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| | | |
|---|--|---|
| Form 990  Department of the Treasury Internal Revenue Service | Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation) ▶ The organization may have to use a copy of this return to satisfy state reporting requirements | OMB No 1545-0047 2010 Open to Public Inspection |
|---|--|---|

| | | |
|--|--|--|
| A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011 | | |
| B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending | C Name of organization Garrison Memorial Hospital | D Employer identification number 45-0227752 |
| | Doing Business As | E Telephone number (701) 463-2275 |
| | Number and street (or P O box if mail is not delivered to street address) 407 Third Avenue Southeast | Room/suite |
| | City or town, state or country, and ZIP + 4 Garrison, ND 58540 | |
| | F Name and address of principal officer Dean Mattern 407 Third Avenue Southeast Garrison, ND 58540 | |
| | | H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶ |
| I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527 | | |
| J Website: ▶ www.garrisonmh.com | | |
| K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶ | | L Year of formation 1952 |
| | | M State of legal domicile ND |

| | |
|---------------|----------------|
| Part I | Summary |
|---------------|----------------|

| | | | |
|---|---|---------------------------|--------------|
| Activities & Governance | 1 Briefly describe the organization's mission or most significant activities PROVISION OF HEALTHCARE TO GARRISON AND THE SURROUNDING AREA | | |
| | | | |
| | | | |
| | | | |
| | 2 Check this box <input checked="" type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets | | |
| | 3 Number of voting members of the governing body (Part VI, line 1a) | 3 | 15 |
| | 4 Number of independent voting members of the governing body (Part VI, line 1b) | 4 | 15 |
| | 5 Total number of individuals employed in calendar year 2010 (Part V, line 2a) | 5 | 163 |
| 6 Total number of volunteers (estimate if necessary) | 6 | 22 | |
| 7a Total unrelated business revenue from Part VIII, column (C), line 12 | 7a | 0 | |
| 7b Net unrelated business taxable income from Form 990-T, line 34 | 7b | 0 | |
| Revenue | 8 Contributions and grants (Part VIII, line 1h) | Prior Year | Current Year |
| | 9 Program service revenue (Part VIII, line 2g) | 8,776 | 48,610 |
| | 10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) | 7,524,972 | 8,269,032 |
| | 11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 92,720 | -13,392 |
| | 12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 5,400 | 3,625 |
| | | 7,631,868 | 8,307,875 |
| Expenses | 13 Grants and similar amounts paid (Part IX, column (A), lines 1–3) | 0 | 23,500 |
| | 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) | 4,831,547 | 4,895,348 |
| | 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) | 2,474,772 | 2,983,556 |
| | 18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) | 7,306,319 | 7,902,404 |
| | 19 Revenue less expenses Subtract line 18 from line 12 | 325,549 | 405,471 |
| Net Assets or Fund Balances | | Beginning of Current Year | End of Year |
| | 20 Total assets (Part X, line 16) | 3,817,472 | 3,946,810 |
| | 21 Total liabilities (Part X, line 26) | 2,546,008 | 2,269,875 |
| | 22 Net assets or fund balances Subtract line 21 from line 20 | 1,271,464 | 1,676,935 |

| | |
|----------------|------------------------|
| 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 | 2012-05-11 Date | | | |
| | Dean Mattern Administrator Type or print name and title | | | | |
| Paid Preparer Use Only | Print/Type preparer's name KIM C HUNWARDSSEN | Preparer's signature KIM C HUNWARDSSEN | Date 2012-05-09 | Check if self-employed <input type="checkbox"/> | PTIN |
| | Firm's name ▶ EIDE BAILLY LLP | | | | Firm's EIN ▶ |
| | Firm's address ▶ 4310 17TH AVE S PO BOX 2545 FARGO, ND 581082545 | | | | Phone no ▶ (701) 239-8500 |

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

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

Based on the Gospel values and our own heritage of healing, the mission of Garrison Memorial Hospital and Clinic is to use our community presence as a means of touching and caring for people in a Christ-like manner, and to always exhibit the hospitality as reflected in the Rule of St. Benedict. Let all be received as Christ.

If "Yes," describe these new services on Schedule O

If "Yes," describe these changes on Schedule O

| | | | | | | |
|-----------|--|----------------|-----------|------------------------|----------------------|-------------|
| 4a | (Code |) (Expenses \$ | 7,203,995 | including grants of \$ | 23,500) (Revenue \$ | 8,269,032) |
| | <p>Garrison Memorial Hospital delivers primary health care to a population of approximately 3,600 in McLean County. We operate a 22-bed Critical Access Hospital and a 28-bed skilled nursing facility. We also operate a rural health clinic in Garrison, North Dakota. Our facility employs approximately 154 people. Garrison Memorial Hospital makes medical care accessible to the entire community it serves. It operates a 24-hour, Level 4 state certified emergency room, providing emergency care to all people regardless of their ability to pay. In 2010/2011 we had 1,354 emergency room visits. We also had 219 acute days of care, 3,836 swing bed days, 9,936 days of skilled nursing care, and 5,431 clinic visits. Garrison Memorial Hospital's charity care policy provides discounted and free services to patients who lack the resources to be fully responsible for the healthcare they receive. The Charity Care policy is designed to ensure the population served by Garrison Memorial Hospital has access to needed healthcare services. In fiscal year 2010/2011, Garrison Memorial Hospital and its clinic had \$15,177 in charity care based on charges foregone and \$212,116 in bad debt write offs. Our rural health clinic offers a sliding fee schedule to uninsured and underserved patients, which is mandated by the National Health Service Corps Program. In 2010/2011, Garrison Memorial Hospital's payer mix was 34% Medicare, 22% Medicaid, 2% Indian Health Services, 13% self-pay and 29% commercial insurance. All payers are charged the same regardless of insurance.</p> | | | | | |

[illegible][illegible]

| | | |
|-----------|---------------------------------------|---------------------|
| 4e | Total program service expenses | \$ 7,203,995 |
|-----------|---------------------------------------|---------------------|

Part IV Checklist of Required Schedules

| | | Yes | No |
|-----|--|-----|----|
| 1 | Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A. | Yes | |
| 2 | Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? | Yes | |
| 3 | Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I. | | No |
| 4 | Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II. | | No |
| 5 | Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III. | | |
| 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. | | No |
| 7 | Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II. | | No |
| 8 | Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III. | | No |
| 9 | Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV. | Yes | |
| 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. | | No |
| 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. | Yes | |
| b | Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. | | No |
| c | Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. | | No |
| d | Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. | | No |
| e | Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. | Yes | |
| f | Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. | Yes | |
| 12a | Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII. | | No |
| b | Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional. | Yes | |
| 13 | Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E. | | No |
| 14a | Did the organization maintain an office, employees, or agents outside of the United States? | | No |
| b | Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? If "Yes," complete Schedule F, Parts I and IV. | | No |
| 15 | Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U.S.? If "Yes," complete Schedule F, Parts II and IV. | | No |
| 16 | Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U.S.? If "Yes," complete Schedule F, Parts III and IV. | | No |
| 17 | Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions). | | No |
| 18 | Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II. | | No |
| 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. | | No |
| 20a | Did the organization operate one or more hospitals? If "Yes," complete Schedule H. | Yes | |
| b | If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions). | Yes | |

Part IV

Checklist of Required Schedules (continued)

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

| | | | |
|---|--|------------|-----------|
| Part V Statements Regarding Other IRS Filings and Tax Compliance | | | |
| Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/> | | | |
| | | Yes | No |
| 1a | Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. | 1a | 11 |
| 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 | 163 |
| b | If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions). | 2b | Yes |
| 3a | Did the organization have unrelated business gross income of \$1,000 or more during the year? | 3a | 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). | | |
| a | Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? | 7a | No |
| b | If "Yes," did the organization notify the donor of the value of the goods or services provided? | 7b | |
| c | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? | 7c | No |
| d | If "Yes," indicate the number of Forms 8282 filed during the year. | 7d | |
| e | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? | 7e | No |
| f | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? | 7f | No |
| g | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? | 7g | |
| h | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? | 7h | |
| 8 | Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | 8 | |
| 9 | Sponsoring organizations maintaining donor advised funds. | | |
| a | Did the organization make any taxable distributions under section 4966? | 9a | |
| b | Did the organization make a distribution to a donor, donor advisor, or related person? | 9b | |
| 10 | Section 501(c)(7) organizations. Enter | | |
| a | Initiation fees and capital contributions included on Part VIII, line 12. | 10a | |
| b | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities. | 10b | |
| 11 | Section 501(c)(12) organizations. Enter | | |
| a | Gross income from members or shareholders. | 11a | |
| b | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them). | 11b | |
| 12a | Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? | 12a | |
| b | If "Yes," enter the amount of tax-exempt interest received or accrued during the year. | 12b | |
| 13 | Section 501(c)(29) qualified nonprofit health insurance issuers. | | |
| a | Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O. | 13a | |
| b | Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans. | 13b | |
| c | Enter the amount of reserves on hand. | 13c | |
| 14a | Did the organization receive any payments for indoor tanning services during the tax year? | 14a | No |
| b | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O. | 14b | |

Part VI

Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.
Check if Schedule O contains a response to any question in this Part VI ☒

| Section A. Governing Body and Management | | | Yes | No |
|--|---|------|-----|----|
| | | | | |
| 1a | Enter the number of voting members of the governing body at the end of the tax year | 1a15 | | |
| b | Enter the number of voting members included in line 1a, above, who are independent | 1b15 | | |
| 2 | Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? | 2 | | No |
| 3 | Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? | 3 | | No |
| 4 | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | 4 | | No |
| 5 | Did the organization become aware during the year of a significant diversion of the organization's assets? | 5 | | No |
| 6 | Does the organization have members or stockholders? | 6 | Yes | |
| 7a | Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? | 7a | Yes | |
| b | Are any decisions of the governing body subject to approval by members, stockholders, or other persons? | 7b | Yes | |
| 8 | Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following | | | |
| a | The governing body? | 8a | Yes | |
| b | Each committee with authority to act on behalf of the governing body? | 8b | | No |
| 9 | Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O | 9 | | No |

| Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.) | | | Yes | No |
|---|--|-----|-----|----|
| | | | | |
| 10a | Does the organization have local chapters, branches, or affiliates? | 10a | | No |
| b | If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization? | 10b | | |
| 11a | Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form? | 11a | Yes | |
| b | Describe in Schedule O the process, if any, used by the organization to review this Form 990 | | | |
| 12a | Does the organization have a written conflict of interest policy? If "No," go to line 13 | 12a | Yes | |
| b | Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? | 12b | Yes | |
| c | Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done | 12c | Yes | |
| 13 | Does the organization have a written whistleblower policy? | 13 | Yes | |
| 14 | Does the organization have a written document retention and destruction policy? | 14 | Yes | |
| 15 | Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? | | | |
| a | The organization's CEO, Executive Director, or top management official | 15a | Yes | |
| b | Other officers or key employees of the organization If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions) | 15b | Yes | |
| 16a | Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? | 16a | | No |
| b | If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements? | 16b | | |

| 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. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request |
| 19 | Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table. |
| 20 | State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ Tod Graeber CFO 407 Third Avenue Southeast Garrison, ND 58540 (701) 463-2275 |

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 VII

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, 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; highest compensated employees; and former such persons.

