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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 2010 Open to Public Inspection
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A For the 2010 calendar year, or tax year beginning 04-01-2010 and ending 03-31-2011		
B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization KALISPELL REGIONAL MEDICAL CENTER Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite 310 SUNNYVIEW LANE City or town, state or country, and ZIP + 4 KALISPELL, MT 59901	D Employer identification number 23-7293874 E Telephone number (406) 752-5111 G Gross receipts \$ 196,742,285
	F Name and address of principal officer CHARLES PEARCE 310 SUNNYVIEW LANE KALISPELL, MT 59901	H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
	I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527	
	J Website: ▶ WWW.NWHC.ORG/KRMC	
	K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶	
L Year of formation 1973		
M State of legal domicile MT		

Part I	Summary
Activities & Governance	1 Briefly describe the organization’s mission or most significant activities PROVIDE ACUTE HOSPITAL CARE
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets
	3 Number of voting members of the governing body (Part VI, line 1a)
	4 Number of independent voting members of the governing body (Part VI, line 1b)
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)
Revenue	6 Total number of volunteers (estimate if necessary)
	7a Total unrelated business revenue from Part VIII, column (C), line 12
	b Net unrelated business taxable income from Form 990-T, line 34
Expenses	8 Contributions and grants (Part VIII, line 1h)
	9 Program service revenue (Part VIII, line 2g)
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)
	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)
	14 Benefits paid to or for members (Part IX, column (A), line 4)
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)
Net Assets or Fund Balances	16a Professional fundraising fees (Part IX, column (A), line 11e)
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)
	19 Revenue less expenses Subtract line 18 from line 12

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	<div>***** Signature of officer</div>	2012-03-27 Date			
	<div>CHARLES PEARCE CFO Type or print name and title</div>				
Paid Preparer Use Only	Print/Type preparer's name JUSTIN P SLITER	Preparer's signature JUSTIN P SLITER	Date 2012-03-27	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ▶ JORDAHL & SLITER PLLC				Firm's EIN ▶
	Firm's address ▶ PO BOX 8600 KALISPELL, MT 599041600				Phone no ▶ (406) 752-1040

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

Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III ☐ Yes ☒ No

1

Briefly describe the organization's mission

PROVIDE ACUTE HOSPITAL CARE

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No

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? ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4

Describe the exempt purpose achievements for each of the organization's three largest program services by expenses

Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts 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 \$ 158,800,261 including grants of \$) (Revenue \$ 177,722,375)

OPERATION OF REGIONAL ACUTE CARE HOSPITAL

4b

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

4c

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

4d

Other program services (Describe in Schedule O)



















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

4e

Total program service expenses \$ 158,800,261

Part IV

Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	1	Yes
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 	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? <i>If "Yes," complete Schedule C, Part I.</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? <i>If "Yes," complete Schedule C, Part II.</i> 	4	Yes
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>	5	
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i> 	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? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	8	No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	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? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i> 	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? <i>If "Yes," complete Schedule D, Part VIII.</i> 	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? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	Yes
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	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)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	Yes
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	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, and program service activities outside the United States? <i>If "Yes," complete Schedule F, Parts I and IV.</i>	14b	No
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 U S ? <i>If "Yes," complete Schedule F, Parts II and IV.</i>	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 U S ? <i>If "Yes," complete Schedule F, Parts III and IV.</i>	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? <i>If "Yes," complete Schedule G, Part I (see instructions).</i>	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? <i>If "Yes," complete Schedule G, Part II.</i>	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions).	20b	Yes

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations 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		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 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–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, highly 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 a grant selection committee member, or to a person related to such an individual? <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	Yes	
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	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29	Yes	
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, Parts II, III, IV, and V, line 1</i>	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35	Yes	
a	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> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
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 11 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 <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	213
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	1,893
b	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).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	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)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter:		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter:		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

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	1a 15		
b	Enter the number of voting members included in line 1a, above, who are independent	1b 6		
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		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Does the organization have members or stockholders?	6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	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	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does 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?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	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	
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken 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 <input checked="" type="checkbox"/> _____
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 make these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization <input checked="" type="checkbox"/> . CHARLES PEARCE 310 SUNNYVIEW LANE KALISPELL, MT 59901 (406) 752-1724

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

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

Form **990** (2010)

Part VII

2	Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization	80
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		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	No
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		
(A) Name and business address	(B) Description of services	(C) Compensation
SILVERTIP EMERGENCY PHYSICIANS 310 SUNNYVIEW LANE KALISPELL, MT 59901	EMERGENCY ROOM PHYSICIANS	3,441,766
SWANK ENTERPRISES PO BOX 10007 KALISPELL, MT 59901	CONSTRUCTION	991,262
GLACIER REGIONAL PATHOLOGY 495 N MAIN STREET KALISPELL, MT 59901	PATHOLOGY SERVICES	742,621
NORTHERN ROCKIES ANESTHESIA CONSULTANTS 1075 MARTIN CREEK LANE WHITEFISH, MT 59937	ANESTHESIA SERVICES	550,679
MAYO MEDICAL LAB PO BOX 9146 MINNEAPOLIS, MN 554809146	LAB SERVICES	546,548
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization		24

Part VIII

Statement of Revenue

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns 1a					
	b	Membership dues 1b					
	c	Fundraising events 1c					
	d	Related organizations 1d	498,835				
	e	Government grants (contributions) 1e	30,400				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f					
	g	Noncash contributions included in lines 1a-1f \$	47,261				
	h	Total. Add lines 1a-1f	529,235				
	Program Service Revenue	2a		Business Code			
		MEDICAL SERVICE REVENUE	621990	174,521,346	172,644,251	1,877,095	
b		PARTNERSHIP INCOME	621990	2,846,418	2,846,418		
c		OTHER OPERATING INCOME	900099	2,077,800	2,077,800		
d		MGMT CONTRACT SERVICES	900099	95,493	95,493		
e		EDUCATION INCOME	621990	57,265	57,265		
f		All other program service revenue		1,148	1,148		
g		Total. Add lines 2a-2f	179,599,470				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		1,098,389		1,098,389	
	4	Income from investment of tax-exempt bond proceeds . . .					
	5	Royalties					
	6a	Gross Rents	(i) Real 343,532	(ii) Personal			
		b	Less rental expenses				
		c	Rental income or (loss)	343,532			
		d	Net rental income or (loss)	343,532			343,532
	7a	Gross amount from sales of assets other than inventory	(i) Securities 12,766,487	(ii) Other 501,840			
		b	Less cost or other basis and sales expenses	12,172,697	443,145		
		c	Gain or (loss)	593,790	58,695		
		d	Net gain or (loss)	652,485			652,485
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 a					
		b	Less direct expenses b				
		c	Net income or (loss) from fundraising events . . .				
	9a	Gross income from gaming activities See Part IV, line 19 . . . a					
		b	Less direct expenses b				
		c	Net income or (loss) from gaming activities . . .				
	10a	Gross sales of inventory, less returns and allowances a					
		b	Less cost of goods sold b				
		c	Net income or (loss) from sales of inventory . . .				
	Miscellaneous Revenue		Business Code				
	11a	CAFETERIA	722210	1,269,752			1,269,752
		b	CHILD CARE	624410	612,179		612,179
c		MISC REVENUE	900099	393,071		393,071	
d		All other revenue		-371,670		-371,670	
e		Total. Add lines 11a-11d	1,903,332				
12		Total revenue. See Instructions	184,126,443	177,722,375	1,877,095	3,997,738	

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) but are not required to complete columns (B), (C), and (D).

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 U S See Part IV, line 21				
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,460,634		1,460,634	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	72,999,329	65,619,519	7,379,810	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,692,497	2,469,439	223,058	
9	Other employee benefits	11,527,888	10,238,628	1,289,260	
10	Payroll taxes	5,012,204	4,427,067	585,137	
a	Fees for services (non-employees)				
	Management				
b	Legal	732,102		732,102	
c	Accounting	87,119		87,119	
d	Lobbying				
e	Professional fundraising services See Part IV, line 17				
f	Investment management fees				
g	Other	9,377,993	7,609,957	1,768,036	
12	Advertising and promotion	967,393	463,199	504,194	
13	Office expenses	1,864,753	1,125,204	739,549	
14	Information technology				
15	Royalties				
16	Occupancy	8,170,153	7,147,302	1,022,851	
17	Travel	1,127,618	760,611	367,007	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	1,006,128	1,006,128		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	8,639,587	7,377,239	1,262,348	
23	Insurance	1,952,155	1,952,155		
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	SUPPLIES	29,928,340	29,100,634	827,706	
b	BAD DEBTS	10,555,948	10,555,948	0	
c	PURCHASED SERVICES	7,810,602	7,204,547	606,055	
d	OTHER EXPENSES	2,894,406	1,742,684	1,151,722	
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	178,806,849	158,800,261	20,006,588	0
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

						(A)		(B)
						Beginning of year		End of year
Assets	1	Cash—non-interest-bearing				12,110,394	1	6,203,380
	2	Savings and temporary cash investments				42,636,597	2	47,698,479
	3	Pledges and grants receivable, net					3	
	4	Accounts receivable, net				21,894,648	4	25,266,388
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L					5	
	6	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). Schedule L					6	
	7	Notes and loans receivable, net				3,566,405	7	4,246,715
	8	Inventories for sale or use				3,919,464	8	5,541,756
	9	Prepaid expenses and deferred charges				1,305,042	9	2,616,203
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	147,105,770				
	b	Less: accumulated depreciation	10b	87,902,603	57,346,324	10c	59,203,167	
	11	Investments—publicly traded securities					11	
	12	Investments—other securities. See Part IV, line 11					12	
	13	Investments—program-related. See Part IV, line 11			5,364,999	13	6,498,505	
	14	Intangible assets			425,390	14	1,009,145	
	15	Other assets. See Part IV, line 11			6,923,103	15	42,586,921	
	16	Total assets. Add lines 1 through 15 (must equal line 34)			155,492,366	16	200,870,659	
Liabilities	17	Accounts payable and accrued expenses			28,720,233	17	30,825,974	
	18	Grants payable				18		
	19	Deferred revenue				19		
	20	Tax-exempt bond liabilities			18,282,477	20	56,864,697	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21		
	22	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			2,232,584	23	3,232,507	
	24	Unsecured notes and loans payable to unrelated third parties				24		
	25	Other liabilities. Complete Part X of Schedule D			4,061,560	25	4,904,941	
	26	Total liabilities. Add lines 17 through 25			53,296,854	26	95,828,119	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.							
	27	Unrestricted net assets			100,715,058	27	103,124,995	
	28	Temporarily restricted net assets			37,144	28	122,795	
	29	Permanently restricted net assets			1,443,310	29	1,794,750	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.							
	30	Capital stock or trust principal, or current funds				30		
	31	Paid-in or capital surplus, or land, building or equipment fund				31		
	32	Retained earnings, endowment, accumulated income, or other funds				32		
	33	Total net assets or fund balances			102,195,512	33	105,042,540	
	34	Total liabilities and net assets/fund balances			155,492,366	34	200,870,659	

