense)	6,891	(542)
Total nonoperating gains	9,773	2,400
Excess of revenues over expenses	16,055	9,178
Change in net unrealized gains and losses on investments	7,517	10,413
Net assets released from restrictions used for purchase of property, plant and equipment	643	693
	24,215	20,284
Pension and postretirement related changes other than net periodic benefit cost	26,631	6,356
Increase in unrestricted net assets	\$ 50,846	\$ 26,640

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

Northeast Hospital Corporation and Affiliate

Consolidated Statements of Changes in Net Assets

Years Ended September 30, 2013 and 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balances at September 30, 2011	\$ 84,202	\$ 6,528	\$ 9,891	\$ 100,621
Excess of revenues over expenses	9,178	-	-	9,178
Restricted contributions	-	1,170	-	1,170
Restricted investment income and gains	-	296	-	296
Contributions and changes in the value beneficial interest in perpetual and lead trusts	-	-	440	440
Net assets released from restrictions				
Used for operations	-	(820)	-	(820)
Used for property, plant and equipment	693	(693)	-	-
Change in net unrealized gains and losses on investments	10,413	1,468	-	11,881
Pension and postretirement related changes other than net periodic benefit cost	6,356	-	-	6,356
Change in net assets	26,640	1,421	440	28,501
Balances at September 30, 2012	110,842	7,949	10,331	129,122
Excess of revenues over expenses	16,055			16,055
Restricted contributions	-	1,516	-	1,516
Restricted investment income and gains	-	180	-	180
Contributions and changes in the value beneficial interest in perpetual and lead trusts	-	-	180	180
Net assets released from restrictions				
Used for operations	-	(874)	-	(874)
Used for property, plant and equipment	643	(643)	-	-
Change in net unrealized gains and losses on investments	7,517	1,086	-	8,603
Pension and postretirement related changes other than net periodic benefit cost	26,631	-	-	26,631
Change in net assets	50,846	1,265	180	52,291
Balances at September 30, 2013	\$ 161,688	\$ 9,214	\$ 10,511	\$ 181,413

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

Northeast Hospital Corporation and Affiliate

Consolidated Statements of Cash Flows

Years Ended September 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 52,291	\$ 28,501
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gains) losses on investments	(9,695)	(14,335)
Change in beneficial interest in perpetual and lead trusts	(180)	(440)
Change in value of investments accounted for under the equity method of accounting	(2,394)	(1,015)
Change in value of interest rate swaps	(5,605)	1,278
Depreciation and amortization	17,871	18,169
Provision for bad debts	10,038	9,869
Pension and postretirement related changes other than net periodic benefit cost	(26,631)	(6,356)
(Gain) loss on sale of property, plant and equipment	(220)	507
Loss on restructuring of debt	197	-
Net gain on equity investment in joint venture	(49)	5
Distributions from affiliated organizations	100	80
Restricted contributions	(1,546)	(1,170)
(Decrease) increase in cash resulting from changes in		
Patient accounts receivables	(10,320)	(15,191)
Other assets	729	868
Due from affiliates	931	621
Accounts payable, accrued expenses, and other liabilities	2,466	(990)
Accrued postretirement benefits and pension costs	(5,410)	(1,504)
Estimated third-party settlements	1,302	1,494
Net cash provided by operating activities	<u>23,875</u>	<u>20,391</u>
Cash flows from investing activities		
Additions to property, plant, and equipment	(16,924)	(12,298)
Proceeds from sale of property, plant and equipment	874	4
Cash paid for acquisitions	-	(350)
Purchase of assets whose use is limited or restricted and long-term investments	(8,971)	(31,589)
Proceeds from sale of assets whose use is limited or restricted and long-term investments	<u>9,305</u>	<u>28,181</u>
Net cash used in investing activities	<u>(15,716)</u>	<u>(16,052)</u>
Cash flows from financing activities		
Repayment of long-term debt	(4,695)	(5,728)
Proceeds from restricted contributions	<u>1,546</u>	<u>1,170</u>
Net cash used in financing activities	<u>(3,149)</u>	<u>(4,558)</u>
Increase (decrease) in cash and cash equivalents	5,010	(219)
Cash and cash equivalents		
Beginning of year	<u>16,103</u>	<u>16,322</u>
End of year	<u>\$ 21,113</u>	<u>\$ 16,103</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 1,462	\$ 1,941
Fixed asset additions included in accounts payable and accrued expenses	928	1,900
Noncash financing activities (executed by a third party trustee)		
Issuance of Series J debt	\$ 15,065	\$ -
Payment of Series F debt	14,600	-
Debt issuance costs	465	-

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

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(in thousands of dollars)

1. Organization

Lahey Health System, Inc. ("Parent") was organized to act as the parent of an integrated health care system. As of May 1, 2012, pursuant to the affiliation, the Parent is the sole corporate member of Lahey Clinic Foundation, Inc. and the Lahey Affiliates ("Lahey") and Northeast Health System, Inc. and the Northeast Affiliates ("Northeast").

Northeast is the sole member of Northeast Hospital Corporation ("NHC") and functions as the parent holding company for Northeast Hospital Corporation and other affiliated organizations. NHC is the sole member of Northeast Medical Practice, Inc. ("NMP"), a Hospital organized to manage and operate physician practices. NHC has acute care facilities in northeastern Massachusetts and provides inpatient, outpatient, and emergency care services. Admitting physicians are primarily practitioners in the local area.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of NHC and NMP (collectively, the "Hospital"). NHC accounts for its interest in its controlled affiliate using the cost method of accounting. Intercompany balances and transactions are eliminated in consolidation. The assets of a member of the consolidated group may not be available to meet the obligations of another member of the group.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates relate to third-party payor settlements, allowances for contractual adjustments and uncollectible receivables, actuarial assumptions associated with pension and postretirement benefits, incurred but not reported (IBNR) liabilities for healthcare insurance, workers' compensation insurance, medical malpractice insurance, and investments without readily determinable market values. Actual results could differ from those estimates.

Classification of Net Assets

Unrestricted net assets represent net assets which have no external donor imposed restrictions as to use or purpose as well as assets whose use is limited through board designation or under the terms of the revenue bond agreements. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose, or by law. Permanently restricted net assets consist of endowment fund assets and trusts to be held in perpetuity.

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(in thousands of dollars)

Statement of Operations

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of health care and related services are reported as operating revenue and expenses. Other activity and transactions that are not considered to be involved with the direct delivery of healthcare and related services are reported as nonoperating gains and losses.

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

Revenue Recognition

The Hospital has entered into payment agreements with Medicare, BlueCross BlueShield, Medicaid, and various commercial insurance carriers, managed care organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge or per visit, discounts from established charges, cost (subject to limits), fee schedules, prospectively determined per diem rates, capitation fees earned on a per-member, per-month basis, and pay-per-performance incentives. Certain pay for performance contracts also provide for payments that are contingent upon meeting certain agreed upon quality and efficiency measures.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursable costs, discounted charges, per diem payments, fee for service and fixed capitation.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursement are subject to negotiation, audit, and/or final determination by the third-party payors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Variances between preliminary estimates of net patient service revenue and final third-party settlements are included in the year in which the settlement or change in estimate occurs. Net favorable adjustments of approximately \$3,057 and \$4,135 were recorded in 2013 and 2012, respectively. In addition, \$610 and \$395 of net favorable adjustments were recorded as a reduction to the Health Safety Net assessment in 2013 and 2012, respectively. These changes in estimates resulted from settlements of net liabilities at an amount different than previously estimated receivables and liabilities.

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(in thousands of dollars)

Contributions and Gifts

Unconditional promises to give cash and other assets that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Unconditional promises to give are discounted at an appropriate market rate in accordance with fair value standards. Amortization of the discounts are included in contribution revenue. Conditional promises to give and indications of intentions to give are reported at fair value when the conditions are substantially met.

Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that either temporarily or permanently limit the use of the donated assets. When a stipulated time restriction ends or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Gifts, grants and pledges restricted by donors for additions to property, plant and equipment are recorded as temporarily restricted net assets until the stipulation is fulfilled and the assets are placed in service, at which time they are recorded as net assets released from restrictions in the statement of operations. Gifts of property are recorded as unrestricted support at the fair market value on the date received, unless explicit donor stipulations specify how the donated assets must be used.