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

| (A) Name and Title | (B) Average hours per week (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 | Former | | | |
| (1) John Castleberry Chair | 2.00 | X | | X | | | | 0 | 10,175 | 0 |
| (2) Sr Nancy Miller President | 1.00 | X | | X | | | | 0 | 0 | 0 |
| (3) Sr Thomas Welder Vice President | 1.00 | X | | X | | | | 0 | 0 | 0 |
| (4) Sr Gerard Wald Secretary | 1.00 | X | | X | | | | 0 | 0 | 0 |
| (5) Sr Rosanne Zastoupil Treasurer | 2.00 | X | | X | | | | 0 | 0 | 0 |
| (6) Sr Mariah Dietz Director | 1.00 | X | | | | | | 0 | 0 | 0 |
| (7) Kenneth Ziegler Director | 1.00 | X | | | | | | 0 | 5,600 | 0 |
| (8) Chuck Reichert Director | 2.00 | X | | | | | | 0 | 7,150 | 0 |
| (9) Robert Gayton Director | 1.00 | X | | | | | | 0 | 3,275 | 0 |
| (10) Vern Dosch Director | 1.00 | X | | | | | | 0 | 4,250 | 0 |
| (11) Nicholas Neumann MD Director | 1.00 | X | | | | | | 0 | 3,800 | 0 |
| (12) John Giese Director | 1.00 | X | | | | | | 0 | 4,525 | 0 |
| (13) Ernest Godfread Director | 1.00 | X | | | | | | 0 | 3,950 | 0 |
| (14) Andrew L Wilson Director (through Jan 2011) | 1.00 | X | | | | | | 0 | 593,093 | 22,828 |
| (15) Gary Miller Director | 1.00 | X | | | | | | 0 | 283,884 | 14,182 |
| (16) Ben Roller Director | 1.00 | X | | | | | | 0 | 0 | 0 |

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 | Former | | | |
| (17) Tod Graeber CFO | 40 00 | | | X | | | | 72,307 | 0 | 7,276 |
| (18) Dean Mattem Administrator | 50 00 | | | X | | | | 166,407 | 0 | 33,432 |
| (19) Jon Dornacker MD | 40 00 | | | | | X | | 311,578 | 0 | 18,044 |
| (20) Vern Harchenko MD | 40 00 | | | | | X | | 197,309 | 0 | 7,771 |
| (21) Kathleen Larson PA-C | 40 00 | | | | | X | | 110,494 | 0 | 14,872 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| 1b Sub-Total | | | | | | | | | | |
| c Total from continuation sheets to Part VII, Section A | | | | | | | | | | |
| d Total (add lines 1b and 1c) | | | | | | | | 858,095 | 919,702 | 118,405 |

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

4

| | | Yes | No |
|---|---|-----|----|
| 3 | Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> | | No |
| 4 | For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> | Yes | |
| 5 | Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i> | | 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 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| 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 | | 0 |

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, gifts, grants and other similar amounts | 1a Federated campaigns 1a | | | | | |
| | b Membership dues 1b | | | | | |
| | c Fundraising events 1c | | | | | |
| | d Related organizations 1d | | | | | |
| | e Government grants (contributions) 1e | | | | | |
| | f All other contributions, gifts, grants, and similar amounts not included above 1f | 48,610 | | | | |
| | g Noncash contributions included in lines 1a-1f \$ | | | | | |
| | h Total. Add lines 1a-1f | 48,610 | | | | |
| | Program Service Revenue | 2a Patient Service Revenue | 622110 | 8,160,065 | 8,160,065 | |
| b Contracted Labor | | 541900 | 73,308 | 73,308 | | |
| c Miscellaneous Income | | 900099 | 35,659 | 35,659 | | |
| d | | | | | | |
| e | | | | | | |
| f All other program service revenue | | | | | | |
| g Total. Add lines 2a-2f | | 8,269,032 | | | | |
| Other Revenue | | 3 Investment income (including dividends, interest and other similar amounts) | | 1,049 | | 1,049 |
| | | 4 Income from investment of tax-exempt bond proceeds . . . | | | | |
| | 5 Royalties | | | | | |
| | 6a Gross Rents | (i) Real 3,625 | (ii) Personal | | | |
| | b Less rental expenses | | | | | |
| | c Rental income or (loss) | 3,625 | | | | |
| | d Net rental income or (loss) | | 3,625 | | 3,625 | |
| | 7a Gross amount from sales of assets other than inventory | (i) Securities | (ii) Other | | | |
| | b Less cost or other basis and sales expenses | | 14,441 | | | |
| | c Gain or (loss) | | -14,441 | | | |
| | d Net gain or (loss) | | -14,441 | | -14,441 | |
| | 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 | | 8,307,875 | 8,269,032 | 0 | -9,767 | |

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 | 23,500 | 23,500 | | |
| 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 | 303,957 | | 303,957 | |
| 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 | 3,725,801 | 3,578,631 | 147,170 | |
| 8 | Pension plan contributions (include section 401(k) and section 403(b) employer contributions) | 136,398 | 131,652 | 4,746 | |
| 9 | Other employee benefits | 439,665 | 432,016 | 7,649 | |
| 10 | Payroll taxes | 289,527 | 266,233 | 23,294 | |
| a | Fees for services (non-employees) | | | | |
| | Management | | | | |
| b | Legal | | | | |
| c | Accounting | 16,519 | | 16,519 | |
| d | Lobbying | | | | |
| e | Professional fundraising services See Part IV, line 17 | | | | |
| f | Investment management fees | | | | |
| g | Other | 792,865 | 789,390 | 3,475 | |
| 12 | Advertising and promotion | 24,643 | 1,485 | 23,158 | |
| 13 | Office expenses | 1,297,036 | 1,185,025 | 112,011 | |
| 14 | Information technology | 1,971 | | 1,971 | |
| 15 | Royalties | | | | |
| 16 | Occupancy | 178,947 | 176,499 | 2,448 | |
| 17 | Travel | 12,113 | 4,016 | 8,097 | |
| 18 | Payments of travel or entertainment expenses for any federal, state, or local public officials | | | | |
| 19 | Conferences, conventions, and meetings | 23,242 | 23,242 | | |
| 20 | Interest | 34,666 | 34,666 | | |
| 21 | Payments to affiliates | | | | |
| 22 | Depreciation, depletion, and amortization | 345,524 | 345,524 | | |
| 23 | Insurance | 18,784 | | 18,784 | |
| 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 Expense | 212,116 | 212,116 | | |
| b | | | | | |
| c | | | | | |
| d | | | | | |
| e | | | | | |
| f | All other expenses | 25,130 | | 25,130 | |
| 25 | Total functional expenses. Add lines 1 through 24f | 7,902,404 | 7,203,995 | 698,409 | 0 |
| 26 | Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation | | | | |

Part X

Balance Sheet

| | | | | | | (A) | | (B) |
|-----------------------------|---|--|-----|-----------|-----------|-------------------|-----------|-------------|
| | | | | | | Beginning of year | | End of year |
| Assets | 1 | Cash—non-interest-bearing | | | | | 1 | |
| | 2 | Savings and temporary cash investments | | | | 59,725 | 2 | 81,353 |
| | 3 | Pledges and grants receivable, net | | | | | 3 | |
| | 4 | Accounts receivable, net | | | | 856,025 | 4 | 954,373 |
| | 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 | | | | 191,547 | 8 | 187,143 |
| | 9 | Prepaid expenses and deferred charges | | | | 66,718 | 9 | 44,585 |
| | 10a | Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D | 10a | 8,223,934 | 2,643,457 | 10c | 2,679,356 | |
| | b | Less: accumulated depreciation | 10b | 5,544,578 | | | | |
| | 11 | Investments—publicly traded securities | | | | | 11 | |
| | 12 | Investments—other securities. See Part IV, line 11 | | | | | 12 | |
| | 13 | Investments—program-related. See Part IV, line 11 | | | | | 13 | |
| | 14 | Intangible assets | | | | | 14 | |
| | 15 | Other assets. See Part IV, line 11 | | | | | 15 | |
| 16 | Total assets. Add lines 1 through 15 (must equal line 34) | | | | 3,817,472 | 16 | 3,946,810 | |
| Liabilities | 17 | Accounts payable and accrued expenses | | | | 544,003 | 17 | 777,832 |
| | 18 | Grants payable | | | | | 18 | |
| | 19 | Deferred revenue | | | | | 19 | |
| | 20 | Tax-exempt bond liabilities | | | | 828,521 | 20 | 692,185 |
| | 21 | Escrow or custodial account liability. Complete Part IV of Schedule D | | | | 10,804 | 21 | 14,328 |
| | 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 | | | | | 23 | |
| | 24 | Unsecured notes and loans payable to unrelated third parties | | | | | 24 | |
| | 25 | Other liabilities. Complete Part X of Schedule D | | | | 1,162,680 | 25 | 785,530 |
| | 26 | Total liabilities. Add lines 17 through 25 | | | | 2,546,008 | 26 | 2,269,875 |
| 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 | | | | 1,271,464 | 27 | 1,676,935 |
| | 28 | Temporarily restricted net assets | | | | | 28 | |
| | 29 | Permanently restricted net assets | | | | | 29 | |
| | 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 | | | | 1,271,464 | 33 | 1,676,935 |
| | 34 | Total liabilities and net assets/fund balances | | | | 3,817,472 | 34 | 3,946,810 |

Part XI

Reconciliation of Net Assets

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

| | | | |
|----------|---|----------|-----------|
| 1 | Total revenue (must equal Part VIII, column (A), line 12) | 1 | 8,307,875 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 7,902,404 |
| 3 | Revenue less expenses Subtract line 2 from line 1 | 3 | 405,471 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | 1,271,464 |
| 5 | Other changes in net assets or fund balances (explain in Schedule O) | 5 | 0 |
| 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 | 1,676,935 |

Part XII

Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public
Inspection

| | |
|--|--|
| Name of the organization Garrison Memorial Hospital | Employer identification number 45-0227752 |
|--|--|

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
- g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

| (i) Name of supported organization | (ii) EIN | (iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions)) | (iv) Is the organization in col (i) listed in your governing document? | | (v) Did you notify the organization in col (i) of your support? | | (vi) Is the organization in col (i) organized in the U S ? | | (vii) Amount of support |
|---------------------------------------|-------------|---|---|----|--|----|---|----|----------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

| Section A. Public Support | | | | | | |
|---|----------|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in) ▶ | (a) 2006 | (b) 2007 | (c) 2008 | (d) 2009 | (e) 2010 | (f) Total |
| 1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.") | | | | | | |
| 2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf | | | | | | |
| 3 The value of services or facilities furnished by a governmental unit to the organization without charge | | | | | | |
| 4 Total. Add lines 1 through 3 | | | | | | |
| 5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f) | | | | | | |
| 6 Public Support. Subtract line 5 from line 4 | | | | | | |

| Section B. Total Support | | | | | | |
|---|----------|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in) ▶ | (a) 2006 | (b) 2007 | (c) 2008 | (d) 2009 | (e) 2010 | (f) Total |
| 7 Amounts from line 4 | | | | | | |
| 8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources | | | | | | |
| 9 Net income from unrelated business activities, whether or not the business is regularly carried on | | | | | | |
| 10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV) | | | | | | |
| 11 Total support (Add lines 7 through 10) | | | | | | |
| 12 Gross receipts from related activities, etc (See instructions) | | | | | 12 | |
| 13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶ | | | | | | |

| Section C. Computation of Public Support Percentage | | | | | | |
|--|--|--|--|--|----|--|
| 14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) | | | | | 14 | |
| 15 Public Support Percentage for 2009 Schedule A, Part II, line 14 | | | | | 15 | |
| 16a 33 1/3% support test—2010. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶ | | | | | | |
| b 33 1/3% support test—2009. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶ | | | | | | |
| 17a 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶ | | | | | | |
| b 10%-facts-and-circumstances test—2009. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶ | | | | | | |
| 18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶ | | | | | | |

Part IIIPart III

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

| Section A. Public Support | | | | | | |
|--|----------|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in)  | (a) 2006 | (b) 2007 | (c) 2008 | (d) 2009 | (e) 2010 | (f) Total |
| 1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.") | | | | | | |
| 2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose | | | | | | |
| 3 Gross receipts from activities that are not an unrelated trade or business under section 513 | | | | | | |
| 4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf | | | | | | |
| 5 The value of services or facilities furnished by a governmental unit to the organization without charge | | | | | | |
| 6 Total. Add lines 1 through 5 | | | | | | |
| 7a Amounts included on lines 1, 2, and 3 received from disqualified persons | | | | | | |
| b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year | | | | | | |
| c Add lines 7a and 7b | | | | | | |
| 8 Public Support (Subtract line 7c from line 6) | | | | | | |

| Section B. Total Support | | | | | | |
|--|----------|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in)  | (a) 2006 | (b) 2007 | (c) 2008 | (d) 2009 | (e) 2010 | (f) Total |
| 9 Amounts from line 6 | | | | | | |
| 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources | | | | | | |
| b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 | | | | | | |
| c Add lines 10a and 10b | | | | | | |
| 11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on | | | | | | |
| 12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV) | | | | | | |
| 13 Total support (Add lines 9, 10c, 11 and 12) | | | | | | |
| 14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 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).

