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Form 990

Return of Organization Exempt From Income Tax

2010

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

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

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

B Check if applicable

C Name of organization
FALLON MEDICAL COMPLEX INCD Employer identification number
36-3808993

E Address change

F Name change

G Initial return

H Terminated

I Amended return

J Application pending

K Doing Business As
SEE SCHEDULE OL Number and street (or P O box if mail is not delivered to street address)
202 S 4TH ST W

M Room/suite

N City or town, state or country, and ZIP + 4
BAKER, MT 59313

O Gross receipts \$ 8,625,810

P Name and address of principal officer
DAVID ESPELAND
202 S 4TH ST W
BAKER, MT 59313Q Is this a group return for affiliates? Yes NoR Are all affiliates included? Yes No

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

T Group exemption number ►

I Tax-exempt status 501(c)(3) 501(c) () (insert no) 4947(a)(1) or 527

J Website: ► WWW.FALLONMEDICAL.ORG

K Form of organization Corporation Trust Association Other ►

L Year of formation 1991

M State of legal domicile MT

N

Part I Summary

1 Briefly describe the organization's mission or most significant activities
PROVIDING HEALTHCARE SERVICES

2 Check this box ► if the organization discontinued its operations or disposed of more than 25% of its net assets

3 Number of voting members of the governing body (Part VI, line 1a)

3

7

4 Number of independent voting members of the governing body (Part VI, line 1b)

4

7

5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)

5

151

6 Total number of volunteers (estimate if necessary)

6

54

7a Total unrelated business revenue from Part VIII, column (C), line 12

7a

0

b Net unrelated business taxable income from Form 990-T, line 34

7b

0

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	1,412,053	1,365,189
9 Program service revenue (Part VIII, line 2g)	6,389,117	7,233,535
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,340	-1,594
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	25,430	6,266
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	7,827,940	8,603,396

13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0	20,554
14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	4,110,925	4,475,977
16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b Total fundraising expenses (Part IX, column (D), line 25) ►0		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	3,083,934	3,200,609
18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	7,194,859	7,697,140
19 Revenue less expenses Subtract line 18 from line 12	633,081	906,256

	Beginning of Current Year	End of Year
20 Total assets (Part X, line 16)	10,188,741	11,494,377
21 Total liabilities (Part X, line 26)	1,110,393	1,455,773
22 Net assets or fund balances Subtract line 21 from line 20	9,078,348	10,038,604

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer

2012-04-11

Date

DAVID ESPELAND CEO

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name KIM C HUNWARDSEN

Preparer's signature

KIM C HUNWARDSEN

Date

2012-04-12

Check if self-employed

►

PTIN

Firm's name ► EIDE BAILLY LLP

Firm's EIN ►

Firm's address ► 800 NICOLLET MALL STE 1300

Phone no ► (612) 253-6500

MINNEAPOLIS, MN 554027033

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

Part III Statement of Program Service Accomplishments

Statement of Program Services Recipients
Check if Schedule O contains a response to any question in this Part III

1 Briefly describe the organization's mission

FALON MEDICAL COMPLEX, IN ITS INNOVATIVE PURSUIT OF FRIENDS HEALING FRIENDS, PROVIDES COMFORT, COMPASSION, AND EXCELLENCE IN THE PROMOTION OF QUALITY OF LIFE TO ALL INDIVIDUALS

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 C

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

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 \$ 6,814,962 including grants of \$ 20,554) (Revenue \$ 7,233,535

FALON MEDICAL COMPLEX PROVIDES QUALITY HEALTH CARE REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, AGE, OR ABILITY TO PAY ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE OPERATION OF THE COMPLEX, IT IS RECOGNIZED THAT NOT ALL INDIVIDUALS POSSESS THE ABILITY TO PURCHASE THESE ESSENTIAL SERVICES IT IS THE COMPLEX'S MISSION TO SERVE THE SURROUNDING AREA BY PROVIDING HEALTH CARE SERVICES TO ALL COMMUNITY MEMBERS THE COMPLEX PROVIDES MEDICAL SERVICES TO INDIVIDUALS WHO ARE DETERMINED UNABLE TO PURCHASE SUCH SERVICES UNDER THE COMPLEX'S CHARITY CARE POLICY AND GUIDELINES IN ADDITION TO FREE CARE AND/OR SUBSIDIZED CARE, CARE IS ALSO PROVIDED AT BELOW COST RATES TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS RECOGNIZING ITS MISSION TO THE COMMUNITY, SERVICES ARE PROVIDED TO BOTH MEDICARE AND MEDICAID PATIENTS THE UNREIMBURSED VALUE OF PROVIDING CARE TO THESE PATIENTS, BASED ON ESTABLISHED RATES IS \$97,641 FOR THE YEAR ENDED JUNE 30, 2011 DURING FISCAL YEAR ENDED JUNE 30, 2011, THE COMPLEX PROVIDED OVER 627 DAYS OF HOSPITAL SERVICES AND 5,290 DAYS OF SWING BED CARE THE NURSING HOME PROVIDED 5,312 DAYS OF RESIDENT SERVICES DURING THE YEAR THE RURAL HEALTH CLINIC AND CRITICAL ACCESS HOSPITAL OUTPATIENT DEPARTMENTS ENCOUNTERED AND SERVED OVER 18,830 PATIENTS ONE OF FALON MEDICAL COMPLEX'S (FMC) OPERATING PHILOSOPHIES STATES THAT EDUCATION PROGRAMS ARE NECESSARY TO ENHANCE THE COMPETENCE OF PERSONNEL IN THE HEALTHCARE SYSTEM AS WELL AS TO ASSIST IN THE ATTAINMENT OF BOTH PERSONAL AND ORGANIZATIONAL GOALS TO THIS END, NOT ONLY DOES THE ORGANIZATION ROUTINELY BUDGET \$25,000 OR MORE IN CONTINUING EDUCATION FOR ITS EMPLOYEES, IT ALSO PROVIDES JOB SHADOWING TO AREA STUDENTS (TYPICALLY 3-5 STUDENTS PER YEAR) WHO MAY BE INTERESTED IN A HEALTHCARE CAREER, IN ADDITION TO OFFERING ROUTINE CERTIFIED NURSING ASSISTANT TRAINING PROGRAMS (TO ABOUT 10-15 PROSPECTIVE AIDES PER YEAR) FMC ALSO HOSTS NUMEROUS COLLEGE STUDENTS SEEKING CAREERS AS DOCTORS (2-3 PER YEAR), PHYSICIAN ASSISTANTS (3-5 PER YEAR), AND RADIOLOGY TECHNICIANS (3- 5 PER YEAR) FMC FURTHER BELIEVES THAT IT IS ITS RESPONSIBILITY TO TAKE A LEADERSHIP ROLE IN INFORMING THE PUBLIC ABOUT HEALTHCARE SUBJECTS OF RELEVANCE OR INTEREST THROUGH COMMUNITY EDUCATION THIS OBJECTIVE IS SUPPORTED THROUGH A NUMBER OF CHANNELS, WHICH INCLUDES ROUTINE "LUNCH AND LEARN" SESSIONS PROVIDED BY MEDICAL PROFESSIONALS (ABOUT 6 TIMES PER YEAR), WEEKLY PUBLIC SERVICE ANNOUNCEMENTS ON THE LOCAL RADIO STATION, AND ITS ANNUAL HEALTH FAIR WHICH IS ATTENDED BY PEOPLE FROM ALL OVER THE SERVICE AREA LASTLY, FMC COLLABORATES WITH A NEIGHBORING HOSPITAL TO PROVIDE A WEIGHT LOSS AND NUTRITIONAL PROGRAM CALLED "HEALTHY LIFESTYLES" OVER A TELECONFERENCING SYSTEM THIS PROGRAM, WHICH TYPICALLY HOSTS 15-25 PEOPLE PER SESSION AND HAS A WAITING LIST, LASTS A NUMBER OF MONTHS AND PROVIDES INTERACTIVE GOAL SETTING AND MONITORING OF THE PARTICIPANTS' HEALTH STATUS AND PHYSICAL WELL-BEING

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

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

4d Other program services (Describe in Schedule O)

(Expenses \$

including grants of \$

) (Revenue

4e Total program service expenses

6,814,962

Part IV Checklist of Required Schedules

1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A.

2 Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?

3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I

4 **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II

5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III

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? If "Yes," complete Schedule D, Part I

7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II

8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III

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? If "Yes," complete Schedule D, Part IV

10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V

11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable

- a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI.
- b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.
- c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.
- d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.
- e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.
- f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X.

12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII

12b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional

13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

14a Did the organization maintain an office, employees, or agents outside of the United States?

14b 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? If "Yes," complete Schedule F, Parts I and IV

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.? If "Yes," complete Schedule F, Parts II and IV

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.? If "Yes," complete Schedule F, Parts III and IV

17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)

18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II

19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III

20a Did the organization operate one or more hospitals? If "Yes," complete Schedule H

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)

	Yes	No
1	Yes	
2	Yes	
3		No
4		No
5		
6		No
7		No
8		No
9	Yes	
10		No
11a	Yes	
11b		No
11c		No
11d	Yes	
11e		No
11f	Yes	
12a		No
12b	Yes	
13		No
14a		No
14b		No
15		No
16		No
17		No
18		No
19		No
20a	Yes	
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? If "Yes," complete Schedule I, Parts I and II	<input checked="" type="checkbox"/>	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? If "Yes," complete Schedule I, Parts I and III	<input checked="" type="checkbox"/>	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? If "Yes," complete Schedule J	<input checked="" type="checkbox"/>	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? If "Yes," answer lines 24b-24d and complete Schedule K. If "No," go to line 25	<input checked="" type="checkbox"/>	24a		No
24b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		24b		
24c	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		
24d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		24d		
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? If "Yes," complete Schedule L, Part I	<input checked="" type="checkbox"/>	25a		No
25b	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? If "Yes," complete Schedule L, Part I	<input checked="" type="checkbox"/>	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? If "Yes," complete Schedule L, Part II	<input checked="" type="checkbox"/>	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? If "Yes," complete Schedule L, Part III	<input checked="" type="checkbox"/>	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)		28a		No
28b	a A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	<input checked="" type="checkbox"/>	28b	Yes	
28c	b A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	<input checked="" type="checkbox"/>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M		29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M		30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II		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? If "Yes," complete Schedule R, Part I	<input checked="" type="checkbox"/>	33		No
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1	<input checked="" type="checkbox"/>	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?		35		No
36	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)? If "Yes," complete Schedule R, Part V, line 2	<input checked="" type="checkbox"/>	36	<input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
37	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	<input checked="" type="checkbox"/>	37		No
38	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? If "Yes," complete Schedule R, Part VI	<input checked="" type="checkbox"/>	38	Yes	
Note. All Form 990 filers are required to complete Schedule O					

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	23
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	151
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b	Yes
<p>Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)</p>			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	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).	7a	No
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?	7b	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7c	No
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7d	
d	If "Yes," indicate the number of Forms 8282 filed during the year	7e	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7f	
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7g	
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7h	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	8	
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?	9a	
9	Sponsoring organizations maintaining donor advised funds.	9b	
a	Did the organization make any taxable distributions under section 4966?		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter	10a	
a	Initiation fees and capital contributions included on Part VIII, line 12	10b	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities		
11	Section 501(c)(12) organizations. Enter	11a	
a	Gross income from members or shareholders	11b	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	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.	13a	
a	Is the organization licensed to issue qualified health plans in more than one state?		
<p>Note. See the instructions for additional information the organization must report on Schedule O</p>			
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

1a Enter the number of voting members of the governing body at the end of the tax year **1a** 7

b Enter the number of voting members included in line 1a, above, who are independent **1b** 7

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?

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?

4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?

5 Did the organization become aware during the year of a significant diversion of the organization's assets?

6 Does the organization have members or stockholders?

7a Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?

b Are any decisions of the governing body subject to approval by members, stockholders, or other persons?

8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following

a The governing body?

b Each committee with authority to act on behalf of the governing body?