The Hospital is the beneficiary of several trust funds administered by trustees or other third parties. Trusts wherein the Hospital has the irrevocable right to receive the income earned on the trust assets in perpetuity are recorded as permanently restricted net assets at the fair value of the trust at the date of receipt. The assets held in trust consist primarily of cash equivalents and marketable securities. The fair values of perpetual trusts are measured using the fair value of the assets contributed to the trusts. Income distributions from the trusts are reported as investment income that increase unrestricted net assets, unless restricted by the donor. Changes in the fair value of the trusts are recorded as increases or decreases to permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less at time of purchase. Cash and cash equivalents held in the investment portfolio are included in assets whose use is limited and long term investments.

The Hospital invests its cash and cash equivalents in money market funds at financial institutions in excess of insured limits.

Inventories

Inventories consist of medical supplies and pharmaceuticals and are recorded at the lower of cost or market on a first-in-first-out method.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet primarily based on quoted market prices. Additionally, realized and unrealized gains/losses and investment income are recorded in the statement of operations as changes in unrestricted net assets, unless their use is restricted by explicit donor-imposed stipulations or law, in which case they are reported in the appropriate restricted class of net assets.

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(in thousands of dollars)

At September 30, 2013, the Hospital held interests in limited liability corporations, limited partnerships and common/collective trusts, also known as alternative investments. Interests in limited liability corporations, limited partnerships or common/collective trusts are generally recorded at fair market value based on the Hospital's ownership share and rights of the investment, unless certain criteria require the investment to be recorded at cost. Securities, for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers. The Hospital believes that these valuations are a reasonable estimate of fair value as of September 30, 2013, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed.

Investments in hedge funds, for which the Hospital owns less than 5% of the overall investment, are recorded under the equity method of accounting, which represents the Hospital's share of the underlying fair value of the funds. The change in unrealized appreciation on equity method investments is included in excess of revenues over expenses. Since many of these investments are not readily marketable, the estimates of the fair value necessarily involve assumptions and estimation methods which are uncertain, and therefore the estimates could differ materially from actual results if a ready market for the investments existed. All other investments not recorded at fair value or under the equity method are recorded at cost.

The Hospital periodically reviews its investments to identify those for which market value is below cost. The Hospital then makes a determination as to whether the investment should be considered other-than-temporarily impaired. There were no other-than-temporary impairment charges recorded for the years ended September 30, 2013 and 2012.

At September 30, 2013, the Hospital held investments and common collective trusts that had a fair value of approximately \$315 less than cost. There were no investments where the cost exceeded the fair value for in excess of one year. Since the Hospital has the intent and ability to hold these investments until a recovery of fair value, the Hospital does not consider these investments to be other-than-temporarily impaired at September 30, 2013. At September 30, 2012, the Hospital held no investments in mutual funds and common collective trusts that had a fair value less than cost.

Investment income on borrowed funds held by a trustee is included in other revenue in the consolidated statement of operations. Investment income and gains or losses on unrestricted, nonborrowed funds, are recognized as nonoperating gains or losses. Investment income, including realized and unrealized gains and losses related to temporarily or permanently restricted net assets is reported as unrestricted unless the income, gain or loss is restricted by donor or by law.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted consist of assets held by trustees under indenture agreements and donor-restricted assets.

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(in thousands of dollars)

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost less accumulated depreciation. Depreciation is determined on the straight-line method over the following estimated useful lives:

Land improvements	3 to 25 years
Buildings and building improvements	5 to 40 years
Fixed equipment	5 to 20 years
Moveable equipment	3 to 20 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the consolidated statement of operations.

Maintenance, repairs and minor renewals are charged to expense as incurred. Buildings and equipment under capital leases are amortized on the straight-line method over the shorter of the lease term or the asset's estimated useful life. Such amortization is included in depreciation and amortization expense in the consolidated statement of operations.

Construction in progress represents amounts expended towards property and equipment projects which have not been completed. No provision for depreciation has been recorded for these items.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenue and gains over expenses and losses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expiration of donor restrictions is reported when the donated or acquired long-lived assets are placed in service.

Capitalized Interest

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no capitalized interest for the years ended September 30, 2013 and 2012.

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(in thousands of dollars)

Asset Retirement and Environmental Obligations

The Hospital recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recognized, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of operations. Substantially all of the asset retirement obligations relate to estimated costs to remove asbestos that is contained within the Hospital's facilities. The adjustments to the carrying amount of the asset retirement obligation in 2013 and 2012 were primarily attributable to accretion expense.

Assessment of Long-Lived Assets

The Hospital periodically reviews the carrying value of its long-lived assets (primarily property, plant and equipment and intangible assets) to assess the recoverability of these assets. Any impairment is recognized in operating results if the reduction in value is considered not to be recoverable.

Original Issue Premium/Discount and Deferred Debt Issue Costs

Original issue premiums/discounts and deferred debt issue costs are amortized over the period the debt is outstanding using the effective interest method.

Other Assets

Other noncurrent assets include the Hospital's investments in affiliated organizations. Investments in affiliated organizations owned 20% or more are accounted for using the equity method. Investments in organizations owned less than 20% are carried at cost. Also included in other noncurrent assets is the cash surrender value of life insurance and goodwill. Goodwill is assessed for impairment on an annual basis.

Income Tax Status

NHC and its affiliate NMP have been recognized as tax-exempt nonprofit organizations pursuant to Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Accounting for Defined Benefit Pension and Other Postretirement Plans

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

Fair Value of Financial Instruments

The fair value of financial instruments approximates the carrying amount reported in the consolidated balance sheet for cash, accounts receivable, and accounts payable. The fair value of investments, excluding those that are accounted for under the cost or equity method, is disclosed in Note 7. The fair value of long-term debt is also disclosed in Note 7.

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(in thousands of dollars)

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation

Recent Accounting Pronouncements

Fair Value Measurements and Disclosures

Effective October 1, 2012, the Hospital adopted *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (ASU 2011-4). ASU 2011-4 aids entities in measuring fair value, as well as provides guidelines for additional quantitative and qualitative disclosures for instruments categorized within Level 3 of the FASB's fair value hierarchy. The effects of adopting this amendment are addressed in the Hospital's Fair Value Measurements note.

Donated Securities

In October 2012, the FASB issued *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* (ASU 2012-05). This standard defines the appropriate financial reporting for the receipt of donated securities in the Statement of Cash Flows. Donated securities with no donor-imposed restrictions are to be included in the Operating section of the statement, while donated securities with donor imposed long-term restrictions should be included in the financing section. ASU 2012-05 is effective for fiscal year 2014. The implementation of ASU 2012-05 is not expected to have any material effect on the Hospital's consolidated financial statements.

Provision for Bad Debts

In July 2011, the Financial Accounting Standards Board issued *Health Care Entities: Presentation and Disclosure of Net Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts* (ASU 2011-7). Under the new guidance, bad debts relating to patient service revenue will be separately disclosed in the statement of operations and reported as a component of net patient service revenue. Bad debts associated with activities other than patient service revenue will continue to be reported as an operating expense. The Hospital adopted ASU 2011-7 in fiscal year 2012.

Presentation of Insurance Claims and Related Insurance Recoveries

In August 2010, new guidance was issued for the presentation of insurance claims and associated insurance recoveries for healthcare organizations. Under the new guidance, health care entities are required to reflect their "gross" exposure to claims liabilities with a corresponding receivable for insurance recoveries in order to be consistent with other industries. The Hospital adopted this guidance in fiscal year 2012.

Charity Care

In August 2010, the FASB issued *Health Care Entities: Measuring Charity Care for Disclosure* (ASU 2010-23), which clarified the disclosure of charity care provided by healthcare organizations, providing that such disclosure should be measured using cost and that related reimbursements recorded should also be separately disclosed. The Hospital adopted ASU 2010-23 in fiscal year 2012.

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(in thousands of dollars)

3. Third-Party Reimbursement

Health Safety Net Fund

The Commonwealth of Massachusetts (the "Commonwealth") operates the Health Safety Net Fund (HSN). HSN allocates the cost of uncompensated care among the hospitals in the Commonwealth. The hospitals have been assessed a uniform allowance based on estimates of the statewide cost of uncompensated care and have been reimbursed for a portion of the cost of uncompensated care, subject to certain limitations. Reimbursable uncompensated care includes net charity care and certain bad debts related to emergency services. The hospitals' recoveries from the HSN are based on a payment method that is claims-based and uses Medicare principles. Reimbursement from the HSN for uncompensated care is recorded in net patient service revenue in the consolidated statements of operations.