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	184,126,443
2	Total expenses (must equal Part IX, column (A), line 25)	2	178,806,849
3	Revenue less expenses Subtract line 2 from line 1	3	5,319,594
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	102,195,512
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-2,472,566
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	105,042,540

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 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	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input checked="" type="checkbox"/> Both consolidated and separated basis		
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?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

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

2010

Open to Public
Inspection

Name of the organization KALISPELL REGIONAL MEDICAL CENTER	Employer identification number 23-7293874
---	--

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- 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 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 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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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 2010 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14	15	
16a 33 1/3% support test—2010. 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—2009. If the organization did not check the 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—2010. 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—2009. 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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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 section501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage			
15	Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15	
16	Public support percentage from 2009 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage			
17	Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18	Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a	33 1/3% support tests—2010. 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—2009. 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. 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

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below.**
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

If the organization answered “Yes,” to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered “Yes,” to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered “Yes,” to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35a (Proxy Tax), then

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

Name of the organization KALISPELL REGIONAL MEDICAL CENTER	Employer identification number 23-7293874
---	--

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

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

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$ _____
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$ _____
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," describe in Part IV	

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

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

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

if the filing organization checked box A and "limited control" provisions apply

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?	Yes		
	g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?	Yes		
	i Other activities? If "Yes," describe in Part IV	Yes		
j Total lines 1c through 1i				84,735
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1i. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	LOBBYING EXPENDITURES WERE INCURRED IN AN ATTEMPT TO ENSURE MEDICARE AND MEDICAID PAID COST OF SERVICES AND IN RELATION TO FUNDING FOR ADVANCE OF OUR ELECTRONIC HEALTH RECORD PROJECT EXPENDITURES INCLUDED CONSULTANT, STAFF TIME AND A PORTION OF HOSPITAL ASSOCIATION MEMBERSHIP DUES

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.

Attach to Form 990. See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization KALISPELL REGIONAL MEDICAL CENTER	Employer identification number 23-7293874
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Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

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

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

1	Purpose(s) of conservation easements held by the organization (check all that apply) <input type="checkbox"/> Preservation of land for public use (e g , recreation or pleasure) <input type="checkbox"/> Protection of natural habitat <input type="checkbox"/> Preservation of open space <input type="checkbox"/> Preservation of an historically importantly land area <input type="checkbox"/> Preservation of a certified historic structure
2	Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06
3	Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year
4	Number of states where property subject to conservation easement is located
5	Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?
6	Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year
7	Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year \$
8	Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?
9	In Part XIV, 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, 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 XIV, the text of the footnote to its financial statements that describes these items
b	If the organization elected, as permitted under SFAS 116, 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 relating to these items
a	Revenues included in Form 990, Part VIII, line 1
b	Assets included in Form 990, Part X

Part III

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

3

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

a

☐

Public exhibition

b

☐

Scholarly research

c

☐

Preservation for future generations

d

☐

Loan or exchange programs

e

☐

Other

4

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

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 XIV and complete the following table

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a Beginning of year balance	1,480,454	1,250,610	1,225,468		
b Contributions	280,808	53,165	224,116		
c Investment earnings or losses	156,283	176,679	-198,974		
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	1,917,545	1,480,454	1,250,610		

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶ 6 400 %

b

Permanent endowment ▶ 93 600 %

c

Term endowment ▶

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)

☐ Yes

b

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

3b

☐ Yes

4

Describe in Part XIV the intended uses of the organization's endowment funds

Part VI

Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		282,845		282,845
b Buildings		94,460,824	53,953,758	40,507,066
c Leasehold improvements				
d Equipment		46,644,471	33,948,845	12,695,626
e Other		5,717,630		5,717,630
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				59,203,167

Part XI

Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	184,126,443
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	178,806,849
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	5,319,594
4	Net unrealized gains (losses) on investments	4	3,575,322
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-6,484,979
9	Total adjustments (net) Add lines 4 - 8	9	-2,909,657
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	2,409,937

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	187,502,678
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	3,575,322
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	299,748
e	Add lines 2a through 2d	2e	3,875,070
3	Subtract line 2e from line 1	3	183,627,608
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 XIV)	4b	498,835
c	Add lines 4a and 4b	4c	498,835
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	184,126,443

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	178,806,849
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 XIV)	2d	
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	178,806,849
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 XIV)	4b	
c	Add lines 4a and 4b	4c	0
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	178,806,849

Part XIV

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, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	NORTHWEST HEALTHCARE FOUNDATION'S ENDOWMENT FUNDS WILL BE DISBURSED ACCORDING TO THE FUND'S DESIGNATED PURPOSE CONSIDERING ANY RESTRICTIONS AND/OR CONDITIONS ON THE FUND WHERE THERE IS AN UNDESIGNATED ENDOWMENT FUND WITHOUT RESTRICTIONS AND/OR CONDITIONS, THE ORGANIZATION WILL REVIEW REQUESTS FOR FUNDING FROM KALISPELL REGIONAL MEDICAL CENTER, THE SUPPORTED ORGANIZATION, ON A PERIODIC BASIS. HISTORICALLY, ENDOWMENT FUND DISBURSEMENTS HAVE FUNDED EQUIPMENT REQUESTS FROM KALISPELL REGIONAL MEDICAL CENTER.
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE HOSPITAL ADOPTED THE PROVISIONS OF ASC 740, INCOME TAXES. ASC 740 CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN AN ORGANIZATION'S FINANCIAL STATEMENTS IN ACCORDANCE WITH THE ASC AND PRESCRIBES A RECOGNITION THRESHOLD AND MEASUREMENT STANDARD FOR THE FINANCIAL STATEMENT RECOGNITION AND MEASUREMENT OF AN INCOME TAX POSITION TAKEN OR EXPECTED TO BE TAKEN IN A TAX RETURN. THE HOSPITAL HAS REVIEWED ITS TAX POSITIONS FOR ALL OPEN TAX YEARS AND HAS CONCLUDED NO RESERVES ARE REQUIRED.
PART XI, LINE 8 - OTHER ADJUSTMENTS		FUND BALANCE TRANSFERRED TO AFFILIATES ADJUSTMENT FOR FOUNDATION ACTIVITY.
PART XII, LINE 2D - OTHER ADJUSTMENTS		FASB FAS 136 INVESTMENT IN NET ASSETS OF FOUNDATION 299,748
PART XII, LINE 4B - OTHER ADJUSTMENTS		SUPPORT FROM AFFILIATED FOUNDATION 451,574 CONTRIBUTION OF FIXED ASSETS BOOKED TO EQUITY 47,261

SCHEDULE H
(Form 990)

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

2010

Open to Public
Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number
23-7293874

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	Yes	
b	If "Yes," is it a written policy?	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____%</div> b Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____%</div> c If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine 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"?		
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	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?		No
6a	Does the organization prepare a community benefit report during the tax year?	Yes	
6b	If "Yes," did the organization make it available to the public? Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	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 Worksheets 1 and 2)			5,822,111		5,822,111	3 260 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			18,702,745	14,606,969	4,095,776	2 290 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			24,524,856	14,606,969	9,917,887	5 550 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			173,396		173,396	0 100 %
f Health professions education (from Worksheet 5)			216,646		216,646	0 120 %
g Subsidized health services (from Worksheet 6)			39,741,467	31,828,967	7,912,500	4 430 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			19,278		19,278	0 010 %
j Total Other Benefits			40,150,787	31,828,967	8,321,820	4 660 %
k Total. Add lines 7d and 7j			64,675,643	46,435,936	18,239,707	10 210 %

Part II

Community Building Activities during the tax year, and describe in Part VI how its 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		0			
2	Economic development		16,931		16,931	0 010 %
3	Community support		57,826		57,826	0 030 %
4	Environmental improvements		0			
5	Leadership development and training for community members		1,966		1,966	0 %
6	Coalition building					
7	Community health improvement advocacy		4,331		4,331	0 %
8	Workforce development					
9	Other					
10	Total		81,054		81,054	0 040 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	5,331,809	
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	983,719	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	54,403,578	
6	Enter Medicare allowable costs of care relating to payments on line 5	6	75,063,392	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-20,659,814	
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: <input checked="" type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes	
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b		No

Part IV

Management Companies and Joint Ventures

(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 1 MRI - CT	IMAGING	51 000 %	1 100 %	18 500 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

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

1	KALISPELL REGIONAL MEDICAL CENTER 310 SUNNYVIEW LANE KALISPELL, MT 59901
---	--

Other (Describe)

[illegible]

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

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? _____

Name and address	Type of Facility (Describe)
1	
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 description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 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

Identifier	ReturnReference	Explanation
		PART I, LINE 7 COST ACCOUNTING WAS UTILIZED FOR THE ENTIRE TABLE COST ACCOUNTING COVERS ALL PATIENT SEGMENTS

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) TOTAL BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A) BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGES IN COLUMN (F) IS \$10,555,948

Identifier	ReturnReference	Explanation
		PART II KPMC PROVIDES FUNDING TO VARIOUS NON-PROFIT ORGANIZATIONS IN THE COMMUNITY IN ADDITION, KPMC IS ACTIVELY INVOLVED IN THE KALISPELL CHAMBER OF COMMERCE AND OTHER ORGANIZATIONS FOR THE PURPOSES OF ECONOMIC DEVELOPMENT KPMC PROVIDES FURTHER DONATIONS TO BENEFIT THE BROADER COMMUNITY

Identifier	ReturnReference	Explanation
		PART III, LINE 4 COST ACCOUNTING WAS UTILIZED TO DETERMINE BAD DEBT EXPENSE PROVISION FOR BAD DEBTS THE HOSPITAL PROVIDES FOR AN ALLOWANCE AGAINST PATIENT ACCOUNTS RECEIVABLE FOR AN AMOUNT THAT COULD BECOME UNCOLLECTIBLE, WHEREBY SUCH RECEIVABLES ARE REDUCED TO THEIR ESTIMATED NET REALIZABLE VALUE THE HOSPITAL ESTIMATES THIS ALLOWANCE BASED ON THE AGING OF ACCOUNTS RECEIVABLE, HISTORICAL COLLECTION EXPERIENCE AND OTHER RELEVANT FACTORS THERE ARE VARIOUS FACTORS THAT CAN IMPACT THE COLLECTION TRENDS, SUCH AS CHANGES IN THE ECONOMY, WHICH IN TURN HAVE AN IMPACT ON THE UNEMPLOYMENT RATES AND THE NUMBER OF UNINSURED AND UNDERINSURED PATIENTS, THE INCREASED BURDEN ON COPAYMENTS TO BE MADE BY PATIENTS WITH INSURANCE, AND BUSINESS PRACTICES RELATED TO COLLECTION EFFORTS THESE FACTORS CONTINUOUSLY CHANGE AND HAVE AN IMPACT ON THE ESTIMATION PROCESS