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

	Yes	No
1a		
1b		
2	Yes	
3		No
4		No
5		No
6	Yes	
7a	Yes	
7b		No
8a	Yes	
8b		No
9		No

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

10a Does the organization have local chapters, branches, or affiliates?

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?

11a Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?

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

b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?

c Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done

13 Does the organization have a written whistleblower policy?

14 Does the organization have a written document retention and destruction policy?

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

b Other officers or key employees of the organization

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?

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?

	Yes	No
10a		No
10b		
11a	Yes	
12a	Yes	
12b	Yes	
12c	Yes	
13	Yes	
14	Yes	
15a	Yes	
15b	Yes	
16a		No
16b		

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ►

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
 Own website Another's website 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 ►
 SELENA NELSON
 PO BOX 820
 BAKER, MT 593130820
 (406) 778-5103

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

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

* List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

list persons in the following order: individual trustees or directors, institutional trustees, officers, key employees, high-level

List persons in the following order: individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons.

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

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

Name and Title Average Position (check all) Reportable Reportable

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(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			
1b	Sub-Total								
c	Total from continuation sheets to Part VII, Section A								
d	Total (add lines 1b and 1c)						571,539	0	62,668

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 **2**

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual	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? If "Yes," complete Schedule J for such individual	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? If "Yes," complete Schedule J for such person	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
MT HEALTH NETWORK INC 11 SOUTH 7TH STREET SUITE 241 MILES CITY, MT 59301	CONTRACT NURSING SERVICES	150,014
ABT ELECTRIC 1807 N STREVELL MILES CITY, MT 59301	CONSTRUCTION	139,868
FISHER CONSTRUCTION INC 235 MOORE LANE BILLINGS, MT 59101	CONSTRUCTION	119,890
PRAIRIE TRAVELERS INC 130 3RD STREET S 2 GLASGOW, MT 59230	CONTRACT NURSING SERVICES	102,591

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 **4**

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, grants, and other similar amounts	1a Federated campaigns	1a					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations	1d	28,801				
	e Government grants (contributions)	1e	1,302,209				
	f All other contributions, gifts, grants, and similar amounts not included above	1f	34,179				
	g Noncash contributions included in lines 1a-1f \$						
	h Total. Add lines 1a-1f		1,365,189				
Program Service Revenue	2a NET PATIENT SERVICE RE		Business Code				
			622110	7,146,948	7,146,948		
	b MEALS ON WHEELS		722212	57,743	57,743		
	c CAFETERIA		722212	28,040	28,040		
	d MISCELLANEOUS		900099	804	804		
	e						
	f All other program service revenue						
	g Total. Add lines 2a-2f		7,233,535				
Other Revenue	3 Investment income (including dividends, interest and other similar amounts)						
				591		591	
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
	6a Gross Rents	(I) Real	(II) Personal				
		25,895					
	b Less rental expenses	19,629					
	c Rental income or (loss)	6,266					
d Net rental income or (loss)			6,266		6,266		
7a Gross amount from sales of assets other than inventory	(I) Securities	(II) Other					
		600					
b Less cost or other basis and sales expenses		2,785					
c Gain or (loss)		-2,185					
d Net gain or (loss)			-2,185		-2,185		
8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18							
a							
b Less direct expenses	b						
c Net income or (loss) from fundraising events							
9a Gross income from gaming activities See Part IV, line 19	a						
b Less direct expenses	b						
c Net income or (loss) from gaming activities							
10a Gross sales of inventory, less returns and allowances	a						
b Less cost of goods sold	b						
c Net income or (loss) from sales of inventory							
Miscellaneous Revenue		Business Code					
11a							
b							
c							
d All other revenue							
e Total. Add lines 11a-11d							
12 Total revenue. See Instructions			8,603,396	7,233,535	0	4,672	

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	20,554	20,554		
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	427,086	226,563	200,523	
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	3,252,644	2,904,830	347,814	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	35,873	33,625	2,248	
9 Other employee benefits	412,419	345,684	66,735	
10 Payroll taxes	347,955	288,184	59,771	
a Fees for services (non-employees)				
Management				
b Legal	424		424	
c Accounting	32,500		32,500	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other	818,584	818,584		
12 Advertising and promotion	12,554	8,323	4,231	
13 Office expenses	1,151,328	1,120,501	30,827	
14 Information technology				
15 Royalties				
16 Occupancy	153,464	102,207	51,257	
17 Travel	4,857	4,234	623	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	20,784	17,747	3,037	
20 Interest	38,699	277	38,422	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	630,498	598,973	31,525	
23 Insurance	46,735	46,735		
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 BAD DEBT	186,657	186,657		
b TAXES & LICENSES	84,907	82,447	2,460	
c DUES & SUBSCRIPTIONS	18,261	8,480	9,781	
d MISCELLANEOUS	357	357		
e				
f All other expenses				
25 Total functional expenses. Add lines 1 through 24f	7,697,140	6,814,962	882,178	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) Beginning of year	(B) End of year
Assets	1 Cash—non-interest-bearing	451,583	1 971,197
	2 Savings and temporary cash investments	2	
	3 Pledges and grants receivable, net	3	
	4 Accounts receivable, net	1,174,122	4 1,271,436
	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	7	
	8 Inventories for sale or use	193,782	8 197,179
	9 Prepaid expenses and deferred charges	9	
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	13,545,914	
	b Less accumulated depreciation	10b 5,712,323	10c 7,385,327 7,833,591
	11 Investments—publicly traded securities	66,729	11 75,187
	12 Investments—other securities See Part IV, line 11	12	
	13 Investments—program-related See Part IV, line 11	13	
	14 Intangible assets	14	
	15 Other assets See Part IV, line 11	917,198	15 1,145,787
	16 Total assets. Add lines 1 through 15 (must equal line 34)	10,188,741	16 11,494,377
Liabilities	17 Accounts payable and accrued expenses	678,026	17 755,603
	18 Grants payable	18	
	19 Deferred revenue	19	
	20 Tax-exempt bond liabilities	20	
	21 Escrow or custodial account liability Complete Part IV of Schedule D	1,781	21 3,529
	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	430,586	23 696,641
	24 Unsecured notes and loans payable to unrelated third parties	24	
	25 Other liabilities Complete Part X of Schedule D	25	
	26 Total liabilities. Add lines 17 through 25	1,110,393	26 1,455,773
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	8,991,061	27 9,929,588
	28 Temporarily restricted net assets	14,238	28 15,967
	29 Permanently restricted net assets	73,049	29 93,049
	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	9,078,348	33 10,038,604
	34 Total liabilities and net assets/fund balances	10,188,741	34 11,494,377

Part XI Reconciliation of Net AssetsCheck 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	8,603,396
2	Total expenses (must equal Part IX, column (A), line 25)	2	7,697,140
3	Revenue less expenses Subtract line 2 from line 1	3	906,256
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	9,078,348
5	Other changes in net assets or fund balances (explain in Schedule O)	5	54,000
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	10,038,604

Part XII Financial Statements and ReportingCheck 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? <input type="checkbox"/>	2a	No
2b Were the organization's financial statements audited by an independent accountant? <input type="checkbox"/>	2b	Yes
2c 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 <input type="checkbox"/>	2c	No
2d 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 checked="" type="checkbox"/> Consolidated basis <input 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? <input type="checkbox"/>	3a	No
3b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits <input type="checkbox"/>	3b	

SCHEDULE A
(Form 990 or 990EZ)**Public Charity Status and Public Support****2010**

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.

**Open to Public
Inspection**Department of the Treasury
Internal Revenue Service
Name of the organization
FALLON MEDICAL COMPLEX INC**Employer identification number**

36-3808993

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 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 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 section 501(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

2010

Open to Public
Inspection**SCHEDULE D**
(Form 990)**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.

Department of the Treasury
Internal Revenue Service**Name of the organization**
FALLON MEDICAL COMPLEX INC**Employer identification number**

36-3808993

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? Yes No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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? Yes No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)

Preservation of land for public use (e.g., recreation or pleasure) Preservation of an historically importantly land area

Protection of natural habitat Preservation of a certified historic structure

Preservation of open space

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

	Held at the End of the Year
2a	
2b	
2c	
2d	

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? Yes No

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

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

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

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

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

2 Provide the estimated percentage of the year end balance held as

a Board designated or quasi-endowment ►

b Permanent endowment ►

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 Yes No

(ii) related organizations Yes No

b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? Yes No

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		96,522			96,522
b Buildings		11,458,439	4,981,403		6,477,036
c Leasehold improvements					
d Equipment		1,481,105	642,917		838,188
e Other		509,848	88,003		421,845
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)					7,833,591

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
</td		

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	8,603,396
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	7,697,140
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	906,256
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	54,000
9	Total adjustments (net) Add lines 4 - 8	9	54,000
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	960,256

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	8,648,224
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	54,000
e	Add lines 2a through 2d	2e	54,000
3	Subtract line 2e from line 1	3	8,594,224
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	9,172
c	Add lines 4a and 4b	4c	9,172
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	8,603,396

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

1	Total expenses and losses per audited financial statements	1	7,687,968
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	7,687,968
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	9,172
c	Add lines 4a and 4b	4c	9,172
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	7,697,140

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
	PART IV, LINE 2B	THE COMPLEX ACTS AS A CUSTODIAN FOR THE FUNDS OF SOME RESIDENTS
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	PERMANENT ENDOWMENT EARNINGS ARE TO BE USED FOR PURCHASING LONG TERM CARE EQUIPMENT, LONG TERM CARE OPERATIONS, OR SCHOLARSHIPS
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE COMPLEX UNDERGOES AN ANNUAL ANALYSIS OF ITS VARIOUS TAX POSITIONS, ASSESSING THE LIKELIHOOD OF THOSE POSITIONS BEING UPHELD UPON EXAMINATION WITH RELEVANT TAX AUTHORITIES AS OF JUNE 30, 2011 AND 2010, THE UNRECOGNIZED TAX BENEFIT OR LIABILITY ACCRUAL IS ZERO. THE COMPLEX WILL RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO TAX BENEFITS OR LIABILITIES IN INCOME TAX EXPENSE, IF INCURRED THE COMPLEX IS NO LONGER SUBJECT TO FEDERAL OR STATE TAX EXAMINATIONS BY TAX AUTHORITIES FOR THE YEARS BEFORE JUNE 30, 2008
PART XI, LINE 8 - OTHER ADJUSTMENTS		EQUITY IN EARNINGS OF AFFILIATE RECORDED IN REVENUE FOR FINANCIAL STATEMENT 54,000
PART XII, LINE 2D - OTHER ADJUSTMENTS		EQUITY IN EARNINGS OF AFFILIATE RECORDED IN REVENUE FOR FINANCIAL STATEMENTS 54,000
PART XII, LINE 4B - OTHER ADJUSTMENTS		RENT EXPENSES RECORDED IN EXPENSES FOR FINANCIAL STATEMENTS -19,629 FOUNDATION REVENUE INCLUDED IN FINANCIAL STATEMENT EXPENSES 28,801
PART XIII, LINE 4B - OTHER ADJUSTMENTS		RENT EXPENSES RECORDED IN EXPENSES FOR FINANCIAL STATEMENTS -19,629 FOUNDATION REVENUE INCLUDED IN FINANCIAL STATEMENT EXPENSES 28,801

SCHEDULE H
(Form 990)

Hospitals

OMB No 1545-0047

2010

Open to Public
InspectionDepartment of the Treasury
Internal Revenue Service► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
► Attach to Form 990. ► See separate instructions.Name of the organization
FALLON MEDICAL COMPLEX INC

Employer identification number

36-3808993

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .

b If "Yes," is it a written policy?

1b 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

Applied uniformly to all hospitals Applied uniformly to most hospitals
 Generally tailored to individual hospitals

3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year

a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care

100% 150% 200% Other 115.000000000000 %

b Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care

200% 250% 300% 350% 400% Other _____ %

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?

b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?

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?

6a Does the organization prepare a community benefit report during the tax year?