Medicare

Reimbursement for services provided to patients covered by the federal government's Medicare program who have elected not to enter a Medicare health maintenance organization (HMO) is determined under the Medicare prospective payment system (PPS). Reimbursement for services varies according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare reimbursement received is subject to retroactive adjustment based on audits of an annual cost report. As of September 30, 2013, settlements have been reached with the Medicare program for Medicare cost reports through 2009.

4. Net Patient Service Revenue and Accounts Receivable

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates (subject to discounts) for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients are unable or fail to pay for the services provided. Consequently, the Hospital records a provision for bad debts related to uninsured patients in the period the services are provided.

For the years ended September 30, 2013 and 2012, patient service, revenue net of contractual allowances and discounts (before the provision for bad debts) was as follows:

	2013	2012
Net patient service revenue		
Third-party payors	\$ 321,347	\$ 320,892
Self-pay payors	12,174	12,159
	<u>\$ 333,521</u>	<u>\$ 333,051</u>

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major categories of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major categories of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. Throughout the year, after all reasonable collection efforts have been exhausted, the Hospital will write off the difference between the standard rates (or discounted rates if negotiated) and the amounts actually collected against the allowance for uncollectible accounts. In addition to the

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review of the categories of revenue, management monitors the write offs against established allowances as of a point in time to determine the appropriateness of the underlying assumptions used in estimating the allowance for uncollectible accounts

Accounts receivable and net patient service revenue, prior to adjustment for doubtful accounts, are summarized as follows at September 30, 2013 and 2012

	2013	2012
Receivables		
Third-party payors	\$ 38,267	\$ 38,193
Self-pay payors	8,842	9,241
	<u>\$ 47,109</u>	<u>\$ 47,434</u>

The allowance for uncollectible accounts is summarized as follows at September 30, 2013 and 2012

	2013	2012
Allowance for doubtful accounts		
Third-party payors	\$ 4,190	\$ 4,406
Self-pay payors	6,991	7,382
	<u>\$ 11,181</u>	<u>\$ 11,788</u>

Patient related bad debt is reflected as a reduction in patient service revenues on the statements of operations

5. Charity Care and Community Benefit Programs

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, such amounts are not reported as revenue. During 2013 and 2012, the Hospital provided approximately \$7,284 and \$5,150, respectively, in charity care. The equivalent percentage of charity care to all gross patient service revenue was approximately 1% in both 2013 and 2012. Such amounts and percentages are determined using charges foregone based on established rates.

Community Benefit Programs

The Community Benefits Program at the Hospital is a program established to partner with community leaders and organizations to assess and meet the healthcare needs of the community. The Community Benefits Program incorporates the Community Health concepts of wellness, adaptation, self-care and health promotion. Strategies used in Community Benefits health activities include prevention, early detection, early intervention, long-term management and collaborative efforts with the affiliate organizations. Health issues addressed encompass safety, chronic disease, infectious disease, substance abuse and behavioral health.

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The importance of the community health needs assessment and the collective efforts to address the healthcare needs of the North Shore have never been greater. The economic downturn has had an impact on thousands of individuals and families throughout the region. The Hospital will work in partnership with the communities it serves and with health-related organizations throughout the North Shore to meet the area's healthcare needs and improve the overall health status of the community.

The Hospital, with the help of Northeast Health System affiliates, will focus its community benefits plan around the four state-wide priorities highlighted below, which have been set forth by the Attorney General's Office:

- Chronic Disease Management for disadvantaged populations
- Reducing health disparities
- Promoting wellness of vulnerable populations
- Supporting healthcare reform

The Community Benefits Committee at the Hospital will ensure the organization conducts health needs assessments for its 16 town/city primary service areas as mandated by the Attorney General.

The Target Population(s) are broken down into six distinct groups: Health Issues, Types of Programs, Sex, Race/Ethnicity, Age and Insured Status.

Programs in Place

Screenings, clinics and seminars were developed in the following areas: skin cancer, oral cancer, Pap smear, depression, diabetes, bone density, blood pressure, flu and CPR. In addition, risk assessments were developed for cardiovascular, osteoporosis, diabetes, body mass index and breast cancer.

A number of disease management initiatives have been instituted, including cardiac rehabilitation, heart failure management, pulmonary rehabilitation, osteoporosis management, vascular health and women's health screenings. In 2003, the Hospital created the Lifestyle Management Institute (LMI). The LMI provides programs and education on how to live a healthy lifestyle, and proactively identifies populations with, or at risk of, certain medical conditions. The LMI offers a full range of services to the community, including risk assessment, prevention education, diagnostic testing, coordinated medical treatment and continuous monitoring. Effective disease management, particularly when using appropriate medical protocols, reduces the number of hospital admissions and emergency room visits, shortens the length of hospital stays and improves the overall health and quality of life for people with chronic illness.

6. Related Party Transactions

Certain salaries, supplies, and other expenditures are incurred by the Hospital for corporate-related services and are allocated to Northeast and its affiliates. Such amounts aggregated \$15,092 and \$18,639 in 2013 and 2012, respectively, and are reflected as a reduction of expenses in the accompanying consolidated statements of operations.

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At September 30, 2013 and 2012, due from (to) affiliates consisted of the following

	2013	2012
Due from affiliates - total		
Due from Northeast Behavioral Health	\$ 297	\$ 299
Due from Northeast Physician Practice, Inc	451	448
Due from Lahey Clinic Foundation	1,636	-
Due from other affiliates	4,794	1,866
Total due from affiliates	7,178	2,613
Less Current portion	6,699	1,992
Accounts receivable - affiliates	\$ 479	\$ 621
Due to affiliates - total		
Due to Northeast Health System, Inc	\$ 2,670	\$ 9
Due to Northeast Behavioral Health	299	-
Due to Lahey Health System	937	-
Due to Lahey Clinic Foundation	1,599	-
Due to other affiliates	93	93
Total due to affiliates	\$ 5,598	\$ 102

Certain salaries and supplies are incurred by Northeast Behavioral Health (an affiliate of Northeast) in connection with providing behavioral health services to the Hospital. Such amounts aggregated \$17,496 in 2013 and \$17,134 in 2012 and are reflected as expenses in the accompanying consolidated statements of operations.

7. Fair Value of Measurements

Fair Value

Fair value is defined as 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 (also referred to as "exit price"). Therefore, a fair value measurement should be determined based on the assumption that market participants would use in pricing the asset or liability. In determining fair value, the use of various valuation approaches, including market, income and cost approaches, is permitted.

Fair Value Hierarchy

A fair value hierarchy has been established based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the reporting entity's assumptions about the inputs market participants would use. The fair value hierarchy requires the reporting entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The hierarchy is described below:

- Level 1 Valuations using quoted prices in active markets for identical assets or liabilities. Valuations of these products do not require a significant degree of judgment. Level 1 assets include mutual funds that are traded in an active exchange market.

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- Level 2 Valuations using observable inputs other than Level 1 prices such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, broker or dealer quotations, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets primarily include debt securities and commingled and collective investment funds with quoted prices that are traded less frequently than exchange-traded instruments,
- Level 3 Valuations using unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes assets whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques

Management has established internal controls and procedures related to the valuation of the Hospital's investments, including initial and ongoing diligence of third party valuations by the investment advisor. Management reviews fund financial statements, performs comparisons of returns to industry benchmarks and prior periods, and maintains regular communication with fund managers through participation in conference calls and site visits. Management discusses the overall performance of the portfolio with the Investment Committee on a quarterly basis.

The following tables present information as of September 30, 2013 and 2012, about the Hospital's instruments that are measured at fair value.