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization
Garrison Memonal Hospital

Employer identification number
45-0227752

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? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div> | |
| 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 <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div> | |

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 |
| a | Total number of conservation easements |
| b | Total acreage restricted by conservation easements |
| c | Number of conservation easements on a certified historic structure included in (a) |
| d | Number of conservation easements included in (c) acquired after 8/17/06 |

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ 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

► \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2010

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

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part 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 | 2,798 |
| 1d | 22,279 |
| 1e | 23,962 |
| 1f | 1,115 |

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

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

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 | | | | |
| b Buildings | | 5,996,832 | 3,840,915 | 2,155,917 |
| c Leasehold improvements | | | | |
| d Equipment | | 2,212,102 | 1,703,663 | 508,439 |
| e Other | | 15,000 | | 15,000 |
| Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) | | | | 2,679,356 |

Schedule D (Form 990) 2010

| 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 | 8,307,875 |
| 2 | Total expenses (Form 990, Part IX, column (A), line 25) | 2 | 7,902,404 |
| 3 | Excess or (deficit) for the year Subtract line 2 from line 1 | 3 | 405,471 |
| 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 | |
| 9 | Total adjustments (net) Add lines 4 - 8 | 9 | 0 |
| 10 | Excess or (deficit) for the year per financial statements Combine lines 3 and 9 | 10 | 405,471 |

| 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 | 8,307,875 |
| 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 | |
| e | Add lines 2a through 2d | 2e | 0 |
| 3 | Subtract line 2e from line 1 | 3 | 8,307,875 |
| 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 | |
| c | Add lines 4a and 4b | 4c | 0 |
| 5 | Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12) | 5 | 8,307,875 |

| Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return | | | |
|--|---|----|-----------|
| 1 | Total expenses and losses per audited financial statements | 1 | 7,902,404 |
| 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 | 7,902,404 |
| 4 | Amounts included on Form 990, Part IX, line 25, but not on line 1: | | |
| a | Investment expenses not included on Form 990, Part VIII, line 7b | 4a | |
| b | Other (Describe in Part XIV) | 4b | |
| c | Add lines 4a and 4b | 4c | 0 |
| 5 | Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18) | 5 | 7,902,404 |

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 1b | This is a trust fund for residents of our Skilled Nursing Facility. Some patients request that we place their income in a trust fund to pay their bills. This money is held in a separate checking account in the resident's name, and not comingled with hospital funds. The trust account is bonded. |
| | Part IV, Line 2b | The Employee Fund is listed as a liability on the balance sheet. The money comes from two sources, money that is raised by employees, and restricted donations for certain departments within the hospital. All the money is used for the benefit of our patients and residents. A small amount is used for employee recognition. |
| Description of Uncertain Tax Positions Under FIN 48 | Part X | Garrison Memorial Hospital is included in the consolidated audited financial statements of St. Alexis Medical Center. The following is the Fin 48 note from the consolidated audited financial statements: St. Alexis undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by the accounting principles generally accepted in the United States of America. St. Alexis believes that it is compliant with all IRS tax regulations and as of June 30, 2011, has not recorded a tax liability for a tax uncertainty. St. Alexis would recognize future accrued interest and penalties related to unrecognized liabilities in income tax expense if such interest and penalties are incurred. Under normal circumstances, St. Alexis is no longer subject to federal tax examinations by tax authorities for years before 2008. |

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Garrison Memorial Hospital

Employer identification number
45-0227752

Part I

Financial Assistance and Certain Other Community Benefits at Cost

| | | | |
|----|--|-----|----|
| | | Yes | No |
| 1a | Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a | Yes | |
| 1b | If "Yes," is it a written policy? | Yes | |
| 2 | If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals | | |
| 3 | Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ % b Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <input checked="" type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> 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"? | Yes | |
| 5a | Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? | Yes | |
| 5b | If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? | | No |
| 5c | 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? | | No |
| 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 | | |

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) | | | 12,176 | | 12,176 | 0 160 % |
| b Unreimbursed Medicaid (from Worksheet 3, column a) | | | 1,472,622 | 1,589,149 | -116,527 | 0 % |
| c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b) | | | | | | |
| d Total Financial Assistance and Means-Tested Government Programs | | | 1,484,798 | 1,589,149 | -104,351 | 0 160 % |
| Other Benefits | | | | | | |
| e Community health improvement services and community benefit operations (from Worksheet 4) | | | 12,840 | 900 | 11,940 | 0 160 % |
| f Health professions education (from Worksheet 5) | | | 8,707 | | 8,707 | 0 110 % |
| g Subsidized health services (from Worksheet 6) | | | 1,123,389 | 1,001,154 | 122,235 | 1 590 % |
| h Research (from Worksheet 7) | | | | | | |
| i Cash and in-kind contributions to community groups (from Worksheet 8) | | | 23,800 | | 23,800 | 0 310 % |
| j Total Other Benefits | | | 1,168,736 | 1,002,054 | 166,682 | 2 170 % |
| k Total. Add lines 7d and 7j | | | 2,653,534 | 2,591,203 | 62,331 | 2 330 % |

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 | | | | | |
| 2 | Economic development | | | | | |
| 3 | Community support | 5 | 37,800 | | 37,800 | 0 490 % |
| 4 | Environmental improvements | | | | | |
| 5 | Leadership development and training for community members | | | | | |
| 6 | Coalition building | | | | | |
| 7 | Community health improvement advocacy | | | | | |
| 8 | Workforce development | | | | | |
| 9 | Other | | | | | |
| 10 | Total | 5 | 37,800 | | 37,800 | 0 490 % |

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 Heathcare Financial Management Association Statement No 15? | 1 | No |
| 2 | Enter the amount of the organization's bad debt expense (at cost) | 2 | 170,177 |
| 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 | 17,528 |
| 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 | 2,777,176 |
| 6 | Enter Medicare allowable costs of care relating to payments on line 5 | 6 | 2,741,544 |
| 7 | Subtract line 6 from line 5. This is the surplus or (shortfall) | 7 | 35,632 |
| 8 | Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used. <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other | | |

Section C. Collection Practices

| | | | |
|----|---|----|-----|
| 9a | Does the organization have a written debt collection policy? | 9a | Yes |
| b | If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI | 9b | Yes |

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 | | | | |

Schedule H (Form 990) 2010

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? 2

| Name and address | | Type of Facility (Describe) |
|------------------|---|-----------------------------|
| 1 | GMH Skilled Nursing Facility 407 3rd Ave SE Garrison,ND 58540 | Licensed Nursing Home |
| 2 | GMH Skilled Nursing Facility 407 3rd Ave SE Garrison,ND 58540 | Licensed Nursing Home |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

| Identifier | ReturnReference | Explanation |
|------------|-----------------|--|
| | | Part I, Line 7 The charity care included in Part I, Line 7a is based on the cost to charge ratio using the cost report The unreimbursed Medicaid in Part I, Line 7b is based on gross charges and claims from the cost report The community health services, education and contributions in Part I, Lines 7e, f and i are based on actual expenses The subsidized health services in Part I, Line 7g are based on estimated costs from the cost report |

| Identifier | ReturnReference | Explanation |
|------------|-----------------|---|
| | | Part I, Line 7g The Subsidized health services includes costs of \$ 1,249,571 that are attributable to a physician clinic |

| Identifier | ReturnReference | Explanation |
|------------|-----------------|---|
| | | Part I, L7 Col(f) The amount of bad debt expense that was removed from the denominator of the calculations in Part I, Line 7, column f was \$ 212,116 |

| Identifier | ReturnReference | Explanation |
|------------|-----------------|---|
| | | <p>Part II Garrison Memorial Hospital employs an LPN as a full-time community resource coordinator with a wage and benefits of \$37,211, whose responsibilities include helping the uninsured and underinsured access healthcare through Medicaid, women's way, caring program, healthy steps and charity care. In 2010/2011 she assisted 26 individuals. She is also responsible for our adult preventative programs (diabetes, women's and men's health) by tracking these program services and sending reminders to patients to schedule follow-up visits with 1,688 clients served in 2010/2011. The Community Resource Coordinator also tracks and monitors 250 patients through our impaired glucose/pre-diabetes program. The Rx assist program also falls under her job duties where she works with our physicians on specialty medication management. She helped 16 clients in 2010/2011. She also assists patients with Medicare part D and assists with patient education and free screenings that are done at our annual health fairs. She also coordinates the clinics diabetes education program via telemedicine, in conjunction with a diabetic educator at MID Dakota Clinic in Bismarck. Other committees that the community resource coordinator serves on are a diabetes task force sponsored by the North Dakota department of health. The task force works to improve access and quality care to diabetic patients. The community resource coordinator also serves on the Mclean county interagency committee. This committee works collaboratively with the Mclean County Sheriff's department, county school districts, healthcare entities, and the Mclean county resource center on providing access to social services and healthcare. The Coordinator also sits on the McLean County Tobacco Task Force. The Tobacco Task Force goal is to decrease access to tobacco, provide education and cessation options for patients and the community. The Community Resource Coordinator also has established access for dental care for uninsured and under insured patients. This is done collaboratively with the dental program at Northland Community Health Center in Turtle Lake, ND. Garrison Memorial hospital is also part of partners in prevention immunization program through the North Dakota state health department, which allows access to immunizations to all children regardless of ability to pay.</p> |

| Identifier | ReturnReference | Explanation |
|------------|-----------------|--|
| | | Part III, Line 4 The footnote of the organization's consolidated financial statements that describes bad debt expense is as follows The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients, residents, and third-party payors 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 be collected from patients and residents due to bad debts Management considers historical write off and recovery information in determining the estimated bad debt provision The estimated amount of the organization's bad debt attributable to patients eligible under the charity care policy was calculated by applying the estimated percentage of the service area below the poverty guideline (10 3%) obtained from the most recent census from www census gov to the amount of bad debt expense converted to cost The Hospital posts discounts and payments to individual payment accounts |

| Identifier | ReturnReference | Explanation |
|------------|-----------------|---|
| | | Part III, Line 8 Medicare allowable cost is based on the Medicare cost report The Medicare cost report is completed based on the rules & regulations set forth by CMS |

| Identifier | ReturnReference | Explanation |
|------------|-----------------|--|
| | | Part III, Line 9b Our collection policy states the following in regards to medical and financial assistance The Community Resource Coordinator or Social Worker may assist the guarantor to secure alternative medical assistance and financial aid available through Federal, State, and local agencies Examples of these programs include Medicaid, Medicare Disability, Crime Victims program, County funding, Department of Veterans Affairs grants and loans, and/or hospital charity care programs Reasonable efforts are taken for patients qualifying under financial assistance policy before turning over the account to a third party collector |