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	No
1a	Yes	
1b	Yes	
3a	Yes	
3b	Yes	
4		No
5a	Yes	
5b		No
5c		
6a	Yes	
6b		No

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)		7	97,114	46,405	50,709	0 680 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			811,767	1,224,798	-413,031	0 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)		141	16,888	18,332	-1,444	0 %
d Total Financial Assistance and Means-Tested Government Programs		148	925,769	1,289,535	-363,766	0 680 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	14	9,388	68,216	22,462	45,754	0 610 %
f Health professions education (from Worksheet 5)	4	4	38,969		38,969	0 520 %
g Subsidized health services (from Worksheet 6)	8	10,924	3,039,296	2,165,387	873,909	11 640 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	8		5,560		5,560	0 070 %
j Total Other Benefits	34	20,316	3,152,041	2,187,849	964,192	12 840 %
k Total. Add lines 7d and 7j	34	20,464	4,077,810	3,477,384	600,426	13 520 %

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	3		1,206		1,206	0 020 %
2 Economic development	2		1,119		1,119	0 010 %
3 Community support	1		761		761	0 010 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building	1		1,042		1,042	0 010 %
7 Community health improvement advocacy	1		112,944	57,743	55,201	0 730 %
8 Workforce development	2		574		574	0 010 %
9 Other						
10 Total	10		117,646	57,743	59,903	0 790 %

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		No
2 Enter the amount of the organization's bad debt expense (at cost)	2	129,587	
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	16,846	
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	2,442,349	
6 Enter Medicare allowable costs of care relating to payments on line 5	6	2,418,167	
7 Subtract line 6 from line 5 This is the surplus or (shortfall)	7	24,182	
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used			

Cost accounting system

Cost to charge ratio

Other

Section C. Collection Practices

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

Part V | Facility Information

Section A. Hospital Facilities

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

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

Part V Facility Information (continued)**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? 3

Name and address		Type of Facility (Describe)
1	MEMORIAL NURSING HOME 202 SOUTH 4TH STREET WEST BAKER, MT 59313	NURSING HOME - 15 BED SNF
2	MEMORIAL NURSING HOME 202 SOUTH 4TH STREET WEST BAKER, MT 59313	NURSING HOME - 15 BED SNF
3	MEMORIAL NURSING HOME 202 SOUTH 4TH STREET WEST BAKER, MT 59313	NURSING HOME - 15 BED SNF
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, 6l, 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 3C WE DO INCLUDE AN ASSET & LIABILITY TEST ANYONE AT OR BELOW 115% QUALIFIES FOR FREE CARE ANYONE WHO DOES NOT QUALIFY FOR FREE CARE, WITH INCOME BETWEEN 116% AND 250% QUALIFIES FOR DISCOUNTED CARE BECAUSE THE TEST OF DISCOUNTED CARE CONSIDERS NET ASSETS AND THE PATIENT'S MEDICAL BILLS ARE INCLUDED IN LIABILITIES, A MEDICALLY INDIGENT COULD QUALIFY FOR DISCOUNTED CARE UNDER THIS PROGRAM

Identifier	ReturnReference	Explanation
		PART I, LINE 7 CHARITY CARE WAS CONVERTED TO COST USING THE COST-TO-CHARGE RATIO DERIVED FROM WORKSHEET 2. MEDICAID IS REPORTED AT COST USING WORKSHEET 2. COMMUNITY HEALTH IMPROVEMENT SERVICES AND COMMUNITY BENEFIT OPERATIONS, HEALTH PROFESSIONS EDUCATION AND CASH AND IN-KIND CONTRIBUTIONS TO COMMUNITY GROUPS ARE BASED ON COSTS RECORDED IN THE GENERAL LEDGER AND ESTIMATED COSTS. SUBSIDIZED HEALTH SERVICES ARE DETERMINED AT COST BASED ON THE COST TO CHARGE RATIO DERIVED FROM THE MEDICARE COST REPORT FOR THE SPECIFIC PROGRAMS

Identifier	ReturnReference	Explanation
		PART I, LINE 7G SUBSIDIZED HEALTH SERVICES INCLUDES TWO CLINICS, A PROVIDER BASED RURAL HEALTH CLINIC AND A SATELLITE CLINIC BOTH CLINICS HAVE A TOTAL COST OF \$1,524,381

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE AMOUNT OF BAD DEBT EXPENSE REMOVED FROM THE DENOMINATOR OF THE CALCULATION WAS \$186,657

Identifier	ReturnReference	Explanation
		<p>PART II FMC PARTICIPATES IN A NUMBER OF BUILDING ACTIVITIES TO IMPROVE THE COMMUNITY FOR INSTANCE, FOR THE PAST FEW YEARS WE HAVE BEEN CLEANING UP A ONE MILE STRETCH OF STATE HIGHWAY 12 THAT RUNS EAST/WEST THROUGH BAKER. THIS EFFORT IS COORDINATED THROUGH THE MONTANA DEPARTMENT OF TRANSPORTATION ADOPT A HIGHWAY PROGRAM. IN ADDITION, OUR CFO HAS BEEN A MEMBER OF THE LOCAL HOUSING BOARD, SEARCHING FOR WAYS TO ADDRESS OUR CHRONIC HOUSING SHORTAGE BY FACILITATING THE CONSTRUCTION OF NEW HOUSING AND THE RENOVATION OF EXISTING HOUSING. FROM AN ECONOMIC DEVELOPMENT STANDPOINT, OUR CFO HAS ALSO BEEN A BOARD MEMBER OF OUR LOCAL SOUTHEASTERN MONTANA REVITALIZATION TEAM, WHICH IS DEDICATED TO REVITALIZING THE ECONOMIC CLIMATE IN THE AREA. THEY ARE FOCUSED ON BUILDING INFRASTRUCTURE, AS WELL AS ATTRACTING NEW BUSINESSES AND FINDING WAYS OF PROVIDING HOUSING FOR INCOMING WORKERS AND THEIR FAMILIES. IN ADDITION, IN AN EFFORT TO HELP KEEP LOCAL COMMERCE ALIVE, OUR FOUNDATION COORDINATOR REGULARLY PARTICIPATES IN BAKER CHAMBER OF COMMERCE MEETINGS AND EVENTS TO FURTHER SUPPORT THE COMMUNITY. A NUMBER OF FMC EMPLOYEES FREQUENTLY PARTICIPATE IN DISASTER PREPAREDNESS MEETINGS AND EVENTS THROUGH THE FALLON COUNTY LOCAL EMERGENCY PREPAREDNESS COMMITTEE (LEPC). THIS GROUP MEETS REGULARLY TO DISCUSS DISASTER PREPAREDNESS ACTIVITIES, TO REVIEW THE RESPONSE OF SIMILAR GROUPS TO DISASTERS ACROSS THE NATION, TO DETERMINE WAYS TO ENHANCE THE EFFECTIVENESS OF DISASTER RESPONSE IN OUR AREA, AND TO CONDUCT TABLE TOP EXERCISES THAT SIMULATE POTENTIAL LOCAL DISASTERS. WE HAVE ALSO DEDICATED STAFF TIME AND RESOURCES TO ACQUIRING KNOWLEDGE IN THE HOSPITAL EMERGENCY INCIDENT COMMAND SYSTEM (HEICS), A NATIONALLY RECOGNIZED AND PRACTICED PROGRAM IN INCIDENT MANAGEMENT. PARTICIPATION IN BOTH LEPC AND HEICS ALSO REPRESENTS OUR COLLABORATIVE EFFORTS TO ADDRESS HEALTH AND SAFETY ISSUES. IT ASSISTS IN COALITION BUILDING WITH OTHER HEALTHCARE ENTITIES AND EMERGENCY SERVICE PROVIDERS TO FURTHER PROVIDE CONTINUITY ACROSS OUR SERVICE AREA. OUR CHIEF OF THE MEDICAL STAFF IS THE COUNTY HEALTH OFFICER FOR CARTER, FALLON, AND WIBAUX COUNTIES DURING THE YEAR. FMC PROVIDED MEALS ON WHEELS TO MEMBERS OF THE COMMUNITY. THIS FURTHERS THE PROMOTION OF HEALTH BY PROVIDING NUTRITIOUS MEALS TO PERSONS WHO OTHERWISE WOULD NOT RECEIVE THEM, ESPECIALLY THOSE WHO ARE HOME-BOUND. THE CEO AND EMPLOYEES OF FMC SERVE ON TWO EASTERN MONTANA HEALTH RELATED SCHOLARSHIP COMMITTEES. THE PARTICIPATION ON THESE COMMITTEES PROMOTE SCHOLARSHIPS TO STUDENTS WANTING TO STUDY IN THE AREA OF HEALTHCARE.</p>

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 BAD DEBT EXPENSE WAS CONVERTED TO COST USING THE COST TO CHARGE RATIO DERIVED FROM WORKSHEET 2 THE ESTIMATED AMOUNT OF BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY IS 13% FALLON MEDICAL COMPLEX IS ESTIMATING THE AMOUNT OF BAD DEBT TO BE CHARITY CARE BASED ON THE PERCENTAGE OF DEMOGRAPHICS BELOW CHARITY CARE INCOME/ASSET LEVELS THIS IDENTIFIES A REASONABLE PERCENTAGE OF INDIVIDUALS WHO POTENTIALLY QUALIFY FOR CHARITY CARE BUT MAY NOT HAVE APPLIED AND THEREFORE WERE WRITTEN OFF TO BAD DEBT BAD DEBTS ARE EXPENSED WHEN ACCOUNTS ARE DETERMINED UNCOLLECTIBLE (CHARGES LESS ANY PAYMENTS OR INSURER DISCOUNTS) AND ANY PAYMENTS TOWARD BAD DEBT ARE BOOKED AS BAD DEBT RECOVERY FOOTNOTE FROM FINANCIAL STATEMENTS THE CARRYING AMOUNT OF RECEIVABLES IS REDUCED BY A VALUATION ALLOWANCE THAT REFLECTS MANAGEMENT'S BEST ESTIMATE OF THE AMOUNTS THAT WILL NOT BE COLLECTED MANAGEMENT REVIEWS PATIENT AND RESIDENT RECEIVABLES BY PAYOR CLASS AND APPLIES PERCENTAGES TO DETERMINE ESTIMATED AMOUNTS THAT WILL NOT BE COLLECTED FROM THIRD PARTIES UNDER CONTRACTUAL AGREEMENTS AND AMOUNTS THAT WILL NOT COLLECTED FROM PATIENTS OR RESIDENTS DUE TO BAD DEBTS MANAGEMENT CONSIDERS HISTORICAL WRITE OFF AND RECOVERY INFORMATION IN DETERMINING THE ESTIMATED BAD DEBT PROVISION</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 8 MEDICARE ALLOWABLE COSTS OF CARE ARE BASED ON THE MEDICARE COST REPORT THE MEDICARE COST REPORT IS COMPLETED BASED ON THE RULES AND REGULATIONS SET FORTH BY CMS

Identifier	ReturnReference	Explanation
		PART III, LINE 9B ALL PATIENTS ARE PROVIDED WITH COMMUNICATIONS AT ADMISSION (NOTICES REQUIRING THEIR SIGNATURE, POSTERS, AND/OR VERBAL COMMUNICATION) REGARDING OUR COLLECTIONS POLICIES AND OUR FINANCIAL ASSISTANCE POLICY ALL PAST DUE ACCOUNTS RECEIVE COMMUNICATIONS (A FLYER) REGARDING OUR FINANCIAL ASSISTANCE POLICY WITH THEIR STATEMENTS BEFORE ACCOUNTS ARE TURNED TO BAD DEBT, WE SEND LETTERS AND/OR MAKE TELEPHONE CALLS TO GUARANTORS WITH DETAILS OF THE FINANCIAL ASSISTANCE PROGRAM, INCLUDING CONTACT INFORMATION AND/OR APPLICATIONS OUR COLLECTION PRACTICE IS TO REFRAIN FROM COLLECTION EFFORTS UNTIL FINANCIAL ASSISTANCE IS DETERMINED NORMAL COLLECTION EFFORTS WOULD RESUME IF THE APPLICATION IS NOT RETURNED TIMELY OR AFTER THE WRITE-OFF IS COMPLETE AND THE PATIENT OWES A BALANCE OUR POLICY WILL NOTE OUR CURRENT PROCEDURES FOR THE YEAR ENDING 6/30/12