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
2013				
Assets				
Cash investments	\$ 2,882	\$ -	\$ -	\$ 2,882
Debt securities				
Federal agency bonds	-	3,644	-	3,644
Mutual funds				
Fixed income	19,799	-	-	19,799
International equity	32,635	-	-	32,635
Domestic equity	18,282	-	-	18,282
Common collective trusts				
U.S. equity	-	23,815	-	23,815
Global equity	-	5,389	-	5,389
Diversified	-	8,783	-	8,783
Other	-	-	1,852	1,852
Total investments	73,598	41,631	1,852	117,081
Beneficial interest in perpetual and lead trusts	-	-	3,915	3,915
Total assets at fair value	73,598	41,631	5,767	120,996
Interest rate swaps	-	(10,626)	-	(10,626)
Total assets and liabilities at fair value	\$ 73,598	\$ 31,005	\$ 5,767	\$ 110,370

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2012	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Cash investments	\$ 4,658	\$ -	\$ -	\$ 4,658
Debt securities				
Federal agency bonds	-	3,499	-	3,499
Corporate bonds	-	496	-	496
Mutual funds				
Fixed income	19,834	-	-	19,834
International equity	28,186	-	-	28,186
Domestic equity	15,472	-	-	15,472
Common collective trusts				
U S equity	-	16,498	-	16,498
Global equity	-	7,646	-	7,646
Diversified	-	9,490	-	9,490
Other	-	-	1,852	1,852
Total investments	68,150	37,629	1,852	107,631
Beneficial interest in perpetual and lead trusts	-	-	3,735	3,735
Total assets at fair value	68,150	37,629	5,587	111,366
Interest rate swaps	-	(16,231)	-	(16,231)
Total assets and liabilities at fair value	\$ 68,150	\$ 21,398	\$ 5,587	\$ 95,135

The above tables do not include certain investments accounted for under the equity method, totaling \$22,553 and \$20,107 at September 30, 2013 and 2012, respectively. There were no transfers between Level 1 and 2 or Level 3 for the years ended September 30, 2013 and 2012.

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3).

	Beneficial Interests in Perpetual and Lead Trusts	Other	Total
Fair Value at September 30, 2011	\$ 3,295	\$ 1,852	\$ 5,147
Sales of investments	-	-	-
Purchase of investments	-	-	-
Change in net unrealized gain	440	-	440
Fair Value at September 30, 2012	3,735	1,852	5,587
Sales of investments	-	-	-
Purchase of investments	-	-	-
Change in net unrealized gain	180	-	180
Fair Value at September 30, 2013	\$ 3,915	\$ 1,852	\$ 5,767

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Net Asset Value (NAV) Per Share

In accordance with ASU No. 2009-12, NHC expanded its disclosures to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share as of September 30, 2013. There were no redemption restrictions or unfunded commitments as of September 30, 2013 and 2012.

The following table sets forth a summary of NHC's investments with a reported NAV at September 30, 2013 and 2012 (excludes certain investments accounted for under the equity method)

2013	Fair Value	Number of Funds	Redemption Terms
Common collective trusts	\$ 37,987	3	Ranges from daily with 3 days notice to monthly with notice due by 22nd of prior month
2012	Fair Value	Number of Funds	Redemption Terms
Common collective trusts	\$ 33,634	4	Ranges from daily with 3 days notice to monthly with notice due by 22nd of prior month

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

Cash and Money Market Funds

The carrying value of cash investments and money market funds approximates fair value as maturities are less than three months and are based on quoted prices and actively traded.

Debt Securities

The estimated fair values of debt securities are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. The marketable debt securities classified as Level 2 were classified as such due to the usage of observable market prices for similar securities that are traded in less active markets or when observable market prices for identical securities are not available, marketable debt instruments are priced using nonbinding market consensus prices that are corroborated with observable market data, quoted market prices for similar instruments, or pricing models, such as a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data. These Level 2 debt securities primarily include government bonds.

Mutual Funds

The fair values of mutual funds are based on quoted market prices.

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Common Collective Trust Funds

The estimated fair values of common collective trust funds are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. The common collective trust funds classified as Level 2 were classified as such due to the usage of observable market prices for similar securities that are traded in less active markets or when observable market prices for identical securities are not available and are determined based upon information provided by the fund managers. Such information is generally based on the net asset value of the underlying investments which approximates fair value. The Hospital's investments in common collective trusts may be redeemed at net asset value on a daily basis with no redemption restrictions.

Interest Rate Swaps

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

Long-Term Debt

The estimated fair values of the Hospital's long-term debt is based on current traded values or a discounted cash flows analysis based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of long-term debt totaled \$101,535 as of September 30, 2013. The Hospital considers this to be a Level 2 measurement. The estimated fair values and carrying amounts for the Hospital's long-term debt at September 30, 2013 and 2012 are as follows:

	2013	2012
Carrying amount	\$ 101,535	\$ 105,765
Estimated fair value	101,535	105,770

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8. Investments

The following table presents the classification and carrying value of investments at September 30, 2013 and 2012

	2013		2012	
	Market	Cost	Market	Cost
Current portion of assets whose use is limited or restricted				
Cash or cash equivalents	\$ 486	\$ 486	\$ 820	\$ 820
Assets whose use is limited or restricted				
Cash or cash equivalents	2,396	2,396	3,838	3,838
Fixed income-US Government	3,644	3,744	3,499	3,504
Fixed income-Corporate	-	-	496	496
Mutual funds	8,154	6,408	7,323	6,455
Commingled and collective investment funds	4,178	3,174	3,868	3,199
Hedge funds	2,480	1,815	2,312	1,898
	<u>20,852</u>	<u>17,537</u>	<u>21,336</u>	<u>19,390</u>
Long term investments				
Mutual funds	62,562	51,848	56,169	49,676
Commingled and collective investment funds	33,809	25,677	29,766	24,615
Hedge funds	20,073	14,686	17,795	14,603
Other	1,852	1,852	1,852	1,852
	<u>118,296</u>	<u>94,063</u>	<u>105,582</u>	<u>90,746</u>
	<u>\$ 139,634</u>	<u>\$ 112,086</u>	<u>\$ 127,738</u>	<u>\$ 110,956</u>

The composition of investment return for the years ended September 30, 2013 and 2012 was as follows

	2013	2012
Interest and dividend income		
Other revenue	\$ 90	\$ 128
Nonoperating gains	1,309	1,534
Temporarily restricted	30	33
Net realized gains on investments		
Unrestricted - nonoperating gains	942	2,191
Temporarily restricted	150	263
Change in value of investments accounted for under the equity method of accounting	2,394	1,015
Change in net unrealized gains and losses on investments		
Unrestricted	7,517	10,413
Temporarily restricted	1,086	1,468
Change in fair value of irrevocable trusts	180	440
	<u>\$ 13,698</u>	<u>\$ 17,485</u>

9. Endowment Funds

The Hospital's endowment consists of approximately 114 funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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Interpretation of Relevant Law

The Hospital has interpreted Massachusetts law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a temporarily restricted net asset classification until appropriated by the Board and expended. Massachusetts law allows the Board to appropriate so much of the net appreciation of permanently restricted net assets as is prudent considering the Hospital's long- and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends, and general economic conditions. In 2013 and 2012, approximately \$413 and \$397, respectively, was appropriated.

As a result of this interpretation, the Hospital classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present, and (b) the original value of the subsequent gifts to the permanent endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present. The remaining portion of the donor-restricted endowment funds are composed of accumulated gains not required to be maintained in perpetuity and are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the donor's stipulations. The Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: duration and preservation of the fund, purposes of the donor-restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Hospital, and the investment policies of the Hospital.

Endowment Net Asset Composition and Changes in Endowment Net Assets

The Hospital currently has only donor-restricted endowment funds and does not have Board-designated endowment funds. The following is a summary of the changes for the years ended September 30, 2013 and 2012.

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at September 30, 2011	\$ 5,585	\$ 6,596	\$ 12,181
Investment return	1,725	-	1,725
Appropriations of endowment assets for expenditure	(397)	-	(397)
Contributions	-	-	-
Endowment net assets at September 30, 2012	6,913	6,596	13,509
Investment return	1,233	-	1,233
Appropriations of endowment assets for expenditure	(413)	-	(413)
Contributions	-	-	-
Endowment net assets at September 30, 2013	<u>\$ 7,733</u>	<u>\$ 6,596</u>	<u>\$ 14,329</u>

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Hospital to retain as a fund of perpetual duration. There were no such deficiencies at September 30, 2013 or 2012.