| Identifier | ReturnReference | Explanation |
|------------|-----------------|---|
| | | Part VI, Line 2 The University of Mary conducted a Community Health Assessment in the fall of 2010 The community health assessment was conducted by a group of graduate students Information was also gathered through the feedback provided by physicians and the Community Resource Coordinator Garrison Memorial Hospital will finalize the community health needs assessment prior to June 30, 2013 |

| Identifier | ReturnReference | Explanation |
|------------|-----------------|--|
| | | Part VI, Line 3 Garrison Memorial Hospital informs our patients of our charity care policy by posting notices at registration areas Patients that may need financial assistance are referred to our Community Resource Coordinator and/or Social Worker The Community Resource Coordinator will work with the patient to find other sources of payments such as Medicaid, disability, ND Women's Way, ND Health Steps, and charity care if so needed |

| Identifier | ReturnReference | Explanation |
|------------|-----------------|--|
| | | Part VI, Line 4 Garrison Memorial Hospital is one of two Critical Access Hospitals that serve the nineteen communities in McLean County Garrison is located in the NW section of the county Garrison Memorial Hospital serves northern and central McLean County as well as parts of southern Ward County and parts of southeastern Mountrail County The other hospital is located in Turtle Lake, on the east edge of the county McLean County, population 8,310, has an area of 350 square miles and is classified as a Frontier County The average income for McLean County is \$49,212 with 10 3% of the population below the federal poverty guidelines, 16 1% of the population in not insured McLean County is also classified as a federally-designated medically underserved area |

| Identifier | ReturnReference | Explanation |
|------------|-----------------|---|
| | | <p>Part VI, Line 6 Garrison Memorial Hospital is governed by a board of directors made up of 5 Benedictine Sisters from the Annunciation Monastery in Bismarck, North Dakota, 2 physicians, 5 community leaders, and the President/CEO of St Alexius Medical Center This board meets monthly to conduct the business of Garrison Memorial Hospital The Hospital has an 8 member advisory board made up of 2 Benedictine Sisters from Bismarck, 1 community member from Max, ND, and 1 community member from White Shield, ND, and the other 4 from the community of Garrison, ND The Hospital extends medical staff privileges to all qualified physicians in the community Surplus funds, if available, are reinvested into the facilities to improve patient care The Hospital operates a 24 hour, Level IV certified trauma center Garrison Memorial Hospital treats all patients regardless of their ability to pay Garrison Memorial Hospital participates in Medicare, Medicaid, ND Women's Way, Caring Program, and ND Healthy Steps Garrison Memorial Hospital participates in education and training of healthcare professionals We participate with the UND School of Medicine as a site for MD interns to participate and complete their rural rotation, under supervision of our physicians Our physicians hosted 2 MD interns in 2010/2011 We also have various nursing students from University of Mary, Minot State University, and a few other colleges In 2010/2011 we hosted 2 nurses completing an internship, and 2 students who job shadowed our staff We also have had 2 Physical therapy student that shadows our Physical Therapists a requirement to complete their degree We also have several of our healthcare professionals that share their time and talents with various organizations, which serve for the betterment of our community and state One Physician Assistant serves on a ND Department of Health Tuberculosis Advisory Board, another Physician Assistant serves as a board member to the North Dakota Board of Medical Examiners Our Director of Nursing serves on the Minot State University Community and Clinical Advisory Committee that seeks to place nursing students in internships She also serves on the ND Department of Emergency Services, Northwest Regional Response Committee that works on emergency response plans to prepare for terrorism and public emergencies In addition to the above activities that the hospital conducts, simply operating a hospital in a small community that serves in a medically underserved area is the community benefit</p> |

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization
Garrison Memorial Hospital

Employer identification number
45-0227752

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. ☐

| 1 (a) Name and address of organization or government | (b) EIN | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|--|------------|------------------------------------|--------------------------|-----------------------------------|---|--|------------------------------------|
| (1) St Alexius FoundationPO Box 5510 Bismarck,ND 58506 | 45-0226711 | 501(c)(3) | 22,500 | | | | Community Benefit |
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2

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

▶ 1

3

Enter total number of other organizations

▶

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 |
|--------------------------------|-------------------------|-------------------------|----------------------------------|--|---------------------------------------|
| | | | | | |
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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 The Organization made a grant in the amount of \$22,500 to a related party for community benefit purposes The Board of Directors is the same for both entities, therefore monitored the grant Another grant was given to the North Dakota Hospital Association for flood relief which did not require a report back on the spending of those funds as the Association monitored the funds under their non-profit entity |

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
Garrison Memorial Hospital

Employer identification number
45-0227752

Part I

Questions Regarding Compensation

| | | | |
|----|---|-----|-----|
| | | Yes | No |
| 1a | Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items | | |
| | <div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div></div> <div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div></div> <div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div></div> <div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div> | | |
| b | If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain | 1b | |
| 2 | Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a? | 2 | |
| 3 | Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply | | |
| | <div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Written employment contract</div></div> <div><div><input type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div></div> <div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div> | | |
| 4 | During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization | | |
| a | Receive a severance payment or change-of-control payment from the organization or a related organization? | 4a | No |
| b | Participate in, or receive payment from, a supplemental nonqualified retirement plan? | 4b | No |
| c | Participate in, or receive payment from, an equity-based compensation arrangement? | 4c | No |
| | If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III | | |
| | Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9. | | |
| 5 | For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of | | |
| a | The organization? | 5a | No |
| b | Any related organization? | 5b | No |
| | If "Yes," to line 5a or 5b, describe in Part III | | |
| 6 | For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of | | |
| a | The organization? | 6a | No |
| b | Any related organization? | 6b | No |
| | If "Yes," to line 6a or 6b, describe in Part III | | |
| 7 | For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III | 7 | Yes |
| 8 | Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III | 8 | No |
| 9 | If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)? | 9 | |

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

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

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

| (A) Name | | (B) Breakdown of W-2 and/or 1099-MISC compensation | | | (C) Retirement and other deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)-(D) | (F) Compensation reported in prior Form 990 or Form 990-EZ |
|---------------------|------|--|-------------------------------------|-------------------------------------|--|-------------------------|---------------------------------|--|
| | | (i) Base compensation | (ii) Bonus & incentive compensation | (iii) Other reportable compensation | | | | |
| (1) Andrew L Wilson | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 447,065 | 146,028 | 0 | 9,800 | 20,800 | 623,693 | 0 |
| (2) Gary Miller | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 219,127 | 64,757 | 0 | 9,338 | 9,190 | 302,412 | 0 |
| (3) Dean Mattern | (i) | 128,662 | 35,013 | 2,732 | 23,166 | 20,066 | 209,639 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (4) Jon Dornacker | (i) | 310,856 | 0 | 722 | 7,350 | 11,788 | 330,716 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (5) Vern Harchenko | (i) | 193,658 | 0 | 3,651 | 7,771 | 1,217 | 206,297 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (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 |
|------------|------------------|---|
| | Part I, Line 7 | Employees are eligible for a bonus based on a balanced scorecard which measures financial performance, quality, and personal goals. |

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization
Garrison Memorial Hospital

Employer identification number
45-0227752

| Part I Bond Issues | | | | | | | | | | | |
|------------------------------|----------------|-------------|-----------------|-----------------|--|--------------|----|-------------------------|----|--------------------|----|
| (a) Issuer Name | (b) Issuer EIN | (c) CUSIP # | (d) Date Issued | (e) Issue Price | (f) Description of Purpose | (g) Defeased | | (h) On Behalf of Issuer | | (i) Pool financing | |
| | | | | | | Yes | No | Yes | No | Yes | No |
| A Wells Fargo Securities LLC | 56-2326000 | | 06-21-2003 | 1,634,028 | Upgrades and additions to the Hospital | | X | | X | | X |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |

| Part II | | Proceeds | | | | | | | |
|---------|--|-----------|----|-----|----|-----|----|-----|----|
| | | A | | B | | C | | D | |
| 1 | Amount of bonds retired | | | | | | | | |
| 2 | Amount of bonds legally defeased | | | | | | | | |
| 3 | Total proceeds of issue | 1,660,914 | | | | | | | |
| 4 | Gross proceeds in reserve funds | | | | | | | | |
| 5 | Capitalized interest from proceeds | | | | | | | | |
| 6 | Proceeds in refunding escrow | 1,634,028 | | | | | | | |
| 7 | Issuance costs from proceeds | 26,886 | | | | | | | |
| 8 | Credit enhancement from proceeds | | | | | | | | |
| 9 | Working capital expenditures from proceeds | | | | | | | | |
| 10 | Capital expenditures from proceeds | | | | | | | | |
| 11 | Other spent proceeds | | | | | | | | |
| 12 | Other unspent proceeds | | | | | | | | |
| 13 | Year of substantial completion | | | | | | | | |
| | | Yes | No | Yes | No | Yes | No | Yes | No |
| 14 | Were the bonds issued as part of a current refunding issue? | X | | | | | | | |
| 15 | Were the bonds issued as part of an advance refunding issue? | | X | | | | | | |
| 16 | Has the final allocation of proceeds been made? | X | | | | | | | |
| 17 | Does the organization maintain adequate books and records to support the final allocation of proceeds? | X | | | | | | | |

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

Part IIIPrivate Business Use (Continued)

| | | A | | B | | C | | D | |
|----|--|-----|----|-----|----|-----|----|-----|----|
| | | Yes | No | Yes | No | Yes | No | Yes | No |
| 3a | Are there any management or service contracts that may result in private business use? | | X | | | | | | |
| b | Are there any research agreements that may result in private business use of bond-financed property? | | X | | | | | | |
| c | Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property? | | | | | | | | |
| 4 | Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government | 0 % | | | | | | | |
| 5 | Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government | 0 % | | | | | | | |
| 6 | Total of lines 4 and 5 | 0 % | | | | | | | |
| 7 | Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities? | X | | | | | | | |

Part IVArbitrage

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

Part VSupplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (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.