Identifier	ReturnReference	Explanation
		PART III, LINE 8 COST TO CHARGE RATIO WAS UTILIZED TO PREPARE THE FY 2010 COST REPORT ALL OF THE MEDICARE SHORTFALL SHOULD BE TREATED AS A COMMUNITY BENEFIT THE ORGANIZATION PROVIDES CARE TO THE ELDERLY AND DISABLED AT A REDUCED REIMBURSEMENT TO ENSURE ALL OF THE COMMUNITY MEMBERS IN NORTHWEST MONTANA RECEIVE GOOD QUALITY HEALTHCARE REGARDLESS OF AGE, DISABILITY, OR MEANS

Identifier	ReturnReference	Explanation
KALISPELL REGIONAL MEDICAL CENTER		PART V, SECTION B, LINE 19D KALISPELL REGIONAL MEDICAL CENTER CHARGES THE SAME FOR SERVICES REGARDLESS OF AN INDIVIDUAL'S INSURANCE STATUS

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 KPMC IDENTIFIES NEEDS THROUGHOUT THE COMMUNITY BY UTILIZING COMMUNITY REPRESENTATIVES ON KPMC GOVERNANCE BOARDS, SOLICITATION OF IDEAS FROM COMMUNITY LEADERS AND OTHER MEMBERS VIA THE MEDIA AND OTHER FORMS OF COMMUNICATION, AND KEY STAFF AIDING IN IDENTIFYING HEALTH CARE SERVICE AREA SHORTAGES KPMC MAINTAINS A CLOSE RELATIONSHIP TO THE COMMUNITY BY PROVIDING INFORMATION AND EDUCATION ABOUT UPCOMING HEALTH CARE ISSUES OR CHANGES AT KPMC AND SOLICITS FEEDBACK FROM THE COMMUNITY ONCE NEEDS ARE IDENTIFIED, THE KPMC BOARD AND ADMINISTRATION WORK TO PRIORITIZE NEEDS BASED UPON THE MISSION AND VALUES OF KPMC

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 KPMC ESTABLISHED A NEW WEBSITE THAT DISPLAYS OUR CHARITY POLICY CHARITY CARE IS DISCUSSED WITH ALL PATIENTS AT THE TIME OF THEIR ADMIT THROUGH THE MEDIA, KPMC NOTIFIED THE COMMUNITY OF OUR CHARITY CARE POLICY AND ELIGIBILITY REQUIREMENTS

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 KPMC IS A SOLE COMMUNITY HOSPITAL IN NORTHWEST MONTANA KPMC SERVES PATIENTS IN A LARGE GEOGRAPHIC AREA, THAT COVERS ALL OF NORTHWESTERN MONTANA, PARTS OF NORTHEASTERN IDAHO AND AREAS OF CENTRAL MONTANA KPMC SERVES ALL PATIENTS REGARDLESS OF THEIR INCOME AND REGARDLESS OF THEIR PAYER APPROXIMATELY 19% OF THE COUNTY IS UNINSURED AND 12.5% IS BELOW THE FEDERAL POVERTY LEVEL ACCORDING TO DATA FROM THE STATE HEALTH DEPARTMENT

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 THIS WAS ANSWERED BY QUESTION 2 INFORMATION

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

2010

Open to Public Inspection

Name of the organization
KALISPELL REGIONAL MEDICAL CENTER

23-7293874

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. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed. ▶

[illegible]

2	Enter total number of section 501(c)(3) and government organizations	1
3	Enter total number of other organizations	1

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.
Use Schedule I-1 (Form 990) if additional space is needed.

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

Part IV

Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
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Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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.

Name of the organization
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number
23-7293874

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		
	<div><div><input checked="" type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input checked="" type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input checked="" type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
b	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 the expenses described above? If "No," complete Part III to explain	1b	Yes
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?	2	Yes
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	<div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	4a	No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	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		
a	The organization?	5a	No
b	Any related organization?	5b	No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?	6a	No
b	Any related organization?	6b	No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	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 Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

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) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(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 in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) JON JOHNSON MD	(i)	131,167	11,600	61,356	3,000	12,501	219,624	0
	(ii)	0	0	0	0	0	0	0
(2) VELINDA STEVENS	(i)	0	0	0	0	0	0	0
	(ii)	458,638	87,542	34,653	25,407	15,615	621,855	0
(3) CHARLES PEARCE	(i)	0	0	0	0	0	0	0
	(ii)	287,042	60,789	32,874	8,761	15,569	405,035	0
(4) FRANCES LAUKAITIS	(i)	145,895	52,615	99,669	4,457	7,647	310,283	0
	(ii)	0	0	0	0	0	0	0
(5) KAREN LEE	(i)	204,544	43,426	4,131	26,781	7,039	285,921	0
	(ii)	0	0	0	0	0	0	0
(6) DEB WILSON	(i)	168,178	37,503	2,251	26,831	12,945	247,708	0
	(ii)	0	0	0	0	0	0	0
(7) AC EDDY	(i)	181,242	15,000	3,368	0	420	200,030	0
	(ii)	0	0	0	0	0	0	0
(8) TATE KREITINGER	(i)	234,770	46,005	31,863	14,064	15,413	342,115	0
	(ii)	0	0	0	0	0	0	0
(9) RICHARD PALAGI	(i)	282,998	52,504	13,756	14,700	13,156	377,114	0
	(ii)	0	0	0	0	0	0	0
(10) ALAN WILLIAMS MD	(i)	546,062	60,000	34,200	3,000	84	643,346	0
	(ii)	0	0	0	0	0	0	0
(11) DAVID SHELDON MD	(i)	406,682	121,023	30,500	29,325	14,859	602,389	0
	(ii)	0	0	0	0	0	0	0
(12) DAVID ROTH MD	(i)	450,008	0	7,500	3,000	12,501	473,009	0
	(ii)	0	0	0	0	0	0	0
(13) TIM OBERMILLER MD	(i)	328,219	60,000	38,349	33,000	14,859	474,427	0
	(ii)	0	0	0	0	0	0	0
(14) EVE GILLESPIE MD	(i)	309,302	75,000	29,900	33,000	12,501	459,703	0
	(ii)	0	0	0	0	0	0	0
(15)								
(16)								

Part III **Supplemental Information**

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	FIRST CLASS OR CHARTER TRAVEL - KRMC DOES NOT PROVIDE FIRST CLASS TRAVEL. CHARTER TRAVEL IS UTILIZED FOR THESE INDIVIDUALS WHEN A GROUP IS FLYING TOGETHER TO A CONFERENCE OR MEETING AND IT IS LESS EXPENSIVE THAN FLYING COMMERCIAL OR NO COMMERCIAL FLIGHT IS AVAILABLE. THIS WAS NOT INCLUDED AS TAXABLE COMPENSATION AS IT WAS BUSINESS RELATED. TAX INDEMNIFICATION AND GROSS-UP PAYMENTS - THE MEMBERS OF THE ADMINISTRATIVE TEAM RECEIVE A 457 PLAN CONTRIBUTION OF \$16,500 FOR 2010. THIS AMOUNT IS GROSSED-UP TO TAKE CARE OF THE APPLICABLE TAXES. THE MEMBERS INCLUDE: PRESIDENT, CFO, CEO, COO, CMO, VICE PRESIDENT OF HUMAN RESOURCES, SUMMIT ADMINISTRATOR, VICE PRESIDENT OF COMMUNITY RELATIONS, TREASURER, ADMINISTRATOR REGIONAL OUTREACH, AND THE FOUNDATION EXECUTIVE VICE PRESIDENT. HEALTH OR SOCIAL CLUB DUES OR INITIATION FEES - ALL ADMINISTRATIVE TEAM MEMBERS RECEIVE A FREE MEMBERSHIP TO THE SUMMIT.
	PART I, LINE 4B	MEMBERS OF THE ADMINISTRATIVE TEAM RECEIVE A 457 PLAN CONTRIBUTION OF \$16,500 FOR 2010. THE MEMBERS INCLUDE: PRESIDENT, CFO, CEO, COO, CMO, VICE PRESIDENT OF HUMAN RESOURCES, SUMMIT ADMINISTRATOR, VICE PRESIDENT OF COMMUNITY RELATIONS, AND THE FOUNDATION EXECUTIVE VICE PRESIDENT.
	PART I, LINE 7	BONUS PLANS ADMIN AND MGMT-BASED ON A NUMBER OF FACTORS INCLUDING BUT NOT LIMITED TO: QUALITY AND FINANCIAL INDICATORS INCLUDING DEPARTMENT SPECIFIC GOALS AND INITIATIVES, PATIENT SATISFACTION, PRODUCTIVITY, EMPLOYEE SATISFACTION, AND EMPLOYEE EVALUATION TIMELINESS. SUCCESSFUL IMPLEMENTATION OF COMPANY FISCAL YEAR ACTION PLANS AND THE OVERALL FINANCIAL HEALTH AND STABILITY OF THE ORGANIZATION.