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Investment Return Objectives and Spending Policy

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner to generate returns at least equal to and preferably greater than the consumer price index plus 5%. To satisfy its long-term rate-of-return objectives, the Hospital targets a diversified asset allocation that places a greater emphasis on equity-based investments within prudent risk constraints.

10. Property, Plant, and Equipment

At September 30, 2013 and 2012, property, plant, and equipment consisted of the following

	2013	2012
Land and land improvements	\$ 19,980	\$ 18,482
Buildings and building improvements	177,789	199,509
Fixed equipment	28,167	27,733
Major moveable equipment	143,743	137,611
Total property, plant, and equipment	369,679	383,335
Less: Accumulated depreciation	235,027	246,325
	134,652	137,010
Construction in progress	4,117	4,155
Property, plant, and equipment, net	\$ 138,769	\$ 141,165

11. Other Noncurrent Assets

At September 30, 2013 and 2012, other noncurrent assets consisted of the following

	2013	2012
Investment in North Shore PET Imaging Center, LLC	\$ 172	\$ 198
Notes receivable (interest rate 4-25%) with maturities through 2016	364	494
Goodwill	1,225	1,225
Other	1,684	1,888
	\$ 3,445	\$ 3,805

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12. Long-Term Debt

At September 30, 2013 and 2012, long-term debt consisted of the following

	2013	2012
Massachusetts Development Finance Agency, (formerly known as Massachusetts Health and Educational Facilities Authority ("MHEFA" or the "Authority") Revenue Bonds)		
Northeast Hospital Issue, Series J, payable through 2020 (interest rate of 1 71%)	\$ 13,130	\$ -
Northeast Hospital Issue, Series H, payable through 2036 (variable interest rate, 1 18% and 22% at September 30, 2013 and 2012, respectively)	23,000	23,000
Northeast Hospital Issue, Series I (taxable), payable through 2036 (variable interest rate, 1 63% and 30% at September 30, 2013 and 2012, respectively)	9,500	9,500
Northeast Hospital Issue, Series G, payable through 2034 (variable interest rate, 12% and 18% at September 30, 2013 and 2012, respectively, letter of credit through JP Morgan Chase expires in December 2015)	45,800	46,475
Beverly Hospital Issue, Series F, payable through 2020 (interest rates ranging from 3 00% to 5 70%)	-	14,600
Northeast Hospital Issue, Pool M, payable through 2029 (varying rates, 12% and 25%), at September 30, 2013 and 2012, respectively letter of credit through Bank of America expires in May 2016)	9,816	10,177
Beverly Hospital Issue, Series D, payable through 2013 (interest rates ranging from 6 50% to 7 30%)	-	1,125
Northeast Hospital Issue, equipment acquisition loan, payable through 2013 (fixed interest rate of 3 95%)	-	548
Mortgage note payable through 2018 (interest rate of 3 55%)	289	340
	<u>101,535</u>	<u>105,765</u>
Less Current portion	3,130	7,709
	<u>\$ 98,405</u>	<u>\$ 98,056</u>

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In November 2012 the Hospital refinanced Series H and Series I with private placement issues whereupon no letter of credit existed. In November 2012, the Hospital also retired Series F and entered into a new \$15,065 Series J issue, which was a private placement issue. Although Series H, I and J are private placement issues they are still under the authority of the Massachusetts Development Finance Agency "MDFA". The cost of refinancing was approximately \$148 for Series H and \$61 for Series I. The cost of issuing Series J was approximately \$256.

At September 30, 2012 Series H and Series I bondholders had the option to put the bonds back to the Hospital. Such bonds would be subject to remarketing efforts by the Hospital's remarketing agent. To the extent that such remarketing efforts were unsuccessful, the nonmarketable bonds would be purchased from the proceeds of advances under the letter of credit. Payments of the principal on the letter of credit advances would commence on the first calendar day of the month that commences more than six months after the borrowing. Repayment of the full letter of credit would be required by the earlier of five years from the date of the advance under the letter of credit or that stated maturity date. As a result, the Hospital recorded \$3,250 in current installments of long-term debt at September 30, 2012.

At September 30, 2013, due to the refinancing of Series H and Series I with private placement issues, the Hospital no longer recorded \$3,250 in current installments of long-term debt.

The Hospital entered into an agreement with the MDFA to issue tax-exempt MDFA variable rate revenue bonds, Northeast Hospital Corporation Issue, Series G (2004) (the "Series 2004 Bonds") in the aggregate amount of \$55,000 due 2034. The Series 2004 Bonds were issued in the R-Float mode with rates reset weekly. In June 2008, the Hospital entered into a remarketing agreement to refinance the Series 2004 Bonds. The remarketing changed the mode of the bonds from an R-Float mode to a Variable Rate Demand Bond backed by a letter of credit which expires in 2015. The interest rate on the Series 2004 Bonds is set weekly. Series 2004 bondholders have the option to put the bonds back to the Hospital. Such bonds would be subject to remarketing efforts by the Hospital's remarketing agent. To the extent that such remarketing efforts were unsuccessful, the nonmarketable bonds would be purchased from the proceeds of the letter of credit. Payments of the principal on the letter of credit advances would commence on the first calendar day of the month that commences more than one year after the advance. Repayment of the letter of credit would be required by the earlier of five years from the date of the advance under the letter of credit or that stated maturity date. The Series 2004 bonds have been classified in accordance with the stated maturity in the accompanying consolidated balance sheets and in the table of scheduled maturities of long-term debt.

On May 1, 2003, the Hospital borrowed \$12,069 to fund various specific projects including endoscopy, special care nursery and surgical expansion with Series M-2 issue, which is part of a Massachusetts Health and Educational Facilities Authority Capital Asset Program Issue Pool. The loan runs through 2029 and \$67 of finance costs are being amortized over that period.

The MDFA bonds are collateralized by substantially all property, plant, and equipment of the Hospital and a lien on its gross receipts. The debt agreements require the Hospital to escrow funds with a trustee for current installments and arbitrage rebate liabilities, if any. Additionally, the debt agreements place limits on the incurrence of additional borrowings and require that the Hospital satisfy certain measures of financial performance and comply with certain other covenants.

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Effective October 1, 2010, MHEFA merged into the Massachusetts Development Finance Agency

In conjunction with the issuance of the Series H 2006 Bonds, Series I 2006 Bonds, and Series G 2004 Bonds, the Hospital entered into the following interest rate swap agreements to manage its interest rate risk on the variable rate debt

	Fixed Payment Rate	Variable Rate Received	Initial Notional Amount	Termination Date	Counterparty
Series H Swap	3.799 %	67% LIBOR	\$ 23,000	July 1, 2036	Bank of America
Series I (taxable) Swap	5.624	100% LIBOR	7,000	July 1, 2036	Bank of America
Series G Swap	3.370	67% LIBOR	37,000	July 1, 2034	Bank of America
Series G Swap	3.030	67% LIBOR	5,000	July 1, 2014	Bank of America

The fair value of the Hospital's swaps at September 30, 2013 and 2012, were liabilities of \$10,626 and \$16,231, respectively, which are included in other noncurrent accrued liabilities on the consolidated balance sheets. The change in net unrealized gains of \$5,605 and net unrealized losses of \$1,278 in 2013 and 2012, respectively, are recorded as nonoperating gains (losses) in the accompanying consolidated statements of operations. Net cash payments under the swaps were \$2,286 and \$2,284 for the years ended September 30, 2013 and 2012, respectively, which are included in other revenue in the accompanying consolidated financial statements.

The mortgage and notes payable are collateralized by buildings, equipment, and other assets with net book values totaling approximately \$367 at September 30, 2013.

The costs of issuance were approximately \$597 for the Series H 2006 Bonds and Series I 2006 Bonds and \$3,303 for the Series 2004 Bonds. These costs included underwriters' discount, legal, consulting, and printing fees, bond insurance premium, swap insurance premium, and other associated issuance costs related to the bonds.

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

Years Ending September 30,	
2014	\$ 3,130
2015	3,113
2016	3,256
2017	3,374
2018	3,342
Thereafter	85,320
	<u>\$ 101,535</u>

Loan Covenants

Under the terms of a master indenture, the Hospital is required to meet certain covenant requirements. In addition, the indenture provides for restrictions on, among other things, additional indebtedness and dispositions of property.