OMB No 1545-0047

2010

Open to Public
Inspection

| | |
|--|--|
| Name of the organization Garrison Memorial Hospital | Employer identification number 45-0227752 |
|--|--|

| Identifier | Return Reference | Explanation |
|--------------------------------------|------------------|---|
| Form 990, Part VI, Section A, line 6 | | The corporation shall have one class of members, which shall consist of members of the monastic community known as the Benedictine Sisters of the Annunciation, BMV, who have made their perpetual monastic profession and who have been elected to or appointed to the Sponsorship Group of the Benedictine Sisters of the Annunciation, BMV |

| Identifier | Return Reference | Explanation |
|---------------------------------------|------------------|--|
| Form 990, Part VI, Section A, line 7a | | Joint Powers of Members and Board of Directors The following powers shall be reserved jointly to the members of the corporation and the board of directors 1 Approve a new candidate appointed to serve as President/Chief Executive Officer of the corporation 2 Approve any person to be elected to serve on the board of directors 3 Remove any director if this action is indicated The power of the board of directors to act on any of these matters is subject to the requirement that the members of the corporation shall approve such action prior to the submission of the matter to a vote of the board of directors |

| Identifier | Return Reference | Explanation |
|--|------------------|--|
| Form 990, Part VI, Section A, line 7b | | <p>Powers Reserved to Members Exercise of the following powers shall be reserved exclusively to the members of the corporation to</p> <p>1 Change the sponsorship, reserved powers or mission of the corporation as an institution founded on Gospel values, the Benedictine heritage of healing and the healing ministry of Jesus</p> <p>2 Make any major policy change on ethical issues</p> <p>3 Authorize the sale or encumbrance of all or substantially all of the assets or property of the corporation</p> <p>4 Merge, liquidate or dissolve the corporation</p> <p>5 Change the name of the corporation</p> <p>6 Change or amend the structure of the board of directors of the corporation</p> <p>7 Amend, alter or repeal the articles of incorporation and/or the bylaws of the corporation</p> <p>8 Approve or disapprove a proposed course of action which could reasonably be anticipated to adversely affect the sponsorship or mission of the corporation as an institution founded on Gospel values, the Benedictine heritage of healing and the healing ministry of Jesus</p> |

| Identifier | Return Reference | Explanation |
|---------------------------------------|------------------|---|
| Form 990, Part VI, Section A, line 8b | | There are no committees that can act on behalf of the board |

| Identifier | Return Reference | Explanation |
|---------------------------------------|------------------|---|
| Form 990, Part VI, Section B, line 11 | | A draft of the IRS 990 will be reviewed by the Administrator of Garrison Memorial Hospital and the CEO of St. Alexius Medical Center. It will then be presented to the full board of directors for their review and approval. |

| Identifier | Return Reference | Explanation |
|------------|--|--|
| | Form 990, Part VI, Section B, line 12c | Annually all employees are asked conflict of interest questions at evaluation time. Employees are responsible for disclosing potential conflicts of interest by completing a disclosure form. Each year the compliance officer initiates a review of all conflicts of interests within the medical center. The following annually complete a disclosure form: board members, President/CEO, Vice Presidents, Directors/Managers, other employees with significant decision making authority or who are in a position to influence decisions. The forms are reviewed by the compliance officer and if a conflict is "new" or requires review, the CEO and the Audit & Compliance Committee discuss the conflict and determine appropriate course of action. |

| Identifier | Return Reference | Explanation |
|------------|--|---|
| | Form 990, Part VI, Section B, line 15 | The compensation of the Administrator and the CFO are determined based on review by the St. Alexius CEO using compensation survey data and reviewed with the BOD as necessary |

| Identifier | Return Reference | Explanation |
|------------|---------------------------------------|---|
| | Form 990, Part VI, Section C, line 19 | All of these documents are available upon request |

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Garrison Memorial Hospital

Employer identification number
45-0227752

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 |
|---|-------------------------|--|---------------------|---------------------------|----------------------------------|
| | | | | | |
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Part II

Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Exempt Code section | (e) Public charity status (if section 501(c)(3)) | (f) Direct controlling entity | (g) Section 512(b)(13) controlled organization | |
|--|-------------------------|--|----------------------------|---|---|---|----|
| | | | | | | Yes | No |
| (1) St Alexius Medical Center 900 East Broadway Avenue Bismarck, ND 58501 45-0226711 | Health Care Services | ND | 501(c)(3) | Line 3 | Benedictine Sisters of the Annunciation BMV | | No |
| (2) Benedictine Sisters of the Annunciation BMV 7520 University Drive Bismarck, ND 58504 45-0261530 | Religious Purposes | ND | 501(c)(3) | Line 1 | N/A | | No |
| | | | | | | | |
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Part III

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

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

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

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Direct controlling entity | (e) Type of entity (C corp, S corp, or trust) | (f) Share of total income | (g) Share of end-of-year assets | (h) Percentage ownership |
|---|-------------------------|---|-------------------------------------|--|------------------------------|--|--------------------------------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

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

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

Yes

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) | | | |

Schedule R (Form 990) 2010

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

[illegible]

Part VII **Supplemental Information**

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

| Identifier | Return Reference | Explanation |
|------------|------------------|-------------|
|------------|------------------|-------------|



Consolidated Financial Statements
June 30, 2011 and 2010

St. Alexius Medical Center and Subsidiaries

St. Alexius Medical Center and Subsidiaries

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Independent Auditor's Report

The Board of Directors
St. Alexius Medical Center and Subsidiaries
Bismarck, North Dakota

We have audited the accompanying consolidated balance sheets of St. Alexius Medical Center and Subsidiaries (St. Alexius) 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 St. Alexius' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 St. Alexius' 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 St. Alexius Medical Center and Subsidiaries as of June 30, 2011 and 2010, and the results of their 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.

Fargo, North Dakota
September 22, 2011

| | 2011 | 2010 |
|---|----------------|----------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 25,380,728 | \$ 19,978,611 |
| Assets limited as to use | 1,801,159 | 1,326,409 |
| Receivables | | |
| Patient and resident, net of estimated uncollectibles | | |
| of \$46,147,000 in 2011 and \$51,154,000 in 2010 | 37,393,569 | 36,506,992 |
| Other | 2,453,164 | 1,563,138 |
| Supplies | 4,213,197 | 3,784,930 |
| Prepaid expenses | 1,231,488 | 1,788,393 |
| Total current assets | 72,473,305 | 64,948,473 |
| Assets Limited as to Use | | |
| Under bond indenture agreements | 5,026,692 | 4,857,840 |
| By Board for expansion and replacement | 35,852,720 | 31,483,478 |
| Total assets limited as to use | 40,879,412 | 36,341,318 |
| Property and Equipment, Net | 123,423,991 | 98,205,125 |
| Other Assets | | |
| Rental property, net of accumulated depreciation | | |
| of \$4,838,569 in 2011 and \$3,244,196 in 2010 | 7,778,048 | 6,480,918 |
| Land held for expansion | 1,789,429 | 1,789,429 |
| Deferred financing costs, net of accumulated | | |
| amortization of \$762,390 in 2011 and \$721,777 in 2010 | 398,447 | 439,060 |
| Other investments | 7,702,564 | 6,581,444 |
| Total other assets | 17,668,488 | 15,290,851 |
| Total assets | \$ 254,445,196 | \$ 214,785,767 |

See Notes to Consolidated Financial Statements

St. Alexius Medical Center and Subsidiaries
Consolidated Balance Sheets
June 30, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|---|------------------------------|------------------------------|
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Notes payable to bank | \$ 5,000,000 | \$ - |
| Current maturities of long-term debt | 4,730,263 | 3,906,518 |
| Accounts payable | | |
| Trade | 9,776,461 | 8,112,357 |
| Estimated third-party payor settlements | 7,095,278 | 2,716,141 |
| Construction payables | 4,348,880 | 1,361,594 |
| Accrued expenses | | |
| Salaries and wages | 3,947,245 | 3,284,319 |
| Vacation pay | 6,410,354 | 6,058,241 |
| Professional fees | 823,378 | 860,000 |
| Interest | 677,152 | 699,620 |
| Payroll taxes and other | 670,169 | 891,169 |
| Insurance reserve | <u>1,300,330</u> | <u>1,268,185</u> |
| Total current liabilities | 44,779,510 | 29,158,144 |
| Obligation Under Interest Rate Swap Agreement | 171,982 | 203,225 |
| Long-Term Debt, Less Current Maturities | <u>57,934,835</u> | <u>46,653,609</u> |
| Total liabilities | <u>102,886,327</u> | <u>76,014,978</u> |
| Net Assets | | |
| Unrestricted | 150,107,657 | 137,543,744 |
| Temporarily restricted | <u>1,451,212</u> | <u>1,227,045</u> |
| Total net assets | <u>151,558,869</u> | <u>138,770,789</u> |
| Total liabilities and net assets | <u><u>\$ 254,445,196</u></u> | <u><u>\$ 214,785,767</u></u> |

St. Alexius Medical Center and Subsidiaries

Consolidated Statements of Operations Years Ended June 30, 2011 and 2010

| | 2011 | 2010 |
|--|----------------|----------------|
| Unrestricted Revenues, Gains and Other Support | | |
| Net patient and resident service revenue | \$ 258,845,482 | \$ 244,589,036 |
| Other revenue | 16,177,450 | 15,701,419 |
| Total revenues, gains and other support | 275,022,932 | 260,290,455 |
| Expenses | | |
| Nursing services | 41,330,401 | 39,382,837 |
| Other professional services | 141,892,552 | 132,702,321 |
| General and administrative | 43,207,961 | 42,111,525 |
| Depreciation and amortization | 14,936,945 | 13,722,687 |
| Property and household | 9,512,985 | 8,818,412 |
| Provision for bad debts | 8,215,543 | 8,305,407 |
| Dietary | 3,723,231 | 3,565,422 |
| Interest | 2,557,452 | 2,532,821 |
| Total expenses | 265,377,070 | 251,141,432 |
| Operating Income | 9,645,862 | 9,149,023 |
| Other Income | | |
| Investment income | 373,276 | 334,731 |
| Gain on sale of equipment | 35,637 | 4,320 |
| Other | 2,051,870 | 1,572,823 |
| Total other income | 2,460,783 | 1,911,874 |
| Revenues in Excess of Expenses | 12,106,645 | 11,060,897 |
| Change in Unrealized Gains and Losses on Investments | 367,867 | 274,263 |
| Change in Fair Value of Interest Rate Swap Agreement | 31,243 | (32,664) |
| Contributions for Long-Lived Assets | 58,158 | 65,788 |
| Increase in Unrestricted Net Assets | \$ 12,563,913 | \$ 11,368,284 |

St. Alexius Medical Center and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|------------------------------|------------------------------|
| Unrestricted Net Assets | | |
| Revenues in excess of expenses | \$ 12,106,645 | \$ 11,060,897 |
| Change in unrealized gains and losses on investments | 367,867 | 274,263 |
| Change in fair value of interest rate swap agreement | 31,243 | (32,664) |
| Contributions for long-lived assets | <u>58,158</u> | <u>65,788</u> |
| Increase in unrestricted net assets | <u>12,563,913</u> | <u>11,368,284</u> |
| Temporarily Restricted Net Assets | | |
| Restricted contributions and interest | 479,649 | 322,059 |
| Net assets released from restrictions | <u>(255,482)</u> | <u>(147,368)</u> |
| Increase in temporarily restricted net assets | <u>224,167</u> | <u>174,691</u> |
| Increase in Net Assets | 12,788,080 | 11,542,975 |
| Net Assets, Beginning of Year | <u>138,770,789</u> | <u>127,227,814</u> |
| Net Assets, End of Year | <u><u>\$ 151,558,869</u></u> | <u><u>\$ 138,770,789</u></u> |

St. Alexius Medical Center and Subsidiaries

Consolidated Statements of Cash Flows Years Ended June 30, 2011 and 2010

| | 2011 | 2010 |
|---|---------------|---------------|
| Operating Activities | | |
| Change in net assets | \$ 12,788,080 | \$ 11,542,975 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation and amortization | 14,936,945 | 13,722,687 |
| Depreciation on rental property | 412,065 | 83,688 |
| Amortization of original issue discount | 17,025 | 17,601 |
| Gain on sale of equipment | (35,637) | (4,320) |
| Restricted contributions and interest | (479,649) | (322,059) |
| Change in unrealized gains and losses on investments | (367,867) | (274,263) |
| Gain on investments recognized on the equity method | (2,423,508) | (1,940,699) |
| Other changes in net assets | (89,401) | (33,124) |
| Changes in assets and liabilities | | |
| Receivables | (2,078,866) | (1,783,382) |
| Supplies | (428,267) | (265,182) |
| Prepaid expenses | 556,905 | 827,246 |
| Accounts payable | 6,043,241 | 2,269,619 |
| Accrued expenses | 734,949 | 1,174,193 |
| Insurance reserve, net | 32,145 | 131,049 |
| Net Cash from Operating Activities | 29,618,160 | 25,146,029 |
| Investing Activities | | |
| Purchase and construction of property and equipment | (39,175,924) | (20,558,753) |
| Increase in assets limited as to use | (4,644,977) | (12,066,397) |
| Distributions from affiliates | 1,205,000 | 970,000 |
| Decrease in other investments | 222,687 | 33,071 |
| Purchase of rental property | (120,068) | (95,000) |
| Decrease (increase) in notes receivable, net | 170,234 | (135,619) |
| Net Cash used for Investing Activities | (42,343,048) | (31,852,698) |
| Financing Activities | | |
| Repayment of long-term debt | (4,398,088) | (3,868,543) |
| Increase in construction payables | 2,987,286 | 587,562 |
| Restricted contributions and interest | 479,649 | 322,059 |
| Contributions for long-lived assets | 58,158 | 65,788 |
| Proceeds from issuance of long-term debt | 14,000,000 | 9,103,578 |
| Increase (decrease) in notes payable | 5,000,000 | (3,000,000) |
| Net Cash from Financing Activities | 18,127,005 | 3,210,444 |

St. Alexius Medical Center and Subsidiaries

Consolidated Statements of Cash Flows Years Ended June 30, 2011 and 2010

| | 2011 | 2010 |
|---|----------------------|----------------------|
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 5,402,117 | \$ (3,496,225) |
| Cash and Cash Equivalents, Beginning of Year | 19,978,611 | 23,474,836 |
| Cash and Cash Equivalents, End of Year | <u>\$ 25,380,728</u> | <u>\$ 19,978,611</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the year for interest, net of amounts capitalized of \$341,195 in 2011 | <u>\$ 2,562,895</u> | <u>\$ 2,537,116</u> |

Supplemental Disclosure of Noncash Investing and Financing Activities

In 2011 and 2010, St. Alexius entered into capital leases for equipment of \$2,486,034 and \$1,650,088.