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 WE HAVE TRADITIONALLY RECEIVED INPUT ABOUT UNMET COMMUNITY HEALTH CARE NEEDS FROM A NUMBER OF SOURCES A) CITIZENS, BOARD MEMBERS, PATIENTS, AND RESIDENTS EXPRESSING AN IDEA OR A CONCERN, B) SUGGESTIONS FROM CONSULTANTS WHO WERE HIRED TO PROVIDE A STUDY OF OUR OPERATIONS, C) THE COUNTY OR STATE HEALTH DEPARTMENT PROVIDING OBSERVATIONS OR DATA REGARDING THE HEALTH STATUS OF OUR SPECIFIC POPULATION, D) STAFF MEMBERS GLEANING INFORMATION FROM AN EDUCATION PROGRAM OR FROM REVIEWING PROFESSIONAL JOURNALS AND PERIODICALS REGARDING THE LATEST EQUIPMENT OR TRENDS IN PATIENT AND RESIDENT CARE, E) SUGGESTIONS FROM THE PUBLIC POSTED ON OUR WEBSITE, ETC WE ALSO STARTED A FORMAL COMMUNITY HEALTH SERVICES DEVELOPMENT ASSESSMENT THROUGH MONTANA STATE UNIVERSITY, THE RESULT OF WHICH WILL BE AVAILABLE NEXT FISCAL YEAR INFORMATION FROM ALL OF THESE SOURCES IS ANALYZED ON A CASE BY CASE BASIS BY THE DEPARTMENT MANAGER WHO WOULD BE RESPONSIBLE FOR IMPLEMENTING THE PROGRAM THE MANAGER DETERMINES THE PROGRAM'S MERIT RELATIVE TO OUR STATED MISSION AS WELL AS WHAT RESOURCES WOULD BE NECESSARY TO IMPLEMENT THE PROGRAM THE MANAGER SUBMITS THE ANALYSIS TO OUR INTERNAL OPERATIONAL REVIEW COMMITTEE, WHICH LOOKS AT ITS IMPACT FACILITY-WIDE AND ITS FEASIBILITY IF IT PROGRESSES PAST THIS COMMITTEE, IT IS THEN EVALUATED BY OUR MANAGEMENT TEAM, WHO ANALYZES THE FINER DETAILS ULTIMATELY, IT IS DISCUSSED AT THE BOARD OF TRUSTEES LEVEL TO SEEK THEIR INPUT AND APPROVAL, IF NECESSARY</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 WE NOTIFY OUR PATIENTS OF OUR FINANCIAL ASSISTANCE PROGRAM THROUGH A NUMBER OF METHODS, (1) WE POST THE CHARITY CARE POLICY, OR A SUMMARY THEREOF, AND FINANCIAL ASSISTANCE CONTACT INFORMATION IN ADMISSIONS AREAS, EMERGENCY ROOMS, AND OTHER AREAS OF OUR FACILITY IN WHICH ELIGIBLE PATIENTS ARE LIKELY TO BE PRESENT, (2) WE MAKE AVAILABLE A COPY OF THE POLICY, OR A SUMMARY THEREOF, AND FINANCIAL ASSISTANCE CONTACT INFORMATION TO PATIENTS AS PART OF THE INTAKE PROCESS, (3) WE PROVIDE A COPY OF THE POLICY, OR A SUMMARY THEREOF, AND FINANCIAL ASSISTANCE CONTACT INFORMATION TO PATIENTS WITH DISCHARGE MATERIALS, (4) WE INCLUDE THE POLICY, OR A SUMMARY THEREOF, ALONG WITH FINANCIAL ASSISTANCE CONTACT INFORMATION, IN PATIENT BILLS, AND/OR (5) WE DISCUSS WITH THE PATIENT THE AVAILABILITY OF VARIOUS GOVERNMENT BENEFITS, SUCH AS MEDICAID OR STATE PROGRAMS, AND ASSIST THE PATIENT WITH QUALIFICATION FOR SUCH PROGRAMS, WHERE APPLICABLE

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 4 FALON MEDICAL COMPLEX (FMC) IS A SOLE COMMUNITY HEALTH CARE PROVIDER FOR A RURAL POPULATION IN EXCESS OF 7,200 PEOPLE SPREAD OVER SEVEN COUNTIES IN ADDITION TO SERVING FALON COUNTY, LOCATED IN SOUTHEASTERN MONTANA, FMC ALSO PROVIDES HEALTH CARE FOR THREE BORDERING MONTANA COUNTIES (CARTER, WIBAUX, AND PART OF CUSTER) AND THREE ADJACENT NORTH DAKOTA COUNTIES (SLOPE, GOLDEN VALLEY, AND PART OF BOWMAN) CONSIDERED "FRONTIER" BY THE MONTANA DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES, THIS REGION BOASTS LESS THAN TWO RESIDENTS PER SQUARE MILE ALTHOUGH CARTER COUNTY OPERATES A CRITICAL ACCESS HOSPITAL AND A RURAL HEALTH CLINIC IN EKALAKA, MT (35 MILES TO THE SOUTH), FACILITIES OFFERING THE NEXT HIGHEST LEVEL OF CARE ARE OVER 80 MILES FROM BAKER, NECESSITATING A DRIVE OF NEARLY TWO HOURS IN INCLEMENT WEATHER TWO PRIMARY CARE PHYSICIANS AND TWO PHYSICIAN ASSISTANTS PRACTICE FULL TIME IN BAKER IN ADDITION, FMC'S PHYSICIANS SUPERVISE PHYSICIAN ASSISTANTS IN EKALAKA, MT AND IN WIBAUX, MT GIVEN THE SMALL SIZE OF ITS MEDICAL STAFF AND THE BROAD DISPERSION OF ITS SERVICE AREA, FMC IS FEDERALLY DESIGNATED AS A HEALTH PROFESSIONAL SHORTAGE AREA AND A MEDICALLY UNDERSERVED AREA THE MAJORITY OF PATIENTS IN FMC'S SERVICE AREA ARE CAUCASIAN (98%), OLDER THAN AGE 45 (52%) AND HAVE GRADUATED FROM HIGH SCHOOL (82%) THE PER CAPITA INCOME IS ABOUT \$30,000 PER YEAR (COMPARED TO \$33,000 FOR ALL OF MONTANA) AND THE UNEMPLOYMENT RATE IS 2.8% (COMPARED TO 4.5%) ABOUT 15% OF THE POPULATION IS BELOW THE FEDERAL POVERTY LEVEL AND ROUGHLY 29% OF THE POPULATION DOES NOT HAVE HEALTH INSURANCE OF THOSE WITH HEALTH INSURANCE, 22% ARE COVERED BY MEDICARE, AND 6% ARE COVERED BY MEDICAID OF THOSE PEOPLE ON MEDICAID, 21% RECEIVE MENTAL HEATH SERVICES LIKE MOST RURAL MONTANA AREAS, FMC'S SERVICE AREA ECONOMY IS LARGELY BASED ON AGRICULTURE WHEAT AND BARLEY ARE MAJOR FARM CROPS AND CATTLE AND SHEEP DOMINATE THE LOCAL LIVESTOCK PRODUCTION THE OTHER MAJOR CONTRIBUTOR TOWARDS THE LOCAL ECONOMY IS OIL AND GAS EXPLORATION AND EXTRACTION MANY RESIDENTS ARE EMPLOYED BY LARGE ENERGY EXPLORATION AND DRILLING COMPANIES OR SMALLER ENERGY-RELATED SERVICE COMPANIES THE AREA RECENTLY ENTERED THE ALTERNATIVE ENERGY ARENA WHEN WIND FARMS BEGAN CROPPING UP ACROSS THE WIND-SWEPT PRAIRIE</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 6 FMC'S GOVERNING BOARD OF TRUSTEES IS FULLY COMPRISED OF PEOPLE WHO RESIDE IN ITS SERVICE AREA THEY ARE NOT COMPENSATED FOR THEIR PARTICIPATION ON THE BOARD AND THEY ARE NEITHER EMPLOYEES, FAMILY MEMBERS OF EMPLOYEES, NOR CONTRACTORS OF FMC THEY MUST BE INTERESTED IN, AND WILLING TO WORK TOWARDS, THE BEST INTERESTS OF HEALTH CARE IN FMC'S SERVICE AREA ONE OF THE BOARD'S RESPONSIBILITIES IS TO MAINTAIN AND OVERSEE FMC'S MEDICAL STAFF AS SUCH, THEY ARE RESPONSIBLE FOR GRANTING PRIVILEGES TO QUALIFIED PHYSICIANS AND MID-LEVELS BASED ON EDUCATION AND SKILLS CONFIRMED THROUGH A STRUCTURED CREDENTIALLING PROCESS ALL PROVIDERS IN OUR SERVICE AREA ARE WELCOME TO APPLY FOR PRIVILEGES TO TREAT PATIENTS AND TO ADMIT PATIENTS TO OUR MEDICAL FACILITIES THE BOARD IS ALSO CHARGED WITH CONTROLLING AND MANAGING ALL OF THE PROPERTY, AFFAIRS, AND FUNDS OF FMC SINCE OUR SINGULAR PURPOSE IS TO DELIVER QUALITY HEALTHCARE TO OUR PATIENTS AND RESIDENTS, ALL SURPLUS FUNDS ARE USED TO MAKE IMPROVEMENTS IN OUR DELIVERY OF PATIENT CARE, EITHER THROUGH THE PURCHASE OF NEW EQUIPMENT, THE FURTHER EDUCATION OF OUR STAFF, THE DEVELOPMENT OF NEW SERVICES, OR THE RENOVATION OF OUR FACILITY ADDITIONALLY, FMC OPERATES A FOUNDATION THAT EXISTS SOLELY TO ATTRACT AND MANAGE FUNDS FROM DONORS WHO WOULD LIKE TO PROVIDE FINANCIAL SUPPORT THIS SEPARATE NON-PROFIT ENTITY IS GOVERNED BY ITS OWN BOARD OF DIRECTORS, WHICH RAISES THE FUNDS, MANAGES THE INVESTMENTS, AND DETERMINES HOW THE FUNDS SHOULD BE SPENT ONE OF THEIR MOST ACTIVELY MANAGED EFFORTS IS THE AWARDING OF SCHOLARSHIPS TO STUDENTS SEEKING HEALTHCARE CAREERS IN ADDITION TO SERVING ON ONE OF THE TWO BOARDS DESCRIBED ABOVE, VOLUNTEERS ALSO HAVE MANY OTHER OPPORTUNITIES TO CONTRIBUTE TO THE WELL-BEING OF OUR PATIENTS AND RESIDENTS THEY CAN CHOOSE TO BE A MEMBER OF OUR ORGANIZED HOSPITAL HELPERS AUXILIARY, PARTICIPATING IN DAILY ACTIVITIES AND/OR PERIODIC COMMUNITY EVENTS THEY CAN ALSO WORK IN THE AUXILIARY'S HOSPITAL GIFT SHOP, WHICH DONATES ALL SURPLUS FUNDS TO FMC FOR THE PURCHASE OF NEW PATIENT CARE EQUIPMENT OR DEVELOPMENT OF NEW SERVICES OR THEY CAN OFFER THEIR VOLUNTEER SERVICES INDEPENDENTLY TO OUR PATIENTS AND RESIDENTS ALL IN ALL, THESE INDIVIDUALS ALL CONTRIBUTE TOWARDS FMC'S MISSION, WHICH INCLUDES PROVIDING COMFORT, COMPASSION, AND EXCELLENCE IN THE PROMOTION OF QUALITY OF LIFE TO ALL INDIVIDUALS WE DO NOT HAVE THE RESOURCES TO OFFER SPECIALIZED SERVICES OR TO CONDUCT MEDICAL RESEARCH BUT AS A SOLE COMMUNITY PROVIDER, WE ARE COMMITTED TO OFFERING 24/7 EMERGENCY CARE REGARDLESS OF A PATIENT'S ABILITY TO PAY, OFFERING HOSPITAL INPATIENT AND OUTPATIENT SERVICES, OFFERING PHYSICIAN SERVICES THROUGH OUR RURAL HEALTH CLINIC & SATELLITE CLINIC, OFFERING LONG TERM ALTERNATIVES, AND OFFERING CARE IN OUR PATIENT'S HOMES</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 7

Schedule H (Form 990) 2010

Schedule I (Form 990)

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

Department of the Treasury
Internal Revenue Service

Name of the organization

FALLON MEDICAL COMPLEX INC

Employer identification number

36-3808993

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.  