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13. Operating Leases and Other Commitments

Operating Leases

The Hospital leases certain property and equipment under non-cancelable operating leases with various terms. Future minimum rental commitments under noncancelable leases are as follows:

Years Ending September 30,	
2014	\$ 1,579
2015	1,237
2016	822
2017	335
2018	89
Thereafter	61
	<u>\$ 4,123</u>

Rent expense was approximately \$2,227 and \$2,173 for the years ended September 30, 2013 and 2012, respectively.

Other Commitments

At September 30, 2013, the Hospital has guaranteed the following debt:

	Balance Outstanding
Northeast Senior Health (formerly Northeast Long-Term Care Corporation)	\$ 5,280
Northeast Behavioral Health (formerly Health and Education Services, Inc.)	3,644
Seacoast Nursing Home and Rehabilitation Center, Inc. ("Seacoast")	5,319

Northeast Senior Health, Northeast Behavioral Health and Seacoast are affiliates of the Hospital.

14. Employee Benefits

The Hospital has a noncontributory pension plan (the "Plan") which covers substantially all of the Hospital's employees. The Plan, which may be terminated at any time by the Board, provides benefits to employees upon retirement.

The benefits under the Plan are based on years of service and the participants' compensation levels. The Hospital's policy is to fund the Plan in excess of the minimum required contribution in order to cover the present and future obligations of the Plan. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

The Hospital also provides assistance with the cost of health insurance to eligible employees who retire with a hospital pension. In 1991, the postretirement health plan was amended such that employees are no longer earning postretirement medical benefits.

Northeast Hospital Corporation and Affiliate
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

(in thousands of dollars)

The following table provides a reconciliation of benefit obligations, plan assets, and the funded status of the Hospital's benefit plans and the related amounts that are recognized in the accompanying consolidated balance sheets at September 30, 2013 and 2012

	Pension Benefits		Postretirement Benefits	
	2013	2012	2013	2012
Change in benefit obligation				
Benefit obligation at October 1	\$ 167,259	\$ 154,405	\$ 2,137	\$ 2,233
Service cost	4,432	4,720	3	3
Interest cost	6,920	6,777	80	94
Employee contributions	473	320	-	-
Plan amendment	-	(386)	-	-
Actuarial (gain) loss	(19,317)	6,019	(134)	54
Benefits paid	(5,258)	(4,596)	(226)	(247)
Benefit obligation at September 30	<u>\$ 154,509</u>	<u>\$ 167,259</u>	<u>\$ 1,860</u>	<u>\$ 2,137</u>
Accumulated benefit obligation	<u>\$ 145,682</u>	<u>\$ 156,298</u>	<u>\$ -</u>	<u>\$ -</u>
Change in plan assets				
Fair value of plan assets at October 1	\$ 115,801	\$ 95,087	\$ -	\$ -
Actual return on plan assets	12,400	15,340	-	-
Employer contributions	11,400	9,650	226	247
Employee contributions	473	320	-	-
Benefits paid from plan assets	(5,258)	(4,596)	(226)	(247)
Fair value of plan assets at September 30	<u>\$ 134,816</u>	<u>\$ 115,801</u>	<u>\$ -</u>	<u>\$ -</u>
Funded status/accrued benefit liability	<u>\$ (19,693)</u>	<u>\$ (51,458)</u>	<u>\$ (1,860)</u>	<u>\$ (2,137)</u>
Amounts recognized in the balance sheet consist of				
Current liability	\$ -	\$ -	\$ (226)	\$ (245)
Noncurrent liability	<u>(19,693)</u>	<u>(51,458)</u>	<u>(1,634)</u>	<u>(1,892)</u>
Net amount recognized	<u>\$ (19,693)</u>	<u>\$ (51,458)</u>	<u>\$ (1,860)</u>	<u>\$ (2,137)</u>

Unrestricted net assets at September 30, 2013 and 2012, include unrecognized actuarial losses of \$39,645 and \$66,426, respectively, and unrecognized prior service costs of \$528 and \$618, respectively, for the Plan and unrecognized losses of \$943 and \$1,166, respectively, and unrecognized prior service costs of \$633 and \$914, respectively, for the postretirement health plan. The amount in unrestricted net assets expected to be recognized in net periodic benefit costs over the next fiscal year is \$1,641.

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(in thousands of dollars)

The components of net periodic benefit costs were as follows for the years ended September 30, 2013 and 2012

	Pension Benefits		Postretirement Benefits	
	2013	2012	2013	2012
Service cost	\$ 4,432	\$ 4,720	\$ 3	\$ 3
Interest cost	6,920	6,777	80	94
Expected return on plan assets	(8,813)	(7,284)	-	-
Amortization of prior service cost	(90)	(83)	(281)	(407)
Recognized actuarial loss	3,877	4,378	88	102
Net periodic benefit cost	<u>\$ 6,326</u>	<u>\$ 8,508</u>	<u>\$ (110)</u>	<u>\$ (208)</u>

Other changes in plan assets and benefit obligations recognized in unrestricted net assets

	Pension Benefits		Postretirement Benefits	
	2013	2012	2013	2012
New net actuarial (gain) loss	\$ (22,903)	\$ (2,420)	\$ (134)	\$ 54
Amortization of				
Prior service cost	90	83	281	407
Actuarial gain	(3,877)	(4,378)	(88)	(102)
Total recognized	<u>\$ (26,690)</u>	<u>\$ (6,715)</u>	<u>\$ 59</u>	<u>\$ 359</u>

At September 30, 2013 and 2012, the Hospital used the following assumptions in determining the preceding amounts

	2013	2012
Pension benefits		
Discount rate - benefit obligation	5 19 %	4 20 %
Discount rate - periodic benefit cost	4 20	4 47
Rate of compensation increase - benefit obligation	3 00	3 00
Rate of compensation increase - periodic benefit cost	3 00	3 00
Expected long-term rate of return on plan assets	7 50	7 50
	2013	2012
Postretirement benefits		
Discount rate - benefit obligation	4 33 %	4 20 %
Discount rate - periodic benefit cost	4 20 %	4 47 %

The discount rate was derived from an actuarial discount rate model based on yields of high quality corporate bonds at September 30, 2013 and 2012. The increase in future compensation levels was determined from current and historical economic conditions.

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

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Increasing the assumed health care cost trend rates by one percentage point would increase the postretirement benefits accumulated benefit obligation as of September 30, 2013 by approximately \$3 and the total service cost and interest cost for the fiscal year ending September 30, 2013 would not change. Decreasing the assumed health care cost trend rate by one percentage point would decrease the postretirement benefits accumulated benefit obligation as of September 30, 2013 by approximately \$4 and the total service cost and interest cost for the fiscal year ending September 30, 2013 would not change. The health care cost trend rate is 9% for next year, with an ultimate rate of 5% assumed to be achieved in 2018.

The following table presents information as of September 30, 2013 and 2012 about the Hospital's pension investments that are measured at fair value.

	Fair Value Measurements Using			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2013				
Assets				
Cash investments	\$ 9,752	\$ -	\$ -	\$ 9,752
Mutual funds				
Fixed income	20,477	-	-	20,477
International equity	34,243	-	-	34,243
Domestic equity	13,351	-	-	13,351
Common collective trusts				
U S equity	-	21,033	-	21,033
Global equity	-	8,019	-	8,019
Diversified	-	7,215	-	7,215
Hedge funds	-	-	20,726	20,726
Total investments	<u>\$ 77,823</u>	<u>\$ 36,267</u>	<u>\$ 20,726</u>	<u>\$ 134,816</u>
2012				
Assets				
Cash investments	\$ 3,748	\$ -	\$ -	\$ 3,748
Mutual funds				
Fixed income	20,975	-	-	20,975
International equity	29,393	-	-	29,393
Domestic equity	11,298	-	-	11,298
Common collective trusts				
U S equity	-	17,301	-	17,301
Global equity	-	6,753	-	6,753
Diversified	-	7,813	-	7,813
Hedge funds	-	-	18,520	18,520
Total investments	<u>\$ 65,414</u>	<u>\$ 31,867</u>	<u>\$ 18,520</u>	<u>\$ 115,801</u>

Northeast Hospital Corporation and Affiliate
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

(in thousands of dollars)

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3)

	Hedge Funds
Fair Value at September 30, 2011	\$ 17,655
Sales of investments	(4,825)
Purchase of investments	4,602
Change in net unrealized gain	<u>1,088</u>
Fair Value at September 30, 2012	18,520
Sales of investments	-
Purchase of investments	-
Change in net unrealized gain	<u>2,206</u>
Fair Value at September 30, 2013	<u>\$ 20,726</u>

The Hospital's pension plan weighted-average asset allocations at September 30, 2013 and 2012, by asset category, are as follows

Asset Category	Asset Allocation	
	2013	2012
Equity securities	62 %	63 %
Debt securities	15	18
Hedge funds	16	16
Cash and short term	<u>7</u>	<u>3</u>
	<u>100 %</u>	<u>100 %</u>

Management of the pension plan assets is designed to maximize total return (income plus capital change) while preserving the capital values of the funds, protecting the funds from inflation, and providing liquidity as needed for plan benefits. The objective is to provide a rate of return that meets inflation, plus 4.5% over a long-term time horizon. The Hospital has established target asset allocation ranges of 45% to 65% equity investments, 12% to 18% debt investments, and 15% to 25% alternative investments (hedge funds).