Supplemental Disclosure of Noncash Investing Activities

In 2011, St. Alexius transferred \$1,589,127 of property used for operations to rental property. In 2010, St. Alexius transferred \$263,136 of rental property to property used for operations, related to construction projects.

Note 1 - Organization and Significant Accounting Policies

Organization and Principles of Consolidation

St. Alexius Medical Center (Medical Center) operates a 308-bed acute care hospital, including a 19-bed transitional care unit, in Bismarck, North Dakota. The Medical Center also operates a 25-bed acute care hospital in Turtle Lake, North Dakota, and several clinics. The Medical Center is organized as a North Dakota nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Medical Center is the sole member of Garrison Memorial Hospital (Garrison), a 22-bed acute care hospital and 26-bed nursing facility in Garrison, North Dakota. Garrison has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Medical Center also owns 100% of the St. Alexius Heart and Lung Clinic, LLC (Heart and Lung).

The Board of Directors of the Medical Center consists of no fewer than eleven persons and no more than fifteen persons. At least five members of the Board of Directors are required to be members of the Benedictine Sisters of the Annunciation, B.M.V., a religious community. The remaining directors may be members of the civic community. Various members of the religious community also comprise at least the majority of the governing boards of other entities separately incorporated in the State of North Dakota, as follows:

- Benedictine Sisters of the Annunciation, B.M.V.
- University of Mary

The accompanying consolidated financial statements include the accounts of the Medical Center, Garrison, and Heart and Lung (collectively referred to as St. Alexius). All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

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.

Fair Value Measurements

St. Alexius has determined the fair value of certain assets and liabilities using a framework for measuring fair value under generally accepted accounting principles.

Fair value is defined 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. Valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has also been established, 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.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less, excluding assets limited as to use.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident, and third-party payor obligations. Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients, residents, and third-party payors. 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 be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Supplies

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

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. 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 donor or law. Unrealized gains and losses on investments are excluded from revenues in excess of expenses unless the investments are trading securities.

Equity Investments

Investments in jointly owned companies in which St. Alexius has a 20 percent to 50 percent interest or otherwise exercises significant influence are recorded under the equity method of accounting. Under the equity method, the initial investment is recorded at cost, adjusted for St. Alexius' proportionate share of their undistributed earnings or losses, net of any additional investments or distributions. St. Alexius' share of net earnings or losses of these companies is included in other operating revenue.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes; and assets held by trustees under bond indenture agreements. Assets limited as to use that are available for obligations classified as current liabilities are reported as current assets.

Property and Equipment

Property and equipment acquisitions in excess of \$1,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation in the financial statements. The estimated useful lives of property and equipment are as follows:

| | |
|-------------------------------|------------|
| Land improvements | 5-25 years |
| Buildings and fixed equipment | 5-40 years |
| Major movable equipment | 3-20 years |

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.

Rental Property

Rental property consists of certain property that is not used in operations and is available for rental to third parties. Rental income, net of depreciation expense on this property, is recorded as other income.

Deferred Financing Costs and Original Issue Discounts

Deferred financing costs are amortized over the period the related obligation is outstanding using the bonds outstanding method. Amortization of deferred financing costs is included in depreciation and amortization in the accompanying consolidated financial statements.

Original issue discounts are amortized to interest expense over the period the related obligation is outstanding using the bonds outstanding method. Amortization of original issue discount is included in interest expense in the accompanying consolidated financial statements.

Interest Rate Swap

St. Alexius uses derivative financial instruments primarily to optimize borrowing costs under its financing strategy. St. Alexius entered into derivative contracts, known as interest rate swaps, which effectively change the interest rate of its borrowings. These contracts hedge interest rate exposure for periods consistent with their underlying exposures and do not constitute investments independent of these exposures. St. Alexius does not hold or issue financial instruments for trading purposes.

Interest rate swaps converted a portion of St. Alexius' floating rate bank debt into fixed rate debt on notional amounts. The notional amounts of derivative financial instruments do not represent actual amounts exchanged by the parties, but instead represented the amounts on which the contracts were based. The floating interest rate payments under these swaps are based on a LIBOR rate plus one percent, the sum of which is multiplied by 69 percent. Interest to be paid or received on these contracts currently adjusts interest expense.

Self-Funded Health Insurance Reserves

Self-funded health insurance reserves include claims reported as of the balance sheet date and estimates (based on projections from historical data) of health care costs expenses incurred but not paid. Estimates are continually monitored and reviewed, and as settlements are made or estimates adjusted, differences are reflected in current operations.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by St. Alexius 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 St. Alexius in perpetuity. At June 30, 2011 and 2010, St. Alexius did not have any permanently restricted net assets.

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, change in fair value of effective interest rate swap hedges, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors.

Net Patient and Resident Service Revenue

St. Alexius has agreements with third-party payors that provide for payments to St. Alexius at amounts different from its established rates. Payment arrangements include prospectively determined rates, 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, St. Alexius provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because St. Alexius 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. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the statement of operations.

Advertising

St. Alexius expenses advertising costs as they are incurred. Advertising costs for the years ended June 30, 2011 and 2010 were approximately \$254,000 and \$274,000.

Uncertainty in Income Taxes

St. Alexius undergoes an annual analysis of its various tax positions, assessing the likelihood of these positions being upheld upon examination with relevant tax authorities, as defined by the accounting principles generally accepted in the United States of America. St. Alexius believes that it is compliant with all IRS tax regulations and as of June 30, 2011 has not recorded a tax liability for a tax uncertainty. St. Alexius would recognize future accrued interest and penalties related to unrecognized liabilities in income tax expense if such interest and penalties are incurred. Under normal circumstances, St. Alexius is no longer subject to federal tax examinations by tax authorities for years before 2008.

Note 2 - Charity Care

St. Alexius 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 approximately \$5,552,000 and \$3,985,000 for the years ended June 30, 2011 and 2010.

Note 3 - Net Patient and Resident Service Revenue

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

Medicare. The Medical Center is reimbursed under a prospective payment system. Acute care services provided to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary. The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2007.

The hospitals in Turtle Lake and Garrison are licensed as Critical Access Hospitals (CAH). Those hospitals are reimbursed for most inpatient and outpatient services at cost plus one percent with final settlement determined after submission of annual cost reports by the Turtle Lake and Garrison hospitals and are subject to audits thereof by the Medicare intermediary. Certain services are subject to cost limits or fee schedules. Turtle Lake and Garrison's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2009.

Medicare patients may participate in Advantage Part D Medicare plans. Contractual adjustments from those plans appear in the "Other" adjustment category on the summary of patient and resident service revenue and contractual adjustments on the following page.

St. Alexius Medical Center and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

Medicaid. Inpatient and outpatient hospital services provided to Medicaid program beneficiaries are paid on a cost related basis. Inpatient services are reimbursed using Medicare interim per diem rates, decreased by one percent, and outpatient services are paid at the Medicare interim payment rates. Final cost settlements are determined based on the audited Medicare cost report.

Blue Cross. Inpatient services provided 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.

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

St. Alexius is reimbursed for private pay and Medicaid residents at a prospectively determined rate as prescribed by North Dakota Department of Human Services regulations. St. Alexius also participates in the Medicare program for nursing facility residents for which payment for services is made on a prospectively determined per diem rate which varies based on a case-mix adjusted resident classification system.

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. Net patient and resident service revenue for the year ended June 30, 2011 decreased by approximately \$1,496,000 due to changes in estimates and final settlements of prior year cost reports.

A summary of patient and resident service revenue and contractual adjustments is as follows:

| | 2011 | 2010 |
|--|----------------|----------------|
| Total patient and resident service revenue | \$ 531,326,218 | \$ 510,930,109 |
| Contractual adjustments | | |
| Hospitals | | |
| Medicare | (130,668,231) | (131,649,053) |
| Medicaid | (17,358,493) | (18,101,508) |
| Blue Cross | (63,724,770) | (60,861,976) |
| Workers' compensation | (4,245,106) | (3,869,173) |
| Other | (25,038,214) | (21,523,282) |
| Clinics | | |
| Neurology Clinic | (974,884) | (1,177,327) |
| Neurosurgery Clinic | (6,453,094) | (6,623,381) |
| Urology Clinic | (2,572,714) | (1,648,787) |
| Minot Clinic | (1,177,109) | (834,907) |
| Interventional Radiology Clinic | (1,104,115) | (978,787) |
| Radiology Clinic | (2,872,300) | (2,936,084) |
| EOPD Physicians | (2,822,394) | (2,666,885) |
| Hospitalist Physicians | (1,652,519) | (1,388,560) |
| Great Plains Rehabilitation | (1,682,672) | (1,757,003) |
| Other | (10,134,121) | (10,324,360) |
| Total contractual adjustments | (272,480,736) | (266,341,073) |
| Net patient and resident service revenue | \$ 258,845,482 | \$ 244,589,036 |

Note 4 - Investments and Investment Income

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2011 and 2010 is shown in the following tables. U.S. Treasury, corporate, and government obligations and cash surrender value of life insurance and other investments are stated at fair value. Cash and cash equivalents and certificates of deposit are stated at cost plus accrued interest.

| | <u>2011</u> | <u>2010</u> |
|--|----------------------------|----------------------------|
| Under bond indenture agreements - held by trustees | | |
| Cash and cash equivalents | \$ 5,488,318 | \$ 4,857,840 |
| U.S. Treasury obligations | 1,339,533 | 1,326,409 |
| | <u>6,827,851</u> | <u>6,184,249</u> |
| Less amount shown as current | <u>(1,801,159)</u> | <u>(1,326,409)</u> |
| | <u><u>\$ 5,026,692</u></u> | <u><u>\$ 4,857,840</u></u> |

| | <u>2011</u> | <u>2010</u> |
|--|-----------------------------|-----------------------------|
| By Board for expansion and replacement | | |
| Cash and cash equivalents | \$ 1,658,710 | \$ 4,511,971 |
| Government obligations | 7,980,726 | 10,084,898 |
| Corporate bonds | 14,208,745 | 11,771,064 |
| Certificates of deposit | 7,358,101 | 4,901,865 |
| Mutual funds | 1,358,788 | - |
| Common stock | 3,079,757 | - |
| Cash surrender value of life insurance and other | 207,893 | 213,680 |
| | <u><u>\$ 35,852,720</u></u> | <u><u>\$ 31,483,478</u></u> |