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
PROCEDURE FOR MONITORING GRANTS IN THE U.S.	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 ORGANIZATION PROVIDES GRANTS TO RELATED TAX-EXEMPT ORGANIZATION TO FURTHER THEIR TAX EXEMPT PURPOSE

Schedule J
(Form 990)**Compensation Information**

OMB No 1545-0047

2010Department of the Treasury
Internal Revenue Service

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.

Open to Public Inspection**Name of the organization**
FALLON MEDICAL COMPLEX INC**Employer identification number**
36-3808993**Part I Questions Regarding Compensation**

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

<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)

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

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply

<input type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract
<input type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study
<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee

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?

b Participate in, or receive payment from, a supplemental nonqualified retirement plan?

c Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

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?

b Any related organization?

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?

b Any related organization?

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

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

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b		
2		
4a		No
4b		No
4c		No
5a		No
5b		No
6a		No
6b		No
7		No
8		No
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) DARRYL ESPELAND	(i) 195,205 (ii) 0	0	0	13,853 0	6,442 0	215,500 0	0 0
(2) DOMINICK TRIVISONNO	(i) 201,721 (ii) 0	5,000 0	0	4,262 0	12,070 0	223,053 0	0 0
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(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
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Schedule L

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**

Department of the Treasury
Internal Revenue Service

Name of the organization
FALLON MEDICAL COMPLEX INC

Employer identification number

36-3808993

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.

Part III Grants or Assistance Benefitting Interested Persons.

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

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
(1) DARRYL ESPELAND DO	EMPLOYEE AND BROTHER OF CEO	215,500	WAGES AND BENEFITS		No
(2) DAVID ESPELAND CEO	EMPLOYEE AND BROTHER OF CHIEF OF STAFF	111,844	WAGES AND BENEFITS		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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.

2010**Open to Public
Inspection****Name of the organization**
FALLON MEDICAL COMPLEX INC**Employer identification number**

36-3808993

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 2		DAVID ESPELAND AND DARRYL ESPELAND HAVE A FAMILY RELATIONSHIP

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		ALL PERSONS PRESENTLY RESIDING IN FALLON COUNTY AND ALL OUTLYING AREAS OF FALLON MEDICAL COMPLEX WHO HAVE CONTRIBUTED THE SUM OF \$100 OR MORE SHALL BE LIFETIME MEMBERS OF THE CORPORATION THERE ARE NO CLASSES OF MEMBERSHIP AND NO STOCK IS ISSUED MEMBERS HAVE NO CLAIMS TO CORPORATE INCOME AND ASSETS AND THEIR ONLY DEFINED RIGHT IS TO VOTE FOR MEMBERS OF THE BOARD

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A		ALL MEMBERS OF THE CORPORATION SHALL BE ENTITLED TO VOTE FOR VACANT POSITIONS ON THE CORPORATION BOARD OF TRUSTEES

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 8B		THE ORGANIZATION DOES NOT HAVE A COMMITTEE THAT ACTS ON BEHALF OF THE GOVERNING BOARD

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE FORM 990 IS EMAILED TO THE BOARD OF TRUSTEES FOR THEIR REVIEW AND ALLOWED TO COMMENT PRIOR TO FILING

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	THE ORGANIZATION'S POLICY REQUIRES A DUTY TO DISCLOSE ANY CONFLICTS ANNUALLY AS WELL AS DURING DISCUSSIONS THE CONFLICT OF INTEREST POLICY COVERS ALL MEMBERS OF THE BOARD, OFFICERS AND EMPLOYEES BOARD MEMBERS, OFFICERS AND EMPLOYEES COMPLETE A QUESTIONNAIRE ANNUALLY ADDRESSING POTENTIAL AREAS OF CONFLICTS CONFLICTS ARE DETERMINED BY EACH INDIVIDUAL IF A CONFLICT ARISES, THE BOARD MEMBER ABSTAINS FROM VOTING ON MATTERS THAT GAVE RISE TO THE CONFLICT

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	THE MONTANA HOSPITAL ASSOCIATION (MHA) PUBLISHES ITS ANNUAL COMPENSATION DATA FOR ALL CLASSIFICATIONS OF HEALTHCARE WORKERS. THE DATA PERTAINING TO FACILITIES COMPARABLE IN SIZE IS USED TO DETERMINE EXECUTIVE AND OFFICER COMPENSATION. THE BOARD MAY ALSO CHOOSE TO CALL THEIR PEERS IN OTHER FACILITIES TO SUBSTANTIATE THE MHA DATA AND TO CONFIRM THE APPROPRIATENESS OF ANY PROPOSED COMPENSATION. THE BOARD VOTES AND APPROVES THE COMPENSATION FOR OFFICERS SUCH AS THE CEO AND CFO. THE DECISIONS ARE DOCUMENTED ON AN ANNUAL BASIS WHEN SALARIES ARE APPROVED. THIS PROCESS LAST TOOK PLACE AT THE END OF FISCAL YEAR 06/30/10, WITH BOARD APPROVAL OF THE BUDGET FOR FY 2011 AT THE 07/06/2011 BOARD MEETING.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE AVAILABLE FOR INSPECTION AT THE CORPORATION'S PLACE OF BUSINESS UPON REQUEST

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	EQUITY IN EARNINGS OF AFFILIATE RECORDED IN REVENUE FOR FINANCIAL STATEMENT 54,000 TOTAL TO FORM 990, PART XI, LINE 5 54,000

Identifier	Return Reference	Explanation
	FORM 990, PAGE 1, LINE C	FALLON MEDICAL COMPLEX, INC IS DOING BUSINESS UNDER THE FOLLOWING NAMES COMMUNITY CLINIC, HOME CARE SERVICES, FALLON MEMORIAL HOSPITAL, MEMORIAL NURSING HOME AND WIBAUX CLINIC

SCHEDULE R (Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2010

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
FALLON MEDICAL COMPLEX INC

Employer identification number

36-380899

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.)

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.)

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.)

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		No
1b	Yes	
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i	Yes	
1j		No
1k	Yes	
1l		No
1m	Yes	
1n	Yes	
1o		No
1p	Yes	
1q		No
1r		No

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)				
(2)				
(3)				
(4)				
(5)				
(6)				

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

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

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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Consolidated Financial Statements
June 30, 2011 and 2010

**Fallon Medical Complex, Inc.
and Affiliate**

Fallon Medical Complex, Inc. and Affiliate
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June 30, 2011 and 2010

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Independent Auditor's Report

The Board of Directors
Fallon Medical Complex, Inc. and Affiliate
Baker, Montana

We have audited the accompanying consolidated balance sheets of Fallon Medical Complex, Inc. and Affiliate as of June 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Complex'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Complex's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fallon Medical Complex, Inc. and Affiliate as of June 30, 2011 and 2010, and the results of its operations, changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Billings, Montana
January 25, 2012

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 971,197	\$ 449,630
Receivables		
Patient and resident, net of estimated uncollectibles of \$525,000 in 2011 and \$475,000 in 2010	1,271,436	1,174,122
Estimated third-party payor settlements	346,000	137,000
Due from County	317,508	351,919
Other	115	240
Current portion of pledges receivable	-	2,313
Supplies	<u>197,179</u>	<u>193,782</u>
Total current assets	3,103,435	2,309,006
Pledges Receivable, Less Current Portion	-	2,408
Assets Limited as to Use	556,957	490,819
Property and Equipment	<u>7,833,985</u>	<u>7,386,508</u>
Total assets	<u><u>\$ 11,494,377</u></u>	<u><u>\$ 10,188,741</u></u>

Fallon Medical Complex, Inc. and Affiliate
 Consolidated Balance Sheets
 June 30, 2011 and 2010

	2011	2010
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 159,925	\$ 79,887
Accounts payable		
Trade	277,835	189,420
Due to County	134,874	203,341
Accrued expenses		
Vacation	200,859	170,207
Salaries and wages	123,859	104,414
Payroll taxes and other	20,644	11,841
Interest	1,061	584
Total current liabilities	919,057	759,694
Long-Term Debt, Less Current Maturities	<u>536,716</u>	<u>350,699</u>
Total liabilities	<u>1,455,773</u>	<u>1,110,393</u>
Net Assets		
Unrestricted	9,929,588	8,991,061
Temporarily restricted	15,967	14,238
Permanently restricted	93,049	73,049
Total net assets	<u>10,038,604</u>	<u>9,078,348</u>
Total liabilities and net assets	<u>\$ 11,494,377</u>	<u>\$ 10,188,741</u>

Fallon Medical Complex, Inc. and Affiliate
Consolidated Statements of Operations
Years Ended June 30, 2011 and 2010

	2011	2010
Unrestricted Revenues		
Net patient and resident service revenue	\$ 7,129,880	\$ 6,289,811
Other revenue	340,271	319,647
	<hr/>	<hr/>
Total unrestricted revenues	7,470,151	6,609,458
Expenses		
Professional care of patients and residents	3,411,687	3,145,689
General and administrative	1,603,805	1,457,745
Clinics	895,994	842,663
Depreciation	631,285	562,796
Property and household	549,787	488,094
Dietary	395,815	375,792
Provision for bad debts	186,657	313,533
Interest	38,699	30,428
	<hr/>	<hr/>
Total expenses	7,713,729	7,216,740
Operating Loss	<hr/>	<hr/>
	(243,578)	(607,282)
Other Income, Net		
County subsidy for buildings from mill levy	425,000	425,000
County subsidy for operations	398,866	428,847
County subsidy for expenses and equipment	266,818	294,808
Unrestricted gifts and grants	38,797	91,662
Interest and dividend income	5,778	5,954
Realized losses on sales of investments	(5,238)	-
Loss on sale of equipment	(2,185)	-
Other	804	1,148
	<hr/>	<hr/>
Total other income, net	1,128,640	1,247,419
Revenues in Excess of Expenses	<hr/>	<hr/>
	885,062	640,137
Unrealized Gains on Investments	<hr/>	<hr/>
	40,811	15,246
Net Assets Released from Restrictions	<hr/>	<hr/>
	12,654	27,094
Increase in Unrestricted Net Assets	<hr/>	<hr/>
	\$ 938,527	\$ 682,477

Fallon Medical Complex, Inc. and Affiliate
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Unrestricted Net Assets		
Revenues in excess of expenses	\$ 885,062	\$ 640,137
Unrealized gains on investments	40,811	15,246
Net assets released from restrictions	<u>12,654</u>	<u>27,094</u>
Increase in unrestricted net assets	<u>938,527</u>	<u>682,477</u>
Temporarily Restricted Net Assets		
Contributions for specific purposes	12,700	26,237
Investment income	1,683	625
Net assets released from restrictions	<u>(12,654)</u>	<u>(27,094)</u>
Increase (decrease) in temporarily restricted net assets	<u>1,729</u>	<u>(232)</u>
Permanently Restricted Net Assets		
Contributions	<u>20,000</u>	<u>21,000</u>
Increase in Net Assets	960,256	703,245
Net Assets, Beginning of Year	<u>9,078,348</u>	<u>8,375,103</u>
Net Assets, End of Year	<u>\$ 10,038,604</u>	<u>\$ 9,078,348</u>