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Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

DLN: 93493088007242

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number
23-7293874

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 MONTANA FACILITY FINANCE AUTHORITY		612043XXX	11-01-2010	57,115,000	REFUND 1998 AND 2001 SERIES BONDS AND FUND NEW SURGERY BUILDING PROJECT		X		X		X

Part II

Proceeds

				A	B	C	D				
1	Amount of bonds retired			10,771,260							
2	Amount of bonds legally defeased										
3	Total proceeds of issue			57,308,306							
4	Gross proceeds in reserve funds										
5	Capitalized interest from proceeds			807,398							
6	Proceeds in refunding escrow										
7	Issuance costs from proceeds			891,005							
8	Credit enhancement from proceeds										
9	Working capital expenditures from proceeds										
10	Capital expenditures from proceeds			3,506,992							
11	Other spent proceeds										
12	Other unspent proceeds			41,331,651							
13	Year of substantial completion										
				Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?				X						
15	Were the bonds issued as part of an advance refunding issue?				X						
16	Has the final allocation of proceeds been made?			X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?			X							

Part III

Private Business Use

				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						
2	Are there any lease arrangements that may result in private business use of bond-financed property?				X						

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

Cat No 50193E

Schedule K (Form 990) 2010

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?		X						
b	Are there any research agreements that may result in private business use of bond-financed property?		X						
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or 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	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X							
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		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?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?		X						

Part V

Supplemental Information

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

Identifier	Return Reference	Explanation

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons
▶ Complete if the organization answered
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047
2010
Open to Public Inspection

Name of the organization
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number
23-7293874

Part I

Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 ▶ \$

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

Part II

Loans to and/or From Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

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

Part III

Grants or Assistance Benefitting Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b)Relationship between interested person and the organization	(c)Amount of grant or type of assistance

Part IV

Business Transactions Involving Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
See Additional Data Table					

Part V

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

Identifier	Return Reference	Explanation
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Additional Data

Software ID:
Software Version:
EIN: 23-7293874
Name: KALISPELL REGIONAL MEDICAL CENTER

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction \$	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
GWEN PALCHAK	WIFE OF CURRENT TRUSTEE	70,773	SALARY		No
GLACIER REGIONAL PATHOLOGY	DR WALKER, A CURRENT TRUSTEE, IS THE PRESIDENT AND 1/3 OWNER OF GRP	786,308	PATHOLOGY & LAB SERVICES		No
ROCKY MOUNTAIN SUB-SPECIALTY ASSOC	DR JOHNSON, A CURRENT TRUSTEE, IS A GREATER THAN 5% PARTNER	530,832	RENT AND JANITORIAL SERVICES		No
NORTHWEST IMAGING INC	DR BENEDETTO, A CURRENT TRUSTEE, IS A GREATER THAN 5% OWNER	564,809	RADIOLOGY SERVICES		No
NORTHERN ROCKIES ANESTHESIA CONSULTANTS	DR TINLIN, A CURRENT TRUSTEE, IS A GREATER THAN 5% OWNER	556,665	ANESTHESIA SERVICES		No
MICHAEL LAUKAITIS	SPOUSE OF PAST OFFICER	12,695	SALARY		No
PETER LARSON	CURRENT TRUSTEE AND ALSO ON THE BOARD OF DIRECTORS OF GLACIER BANK	163,560	KALISPELL REGIONAL MEDICAL CENTER PAID INTEREST EXPENSE ON LOANS FROM GLACIER BANK		No

SCHEDULE M
(Form 990)

Department of the Treasury
Internal Revenue Service

NonCash Contributions

►Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30.
► Attach to Form 990.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number
23-7293874

Part I

Types of Property

	(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining oncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles .				
7 Boats and planes				
8 Intellectual property . .				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests .				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other . .				
15 Real estate—Residential .				
16 Real estate—Commercial				
17 Real estate—Other . .				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts . .				
23 Scientific specimens . .				
24 Archeological artifacts .				
25 Other ► (<u>EQUIPMENT</u>)	X	1	47,261	COST
26 Other ► (<u> </u>)				
27 Other ► (<u> </u>)				
28 Other ► (<u> </u>)				
29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement			29	

30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?		Yes	No
b	If "Yes," describe the arrangement in Part II			No
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?			No
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions?			No
b	If "Yes," describe in Part II			
33	If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II			

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
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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

2010

Open to Public
Inspection

Name of the organization KALISPELL REGIONAL MEDICAL CENTER	Employer identification number 23-7293874
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Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 2		PETER LARSON AND DAVE MEREDITH HAVE A BUSINESS RELATIONSHIP

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		KALISPELL REGIONAL MEDICAL CENTER HAS ONE MEMBER, NORTHWEST HEALTHCARE CORPORATION

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A		KALISPELL REGIONAL MEDICAL CENTER HAS THE SAME BOARD OF DIRECTORS AS ITS SOLE MEMBER, NORTHWEST HEALTHCARE CORPORATION

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B		KALISPELL REGIONAL MEDICAL CENTER HAS THE SAME BOARD OF DIRECTORS AS ITS SOLE MEMBER, NORTHWEST HEALTHCARE CORPORATION

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE FORM 990 IS MAILED TO ALL BOARD MEMBERS WITH THE FEBRUARY BOARD PACKET THE BOARD MEMBERS HAVE A CHANCE TO REVIEW THE FORM BEFORE THE FINANCE COMMITTEE MEETING WHERE A PRESENATION ON THE FORM 990 IS DONE QUESTION AND ANSWER SESSIONS ARE HELD AT BOTH THE FINANCE COMMITTEE MEETING AND THE BOARD MEETING CONCERNING THE FORM 990

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	THE CONFLICT OF INTEREST POLICY COVERS ALL TRUSTEES, DIRECTORS, OFFICERS, AND KEY EMPLOYEES THE COMPLIANCE OFFICE REVIEWS THEM, IDENTIFIES POTENTIAL CONFLICTS, AND FORWARDS TO THE ADMINISTRATIVE TEAM IF A POTENTIAL CONFLICT EXISTS, AS OUTLINED IN THE ORGANIZATIONAL POLICY

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	<p>NORTHWEST HEALTHCARE HAS A CONSISTENT COMPENSATION PHILOSOPHY FOR ALL ITS EMPLOYEES, INCLUDING THE SENIOR EXECUTIVES. SALARY AND BENEFITS FOR THE PRESIDENT/CHIEF EXECUTIVE OFFICER ARE DETERMINED BY THE NORTHWEST HEALTHCARE BOARD OF DIRECTORS EXECUTIVE COMPENSATION COMMITTEE AND REPORTED TO THE NORTHWEST HEALTHCARE BOARD. THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD REVIEWS BASE AND TOTAL COMPENSATION DATA FROM AN ARRAY OF COMPENSATION SURVEYS OF HOSPITALS THAT ARE SIMILAR IN SIZE AND COMPLEXITY TO NORTHWEST HEALTHCARE. THESE REPORTS ARE CONSIDERED BY THE COMMITTEE, AND A DETERMINATION IS MADE AS TO THE STATUS OF THE BASE SALARY, BENEFITS, AND TOTAL COMPENSATION FOR THE PRESIDENT/CEO. THE BOARD AND EXECUTIVE COMPENSATION COMMITTEE EMBRACE THE PHILOSOPHY OF MAINTAINING A COMPENSATION LEVEL WHICH WILL FAVOR RETENTION OF KEY LEADERSHIP IN ORDER TO MAINTAIN STABILITY IN KEY INITIATIVES. ADDITIONALLY, THE PRESIDENT/CEO UTILIZES THE PERIODIC RETENTION OF A COMPENSATION CONSULTANT AND MARKET INFORMATION PROVIDED TO DETERMINE RECOMMENDATIONS FOR OTHER SENIOR EXECUTIVES AND ENGAGES IN AN ANALYSIS THROUGH USE OF INDEPENDENT SURVEY RESULTS. THE BOARD COMMITTEE ALSO INCLUDES A REVIEW OF PERFORMANCE TARGETS WHICH ALLOW EXECUTIVES TO EARN ADDITIONAL COMPENSATION. THESE MEASURES INCLUDE ORGANIZATIONAL AND INDIVIDUAL GOALS, EFFORTS TO FURTHER THE MISSION AND VISION OF NORTHWEST HEALTHCARE, QUALITY INDICATORS, CUSTOMER/PATIENT SATISFACTION, AND FINANCIAL PERFORMANCE OBJECTIVES. THE BOARD COMMITTEE REVIEWS BENEFIT LEVELS AND TOTAL COMPENSATION TO ENSURE APPROPRIATENESS IN THE NOT-FOR-PROFIT HEALTH CARE SECTOR. THE BOARD EXECUTIVE COMPENSATION COMMITTEE MAKES ITS REPORT TO THE NORTHWEST HEALTHCARE BOARD OF DIRECTORS.</p>

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	ONLY FORM 990 IS AVAILABLE

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 3,575,322 FUND BALANCE TRANSFERRED TO AFFILIATE -6,333,153 NET INCREASE IN TEMPORARILY RESTRICTED NET ASSETS 85,651 NET INCREASE IN PERMANENTLY RESTRICTED ASSETS 351,440 ADJUSTMENT FOR ACTIVITY OF AFFILIATED FOUNDATION -151,826 TOTAL TO FORM 990, PART XI, LINE 5 -2,472,566

Identifier	Return Reference	Explanation
AVERAGE HOURS PER WEEK	FORM 990, PART VII, SECTION A, COLUMN (B)	THE OFFICERS OF KALISPELL REGIONAL MEDICAL CENTER DIVIDE THEIR TIME AMONG THE OTHER RELATED ENTITIES FOR WHICH THEY ARE ALSO OFFICERS THEIR TOTAL AVERAGE WEEKLY HOURS DEVOTED TO ALL OF THE ENTITIES IS IN EXCESS OF 50 HOURS SEVERAL OF THE TRUSTEES WHO ARE PHYSICIANS RECEIVE COMPENSATION FOR MEDICAL SERVICES RENDERED TO THE HOSPITAL THEIR AVERAGE WEEKLY HOURS DEVOTED TO THE HOSPITAL VARIES TATE KREITINGER DEVOTES APPROXIMATELY 50% OF HIS TIME TO KALISPELL REGIONAL MEDICAL CENTER AND 50% OF HIS TIME TO HEALTHCENTER NORTHWEST, A RELATED ENTITY

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

2010

Open to Public Inspection

Name of the organization

KALISPELL REGIONAL MEDICAL CENTER

Employer identification number

23-7293874

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

(a) Name, address, and EIN 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" on 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 organization	
						Yes	No
(1) NORTHWEST HEALTHCARE CORPORATION 310 SUNNYVIEW LANE KALISPELL, MT 59901 81-0406485	SUPPORT SUBSIDIARY TAX EXEMPT ORGANIZATIONS	MT	501(C)(3)	11, TYPE II	N/A		No
(2) NORTHWEST HEALTHCARE FOUNDATION INC 310 SUNNYVIEW LANE KALISPELL, MT 59901 31-1703013	SUPPORTING ORGANIZATION	MT	501(C)(3)	11, TYPE I	KALISPELL REGIONAL MEDICAL CENTER	Yes	
(3) NORTHWEST HORIZONS INC 310 SUNNYVIEW LANE KALISPELL, MT 59901 81-0420653	OPERATE LONG TERM AMBULATORY FACILITY	MT	501(C)(3)	9	NORTHWEST HEALTHCARE CORPORATION	Yes	
(4) THE SUMMIT MEDICAL FITNESS CENTER 310 SUNNYVIEW LANE KALISPELL, MT 59901 20-3752312	COMMUNITY HEALTH & WELLNESS CENTER	MT	501(C)(3)	9	NORTHWEST HEALTHCARE CORPORATION	Yes	
(5) KALISPELL REGIONAL MEDICAL CENTER VOLUNTEERS 310 SUNNYVIEW LANE KALISPELL, MT 59901 27-3866474	SUPPORTING ORGANIZATION	MT	501(C)(3)	APPLIED FOR	KALISPELL REGIONAL MEDICAL CENTER	Yes	