Investment Income

Investment income and gains and losses on assets limited as to use, notes receivable, and cash equivalents consist of the following for the years ended June 30, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|--|--------------------------|--------------------------|
| Other income | | |
| Interest income and realized gains and losses | <u><u>\$ 373,276</u></u> | <u><u>\$ 334,731</u></u> |
| Other changes in unrestricted net assets | | |
| Change in unrealized gains and losses on investments | <u><u>\$ 367,867</u></u> | <u><u>\$ 274,263</u></u> |

Note 5 - 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 and improvements | \$ 9,556,698 | \$ 2,558,034 | \$ 8,277,427 | \$ 2,394,373 |
| Buildings and fixed equipment | 155,642,357 | 90,736,684 | 150,503,554 | 86,046,206 |
| Major movable equipment | 100,373,722 | 76,069,700 | 91,472,752 | 71,162,139 |
| Construction in progress | 27,215,632 | - | 7,554,110 | - |
| | <u>\$ 292,788,409</u> | <u>\$ 169,364,418</u> | <u>\$ 257,807,843</u> | <u>\$ 159,602,718</u> |
| Net property and equipment | | <u>\$ 123,423,991</u> | | <u>\$ 98,205,125</u> |

Construction in progress at June 30, 2011 represents costs for various construction and remodeling projects. Estimated costs to complete these projects are approximately \$27,807,000 and will be financed with assets limited as to use and proceeds from additional borrowings. The majority of this cost is associated with a new administration building that will be completed in 2012.

Note 6 - Other Investments

Other investments consist of the following at June 30, 2011 and 2010:

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Investments in affiliates (1) | \$ 7,087,579 | \$ 5,869,071 |
| Notes receivable from various entities, interest rates of 6% to 8.25%, non-current | 433,540 | 301,511 |
| Other | 181,445 | 410,862 |
| | <u>\$ 7,702,564</u> | <u>\$ 6,581,444</u> |

(1) Investments in various related health care ventures are being recorded on the equity method. The net gain on these investments, totaling \$2,423,508 in 2011 and \$1,940,699 in 2010, is included in other income. St. Alexius received distributions of \$1,205,000 and \$970,000 from these investments in 2011 and 2010. As of June 30, 2011, these ventures had total assets of \$19,077,107, liabilities of \$4,901,947, and net assets of \$14,175,160 with total revenues and expenses of approximately \$20,336,000 and \$15,281,000 for the year then ended.

St. Alexius Medical Center and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

A summary of investments recorded on the equity method as of June 30, 2011 and 2010 follows:

| | 2011 | 2010 |
|----------------------------|---------------------|---------------------|
| Bismarck Cancer Center | \$ 3,797,791 | \$ 2,664,054 |
| Northern Plains Laboratory | 3,173,945 | 3,157,913 |
| Other | 115,843 | 47,104 |
| | <u>\$ 7,087,579</u> | <u>\$ 5,869,071</u> |

Note 7 - Notes Payable and Long-Term Debt

The note payable consists of the following:

| | 2011 | 2010 |
|---------------------------|---------------------|-------------|
| 3.5% note payable to bank | <u>\$ 5,000,000</u> | <u>\$ -</u> |

Long-term debt consists of the following:

| | 2011 | 2010 |
|--|------------|------------|
| Health Care Revenue Bonds, Series 1998A | | |
| 4.5% serial bonds, due July 2010 | \$ - | \$ 750,000 |
| 5.25% term bonds, due July 2015, with varying annual sinking fund requirements commencing in 2011 | 4,325,000 | 4,325,000 |
| 5% term bonds, due July 2028, with varying annual sinking fund requirements commencing in 2016 | 17,840,000 | 17,840,000 |
| Original issue discount | (167,030) | (184,055) |
| 6.78% Health Care Facilities Revenue Bonds, Series 2009A, due in quarterly installments of \$240,151 to April 2024, secured by future construction | 8,256,179 | 8,640,586 |
| 6.5% Health Care Facilities Revenue Bonds, Series 2010A, due in quarterly installments of \$177,591 to March 2030, secured by future construction | 7,666,368 | 7,870,075 |
| 5.845% Health Care Facilities Revenue Bonds, Series 2010B, due in quarterly installments of \$126,737 to September 2030, secured by future construction | 5,835,897 | - |
| 6.251% Health Care Facilities Revenue Bonds, Series 2011, due in quarterly installments of \$133,975 to September 2030, secured by future construction | 7,946,842 | - |
| 4.15% Municipal Industrial Development Act Revenue Bonds, Series 2007, due in monthly installments of \$32,721 to December 2017, secured by property and equipment (1) | 2,229,190 | 2,521,327 |
| 4.42% Municipal Industrial Development Revenue Bonds, Series 2005, due November 2010 | - | 276,042 |
| Variable rate note payable (3.375% at June 30, 2011), due in monthly installments of \$19,007 including interest, to January 2017, secured by building and leasehold improvements | 1,157,579 | 1,342,601 |

St. Alexius Medical Center and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

| | 2011 | 2010 |
|--|----------------------|----------------------|
| 4.38% Municipal Industrial Development Refunding Bonds, Series 2003, due in semi-annual installments of \$85,574, including interest, to December 2015 | 692,185 | 828,521 |
| 6.0% note payable, due in monthly installments of \$3,347, including interest, to March 2016, secured by building and leasehold improvements | 165,657 | 194,925 |
| 6.9% note payable to bank, due in monthly installments of \$9,280, to November 2012, secured by building | 149,882 | 247,221 |
| 5.5% note payable, due in monthly installments of \$16,301, including interest, to December 2014, secured by building | 634,865 | 790,868 |
| Non-interest bearing note payable, due in monthly installments of \$1,852, to April 2019, unsecured | 174,074 | 196,296 |
| Capital lease obligations, imputed interest of 5.21% to 7.22%, secured by equipment - Note 8 | 5,713,935 | 4,867,645 |
| Other notes payable | 44,475 | 53,075 |
| | <u>62,665,098</u> | <u>50,560,127</u> |
| Less current maturities | <u>(4,730,263)</u> | <u>(3,906,518)</u> |
| Long-term debt, less current maturities | <u>\$ 57,934,835</u> | <u>\$ 46,653,609</u> |

(1) The Municipal Industrial Development Act Revenue Bonds, Series 2007, initially had a variable interest rate of LIBOR plus one percent. However, in December 2007, the Medical Center entered into an interest rate swap contract that effectively converted the debt into a fixed rate of 4.15 percent. Under the swap contract, the Medical Center pays interest at LIBOR plus one percent and receives interest at a LIBOR rate plus one percent, the sum of which is multiplied by 69 percent.

The interest rate swap related to the Municipal Industrial Development Act Revenue Bonds, Series 2007, was issued at market terms so that it had no fair value at its inception. The carrying amount of the swap has been adjusted to its fair value at the end of the year which, because of changes in forecasted levels of LIBOR, resulted in reporting a liability of \$171,982 and \$203,225 at June 30, 2011 and 2010, for the fair value of the future net payments forecasted under the swap. The liability is classified as noncurrent since management does not intend to settle it during 2012. Since the critical terms of the swap and the note were the same, the swap was assumed to be completely effective as a hedge, and none of the change in its fair value was included in revenues in excess of expenses. Accordingly, all of the adjustment of the swap's carrying amount was reported as an other change in unrestricted net assets.

Long-term debt maturities are as follows:

| Year Ending June 30, | Amount |
|------------------------------|----------------------|
| 2012 | \$ 4,730,263 |
| 2013 | 4,711,946 |
| 2014 | 4,130,594 |
| 2015 | 3,592,452 |
| 2016 | 3,150,852 |
| Thereafter | 42,516,021 |
| Less original issue discount | <u>(167,030)</u> |
| Total | <u>\$ 62,665,098</u> |

Under the terms of the revenue bonds loan agreement, St. Alexius has made certain covenants in connection with the revenue bonds, including a covenant that income available for debt service coverage must equal at least 125 percent of the maximum annual debt service requirement on all funded debt. The loan agreements also place limits on the incurrence of additional borrowings.

Note 8 - Leases

St. Alexius leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capitalized leases and others as operating leases. Total rent expense for the years ended June 30, 2011 and 2010 for all operating leases was \$2,928,962 and \$2,676,767. The capitalized leased assets consist of:

| | 2011 | 2010 |
|--|---------------------|---------------------|
| Major movable equipment | \$ 9,534,894 | \$ 7,036,822 |
| Less accumulated amortization (included in depreciation and amortization in the accompanying financial statements) | (5,030,174) | (3,227,816) |
| | <u>\$ 4,504,720</u> | <u>\$ 3,809,006</u> |

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

| Year Ending June 30, | Capital Leases | Operating Leases |
|------------------------------|---------------------|---------------------|
| 2012 | \$ 2,231,032 | \$ 888,135 |
| 2013 | 2,231,032 | 181,762 |
| 2014 | 1,867,000 | 140,986 |
| 2015 | 876,892 | 142,890 |
| 2016 | 386,124 | 105,838 |
| Total minimum lease payments | 7,592,080 | <u>\$ 1,459,611</u> |
| Less interest | (1,878,145) | |
| | <u>\$ 5,713,935</u> | |

Note 9 - Temporarily Restricted Net Assets

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

| | 2011 | 2010 |
|----------------------|---------------------|---------------------|
| Health care services | | |
| Various programs | <u>\$ 1,451,212</u> | <u>\$ 1,227,045</u> |

In 2011 and 2010, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes in the amounts of \$255,482 and \$147,368. These amounts are included in other revenue and net assets released from restrictions in the accompanying financial statements.

Note 10 - Cooperative Laundry Facility

St. Alexius and Medcenter One, Inc. (an unrelated nonprofit organization) jointly own Central Dakota Hospital Laundry, Inc. (CDHL), a cooperative association that provides all laundry services for both hospitals. CDHL's operating costs, interest expense, debt payment requirements, and other specified funding requirements are allocated and charged to each facility based upon its proportionate share of the total pounds of laundry processed. St. Alexius' payments to CDHL were \$728,138 in 2011 and \$670,727 in 2010.

Note 11 - Pension Plan

St. Alexius has a defined contribution pension plan under which employees become participants upon reaching age 21 and completion of one year of service. Employee contributions up to the maximum allowed under the Internal Revenue Code and employer contributions of 3 percent of employee compensation are deposited with the plan trustee who invests the plan assets. Total pension plan expense for the years ended June 30, 2011 and 2010 was \$3,678,274 and \$3,462,105.

Note 12 - Concentrations of Credit Risk

St. Alexius grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients, and residents at June 30, 2011 and 2010 was as follows:

| | 2011 | 2010 |
|---|-------------|-------------|
| Medicare | 40% | 37% |
| Blue Cross | 15% | 14% |
| Commercial insurance | 8% | 7% |
| Medicaid | 9% | 11% |
| Other third-party payors, patients, and residents | 28% | 31% |
| | <u>100%</u> | <u>100%</u> |

St. Alexius' cash balances are maintained in various bank deposit accounts. At various times during the year, the balance of these deposits was in excess of federally insured limits.