Fallon Medical Complex, Inc. and Affiliate
Consolidated Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Activities		
Increase in net assets	\$ 960,256	\$ 703,245
Adjustments to reconcile increase in net assets to net cash from operating activities		
County subsidies	(1,090,684)	(1,148,655)
Depreciation	631,285	562,796
Unrealized gains on investments	(40,811)	(15,246)
Realized loss on sale of investments	5,238	-
Loss on sale of equipment	2,185	-
Changes in assets and liabilities		
Receivables	(267,057)	(277,861)
Supplies	(3,397)	(22,649)
Accounts payable	19,948	(32,639)
Accrued expenses	<u>59,377</u>	<u>(47,480)</u>
Net Cash from (used for) Operating Activities	<u>276,340</u>	<u>(278,489)</u>
Investing Activities		
Purchase of property and equipment	(1,081,548)	(288,057)
Increase in assets limited as to use	(30,565)	(58,177)
Proceeds from sale of equipment	<u>601</u>	<u>-</u>
Net Cash used for Investing Activities	<u>(1,111,512)</u>	<u>(346,234)</u>
Financing Activities		
County subsidies	1,090,684	1,148,655
Proceeds from long-term debt borrowings	403,000	-
Net payments on line of credit	-	(100,000)
Repayment of long-term debt	<u>(136,945)</u>	<u>(70,383)</u>
Net Cash from Financing Activities	<u>1,356,739</u>	<u>978,272</u>
Net Change in Cash and Cash Equivalents	<u>521,567</u>	<u>353,549</u>
Cash and Cash Equivalents, Beginning of Year	<u>449,630</u>	<u>96,081</u>
Cash and Cash Equivalents, End of Year	<u>\$ 971,197</u>	<u>\$ 449,630</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 38,222</u>	<u>\$ 31,115</u>

Note 1 - Organization and Significant Accounting Policies

Organization

The consolidated financial statements include the accounts of Fallon Medical Complex, Inc. (Complex) and its affiliate, Friends of FMC Foundation (Foundation).

The Complex is a 25-bed critical access hospital, a 15-bed nursing facility, and a community medical clinic located in Baker, Montana. The Complex is organized as a Montana nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Under an agreement dated July 1, 1991, the Complex agreed to manage and operate the healthcare facilities of Fallon County. Previously, these facilities were organized as a component unit of Fallon County.

All significant inter-entity balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect 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 highly liquid investments with an original maturity of three months or less, excluding assets limited as to use.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market.

Fair Value Measurements

The Complex has determined the fair value of certain assets and liabilities in accordance with the provisions of ASC 820, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Fallon Medical Complex, Inc. and Affiliate
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Receivables and Credit Policies

Patient and resident receivables are uncollateralized patient and resident and third-party payor obligations. The Complex does not charge interest on past due accounts. Patient and resident receivables are stated at the amount billed to the patient or resident. Unless the patient or resident has signed an approved payment agreement to extend the payment period, account balances with invoices dated over 60 days old are considered delinquent and are remitted to a collection agency after 120 days. Accounts with extended payment schedules are considered delinquent and are remitted to a collection agency after 90 days of non-payment. Payments of receivables are allocated to the specific invoice identified on the remittance advice or, if unspecified, applied to the earliest unpaid invoices.

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that may not be collected from patients or residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Assets Limited as to Use

Assets limited as to use include assets that the Board of Directors of the Complex and the Foundation have set aside for future capital improvements and scholarships. The Board retains control of these assets and may use them for any purpose at its discretion. Assets limited as to use also include assets held by the Complex for nursing home residents and the Complex Auxiliary.

Investments and Investment Income

Investments in mutual funds and certificates of deposits with readily determinable values are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by law. Unrealized gains and losses on investments are excluded from revenues in excess of expenses unless the investments are trading securities.

Property and Equipment

Property and equipment acquisitions in excess of \$5,000 are capitalized at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Land improvements	5 - 20 years
Buildings and improvements	5 - 40 years
Equipment	5 - 25 years

Fallon Medical Complex, Inc. and Affiliate
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from revenues in excess of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

The Complex has an agreement with Fallon County under which Fallon County furnished the Complex with the property and equipment needed to provide healthcare services. The Complex has recorded the property and equipment as assets of Fallon Medical Complex, Inc.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Complex has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Complex in perpetuity.

Revenues in Excess of Expenses

Revenues in excess of expenses excludes unrealized gains and losses on investments other than trading securities, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors.

Net Patient and Resident Service Revenue

The Complex has agreements with third-party payors that provide for payments to the Complex at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

To fulfill its mission of community service, the Complex 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 Complex does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient and resident service revenue.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. 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 donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Fallon Medical Complex, Inc. and Affiliate
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

County Subsidy

Fallon County provides a subsidy to the Complex for its operations based on budgeted amounts approved by the County. During the years ended June 30, 2011 and 2010 the Complex received \$398,866 and \$428,847, respectively.

During the years ended June 30, 2011 and 2010, the County provided an additional subsidy of \$266,818 and \$294,808, respectively, which was approved by the County to be used for certain operating expenses and equipment as decided by Fallon County.

Each year an additional subsidy is provided for purchases of buildings and improvements upon approval of a mill levy by the voters of Fallon County. During each of the years ended June 30, 2011 and 2010, the Complex received \$425,000. The mill levy has been approved in the past three elections. The Complex recognizes the revenue when received from the County based on the budgeted amounts approved by the County.

Resident Funds

The Complex acts as custodian for the funds of some residents. These funds are included in assets limited as to use and trade payables in the balance sheets. Resident funds totaled \$3,529 and \$1,953 at June 30, 2011 and 2010, respectively.

Income Taxes

The Complex is organized as a not-for-profit corporation, which is exempt from Federal income taxes pursuant to Section 501 (c) (3) of the Internal Revenue Code. The Complex is also exempt from state income taxes.

The Complex undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities. As of June 30, 2011 and 2010, the unrecognized tax benefit or liability accrual is zero. The Complex will recognize future accrued interest and penalties related to tax benefits or liabilities in income tax expense, if incurred. The Complex is no longer subject to Federal or state tax examinations by tax authorities for the years before June 30, 2008.

Advertising Costs

The Complex expenses advertising costs as they are incurred.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

The Complex has evaluated subsequent events through January 25, 2012, the date which the financial statements were available to be issued.

Note 2 - Charity Care

The Complex maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The amounts of charges foregone, based on established rates, were \$97,641 and \$69,548 for the years ended June 30, 2011 and 2010.

Note 3 - Net Patient and Resident Service Revenue

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

Medicare: The Complex is licensed as a Critical Access Hospital (CAH). The Complex is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Complex and are subject to audits thereof by the Medicare intermediary. Certain services are subject to cost limits or fee schedules. The Complex's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2010. The Complex's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Complex.

Medicaid: Inpatient and outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges or allowable cost as determined through the Complex's Medicare cost report, or rates as established by the Medicaid program. The Complex is reimbursed at a tentative rate with final settlement determined by the program based on the Complex's final Medicaid cost report. The Complex's Medicaid cost reports have been settled through the year ended June 30, 2009.

Blue Cross: Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount. The prospectively determined discount is not subject to retroactive adjustment.

Resident Services: The Complex is reimbursed for resident services at established per diem rates, which are prospectively determined on a cost-related basis subject to certain limitations as prescribed by Montana Department of Public Health and Human Services regulations. These rates are subject to retroactive adjustment by field audit. Under the Medicare program, payment for resident services is made on a prospectively determined per diem rate, which varies, based on a case-mix adjusted patient classification system.

Other: The Complex has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Complex under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Fallon Medical Complex, Inc. and Affiliate
 Notes to Consolidated Financial Statements
 June 30, 2011 and 2010

Revenue from the Medicare and Medicaid programs accounted for approximately 41 percent and 15 percent, respectively, of the Complex's net patient revenue for the year ended June 30, 2011, and 43 percent and 13 percent, respectively, for the year ended June 30, 2010. Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient and resident service revenue for the years ended June 30, 2011 and 2010 increased approximately \$20,000 and \$15,000, respectively, due to the removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations.

A summary of patient and resident service revenue and contractual adjustments for the years ended June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Total patient and resident service revenue	<u>\$ 8,106,349</u>	<u>\$ 7,455,990</u>
Contractual adjustments		
Medicare	(566,153)	(806,175)
Medicaid	(81,844)	(63,481)
Other	<u>(328,472)</u>	<u>(296,523)</u>
Total contractual adjustments	<u>(976,469)</u>	<u>(1,166,179)</u>
Net patient and resident service revenue	<u>\$ 7,129,880</u>	<u>\$ 6,289,811</u>

Note 4 - Assets Limited as to Use

The composition of assets limited as to use stated at fair value at June 30, 2011 and 2010 is set forth in the following table:

	<u>2011</u>	<u>2010</u>
Board designated for capital improvements and scholarships		
Mutual funds	\$ 281,366	\$ 229,443
Certificates of deposit	143,049	134,877
Cash	124,638	124,546
Cash held for nursing home residents and auxiliary	<u>7,904</u>	<u>1,953</u>
	<u>\$ 556,957</u>	<u>\$ 490,819</u>

Fallon Medical Complex, Inc. and Affiliate
 Notes to Consolidated Financial Statements
 June 30, 2011 and 2010

The fair values and gross unrealized losses of investments in assets limited as to use for individual securities that have been in a continuous unrealized loss position as of June 30, 2011 and 2010 are as follows:

	2011	2010
Mutual Funds		
Unrealized loss position for less than 12 months	\$ 1,775	\$ 9,650
Market Value	170,374	71,550
Unrealized loss position for greater than 12 months	-	31,477
Market Value	-	157,893

The gross unrealized losses on these investments were primarily due to interest rate fluctuations and market-price movements. The Complex reviewed the investment portfolio and determined that the gross unrealized losses on these investments at June 30, 2011 and 2010 were temporary in nature. The Complex has the ability and intent to hold these investments until recovery of their carrying values.

The following table sets forth by level, within the fair value hierarchy, the fair values of assets limited as to use as of June 30, 2011 and 2010:

	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)
2011			
Mutual funds			
Bond	\$ 161,405	\$ -	\$ -
Domestic large cap value	105,564	-	-
Domestic mid cap value	14,397	-	-
Certificates of deposit	-	143,049	-
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
2010			
Mutual funds			
Domestic large cap value	\$ 79,414	\$ -	\$ -
International large cap balanced	78,479	-	-
International large cap value	71,550	-	-
Certificates of deposit	-	134,877	-
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>

Note 5 - Endowments

The Complex's endowments consist of individual funds established for a variety of purposes based on donor restrictions. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Complex classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Complex considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Complex and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Complex
- (7) The investment policies of the Complex.

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Complex to maintain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2011 and 2010 there were no such deficiencies.

The Complex has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the fair value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Complex must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide both a reasonably predictable income stream and principal appreciation that exceed inflation. To satisfy its long-term rate-of-return objectives, the Complex relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Fallon Medical Complex, Inc. and Affiliate
 Notes to Consolidated Financial Statements
 June 30, 2011 and 2010

The change in the endowment net assets for the years ended June 30, 2011 and 2010 and the composition of endowment net assets by fund as of June 30, 2011 and 2010, respectively, is as follows:

		2011			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds					
Beginning of year	\$ -	\$ -	\$ 73,049	\$ 73,049	
Contributions	-	-	20,000	20,000	
End of year	\$ -	\$ -	\$ 93,049	\$ 93,049	
		2010			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds					
Beginning of year	\$ -	\$ -	\$ 52,049	\$ 52,049	
Contributions	-	-	21,000	21,000	
End of year	\$ -	\$ -	\$ 73,049	\$ 73,049	

Note 6 - Property and Equipment

A summary of property and equipment at June 30, 2011 and 2010 follows:

	2011		2010	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 96,522	\$ -	\$ 96,522	\$ -
Land improvements	151,625	88,003	253,429	192,760
Buildings and improvements	11,458,439	4,981,403	11,193,360	4,557,498
Equipment	1,487,010	648,428	2,507,085	1,955,670
Construction in progress	358,223	-	42,040	-
	<hr style="border-top: 1px solid black;"/>			
	\$ 13,551,819	\$ 5,717,834	\$ 14,092,436	\$ 6,705,928
Net property and equipment		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		\$ 7,833,985	\$ 7,386,508	\$ 7,386,508

The Complex is committed to projects at June 30, 2011 consisting of equipment, software, and improvements. The estimated cost to complete the projects is approximately \$130,000, which will be provided from a County subsidy. During the years ended June 30, 2011 and 2010, the County provided an additional subsidy of \$266,818 and \$294,808, respectively, which was approved by the County to be used for improvements and equipment.