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(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	
(1) MRICT JOINT OPERATING AGREEMENT 310 SUNNYVIEW LANE KALISPELL, MT59901 20-5010390	DIAGNOSTIC SCREENING	MT	KALISPELL REGIONAL MEDICAL CENTER	RELATED	2,960,538	8,417,200	Yes			Yes		
(2) HEALTHCENTER NORTHWEST LLC 310 SUNNYVIEW LANE KALISPELL, MT59901 81-0540517	ACUTE CARE	MT	N/A	N/A				No			No	
(3) FLATHEAD HOSPITAL DEVELOPMENT COMPANY LLC 310 SUNNYVIEW LANE KALISPELL, MT59901 81-0541707	COMMERICAL BUILDING RENTAL	MT	N/A	N/A				No			No	
(4) NORTHWEST ORTHOPEDICS & SPORTS MEDICINE LLC 310 SUNNYVIEW LANE KALISPELL, MT59901 37-1518772	ORTHOPEDIC MEDICINE	MT	N/A	N/A				No			No	
(5) ORTHOPEDICS ONE LLC 310 SUNNYVIEW LANE KALISPELL, MT59901 80-0346984	ORTHOPEDIC MEDICINE	MT	N/A	N/A				No			No	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) APPLIED HEALTH SERVICES INC 310 SUNNYVIEW LANE KALISPELL, MT59901 81-0413632	HEALTH RELATED	MT	N/A	C			

Part V

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

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

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 (iv) rent from a controlled entity

b

Gift, grant, or capital contribution to other organization(s)

c

Gift, grant, or capital contribution from other organization(s)

d

Loans or loan guarantees to or for other organization(s)

e

Loans or loan guarantees by other organization(s)

f

Sale of assets to other organization(s)

g

Purchase of assets from other organization(s)

h

Exchange of assets

i

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

j

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

k

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

l

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

m

Sharing of facilities, equipment, mailing lists, or other assets

n

Sharing of paid employees

o

Reimbursement paid to other organization for expenses

p

Reimbursement paid by other organization for expenses

q

Other transfer of cash or property to other organization(s)

r

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

Yes

No

1a

Yes

1b

Yes

1c

No

1d

Yes

1e

No

1f

No

1g

No

1h

No

1i

Yes

1j

Yes

1k

Yes

1l

Yes

1m

Yes

1n

Yes

1o

Yes

1p

Yes

1q

Yes

1r

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-r)	(c) Amount involved	(d) Method of determining amount involved
(1)			
See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

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]

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Software ID:

Software Version:

EIN: 23-7293874

Name: KALISPELL REGIONAL MEDICAL CENTER

Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved (\$)	(d) Method of determining amount involved
(1) FLATHEAD HOSPITAL DEVELOPMENT COMPANY LLC	A	28,897	ACTUAL PAYMENT
(2) HEALTHCENTER NORTHWEST LLC	A	267,194	ACTUAL PAYMENT
(3) APPLIED HEALTH SERVICES INC	A	16,301	ACTUAL PAYMENT
(4) NORTHWEST HEALTHCARE CORPORATION	A	27,804	ACTUAL PAYMENT
(5) NORTHWEST HORIZON INC	A	31,166	ACTUAL PAYMENT
(6) NORTHWEST HEALTHCARE CORPORATION	B	6,333,153	ACTUAL PAYMENT
(7) HEALTHCENTER NORTHWEST LLC	J	513,590	ACTUAL PAYMENT
(8) APPLIED HEALTH SERVICES INC	J	405,125	ACTUAL PAYMENT
(9) NORTHWEST HEALTHCARE CORPORATION	J	728,546	ACTUAL PAYMENT
(10) THE SUMMIT MEDICAL FITNESS CENTER INC	J	250,092	ACTUAL PAYMENT
(11) HEALTHCENTER NORTHWEST LLC	K	504,619	ACTUAL PAYMENT
(12) APPLIED HEALTH SERVICES INC	K	227,993	ACTUAL PAYMENT
(13) NORTHWEST HORIZON INC	K	210,231	ACTUAL PAYMENT
(14) HEALTHCENTER NORTHWEST LLC	L	3,498,692	ACTUAL PAYMENT
(15) APPLIED HEALTH SERVICES INC	L	2,162,817	ACTUAL PAYMENT
(16) NORTHWEST ORTHOPEDIC & SPORTS MEDICINE LLC	L	182,500	ACTUAL PAYMENT
(17) THE SUMMIT MEDICAL FITNESS CENTER INC	L	453,724	ACTUAL PAYMENT
(18) NORTHWEST HORIZON INC	L	152,047	ACTUAL PAYMENT

Kalispell Regional Medical Center, Inc.

Financial Report
March 31, 2011



McGladrey & Pullen, LLP
Certified Public Accountants

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Independent Auditor's Report

To the Board of Trustees
Kalispell Regional Medical Center, Inc

We have audited the accompanying balance sheets of Kalispell Regional Medical Center, Inc (the Hospital) as of March 31, 2011 and 2010, and the related statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kalispell Regional Medical Center, Inc. as of March 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
June 23, 2011

Kalispell Regional Medical Center, Inc.

Balance Sheets
March 31, 2011 and 2010

Assets	2011	2010
Current Assets		
Cash and cash equivalents	\$ 6,203,380	\$ 12,110,394
Funds held by trustee, current portion	2,852,741	2,744,833
Patient accounts receivable, net of allowance for bad debts of approximately \$10,795,000 and \$8,984,000, respectively	25,266,388	21,894,648
Bed tax receivable	1,007,709	1,195,321
Receivable from affiliates	3,239,007	2,371,084
Supplies inventory	5,541,756	3,919,464
Prepaid expenses and other	2,616,203	1,305,042
Total current assets	46,727,184	45,540,786
Assets Limited as to Use		
Board-designated assets	47,698,479	42,636,597
Funds held by trustee, less current portion	39,587,769	4,018,000
Total assets limited as to use	87,286,248	46,654,597
Land, Buildings and Equipment, net	59,203,167	57,346,324
Other Assets		
Financing costs, net	932,400	348,646
Investments in subsidiaries	359,492	295,344
Interest in net assets of Northwest Healthcare Foundation, Inc	4,882,264	4,158,679
Other	1,479,904	1,147,990
Total other assets	7,654,060	5,950,659
Total assets	\$ 200,870,659	\$ 155,492,366

See Notes to Financial Statements

Liabilities and Net Assets	2011	2010
Current Liabilities		
Current portion of long-term debt	\$ 2,091,752	\$ 3,730,254
Accounts payable and accrued liabilities	13,470,968	15,780,854
Construction payable	1,648,505	73,025
Accrued salaries, wages and benefits	15,706,501	12,866,354
Estimated third-party payor settlements	2,667,169	2,470,710
Payable to affiliates	1,896,745	986,829
Total current liabilities	37,481,640	35,908,026
Long-Term Debt, net of current portion	58,346,479	17,388,828
Total liabilities	95,828,119	53,296,854
Net Assets		
Unrestricted	103,124,995	100,715,058
Temporarily restricted	122,795	37,144
Permanently restricted	1,794,750	1,443,310
Total net assets	105,042,540	102,195,512
Total liabilities and net assets	\$ 200,870,659	\$ 155,492,366

Kalispell Regional Medical Center, Inc.

Statements of Operations

Years Ended March 31, 2011 and 2010

	2011	2010
Operating revenues		
Net patient service revenue	\$ 174,521,346	\$ 165,537,072
Other operating revenues	6,982,864	6,396,338
Total operating revenues	181,504,210	171,933,410
Operating expenses		
Salaries, wages and benefits	93,692,552	81,097,457
Supplies and other	64,852,600	58,644,060
Provision for bad debts	10,555,948	14,619,524
Depreciation	8,639,587	8,497,586
Interest and amortization	1,066,162	1,224,281
Total operating expenses	178,806,849	164,082,908
Excess of revenues over expenses from operations	2,697,361	7,850,502
Nonoperating income, gains and (losses), net		
Investment income		
Interest income	1,098,389	1,431,099
Realized gains (losses), net	593,790	(244,608)
Change in unrealized gains, net, on trading securities	3,575,322	9,338,950
Total investment income, gains and (losses), net	5,267,501	10,525,441
Other nonoperating income and gains	730,967	469,014
Total nonoperating income, gains and (losses), net	5,998,468	10,994,455
Excess of revenues over expenses	8,695,829	18,844,957
Transfer to affiliate	(6,333,153)	(5,291,377)
Contributions and other	47,261	746,190
Increase in unrestricted net assets	\$ 2,409,937	\$ 14,299,770

See Notes to Financial Statements

Kalispell Regional Medical Center, Inc.

Statements of Changes in Net Assets
Years Ended March 31, 2011 and 2010

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Balance, March 31, 2009	\$ 86,415,288	\$ 182,300	\$ 1,250,612	\$ 87,848,200
Excess of revenues over expenses	18,844,957	-	-	18,844,957
Net change in unrealized losses				
on investments	-	-	176,679	176,679
Transfer to affiliate	(5,291,377)	-	-	(5,291,377)
Contributions and other	746,190	(145,156)	16,019	617,053
Changes in net assets	14,299,770	(145,156)	192,698	14,347,312
Balance, March 31, 2010	100,715,058	37,144	1,443,310	102,195,512
Excess of revenues over expenses	8,695,829	-	-	8,695,829
Net change in unrealized gains				
on investments	-	-	156,283	156,283
Transfer to affiliate	(6,333,153)	-	-	(6,333,153)
Contributions and other	47,261	85,651	195,157	328,069
Changes in net assets	2,409,937	85,651	351,440	2,847,028
Balance, March 31, 2011	\$ 103,124,995	\$ 122,795	\$ 1,794,750	\$ 105,042,540

See Notes to Financial Statements

Kalispell Regional Medical Center, Inc.