The Hospital expects to contribute \$5,400 to the Plan and \$231 to the postretirement health plan in fiscal year 2014.

Northeast Hospital Corporation and Affiliate
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

(in thousands of dollars)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows

	Pension Benefits	Postretirement Benefits
2014	\$ 9,635	\$ 231
2015	7,996	219
2016	8,505	206
2017	9,323	193
2018	10,232	181
2019 - 2023	59,170	690

15. Temporarily and Permanently Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes

	2013	2012
Accumulated gains on permanently restricted net assets available for appropriation	\$ 7,733	\$ 6,913
Capital improvements	444	449
Operations	894	441
For periods after September 30	143	146
	<u>\$ 9,214</u>	<u>\$ 7,949</u>

Permanently Restricted Net Assets

Permanently restricted net assets consists of income from which is expendable to support health care services and beneficial interest in perpetual and lead trusts administered by outside trustees. These contributions are restricted as follows:

	2013	2012
Specific purpose funds - health care services	\$ 6,596	\$ 6,596
Beneficial interest in perpetual and lead trusts	3,915	3,735
	<u>\$ 10,511</u>	<u>\$ 10,331</u>

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(in thousands of dollars)

16. Professional Liability and Other Contingencies

Professional Liability Insurance

The Hospital is insured for the professional and general liability through Northeast Massachusetts Indemnity Company ("NMIC"). For 2013, professional liability limits are set at \$2.5 million per claim and \$10 million in the aggregate. General liability limits are set at \$1 million per claim and \$10 million in the aggregate. Umbrella coverage, with limitations of \$20 million per occurrence and \$20 million in the aggregate, has been purchased on a claims-made basis from other insurers. The claims-made policies, which are subject to renewal on an annual basis, cover only claims-made during the term of the policies and not the occurrences for which claims may be made after expiration of the policies. The Hospital intends to renew its coverage on a claims-made basis and has no reason to believe it may be prevented from renewing such coverage. In August 2013, NMIC was amalgamated into Lahey Clinic Insurance Company, Ltd., a wholly owned subsidiary of Lahey Health System, Inc., which is a captive insurance company incorporated and based in Bermuda for the purpose of providing professional and general liability insurance.

The Hospital uses an outside actuarial consultant to determine its professional liability reserves. Estimated professional liability costs consist of specific reserves calculated to cover the estimated liability resulting from medical or general liability incidents or potential claims which have been reported, as well as provision for claims incurred but not reported. Estimated professional liabilities are based on claims reported, historical experience, and industry trends. These liabilities include estimates of future trends in loss severity and frequency and other factors which could vary as the claims are ultimately settled. Although it is not possible to measure the degree of variability inherent in such estimates, management believes the reserves for claims are adequate. These estimates are periodically reviewed, and necessary adjustments are reflected in operations in the year the need for such adjustments become known. Although there is at least a reasonable possibility that the recorded estimates will change by a material amount in the near term, management is unaware of any claims that would cause the final expense for medical malpractice risks to vary materially from the amounts provided.

The Hospital follows the accounting policy of establishing reserves to cover the ultimate costs of medical malpractice claims, which include costs associated with litigating or settling claims. The liability also includes an estimated tail liability, established to cover all malpractice claims incurred but not reported to the insurance company as of the end of the year. The total malpractice liability of \$11,776 and \$11,561 at September 30, 2013 and 2012, respectively, is presented as accrued professional liability in the consolidated balance sheet.

The Hospital also recognizes an insurance receivable from Northeast Massachusetts Indemnity Company, Ltd. at the same time that it recognizes the liability, measured on the same basis as the liability. The insurance receivable of \$10,266 and \$9,979 at September 30, 2013 and 2012, respectively, is reported as professional insurance receivable in the consolidated balance sheet.

Management is not aware of any claims against the Hospital or factors affecting Northeast Massachusetts Indemnity Company, Ltd. that would cause the expense for professional liability risks to vary materially from the amount provided.

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(in thousands of dollars)

Workers' Compensation

The Hospital provides workers' compensation coverage on a self-insured basis. The Hospital uses an outside actuarial consultant to determine its estimated liability. The estimated liability is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Commitments and Contingencies

The Hospital is a party in various legal proceedings and potential claims arising in the ordinary course of its business. In addition, the health care industry, as a whole, is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to future governmental review and interpretation as well as regulatory actions unknown or unasserted at this time. Such compliance in the health care industry has recently come under increased governmental scrutiny which could result in the imposition of significant fines and penalties as well as significant repayments of previously billed and collected revenue from patient services. Management does not believe that these contingencies will have a material adverse effect on the Hospital's consolidated financial statements.

17. Functional Expenses

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

	September 30,	
	2013	2012
Health care services	\$ 254,824	\$ 253,782
General and administrative	72,854	72,556
Total	<u>\$ 327,678</u>	<u>\$ 326,338</u>

Northeast Hospital Corporation and Affiliate

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(in thousands of dollars)

18. Concentration of Credit Risk

Financial instruments that potentially subject the Hospital to concentration of credit risk are patient and other receivables, amounts due from affiliates, investments, other noncurrent assets, and cash equivalents. The Hospital invests available cash in a money market account of a local bank.

The Hospital grants credit without collateral to its patients, many of whom are local residents and are insured under third-party payor agreements. At September 30, 2013 and 2012, accounts receivable from patients and third-party payors, exclusive of estimated third-party settlements, are summarized as follows:

	2013	2012
Medicare	33.9 %	31.6 %
Self Pay	5.2 %	5.1 %
HMO Other	9.8 %	10.4 %
HMO Blue	14.9 %	15.0 %
Blue Cross/Blue Shield	1.2 %	0.9 %
Harvard Pilgrim Health Care (HPHC)	6.8 %	5.9 %
Other	6.1 %	6.7 %
Tufts	5.8 %	5.9 %
Other Government Programs	14.9 %	17.2 %
Worker's Compensation	1.4 %	1.3 %
	<u>100 %</u>	<u>100 %</u>

Although management expects the amounts recorded as net accounts receivable on September 30, 2013 and 2012, to be collectible, this concentration of credit risk is expected to continue in the near term.

19. Subsequent Events

The Hospital has assessed the impact of subsequent events through January 31, 2014, the date the audited financial statements were issued, and has concluded that there were no such events that require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements.