Fallon Medical Complex, Inc. and Affiliate
 Notes to Consolidated Financial Statements
 June 30, 2011 and 2010

Note 7 - Leases

The Complex leases its building, improvements and certain equipment from Fallon County for \$1 per year. The lease is automatically renewed on a year-to-year basis. As in prior years, management has recorded these assets as assets of the Complex.

The Complex also leases certain equipment under non-cancelable long-term lease agreements. These leases have been recorded as operating leases. Total lease expense for the years ended June 30, 2011 and 2010 for all operating leases was \$98,581 and \$96,852 respectively.

Minimum future lease payments for the operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 58,185
2013	58,185
2014	6,177
2015	<u>4,821</u>
 Total minimum lease payments	 <u>\$ 127,368</u>

Note 8 - Pledges

The Foundation has received pledges from corporations and individuals in the community. Certain pledges are receivable over a period of time. All pledges are considered collectible and recorded at fair value. The following is a summary of pledges receivable:

	<u>2011</u>	<u>2010</u>
Current pledges receivable	\$ -	\$ 2,313
Amounts receivable in one to five years	<u>-</u>	<u>2,408</u>
	<u>\$ -</u>	<u>\$ 4,721</u>

Fallon Medical Complex, Inc. and Affiliate
 Notes to Consolidated Financial Statements
 June 30, 2011 and 2010

Note 9 - Long-Term Debt

Long-term debt consists of:

	2011	2010
4.775% note payable to bank, due in monthly installments of \$7,500 including interest, to June 2015, guaranteed by Fallon County	\$ 351,560	\$ 430,586
6.9% note payable, due in monthly installments of \$7,960 including interest, to August 23, 2015, secured by equipment	345,081	-
	<u>696,641</u>	<u>430,586</u>
Less current maturities	(159,925)	(79,887)
	<u>\$ 536,716</u>	<u>\$ 350,699</u>

Long-term debt maturities are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2012	\$ 159,925
2013	166,755
2014	176,413
2015	177,762
2016	15,786
	<u>\$ 696,641</u>

Note 10 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2011 and 2010:

	2011	2010
Pledges receivable	\$ -	\$ 4,721
Other	<u>15,967</u>	<u>9,517</u>
	<u>\$ 15,967</u>	<u>\$ 14,238</u>

Fallon Medical Complex, Inc. and Affiliate
 Notes to Consolidated Financial Statements
 June 30, 2011 and 2010

Permanently restricted net assets at June 30, 2011 and 2010 are restricted to:

	<u>2011</u>	<u>2010</u>
Assets to be held in perpetuity, the income from which is expendable for scholarships for healthcare students and nursing home operations	<u>\$ 93,049</u>	<u>\$ 73,049</u>

In 2011 and 2010, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes in the amounts of \$12,654 and \$27,094. These amounts are included in net assets released from restrictions in the accompanying financial statements.

Note 11 - Functional Expense

The Complex provides healthcare services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Patient and resident healthcare services	<u>\$ 6,831,551</u>	<u>\$ 6,360,072</u>
Management and general	<u>882,178</u>	<u>856,668</u>
	<u>\$ 7,713,729</u>	<u>\$ 7,216,740</u>

Note 12 - Pension Plan

Effective January 1, 2006 the Complex transferred all of the assets of their defined contribution pension plan to the Montana Health Network 401(k) Plan, a multiple employer defined contribution plan. Employees may elect to become participants upon reaching age 21 and completion of one year of service. The Complex makes a contribution matching 50% of the participant's contribution up to a maximum of 2% of the participant's compensation. Total pension plan expense for the years ended June 30, 2011 and 2010 was \$58,164 and \$57,922, respectively.

Note 13 - Concentrations of Credit Risk

The mix of receivables from third-party payors, patients and residents at June 30, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Medicare	39%	43%
Medicaid	7%	7%
Other third-party payors, patients and residents	<u>54%</u>	<u>50%</u>
	<u>100%</u>	<u>100%</u>

Fallon Medical Complex, Inc. and Affiliate
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

The Complex's cash balances are maintained in various bank deposit accounts. At June 30, 2011 and 2010 the balances of these deposits were in excess of federally insured limits by approximately \$36,000 and \$294,300, respectively.

Note 14 - Commitments and Contingencies

Malpractice Insurance

The Complex has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$3,000,000. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

Regulations

The health care industry is subject to numerous laws and regulations including, but 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. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by health care providers. 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. Management believes that the Organization 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 governmental review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services (CMS) has implemented a Recovery Audit Contractor (RAC) program under which claims subsequent to October 1, 2007 are reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential overpayments, some being significant. If selected for audit, the potential exists that the Complex may incur a liability for a claims overpayment at a future date. The Complex is unable to determine if it will be audited and, if so, the extent of liability of overpayments, if any. As the outcome of such potential reviews are unknown and cannot be reasonably estimated, it is the Hospital's policy is to adjust revenue for deductions from overpayment amounts or additions from underpayment amounts determined under the RAC audits at the time a change in reimbursement is agreed upon between the Hospital and CMS.



Consolidating Financial Information
June 30, 2011 and 2010

**Fallon Medical Complex, Inc.
and Affiliate**



CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Consolidating Financial Information

The Board of Directors
Fallon Medical Complex, Inc. and Affiliate
Baker, Montana

We have audited the consolidated financial statements of Fallon Medical Complex, Inc. and Affiliate as of and for the years ended June 30, 2011 and 2010, and our report thereon dated January 25, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is fluid and cursive, with "Eide" and "Bailly" connected by a flourish, and "LLP" written in a smaller, separate section.

Billings, Montana
January 25, 2012

Fallon Medical Complex, Inc. and Affiliate
 Consolidating Balance Sheets – Assets, Liabilities, and Net Assets
 June 30, 2011

	Fallon Medical Complex, Inc.	Friends of FMC Foundation	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 971,197	\$ -	\$ -	\$ 971,197
Receivables				
Patient and resident, net of estimated uncollectibles	1,271,436	-	-	1,271,436
Estimated third-party payor settlements	346,000	-	-	346,000
Due from County	317,508	-	-	317,508
Other	33	82	-	115
Supplies	<u>197,179</u>	<u>-</u>	<u>-</u>	<u>197,179</u>
Total current assets	3,103,353	82	-	3,103,435
Assets Limited as to Use				
75,187		481,770	-	556,957
Investment in Affiliate	482,246	-	(482,246)	-
Property and Equipment	<u>7,833,591</u>	<u>394</u>	<u>-</u>	<u>7,833,985</u>
Total assets	<u><u>\$ 11,494,377</u></u>	<u><u>\$ 482,246</u></u>	<u><u>\$ (482,246)</u></u>	<u><u>\$11,494,377</u></u>
Current Liabilities				
Current maturities of long-term debt	\$ 159,925	\$ -	\$ -	\$ 159,925
Accounts payable				
Trade	277,835	-	-	277,835
Due to County	134,874	-	-	134,874
Accrued expenses				
Vacation	200,859	-	-	200,859
Salaries and wages	123,859	-	-	123,859
Payroll taxes and other	20,644	-	-	20,644
Interest	1,061	-	-	1,061
Total current liabilities	919,057	-	-	919,057
Long-Term Debt, Less Current Maturities	<u>536,716</u>	<u>-</u>	<u>-</u>	<u>536,716</u>
Total liabilities	<u><u>1,455,773</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,455,773</u></u>
Net Assets				
Unrestricted	9,929,588	373,230	(373,230)	9,929,588
Temporarily restricted	15,967	15,967	(15,967)	15,967
Permanently restricted	<u>93,049</u>	<u>93,049</u>	<u>(93,049)</u>	<u>93,049</u>
Total net assets	<u><u>10,038,604</u></u>	<u><u>482,246</u></u>	<u><u>(482,246)</u></u>	<u><u>10,038,604</u></u>
Total liabilities and net assets	<u><u>\$ 11,494,377</u></u>	<u><u>\$ 482,246</u></u>	<u><u>\$ (482,246)</u></u>	<u><u>\$11,494,377</u></u>

Fallon Medical Complex, Inc. and Affiliate
Consolidating Statement of Operations
Year Ended June 30, 2011

	Fallon Medical Complex, Inc.	Friends of FMC Foundation	Eliminations	Consolidated
Unrestricted Revenues				
Net patient and resident service revenue	\$ 7,129,880	\$ -	\$ -	\$ 7,129,880
Other revenue	<u>340,271</u>	<u>-</u>	<u>-</u>	<u>340,271</u>
Total unrestricted revenues	<u>7,470,151</u>	<u>-</u>	<u>-</u>	<u>7,470,151</u>
Expenses				
Professional care of patients	3,411,687	-	-	3,411,687
General and administrative	1,578,831	74,328	(49,354)	1,603,805
Clinics	895,994	-	-	895,994
Depreciation	630,498	787	-	631,285
Property and household	549,787	-	-	549,787
Dietary	395,815	-	-	395,815
Provision for bad debts	186,657	-	-	186,657
Interest	<u>38,699</u>	<u>-</u>	<u>-</u>	<u>38,699</u>
Total expenses	<u>7,687,968</u>	<u>75,115</u>	<u>(49,354)</u>	<u>7,713,729</u>
Operating Loss	<u>(217,817)</u>	<u>(75,115)</u>	<u>49,354</u>	<u>(243,578)</u>
Other Income, Net				
County subsidy for buildings from mill levy	425,000	-	-	425,000
County subsidy for operations	398,866	-	-	398,866
County subsidy for expenses and equipment	266,818	-	-	266,818
Earnings of affiliate	54,000	-	(54,000)	-
Unrestricted gifts and grants	34,179	53,972	(49,354)	38,797
Interest and dividend income	591	5,187	-	5,778
Realized losses on sales of investments	-	(5,238)	-	(5,238)
Loss on sale of equipment	(2,185)	-	-	(2,185)
Other	<u>804</u>	<u>-</u>	<u>-</u>	<u>804</u>
Total other income, net	<u>1,178,073</u>	<u>53,921</u>	<u>(103,354)</u>	<u>1,128,640</u>
Revenues in Excess of (Less than) Expenses	<u>960,256</u>	<u>(21,194)</u>	<u>(54,000)</u>	<u>885,062</u>
Unrealized Gains on Investments	<u>-</u>	<u>40,811</u>	<u>-</u>	<u>40,811</u>
Net Assets Released from Restrictions	<u>-</u>	<u>12,654</u>	<u>-</u>	<u>12,654</u>
Increase in Unrestricted Net Assets	<u>\$ 960,256</u>	<u>\$ 32,271</u>	<u>\$ (54,000)</u>	<u>\$ 938,527</u>

Fallon Medical Complex, Inc. and Affiliate
Consolidating Statement of Changes in Net Assets
Year Ended June 30, 2011