Statements of Cash Flows
Years Ended March 31, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ 2,847,028	\$ 14,347,312
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	8,639,587	8,497,586
Amortization	60,034	102,965
Provision for bad debts	10,555,948	14,619,524
Net realized and unrealized gains	(4,169,112)	(9,094,342)
Contributions and other changes in net assets	(328,069)	(617,053)
Transfer to affiliate	6,333,153	5,291,377
(Gain) loss on disposition of assets	(58,695)	31,681
Increase in interest in net assets of the Foundation	(723,585)	(160,419)
Changes in assets and liabilities		
Patient accounts receivable	(13,927,688)	(16,173,535)
Bed tax receivable	187,612	(657,521)
Receivable from affiliates	(867,923)	270,540
Supplies inventory	(1,622,292)	(535,890)
Prepaid expenses and other	(1,311,161)	841,785
Accounts payable and accrued liabilities	(2,382,911)	914,920
Accrued salaries, wages and benefits	2,840,147	1,714,517
Estimated third-party payor settlements	196,459	136,469
Payables to affiliates	909,916	(139,786)
Net cash provided by operating activities	7,178,448	19,390,130
Cash Flows From Investing Activities		
Acquisition of land, building and equipment	(9,202,715)	(4,611,883)
Proceeds from sale of land, building and equipment	501,840	12,554
Purchases of board-designated investments	(15,026,822)	(2,300,160)
Sales of board-designated investments	14,134,052	870,717
(Increase) decrease in funds held by trustee, net	(35,677,677)	24,034
Increase in other investments and other, net	(99,827)	(18,191)
Net cash used in investing activities	(45,371,149)	(6,022,929)
Cash Flows From Financing Activities		
Transfer to affiliate	(6,333,153)	(5,291,377)
Proceeds from contributions and other changes in net assets	328,069	617,053
Proceeds from debt issuance	57,115,000	-
Debt issuance costs	(940,023)	-
Principal payments on long-term debt	(17,884,206)	(4,734,571)
Net cash provided by (used in) financing activities	32,285,687	(9,408,895)
Net increase (decrease) in cash and cash equivalents	(5,907,014)	3,958,306
Cash and Cash Equivalents, beginning of year	12,110,394	8,152,088
Cash and Cash Equivalents, end of year	\$ 6,203,380	\$ 12,110,394

(Continued)

Kalispell Regional Medical Center, Inc.

Statements of Cash Flows (Continued)
Years Ended March 31, 2011 and 2010

	2011	2010
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 1,062,230	\$ 1,167,237
Supplemental Schedule of Noncash Investing and Financing Activities		
Equipment acquired through capital lease	\$ 88,355	\$ 458,612
Noncash additions to land, building and equipment	1,648,505	73,025
Interest capitalized, net of earnings, on related bond proceeds	614,798	-
Change in interest in net assets of Northwest Healthcare Foundation, Inc	723,585	160,419

See Notes to Financial Statements

Kalispell Regional Medical Center, Inc.

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization: Kalispell Regional Medical Center, Inc. (the Hospital), located in Kalispell, Montana, is a not-for-profit acute care hospital. The Hospital provides inpatient, outpatient and emergency care services for residents of northwestern Montana. The Hospital was incorporated in Montana in 1973 and is affiliated with Northwest Healthcare Corporation (NWHC). The Hospital has obtained a determination letter from the Internal Revenue Service stating that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income.

NWHC is a Montana not-for-profit corporation organized in 1982 to act for the benefit of and on behalf of the Hospital and other related affiliates. Other affiliates of NWHC, which are affiliates of the Hospital, are Northwest Horizons, Inc. (NWH), Applied Health Services, Inc. (AHS), Flathead Hospital Development Corporation, LLC (FHDC), HealthCenter Northwest, LLC (HC), Northwest Orthopedics & Sports Medicine, LLC (NOSM), Northwest Healthcare Foundation, Inc. (the Foundation), Peak Orthopedics & Sports Medicine (POSM), and Summit Medical Fitness Center, Inc. (SMFC).

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

Cash and cash equivalents: Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts whose use is limited by Board designation or other arrangements under trust agreements.

The Hospital maintains a cash sweep account, the funds of which are held in overnight repurchase agreements. These debt security investments are held overnight, maturing the following day, and are considered cash and cash equivalents. These accounts are not covered within the federally insured limits for bank depository accounts, but rather are fully collateralized at the bank with U.S. government agency securities. The nature of cash and cash equivalents as of March 31, 2011, is as follows:

Daily repurchase agreements	\$ 4,005,826
Cash balances, including checks outstanding	2,197,554
Cash and cash equivalents	<u>\$ 6,203,380</u>

Line of credit: The Hospital had a \$4,000,000 revolving line-of-credit agreement, which expired February 1, 2011, bearing interest at prime less 0.25 percent. The Hospital had a balance outstanding as of March 31, 2011 and 2010, of \$0- and \$4,000,000, respectively, and such balances are included in accounts payable and accrued liabilities on the balance sheets.

Investments: The Hospital invests in a professionally managed portfolio of securities, which includes common stocks, mutual funds and money market funds. Investments are measured at fair value, based on quoted market prices.

Management determines the appropriate classification of the securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date. The Hospital has classified its securities as trading securities. Trading securities are measured and carried at fair value, and unrealized holding gains and losses, realized gains and losses, and interest and dividends are included in the excess of revenues over expenses, unless the income or loss is restricted by donor or law.

Kalispell Regional Medical Center, Inc.

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The Hospital's investments are inherently exposed to various risks, such as interest rate, market and credit risks. Due to the level of risks associated with these investments and the level of uncertainty related to potential changes in the value of such investments, it is at least reasonably possible that changes in risk factors in the near term could affect the carrying value of individual investments and related amounts reported in the Hospital's financial statements, and such amounts could be material.

Fair value measurements: The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, accrued liabilities, and short-term borrowings, approximate fair value due to the short maturity of these instruments. The Hospital uses quoted market prices for its long-term debt when available. When quoted market prices are not available, fair value is estimated based on current market interest rates and credit spreads for debt with similar maturities. The fair value of long-term debt incorporates a credit valuation adjustment to appropriately reflect the Hospital's own nonperformance risk.

Assets limited as to use: Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital have been classified as current assets in the balance sheets at March 31, 2011 and 2010.

Land, buildings and equipment: Land, buildings and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Assets acquired under capital leases are amortized based on the straight-line method over the shorter of the period of the lease term or the estimated useful life of the asset. Such amortization is included in depreciation in the financial statements. Improvements and replacements of land, buildings and equipment are capitalized at cost. Maintenance and repairs are expensed as incurred. The cost of land, buildings and equipment sold or retired and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the period of such retirement.

Interest capitalized on internally generated and borrowed funds expended for construction is a component of the cost of plant additions to be allocated to future periods through the provision of depreciation. Capitalization of interest ceases when the plant addition is placed into service. The Hospital capitalized \$632,000 and \$15,000 of interest expense in the years ended March 31, 2011 and 2010, respectively.

Financing costs: Financing costs incurred in connection with long-term obligations are deferred and amortized over the life of the obligations using the effective-interest method. Financing costs are presented on the balance sheet net of accumulated amortization.

Interest in net assets of Northwest Healthcare Foundation, Inc.: In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not for Profit Entities*, the Hospital records on the balance sheets its interest in the funds held by the Foundation on behalf of the Hospital. The Foundation is a not-for-profit corporation located in Kalispell, Montana, whose primary purposes are to manage and administer investments and provide funding in support of the Hospital and similar not-for-profit organizations.

Professional malpractice liability: The Hospital has obtained claims-made medical malpractice liability insurance coverage through a risk reciprocal group, of which NWHC owns approximately 4.76 percent and 6.25 percent as of March 31, 2011 and 2010, respectively.

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Self-insurance workers' compensation: NWHC has established self-insurance funds for the deductible portion of workers' compensation insurance coverage. NWHC's funding for the estimated deductible portion of self-insured workers' compensation insurance coverage is based on the self-insurance funds' estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred but not yet reported. Self-insured workers' compensation retention in 2011 and 2010 was \$500,000 and \$400,000 per occurrence, respectively. NWHC has recorded a liability of approximately \$1,353,000 and \$1,270,000 as of March 31, 2011 and 2010, respectively, for those claims that have been incurred but not yet reported, which is included in accounts payable and accrued liabilities in the NWHC consolidated balance sheets. NWHC discounts the ultimate cost of claims at a discount rate of 2.5 percent as of March 31, 2011, and 3.5 percent as of March 31, 2010.

Self-insurance health and dental program: The Hospital has established self-insured medical and dental plans for its employees. The accrued liabilities for the self-insured components of these plans include estimates of the costs for the incurred but not reported claims. These estimates are included in accrued salaries, wages and benefits in the accompanying balance sheets and were approximately \$1,476,000 and \$1,273,000 as of March 31, 2011 and 2010, respectively.

Temporarily and permanently restricted net assets: Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of changes in net assets under the caption, "Contributions and other."

Permanently restricted net assets are assets to be maintained permanently by the Hospital. Generally, the donors of these assets permit the Hospital to use all or part of the income earned on related investments for general or specific purposes.

Excess of revenues over expenses: The statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses include permanent transfers of net assets to and from affiliates for other than goods and services, and 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).

Net patient service revenue: The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Contractual adjustments arising under reimbursement arrangements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

Kalispell Regional Medical Center, Inc.

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Provision for bad debts: The Hospital provides for an allowance against patient accounts receivable for an amount that could become uncollectible, whereby such receivables are reduced to their estimated net realizable value. The Hospital estimates this allowance based on the aging of accounts receivable, historical collection experience and other relevant factors. There are various factors that can impact the collection trends, such as changes in the economy, which in turn have an impact on the unemployment rates and the number of uninsured and underinsured patients, the increased burden on copayments to be made by patients with insurance, and business practices related to collection efforts. These factors continuously change and have an impact on the estimation process.

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

The Hospital recognizes its interest in the net assets of its related Foundation. The Hospital's interest in the net assets of the Foundation was approximately \$4,882,000 and \$4,159,000 at March 31, 2011 and 2010, respectively, and is included in other assets in the accompanying balance sheets. The change in the Hospital's interest in the net unrestricted assets of the Foundation is included in other nonoperating gains and losses, net in the accompanying statements of operations.

Income taxes: The Hospital is operated as a tax-exempt organization under Section 501(c)(3) of the federal Internal Revenue Code and applicable sections of the Montana statutes. However, income from certain activities not directly related to the Hospital's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Hospital qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). No provision for income taxes is reflected in these statements. The Hospital is no longer subject to U.S. federal tax examinations by tax authorities for the fiscal years before 2007.

The Hospital adopted the provisions of ASC 740, *Income Taxes*. ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with the ASC and prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. The Hospital has reviewed its tax positions for all open tax years and has concluded no reserves are required.

Recent accounting pronouncements: In August 2010, the FASB issued Accounting Standards Update (ASU) 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that a health care entity should not net insurance recoveries against a related claim liability. The guidance provided in this ASU is effective for the fiscal year beginning April 1, 2011. The Hospital is currently evaluating the impact the adoption of this guidance will have on its financial statements. The adoption of this standard is not expected to have a material impact on the Hospital's financial position or results of operations.

Kalispell Regional Medical Center, Inc.

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure*, which prescribes that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing charity care. The guidance provided in this ASU is effective for the fiscal year beginning April 1, 2011. The adoption of this standard will have no impact on the Hospital's financial position or results of operations.