Supplemental Schedules

Northeast Hospital Corporation and Affiliate

Supplemental Consolidating Balance Sheet

September 30, 2013

<i>(in thousands of dollars)</i>	Northeast Hospital Corporation	Northeast Medical Practice, Inc	Reclassifications and Eliminations	Consolidated
Assets				
Current				
Cash and cash equivalents	\$ 20,274	\$ 839	\$ -	\$ 21,113
Patient receivables, less allowance for uncollectible accounts of \$11,181	34,616	1,312		35,928
Inventories of supplies	5,765	-		5,765
Prepaid expenses and deposits	3,918	88		4,006
Current portion of assets whose use in limited or restricted	486	-		486
Other receivables	1,164	89		1,253
Due from affiliates	14,319	-	(7,620)	6,699
Total current assets	<u>80,542</u>	<u>2,328</u>	<u>(7,620)</u>	<u>75,250</u>
Assets whose use is limited or restricted by board designation for				
Assets held by trustee under bond indenture agreements	4,087	-		4,087
Investments, other	955	-		955
Donor-restricted assets for specific purposes	9,214	-		9,214
Donor-restricted assets for permanent endowment	6,596	-		6,596
Total assets whose use is limited or restricted	<u>20,852</u>	<u>-</u>	<u>-</u>	<u>20,852</u>
Property, plant and equipment, net	138,621	148		138,769
Deferred debt issue costs	3,014	-		3,014
Professional insurance receivable	5,810	4,456		10,266
Other assets	1,896	1,549		3,445
Beneficial interest in perpetual and lead trusts	3,915	-		3,915
Long-term investments	118,296	-		118,296
Due from affiliates	1,606		(1,127)	479
Total assets	<u>\$ 374,552</u>	<u>\$ 8,481</u>	<u>\$ (8,747)</u>	<u>\$ 374,286</u>

Northeast Hospital Corporation and Affiliate **Supplemental Consolidating Balance Sheet** **September 30, 2013**

<i>(in thousands of dollars)</i>	Northeast Hospital Corporation	Northeast Medical Practice, Inc	Reclassifications and Eliminations	Consolidated
Liabilities and Net Assets				
Current				
Accounts payable and accrued expenses	\$ 13,344	\$ 452	\$ -	\$ 13,796
Accrued payroll and employee benefits	17,360	617	-	17,977
Accrued interest payable	107	-	-	107
Current portion of long-term debt	3,130	-	-	3,130
Accrued postretirement benefits	226	-	-	226
Estimated third-party settlements, net	8,684	-	-	8,684
Due to affiliates	4,625	8,593	(7,620)	5,598
Total current liabilities	47,476	9,662	(7,620)	49,518
Long-term debt, less current portion	98,405	-	-	98,405
Accrued pension benefits	19,134	559	-	19,693
Accrued postretirement benefits	1,634	-	-	1,634
Professional liability reserves	7,320	4,456	-	11,776
Other noncurrent liabilities	11,679	168	-	11,847
Due to affiliates	-	1,127	(1,127)	-
Total long-term liabilities	138,172	6,310	(1,127)	143,355
Total liabilities	185,648	15,972	(8,747)	192,873
Net assets				
Unrestricted	169,179	(7,491)	-	161,688
Temporarily restricted	9,214	-	-	9,214
Permanently restricted	10,511	-	-	10,511
Total net assets	188,904	(7,491)	-	181,413
Total liabilities and net assets	\$ 374,552	\$ 8,481	\$ (8,747)	\$ 374,286

Northeast Hospital Corporation and Affiliate

Supplemental Consolidating Statements of Operations

Year Ended September 30, 2013

<i>(in thousands of dollars)</i>	Northeast Hospital Corporation	Northeast Medical Practice, Inc	Reclassifications and Eliminations	Consolidated
Unrestricted net assets				
Revenues				
Net patient service revenue	\$ 322,153	\$ 11,368	\$ -	\$ 333,521
Provision for bad debt	9,926	112	-	10,038
Net patient service revenue after provision for bad debts	312,227	11,256	-	323,483
Other revenues	7,961	2,504	(862)	9,603
Net assets released from restrictions	874	-	-	874
Total revenues	321,062	13,760	(862)	333,960
Expenses				
Salaries and wages, non-physicians	142,881	4,405	-	147,286
Salaries and wages, physicians	2,107	6,334	-	8,441
Employee benefits	30,514	1,740	-	32,254
Supplies and other	114,772	4,296	(862)	118,206
Depreciation and amortization	17,672	60	-	17,732
Interest	1,558	-	-	1,558
Health Safety Net assessment	2,201	-	-	2,201
Total expenses	311,705	16,835	(862)	327,678
Income (loss) from operations	9,357	(3,075)	-	6,282
Nonoperating gains (losses), net				
Investment income	3,437	-	-	3,437
Unrestricted contributions	694	-	-	694
Fundraising costs	(1,249)	-	-	(1,249)
Other income	6,881	10	-	6,891
Total nonoperating gains	9,763	10	-	9,773
Excess (deficiency) of revenues over expenses	19,120	(3,065)	-	16,055
Change in net unrealized gains and losses on investments	7,517			7,517
Net assets released from restriction used for purchase of property, plant and equipment	643	-	-	643
	27,280	(3,065)	-	24,215
Pension and other postretirement related adjustments other than net periodic benefit cost	26,631	-	-	26,631
Increase (decrease) in unrestricted net assets	\$ 53,911	\$ (3,065)	\$ -	\$ 50,846

Northeast Hospital Corporation and Affiliate
Supplemental Schedule of Revenue Available to Meet Expenses
Year Ended September 30, 2013

	Northeast Hospital Corporation
<i>(in thousands of dollars)</i>	
Revenue available to meet expenses	
Total unrestricted revenue	\$ 321,062
Nonoperating gains, net	9,763
Total revenue available to meet expenses	\$ 330,825
Expenses	
Total expenses	\$ 311,705
Principal payments on long-term indebtedness	4,695
	316,400
Depreciation and amortization	(17,672)
Total expenses	\$ 298,728

See note to supplemental schedule of revenue available to meet expenses

Northeast Hospital Corporation and Affiliate
Note to Supplemental Schedule of Revenue Available to Meet Expenses
Year Ended September 30, 2013

1. Basis of Accounting

The accompanying supplemental schedule has been prepared in accordance with Section 5.09 of the Master Trust Indenture Agreement, dated October 3, 1989, between Northeast Hospital Corporation and The First National Bank of Chicago as master trustee, and is derived from the financial statements of Northeast Hospital Corporation for the year ended September 30, 2013.

Northeast Hospital Corporation and Affiliate
Schedule of Excess Depreciation
Year Ended September 30, 2013

(in thousands of dollars)

Fiscal Year Ended	“Indenture” Long-Term Plant Indebtedness (I)	Other Long-Term Plant Indebtedness (II)	Total	Depreciation Expense (III)	Depreciation Excess (Shortfall)
2014	\$ 3,077	\$ 276	\$ 3,353	\$ 17,136	\$ 13,783
2015	3,050	292	3,342	15,287	11,945
2016	3,195	310	3,505	13,977	10,472
2017	3,310	327	3,637	12,222	8,585
2018	3,293	330	3,623	10,992	7,369
2019	3,362	299	3,661	9,798	6,137
2020	3,267	319	3,586	8,671	5,085
2021	3,630	343	3,973	7,265	3,292
2022	3,784	370	4,154	5,400	1,246
2023	3,921	271	4,192	4,108	(84)
2024	4,075	-	4,075	3,437	(638)
2025	4,251	-	4,251	2,939	(1,312)
2026	4,399	-	4,399	2,605	(1,794)
2027	4,581	-	4,581	2,324	(2,257)
2028	4,760	-	4,760	2,015	(2,745)
2029	4,946	-	4,946	1,306	(3,640)
2030	5,145	-	5,145	1,146	(3,999)
2031	5,350	-	5,350	1,020	(4,330)
2032	5,540	-	5,540	1,017	(4,523)
2033	5,760	-	5,760	954	(4,806)
2034	5,965	-	5,965	790	(5,175)
2035	6,170	-	6,170	678	(5,492)
2036	6,415	-	6,415	668	(5,747)
	<u>\$ 101,246</u>	<u>\$ 3,137</u>	<u>\$ 104,383</u>	<u>\$ 125,755</u>	<u>\$ 21,372</u>

See note to schedule of excess depreciation

Northeast Hospital Corporation and Affiliate
Note to Supplemental Schedule of Excess Depreciation
September 30, 2013

1. Basis of Accounting

The accompanying Schedule of Excess Depreciation (the "Schedule") has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America

In accordance with Sections 5 15(b)(i) and 5 15(b)(ii) of the Master Trust Indenture Agreement (the "Agreement"), Column "I" of the Schedule represents the principal requirements of Indenture Indebtedness which is Long-Term Plant Indebtedness, Column "II" of the Schedule represents principal requirements of Other Long-Term Plant Indebtedness and Column "III" of the Schedule represents projected depreciation for each fiscal year while Long-Term Plant Indebtedness will be outstanding

In accordance with Section 5 06 of the Agreement, Columns "I" and "II" of the Schedule include an amount equal to 20% of the debt service on "Guarantees "