	<u>Fallon Medical Complex, Inc.</u>	<u>Friends of FMC Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Unrestricted Net Assets				
Revenue in excess of expenses	\$ 960,256	\$ (21,194)	\$ (54,000)	\$ 885,062
Unrealized gains on investments	-	40,811	-	40,811
Net assets released from restrictions	-	12,654	-	12,654
 Increase in unrestricted net assets	 960,256	 32,271	 (54,000)	 938,527
Temporarily Restricted Net Assets				
Contributions for specific purposes	-	12,700	-	12,700
Investment income	-	1,683	-	1,683
Net assets released from restrictions	-	(12,654)	-	(12,654)
 Increase in temporarily restricted net assets	 -	 1,729	 -	 1,729
Permanently Restricted Net Assets				
Contributions	-	20,000	-	20,000
 Increase in Net Assets	 960,256	 54,000	 (54,000)	 960,256
 Net Assets, Beginning of Year	 9,078,348	 428,246	 (428,246)	 9,078,348
 Net Assets, End of Year	 <u>\$ 10,038,604</u>	 <u>\$ 482,246</u>	 <u>\$ (482,246)</u>	 <u>\$ 10,038,604</u>



Supplementary Information
June 30, 2011 and 2010

**Fallon Medical Complex, Inc.
and Affiliate**



Independent Auditor's Report on Supplementary Information

The Board of Directors
Fallon Medical Complex, Inc. and Affiliate
Baker, Montana

We have audited the consolidated financial statements of Fallon Medical Complex, Inc. and Affiliate as of and for the years ended June 30, 2011 and 2010, and our report thereon dated January 25, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Schedules of Revenue, Schedules of Expenses, and Operational, Statistical and Financial Highlights are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Fallon Medical Complex, Inc. and Affiliate as of and for the years ended June 30, 2009, 2008, 2007, and 2006, none of which is presented herein, and we expressed unqualified opinions on those consolidated financial statements. Those audits were conducted for purposes of forming an opinion on the consolidated financial statements as a whole. The supplementary information of the years ending June 30, 2009, 2008, 2007, and 2006 is presented for purposes of additional analysis and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2009, 2008, 2007, and 2006 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of those consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2009, 2008, 2007, and 2006 information is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

Billings, Montana
January 25, 2012

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Fallon Medical Complex, Inc. and Affiliate
 Schedules of Revenue
 Years Ended June 30, 2011 and 2010

	2011			2010		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Patient and Resident Service Revenue						
Routine services						
Swing bed	\$ 1,173,889	\$ -	\$ 1,173,889	\$ 816,491	\$ -	\$ 816,491
Nursing home	903,987	-	903,987	974,092	-	974,092
Adults and Pediatrics	716,367	-	716,367	490,845	-	490,845
	<u>2,794,243</u>	<u>-</u>	<u>2,794,243</u>	<u>2,281,428</u>	<u>-</u>	<u>2,281,428</u>
Ancillary services						
Laboratory	179,829	906,707	1,086,536	172,125	878,018	1,050,143
Clinics	159,259	894,754	1,054,013	113,511	818,988	932,499
Pharmacy	541,627	144,513	686,140	525,680	257,585	783,265
CT scan	86,136	473,674	559,810	69,125	333,438	402,563
Emergency room	6,569	422,774	429,343	14,936	502,646	517,582
Physical therapy	116,299	291,509	407,808	104,171	233,791	337,962
Radiology	21,108	245,132	266,240	23,547	258,332	281,879
Central supply	168,888	83,001	251,889	168,605	90,093	258,698
Magnetic resonance imaging	1,472	180,767	182,239	9,394	142,035	151,429
Ultrasound	28,436	137,339	165,775	11,380	155,416	166,796
Electrocardiography	5,612	57,786	63,398	4,269	54,801	59,070
Mammography	-	63,160	63,160	178	66,462	66,640
Blood bank	18,738	28,699	47,437	15,982	17,344	33,326
Surgery	-	44,859	44,859	-	93,870	93,870
Home health	-	35,586	35,586	-	30,003	30,003
ER professional fees	-	35,575	35,575	-	43,969	43,969
Occupational therapy	7,699	19,465	27,164	6,490	16,791	23,281
Cardiac rehabilitation	-	2,187	2,187	-	10,602	10,602
Pathology	84	504	588	82	451	533
	<u>1,341,756</u>	<u>4,067,991</u>	<u>5,409,747</u>	<u>1,239,475</u>	<u>4,004,635</u>	<u>5,244,110</u>
	<u>\$ 4,135,999</u>	<u>\$ 4,067,991</u>	<u>\$ 8,203,990</u>	<u>\$ 3,520,903</u>	<u>\$ 4,004,635</u>	<u>\$ 7,525,538</u>
			<u>(97,641)</u>			<u>(69,548)</u>
			<u>8,106,349</u>			<u>7,455,990</u>
Charity care						
Total patient and resident service revenue						
Contractual Adjustments						
Medicare						
Medicaid						
Other						
Total contractual adjustments						
Net Patient and Resident Service Revenue						
Other Revenue						
Intergovernmental transfers						
Meals on Wheels						
Rent						
Cafeteria meals						
Miscellaneous						
Total other revenue						
Total Revenue						
			<u>\$ 7,470,151</u>			<u>\$ 6,609,458</u>

Fallon Medical Complex, Inc. and Affiliate
 Schedules of Expenses
 Years Ended June 30, 2011 and 2010

	2011			2010		
	Salaries & Benefits	Other	Total	Salaries & Benefits	Other	Total
Professional Care of Patients and Residents						
Swing bed	\$ 344,374	\$ 239,940	\$ 584,314	\$ 239,210	\$ 174,987	\$ 414,197
Nursing Home	288,800	216,724	505,524	360,042	193,907	553,949
Routine nursing	238,380	203,548	441,928	188,886	145,879	334,765
Laboratory	171,090	207,675	378,765	165,142	205,619	370,761
Pharmacy	5,814	249,126	254,940	5,851	261,193	267,044
Radiology	106,783	88,255	195,038	125,455	76,409	201,864
Physical therapy	146,068	10,300	156,368	128,915	4,631	133,546
Nursing administration	107,461	2,847	110,308	121,018	3,157	124,175
Medical records	99,635	4,647	104,282	92,121	4,240	96,361
ER professional expenses	101,409	-	101,409	91,524	-	91,524
Social services and activities	92,775	3,775	96,550	91,160	5,473	96,633
Central supply	421	82,884	83,305	357	56,215	56,572
Emergency room	31,213	48,517	79,730	30,596	62,819	93,415
Ultrasound	16,476	32,130	48,606	19,338	28,586	47,924
Magnetic resonance imaging	3,901	42,768	46,669	2,634	39,124	41,758
Mammography	19,588	25,207	44,795	18,791	24,314	43,105
CT scan	32,059	11,921	43,980	19,047	13,562	32,609
Home Health	26,943	5,630	32,573	22,086	23,757	45,843
Housing units	12,223	14,031	26,254	8,022	13,598	21,620
Blood services	-	22,694	22,694	-	10,677	10,677
Electrocardiology	13,576	5,865	19,441	12,348	6,245	18,593
Occupational therapy	-	16,676	16,676	-	16,342	16,342
Surgery	3,393	7,722	11,115	7,933	16,154	24,087
Pathology	-	5,400	5,400	-	4,576	4,576
Cardiac rehabilitation	480	266	746	1,807	527	2,334
Public health	254	23	277	1,411	4	1,415
Total professional care of patients and residents	1,863,116	1,548,571	3,411,687	1,753,694	1,391,995	3,145,689

Fallon Medical Complex, Inc. and Affiliate
 Schedules of Expenses
 Years Ended June 30, 2011 and 2010

	2011			2010		
	Salaries & Benefits	Other	Total	Salaries & Benefits	Other	Total
General and Administrative						
Employee benefits	831,060	-	831,060	717,232	-	717,232
Administration	475,796	296,949	772,745	430,799	309,714	740,513
Total general and administrative	1,306,856	296,949	1,603,805	1,148,031	309,714	1,457,745
Clinics						
Community Clinic	789,060	106,934	895,994	739,229	103,434	842,663
Depreciation	-	631,285	631,285	-	562,796	562,796
Property and Household						
Plant operations	105,252	210,995	316,247	69,676	195,683	265,359
Housekeeping	136,985	23,218	160,203	129,475	23,252	152,727
Laundry	61,579	11,758	73,337	57,410	12,598	70,008
Total property and household	303,816	245,971	549,787	256,561	231,533	488,094
Dietary	213,130	182,685	395,815	213,409	162,383	375,792
Provision for Bad Debts	-	186,657	186,657	-	313,533	313,533
Interest	-	38,699	38,699	-	30,428	30,428
Total expenses	\$ 4,475,978	\$ 3,237,751	\$ 7,713,729	\$ 4,110,924	\$ 3,105,816	\$ 7,216,740

Fallon Medical Complex, Inc. and Affiliate
Operational, Statistical, and Financial Highlights
Years Ended June 30, 2011, 2010, 2009, 2008, 2007 and 2006

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operational						
Patient and Resident Service Revenue						
Routine services	\$ 2,794,243	\$ 2,281,428	\$ 2,141,886	\$ 2,341,317	\$ 2,389,412	\$ 2,438,012
Ancillary services						
Inpatient	1,341,756	1,239,475	1,252,996	1,192,430	997,554	978,317
Outpatient	4,067,991	4,004,635	3,677,271	2,862,753	2,557,893	2,604,087
Charity care	(97,641)	(69,548)	(77,760)	(52,697)	(41,912)	(59,540)
Contractual adjustments	(976,469)	(1,166,179)	(769,256)	(518,735)	(461,964)	(727,162)
Net Patient and Resident Service Revenue	<u>7,129,880</u>	<u>6,289,811</u>	<u>6,225,137</u>	<u>5,825,068</u>	<u>5,440,983</u>	<u>5,233,714</u>
Other Revenue	<u>340,271</u>	<u>319,647</u>	<u>285,548</u>	<u>255,252</u>	<u>275,833</u>	<u>255,900</u>
Total Revenue	<u>7,470,151</u>	<u>6,609,458</u>	<u>6,510,685</u>	<u>6,080,320</u>	<u>5,716,816</u>	<u>5,489,614</u>
Expenses						
Salaries and benefits	4,475,978	4,110,924	3,844,430	3,631,992	3,405,753	3,514,109
Cost of drugs, food, supplies and other	2,381,110	2,199,059	2,782,281	2,568,431	2,359,005	2,118,150
Depreciation	631,285	562,796	588,498	417,318	363,803	368,334
Provision for bad debts	186,657	313,533	159,915	141,661	23,029	1,290
Interest	38,699	30,428	49,216	48,317	35,576	36,478
Total Expenses	<u>7,713,729</u>	<u>7,216,740</u>	<u>7,424,340</u>	<u>6,807,719</u>	<u>6,186,966</u>	<u>6,038,361</u>
Operating Loss	<u><u>\$ (243,578)</u></u>	<u><u>\$ (607,282)</u></u>	<u><u>\$ (913,655)</u></u>	<u><u>\$ (727,399)</u></u>	<u><u>\$ (470,150)</u></u>	<u><u>\$ (548,747)</u></u>
Statistical						
Hospital						
Number of beds	25	25	25	25	25	25
Available bed days	9,125	9,125	9,125	9,125	9,125	9,125
Patient days	627	439	486	518	580	564
Percent of occupancy	6 87%	4 81%	5 33%	5 68%	6 36%	6 18%
Discharges	168	127	132	135	164	174
Average acute length of stay (days)	3.73	3.46	3.68	3.84	3.54	3.24
Swing bed days	5,290	3,364	1,467	2,687	3,841	5,008
Swing bed discharges	94	71	79	103	84	70
Nursing Home						
Number of beds	15	15	27	27	27	27
Available bed days	5,475	6,579	9,855	9,855	9,855	9,855
Resident days	5,312	5,821	8,393	9,261	9,346	9,519
Percent of occupancy	97.02%	88.48%	85.16%	93.97%	94.84%	96.59%
Financial						
Percentage of Contractual Adjustments to Total patient and resident service revenue	12.05%	15.64%	11.00%	8.18%	7.83%	12.20%
Percentage of Salaries and Benefits to Total Expenses	58.03%	56.96%	51.78%	53.35%	55.05%	58.20%
Number of Days Revenue in Patient and Resident Accounts Receivable	66.84	71.71	64.05	54.69	48.70	44.13
Current Ratio (Current Assets/Current Liabilities)	3.38	3.04	1.87	1.66	0.96	1.13