In January 2010, the FASB issued ASU 2010-6, *Improving Disclosures about Fair Value Measurements*, which requires disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers. This ASU also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and disclosures about inputs and valuation techniques are required for both Level 2 and Level 3 measurements. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these amounts. With respect to matters other than Level 3 measurements, the amendment was effective for the fiscal year beginning April 1, 2010. The guidance related to Level 3 measurements is effective for the fiscal year beginning April 1, 2011. The Hospital is currently evaluating the impact of the guidance related to Level 3 measurements on its disclosures.

Subsequent events: The Hospital evaluated events and transactions occurring subsequent to March 31, 2011, through June 23, 2011, the date the financial statements were issued. During this period, there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

Note 2. Net Patient Service Revenue

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

Medicare: Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medicare program reimburses the Hospital for outpatient services on a prospective payment system known as Ambulatory Payment Classifications (APCs). The Hospital is reimbursed for covered services at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The most recent year that the fiscal intermediary has completed an audit of the Hospital's Medicare cost report is 2007. Future changes in the Medicare program and reduction of funding levels could have an adverse impact on the Hospital.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient services are reimbursed under a prospective payment system. The Hospital is reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The most recent year that the fiscal intermediary has completed an audit of the Hospital's Medicaid cost report is 2007.

Approximately 35 percent and 32 percent of the Hospital's net patient service revenue was derived from the Medicare program, and 6 percent and 7 percent was derived from the Medicaid program in 2011 and 2010, respectively, the continuance of which is dependent upon governmental policies.

Kalispell Regional Medical Center, Inc.

Notes to Financial Statements

Note 2. Net Patient Service Revenue (Continued)

The Hospital also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements included discounts from established charges. Approximately 18 percent of the Hospital's net patient service revenue in fiscal 2011 and 2010 was derived from Blue Cross and Blue Shield.

The following are the components of net patient service revenue for the years ended March 31

	2011	2010
Gross patient service revenue		
Inpatient	\$ 164,107,092	\$ 155,061,929
Outpatient	168,948,063	143,952,208
Charity care (foregone charges)	(11,526,651)	(6,590,850)
Total gross patient service revenue	321,528,504	292,423,287
Adjustments to gross patient service revenue		
Contractual discounts	(147,007,158)	(126,886,215)
Net patient service revenue	<u>\$ 174,521,346</u>	<u>\$ 165,537,072</u>

Montana State Bed Tax: All Montana hospital facilities are subject to a Montana State Bed Tax program by which a utilization fee is assessed based on inpatient bed days. Under this program, the State Department of Revenue is authorized to collect and deposit fees in a state special revenue account for funding increases in Medicaid payments to Montana hospitals. The state special revenue account receives an appropriation from a federal special revenue fund to match the state special revenue collected through the utilization fee, thereby providing increased Medicaid reimbursement for Montana hospitals.

The total utilization fee paid in January by the Hospital for the fiscal years 2011 and 2010 was \$1,738,000 and \$1,622,000, respectively. The increased Medicaid payment received from the state special revenue account by the Hospital for the fiscal years 2011 and 2010 totaled \$5,081,000 and \$4,403,000, respectively. Thus, the net Montana State Bed Tax impact in the accompanying statements of operations was \$3,343,000 for 2011 and \$2,781,000 for 2010 and is included in net patient revenues in the accompanying statements of operations.

Note 3. Assets Limited as to Use

Board-designated assets: The Board of Trustees has designated certain assets for use in future property improvements and replacements. These assets consist primarily of cash and cash equivalents and marketable securities.

Kalispell Regional Medical Center, Inc.

Notes to Financial Statements

Note 3. Assets Limited as to Use (Continued)

Board-designated assets consist of the following as of March 31

	2011	2010
Cash and cash equivalents		
Deposits	\$ 3,619,688	\$ 1,367,184
Cash equivalents — money market mutual funds	110,934	268,703
Total cash and cash equivalents	3,730,622	1,635,887
Common stocks	13,304,826	11,786,608
Mutual funds	30,663,031	29,214,102
Total Board-designated assets	<u>\$ 47,698,479</u>	<u>\$ 42,636,597</u>

Funds held by trustee: Under the provisions of the Mortgage and Indenture of Trust, Montana Health Facility Authority Series 2001 and 1998 Revenue Bonds, special funds were required to be maintained and administered by a trustee. Under the provisions of the Mortgage and Indenture of Trust, Montana Facility Finance Authority Series 2010 Revenue Bonds, the reserve fund is no longer required.

Interest and bond sinking fund: Monthly payments of principal and interest are made to this fund until payments become due. The interest and bond sinking fund balance was approximately \$1,111,000 and \$2,745,000 as of March 31, 2011 and 2010, respectively.

Project fund: The project fund was established for the deposit of funds to be used to finance the acquisition, construction, installation, equipping and furnishing of certain improvements to the facilities. The project fund balance was approximately \$41,330,000 and \$-0- as of March 31, 2011 and 2010, respectively.

Reserve fund: The reserve fund was established for the deposit of funds equal to the maximum annual principal and interest which will be held in trust until the bonds are retired. The balance in the reserve fund was approximately \$-0- and \$4,018,000 as of March 31, 2011 and 2010, respectively.

Funds held by trustee consist of the following as of March 31

	2011	2010
Cash and cash equivalents — money market mutual funds	\$ 42,440,510	\$ 4,852,724
Investment contracts	-	1,910,109
	42,440,510	6,762,833
Less current portion available to pay debt, interest, and construction payable	2,852,741	2,744,833
	<u>\$ 39,587,769</u>	<u>\$ 4,018,000</u>

Kalispell Regional Medical Center, Inc.**Notes to Financial Statements****Note 4. Land, Buildings and Equipment**

At March 31, the Hospital had the following land, buildings and equipment balances

	2011	2010
Land and land improvements	\$ 4,851,269	\$ 4,790,227
Buildings and fixed equipment	89,892,400	89,412,592
Major movable and minor equipment	46,644,471	44,115,308
Construction in progress	5,717,630	952
	<u>147,105,770</u>	<u>138,319,079</u>
Less accumulated depreciation	(87,902,603)	(80,972,755)
	<u>\$ 59,203,167</u>	<u>\$ 57,346,324</u>

The estimated useful lives of the Hospital's facility and equipment are as follows

	Years
Land improvements	5 – 25
Buildings	5 – 40
Fixed equipment	5 – 20
Major movable and minor equipment	3 – 20

Note 5. Long-Term Debt

Long-term debt consists of the following at March 31

	2011	2010
Montana Facility Finance Authority Health Care Facilities Revenue Bonds, Series 2010 (the 2010 Bonds), 3.00% to 5.25%, due serially through 2040	\$ 57,115,000	\$ -
Montana Health Facility Authority Hospital Facilities Revenue Bonds, Series 1998 (the 1998 Bonds)	-	5,710,000
Montana Health Facility Authority Hospital Facilities Revenue Bonds, Series 2001 (the 2001 Bonds)	-	12,670,000
Other, including notes payable and capital leases	3,133,534	2,836,605
	<u>60,248,534</u>	<u>21,216,605</u>
Less		
Bond discount	-	(97,523)
Current portion	(2,091,752)	(3,730,254)
	<u>(2,091,752)</u>	<u>(3,827,777)</u>
Plus		
Bond premium	189,697	-
Net long-term debt	<u>\$ 58,346,479</u>	<u>\$ 17,388,828</u>

Kalispell Regional Medical Center, Inc.

Notes to Financial Statements

Note 5. Long-Term Debt (Continued)

In November 2010, the Hospital issued the Montana Facility Finance Authority Health Care Facilities Revenue Bonds, Series 2010 (the 2010 Bonds), in the principal amount of \$57,115,000, maturing annually through July 1, 2040. The 2010 Bonds bear interest at an effective rate ranging from 3.00 percent to 5.25 percent and are payable in annual installments beginning July 1, 2011.

The Hospital used the proceeds of the 2010 Bonds to redeem the Montana Health Facility Authority Hospital Facilities Revenue Bonds, Series 1998 (the 1998 Bonds) and Series 2001 (the 2001 Bonds). In addition to the defeasance of these outstanding bond issues, the 2010 Bond proceeds are also being used to pay the costs of issuance, including underwriter's discount and premium, and to fund the Hospital's operating room/surgery expansion project.

The 2010 Bonds are secured by a security interest in certain gross receipts and receivables of the Hospital, including health care insurance receivables and contract rights. The bond agreement requires, among other restrictions, that the Hospital maintain a minimum debt service coverage ratio. Management believes that the Hospital is in compliance with these requirements.

Principal maturities of the 2010 Bonds and other long-term obligations are as follows at March 31, 2011:

2012	\$ 2,091,752
2013	1,473,885
2014	473,982
2015	1,845,997
2016	2,471,582
Thereafter	51,891,336
	<u>\$ 60,248,534</u>

Note 6. Transactions With Affiliates

The Hospital transferred \$6,183,000 and \$5,291,000 during the fiscal years 2011 and 2010, respectively, to the parent entity, Northwest Healthcare Corporation (NWHC), to maintain funds for operations of NWHC and its affiliates. The Hospital transferred \$150,000 and \$-0- during the fiscal years 2011 and 2010, respectively, to the Northwest Healthcare Foundation (NWHC Foundation).

During the fiscal years ended March 31, 2011 and 2010, the Hospital issued a \$6,000,000 variable-rate, revolving demand loan to Northwest Horizons, Inc. (NWH) with a maturity date of October 27, 2013, and October 26, 2010, respectively. Interest paid by NWH to the Hospital during the years ended March 31, 2011 and 2010, was \$31,000 and \$16,000, respectively. There were no amounts outstanding as of March 31, 2011 and 2010.

Note 7. Retirement Plan

The Hospital has a defined-contribution retirement plan with 401(k) provisions covering all eligible employees of the Hospital. Employees may make elective deferrals into the plan up to the maximum allowed by the Internal Revenue Code. In addition to employee contributions, the Hospital may make contributions of up to 6 percent of eligible compensation to all eligible employees.

Kalispell Regional Medical Center, Inc.

Notes to Financial Statements

Note 7. Retirement Plan (Continued)

Employees are eligible to make contributions to the plan and direct their own investments the first day of the calendar quarter following their date of hire. Employees are eligible to receive the employer contribution after attaining the age of 21 and completing one year of service in which the employee worked at least 1,000 hours. Employees are immediately 100 percent vested in their contributions and are 100 percent vested in the employer contributions after six years of employment.

Contributions to the plan charged to operations were \$2,668,000 and \$2,368,000 in 2011 and 2010, respectively, and are included in salaries, wages and benefits in the accompanying statements of operations. All plan assets are held in trust for payment of future benefits.

The Hospital has two additional unfunded deferred compensation plans, the 457(b) Plan and 457(f) Plan, that are only available to a select group of management and highly compensated employees. The 457(b) Plan had a value of \$579,000 and \$297,000 as of March 31, 2011 and 2010, respectively, and the 457(f) Plan had a value of \$631,000 and \$234,000 for the same time periods, which represent employee contributions and interest earnings.

Note 8. Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended March 31:

	2011	2010
Health care services	\$ 138,560,780	\$ 120,940,603
Indirect health care costs	21,501,829	25,711,160
General and administrative	18,744,240	17,431,145
	<u>\$ 178,806,849</u>	<u>\$ 164,082,908</u>

Note 9. Fair Value of Financial Instruments

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Assets limited as to use: The Hospital has adopted ASC 820 for financial assets and liabilities. Assets and liabilities recorded at fair value in the balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The valuation techniques used to measure fair value under the ASC are based upon observable and unobservable inputs. The ASC established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Input levels, as defined by the ASC, are as follows:

Level 1 Quoted market prices in active markets for identical assets or liabilities

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3 Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, the Hospital performs a detailed analysis of the assets and liabilities that are measured and reported at fair value on a recurring basis.

Kalispell Regional Medical Center, Inc.

Notes to Financial Statements

Note 9. Fair Value of Financial Instruments (Continued)

The following tables set forth the Hospital's assets that are measured and recognized at fair value on a recurring basis as of March 31, 2011 and 2010, under the appropriate level of the fair value hierarchy. Financial instruments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

March 31, 2011				
	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents — money market mutual funds	\$ 42,551,444	\$ -	\$ -	\$ 42,551,444
Common stock — large-cap domestic stocks	13,304,826	-	-	13,304,826
Mutual funds				
Bond fund	15,577,238	-	-	15,577,238
International value	7,346,699	-	-	7,346,699
Mid-cap	3,836,893	-	-	3,836,893
Small-cap and micro cap	3,902,201	-	-	3,902,201
	<u>\$ 86,519,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,519,301</u>
Investments measured at fair value				\$ 86,519,301
Deposits				3,619,688
Assets limited as to use				<u>\$ 90,138,989</u>

March 31, 2010				
	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents — money market mutual funds	\$ 5,121,427	\$ -	\$ -	\$ 5,121,427
Common stock — large-cap domestic stocks	11,786,608	-	-	11,786,608
Mutual funds				
Bond fund	17,662,985	-	-	17,662,985
International value	5,482,786	-	-	5,482,786
Mid-cap	2,887,368	-	-	2,887,368
Small-cap and micro cap	3,180,963	-	-	3,180,963
	<u>\$ 46,122,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,122,137</u>
Investments measured at fair value				\$ 46,122,137
Deposits				1,367,184
Investment contracts				1,910,109
Assets limited as to use				<u>\$ 49,399,430</u>

Long-term debt (including current portion): Fair value of the Hospital's long-term debt is estimated based upon quoted market prices, when available, or on the discounted value of the future cash flows that would theoretically be paid using current rates offered to the Hospital for debt with the same remaining maturities.

The carrying amounts and fair values of the Hospital's long-term debt at March 31 are as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion	\$ 60,438,231	\$ 56,805,308	\$ 21,119,082	\$ 20,341,682

Kalispell Regional Medical Center, Inc.

Notes to Financial Statements

Note 9. Fair Value of Financial Instruments (Continued)

Certain assets and liabilities are measured at fair value on a nonrecurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). There were no assets or liabilities carried on the balance sheet as of March 31, 2011 or 2010, for which a nonrecurring change in fair value had been recorded during the years ended March 31, 2011 or 2010.

Note 10. Commitments and Contingencies

Future minimum lease commitments: The Hospital leases certain office space, medical facilities and medical equipment under noncancelable operating lease arrangements. The lease terms vary, as do the Hospital's renewal options. The leases provide for minimum monthly rental payments.

Future minimum lease commitments as of March 31, 2011, are due as follows:

Years Ending March 31,

2012	\$ 1,898,064
2013	1,349,443
2014	926,110
2015	630,095
2016	607,548
Thereafter	453,383
	<u>\$ 5,864,643</u>

Rent expense totaled \$3,968,000 and \$3,470,000 for the years ended March 31, 2011 and 2010, respectively, and is included in supplies and other in the accompanying statements of operations. Of these amounts, \$1,897,000 and \$1,785,000 of rent expense for the years ended March 31, 2011 and 2010, respectively, were with affiliated entities.

Building expansion project commitments: The Hospital also has several construction in process (CIP) projects under way as of March 31, 2011, including the operating room/surgery expansion project that is being financed with the proceeds of the Series 2010 Bonds. Future project costs are considered to be commitments of the Hospital. At March 31, 2011, the Hospital had expended approximately \$5,718,000 and had commitments outstanding in the amount of approximately \$38,566,000 relating to these projects.

Litigation and compliance with laws and regulations: The Hospital is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or results of operations.

Notes to Financial Statements

Note 10. Commitments and Contingencies (Continued)

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. After consultation with legal counsel, management believes that the Hospital is in compliance with the fraud and abuse regulations as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Medical malpractice liability insurance: The Hospital has purchased medical malpractice liability insurance coverage to provide protection for professional liability losses on a claims-made basis. If the claims-made policy is not renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, are uninsured. As of March 31, 2011 and 2010, the Hospital has recorded a liability of approximately \$1,788,000 and \$1,528,000, respectively, for those claims that have been incurred but not yet reported, which is included in accounts payable and accrued liabilities in the accompanying balance sheets. The Hospital discounts the ultimate cost of claims at a discount rate of 3.50 percent as of March 31, 2011 and 2010.

Recovery audit contractors program: The Centers for Medicare & Medicaid Services (CMS) approved implementing the permanent recovery audit contractors (RAC) program in October 2009. This program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts.

Since January 2010, the RAC has requested 335 records from the Hospital, totaling \$1,919,275 in Medicare reimbursement. In 44 percent of the cases, the RAC identified no overpayments, and the Hospital is awaiting responses on 34 percent of those cases. The RAC has identified some overpayments, however, the Hospital has agreed with the RAC in only 4 percent of the overpayments totaling \$21,960. The Hospital is currently in the appeals process in 56 cases, or 17 percent. The appeals process can proceed through five levels. Currently, the 56 cases in appeal are either in the first or second level. The American Hospital Association (AHA) has reported that 85 percent of RAC findings are overturned in the appeals process.

HITECH: The Health Information Technology for Economic and Hospital Health (HITECH) portion of the American Recovery and Reinvestment Act of 2009 includes \$27.0 billion in incentives through Medicare and Medicaid reimbursement systems to foster electronic health record (EHR) adoption. In order to be eligible for EHR incentive funding, eligible hospitals and professionals must use a certified EHR, report quality measures, and achieve "meaningful use," as defined by HITECH. The Hospital is assessing the impact of the incentive funding and the implementation cost to achieve criteria to be eligible.

Kalispell Regional Medical Center, Inc.

Notes to Financial Statements

Note 10. Commitments and Contingencies (Continued)

Health care reform: In March 2010, President Obama signed the Patient Protection and Affordable Care Act (PPACA) into law. PPACA will result in sweeping changes across the health care industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Given that the final regulations and interpretive guidelines have yet to be published, the Hospital is unable to fully predict the impact of PPACA on its operations and financial results. There are multiple lawsuits challenging the constitutionality of major portions of PPACA. To the extent that any significant elements of the law are overturned, additional uncertainty is introduced into the prediction of operational and financial impacts. However, if the law is implemented as adopted, the Company's management expects that in the coming years, patients that were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payors will be reduced and made conditional on various quality measures. Management of the Hospital is studying and evaluating the anticipated impacts and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement.

Additional Data

Software ID:

Software Version:

EIN: 23-7293874

Name: KALISPELL REGIONAL MEDICAL CENTER

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	(C) Position (check all that apply)						(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			
CHARLES GRENIER TRUSTEE	1 00	X						1,000	0	0
WILSON HIGGS MD TRUSTEE	1 00	X						1,100	0	0
JON JOHNSON MD TRUSTEE	1 00	X						204,123	0	15,501
GWEN JONAS MD TRUSTEE	1 00	X						41,800	0	0
JANE KARAS TRUSTEE	1 00	X						1,100	0	0
PETER L LARSON TRUSTEE	1 00	X						1,100	0	0
JEANNIE LUCKEY TRUSTEE	1 00	X						1,100	0	0
TOM MCELWAIN TRUSTEE	1 00	X						1,100	0	0
DAVE MEREDITH TRUSTEE	1 00	X						1,100	0	0
ANDY PALCHAK MD TRUSTEE - PART YEAR	1 00	X						800	0	0
CAL SWEET TRUSTEE	1 00	X						1,200	0	0
MUFFIE THOMSON TRUSTEE	1 00	X						1,200	0	0
DAVID WALKER MD TRUSTEE	1 00	X						1,200	0	0
WILLIAM BENEDETTO MD TRUSTEE	1 00	X						300	0	0
CARL TINLIN MD TRUSTEE	1 00	X						30,000	0	0
VELINDA STEVENS PRESIDENT	17 50	X		X				0	580,833	41,022
BERNADETTE VANBELOIS MD TRUSTEE	1 00	X						15,000	0	0
LOUISE SWANBERG MD TRUSTEE - PART YEAR	1 00	X						26,930	0	0
CHARLES PEARCE CHIEF FINANCIAL OFFICER	30 00			X				0	380,705	24,330
FRANCES LAUKAITIS CHIEF OPERATING OFFICER	40 00			X				298,179	0	12,104
KAREN LEE CHIEF NURSING OFFICER	40 00			X				252,101	0	33,820
DEB WILSON CHIEF HUMAN RESOURCES	35 00			X				207,932	0	39,776
AC EDDY CHIEF MEDICAL OFFICER	29 00			X				199,610	0	420
TATE KREITINGER HCNW CEO	25 00				X			312,638	0	29,477
RICHARD PALAGI ADMINISTRATION REGIONAL	5 00				X			349,258	0	27,856

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	(C) Position (check all that apply)						(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			
ALAN WILLIAMS MD PHYSICIAN	50 00					X		640,262	0	3,084
DAVID SHELDON MD PHYSICIAN	50 00					X		558,205	0	44,184
DAVID ROTH MD PHYSICIAN	50 00					X		457,508	0	15,501
TIM OBERMILLER MD PHYSICIAN	50 00					X		426,568	0	47,859
EVE GILLESPIE MD PHYSICIAN	50 00					X		414,202	0	45,501