Note 13 - Functional Expenses

St. Alexius provides general health care 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:

| | 2011 | 2010 |
|---|-----------------------|-----------------------|
| Patient and resident health care services | \$ 235,082,936 | \$ 222,940,329 |
| General and administrative | <u>31,270,422</u> | <u>29,121,847</u> |
| | <u>\$ 266,353,358</u> | <u>\$ 252,062,176</u> |

Note 14 - Fair Value of Assets and Liabilities

Assets and liabilities measured at fair value on a recurring basis at June 30, 2011 and 2010, respectively, are as follows:

| | 2011 | 2010 |
|--|----------------------|----------------------|
| Assets | | |
| Government obligations | \$ 7,980,726 | \$ 10,084,898 |
| U.S. Treasury obligations | 1,339,533 | 1,326,409 |
| Corporate bonds | 14,208,745 | 11,771,064 |
| Cash surrender value of life insurance | 149,241 | 153,171 |
| Pledges receivable | 11,220 | 15,120 |
| | <u>\$ 23,689,465</u> | <u>\$ 23,350,662</u> |
| Liabilities | | |
| Interest rate swap agreement | <u>\$ (171,982)</u> | <u>\$ (203,225)</u> |

The related fair values of these assets and liabilities are determined as follows:

| | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|--|---|--|-------------------------------------|
| June 30, 2011 | | | |
| Assets | | | |
| Government obligations | \$ 7,980,726 | \$ - | \$ - |
| U.S. Treasury obligations | 1,339,533 | - | - |
| Corporate bonds | 14,208,745 | - | - |
| Cash surrender value of life insurance | - | - | 149,241 |
| Pledges receivable | - | - | 11,220 |
| Total assets | <u>\$ 23,529,004</u> | <u>\$ -</u> | <u>\$ 160,461</u> |
| Liabilities | | | |
| Interest rate swap agreement | <u>\$ -</u> | <u>\$ (171,982)</u> | <u>\$ -</u> |
| June 30, 2010 | | | |
| Assets | | | |
| Government obligations | \$ 10,084,898 | \$ - | \$ - |
| U.S. Treasury obligations | 1,326,409 | - | - |
| Corporate bonds | 11,771,064 | - | - |
| Cash surrender value of life insurance | - | - | 153,171 |
| Pledges receivable | - | - | 15,120 |
| Total assets | <u>\$ 23,182,371</u> | <u>\$ -</u> | <u>\$ 168,291</u> |
| Liabilities | | | |
| Interest rate swap agreement | <u>\$ -</u> | <u>\$ (203,225)</u> | <u>\$ -</u> |

The fair values for government and U.S. Treasury obligations, corporate bonds, common stock, and mutual funds are determined by reference to quoted market prices. The fair value of the interest rate swap is based upon estimates of the related LIBOR swap rate during the term of the swap agreement.

Following is a reconciliation of activity for 2011 and 2010 for assets measured at fair value based upon significant unobservable (non-market) information.

| | Cash Surrender Value of Life Insurance | Pledges Receivable |
|--|--|-----------------------|
| Balance, June 30, 2009 | \$ 196,362 | \$ 16,800 |
| Increases due to the time value of money | 2,198 | - |
| Pledges received | - | 500 |
| Cash received on pledges receivable | - | (2,600) |
| Change in valuation allowance | - | 420 |
| | <hr/> | <hr/> |
| Balance, June 30, 2010 | 198,560 | 15,120 |
| Increases due to the time value of money | 681 | - |
| Cash received on life insurance | (50,000) | - |
| Pledges received | - | 375 |
| Cash received on pledges receivable | - | (5,250) |
| Change in valuation allowance | - | 975 |
| | <hr/> | <hr/> |
| Balance, June 30, 2011 | <u>\$ 149,241</u> | <u>\$ 11,220</u> |

Note 15 - Fair Value of Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash Equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

Accounts Receivable and Accounts Payable

Accounts receivable has been recorded at net realizable value which is believed to approximate fair value. Account payable approximates fair value because of the short time for which accounts payable are outstanding.

Investments

The fair value of U.S. Treasury, corporate, and government obligations is estimated based on quoted market prices for those or similar investments. For other investments, for which there are no quoted prices, a reasonable estimate of fair value could not be made without incurring excessive costs.

Long-Term Debt

The fair value of long-term debt is based on current traded value. Management has estimated the fair value of these obligations to be approximately \$62,078,000 and \$50,572,000 at June 30, 2011 and 2010.

Note 16 - Commitment and Contingencies

Lease Agreements

The Medical Center entered into a five-year lease and management agreement, renewable for up to three additional five-year terms, with Turtle Lake Community Hospital (Turtle Lake) during 1991. The current agreement with Turtle Lake expires in the year 2015.

Malpractice Insurance

St. Alexius has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$5 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Self-Funded Health Insurance

St. Alexius is self-insured for health and dental insurance. In connection therewith, St. Alexius charged to operations amounts representing the employer's portion of actual claims paid adjusted for the actuarially determined estimates of liabilities relating to claims resulting from services provided prior to the respective plan period. St. Alexius has a stop-loss policy that limits the organizations liability to \$75,000 per member. The liability relating to self-insured health and dental insurance was \$1,300,330 and \$1,268,185 at June 30, 2011 and 2010.

Litigations, Claims, and Disputes

St. Alexius is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigations, claims, and disputes in process will not be material to the financial position of St. Alexius.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient and resident services. Management believes that St. Alexius is in substantial compliance with current laws and regulations.

Note 17 - Subsequent Events

St. Alexius has evaluated subsequent events through September 22, 2011, the date which the financial statements were available to be issued. During this period, St. Alexius did not have any material recognizable subsequent events.



Consolidating and Supplementary Information
June 30, 2011 and 2010

St. Alexius Medical Center and Subsidiaries



Independent Auditor's Report on Consolidating and Supplementary Information

The Board of Directors
St. Alexius Medical Center and Subsidiaries
Bismarck, North Dakota

We have audited the financial statements of St. Alexius Medical Center and Subsidiaries as of and for the years ended June 30, 2011 and 2010, and our report thereon dated September 22, 2011, 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 such financial statements as a whole. The consolidating schedules on pages 23 through 30 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 and 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the years ended June 30, 2011 and 2010, as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheets of St. Alexius Medical Center and Subsidiaries as of June 30, 2009, 2008, and 2007, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended June 30, 2009 (none of which is presented herein), and we expressed unqualified opinions on those financial statements. Those audits were conducted for purposes of forming an opinion on the financial statements as a whole. The operational, statistical, and financial highlights on page 31 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2009, 2008, and 2007 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the operational, statistical, and financial highlights are fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Fargo, North Dakota
September 22, 2011

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St. Alexis Medical Center

| | St. Alexis Medical Center | Turtle Lake Community Hospital | Intracompany Eliminations | Total |
|--|---------------------------------|--------------------------------------|------------------------------|----------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 25,281,664 | \$ 21,819 | \$ - | \$ 25,303,483 |
| Assets limited as to use | 1,801,159 | - | - | 1,801,159 |
| Receivables | | | | |
| Patient and resident, net | 34,288,956 | 556,376 | - | 34,845,332 |
| Other | 30,026,949 | 42,531 | (1,677,382) | 28,392,098 |
| Supplies | 3,954,395 | 71,659 | - | 4,026,054 |
| Prepaid expenses | 1,098,119 | 9,396 | - | 1,107,515 |
| Total current assets | 96,451,242 | 701,781 | (1,677,382) | 95,475,641 |
| Assets Limited as to Use | | | | |
| Under bond indenture agreements | 5,026,692 | - | - | 5,026,692 |
| By Board for expansion and replacement | 35,852,720 | - | - | 35,852,720 |
| Total assets limited as to use | 40,879,412 | - | - | 40,879,412 |
| Property and Equipment, Net | 119,151,122 | 1,243,105 | - | 120,394,227 |
| Other Assets | | | | |
| Rental property, net | 7,725,548 | - | - | 7,725,548 |
| Land held for expansion | 1,789,429 | - | - | 1,789,429 |
| Deferred financing costs, net | 398,447 | - | - | 398,447 |
| Other investments | (15,760,689) | - | - | (15,760,689) |
| Total other assets | (5,847,265) | - | - | (5,847,265) |
| Total assets | \$ 250,634,511 | \$ 1,944,886 | \$ (1,677,382) | \$ 250,902,015 |

St. Alexius Medical Center and Subsidiaries
Consolidating Balance Sheet – Assets
June 30, 2011

| <u>Garrison Memorial Hospital</u> | <u>Heart and Lung</u> | <u>Total</u> | <u>Elimination Entries</u> | <u>Consolidated</u> |
|---|---------------------------|-----------------------|--------------------------------|-----------------------|
| \$ 81,353 | \$ (4,108) | \$ 25,380,728 | \$ - | \$ 25,380,728 |
| - | - | 1,801,159 | - | 1,801,159 |
| 933,660 | 1,614,577 | 37,393,569 | - | 37,393,569 |
| 20,713 | 95,859 | 28,508,670 | (26,055,506) | 2,453,164 |
| 187,143 | - | 4,213,197 | - | 4,213,197 |
| 44,585 | 79,388 | 1,231,488 | - | 1,231,488 |
| <u>1,267,454</u> | <u>1,785,716</u> | <u>98,528,811</u> | <u>(26,055,506)</u> | <u>72,473,305</u> |
| - | - | 5,026,692 | - | 5,026,692 |
| - | - | 35,852,720 | - | 35,852,720 |
| - | - | 40,879,412 | - | 40,879,412 |
| <u>2,679,356</u> | <u>350,408</u> | <u>123,423,991</u> | <u>-</u> | <u>123,423,991</u> |
| - | 52,500 | 7,778,048 | - | 7,778,048 |
| - | - | 1,789,429 | - | 1,789,429 |
| - | - | 398,447 | - | 398,447 |
| - | 90,848 | (15,669,841) | 23,372,405 | 7,702,564 |
| - | 143,348 | (5,703,917) | 23,372,405 | 17,668,488 |
| <u>\$ 3,946,810</u> | <u>\$ 2,279,472</u> | <u>\$ 257,128,297</u> | <u>\$ (2,683,101)</u> | <u>\$ 254,445,196</u> |

| | St Alexius Medical Center | | | |
|--|---------------------------------|--------------------------------------|------------------------------|----------------|
| | St Alexius Medical Center | Turtle Lake Community Hospital | Intracompany Eliminations | Total |
| Liabilities and Net Assets | | | | |
| Current Liabilities | | | | |
| Notes payable to bank | \$ 5,000,000 | \$ - | \$ - | \$ 5,000,000 |
| Current maturities of long-term debt | 4,587,890 | - | - | 4,587,890 |
| Accounts payable | | | | |
| Trade | 9,356,078 | 51,047 | - | 9,407,125 |
| Estimated third-party payor settlements | 6,805,247 | 31 | - | 6,805,278 |
| Related parties | - | 1,677,382 | (1,677,382) | - |
| Construction payables | 4,348,880 | - | - | 4,348,880 |
| Accrued expenses | | | | |
| Salaries and wages | 3,694,096 | - | - | 3,694,096 |
| Vacation pay | 5,982,346 | 204,576 | - | 6,186,922 |
| Professional fees | 823,378 | - | - | 823,378 |
| Interest | 676,406 | - | - | 676,406 |
| Payroll taxes and other | 632,771 | - | - | 632,771 |
| Insurance reserve | 1,300,330 | - | - | 1,300,330 |
| Total current liabilities | 43,207,422 | 1,933,036 | (1,677,382) | 43,463,076 |
| Obligation Under Interest Rate Swap Agreement | 171,982 | - | - | 171,982 |
| Long-Term Debt, Less Current Maturities | 57,385,023 | - | - | 57,385,023 |
| Total liabilities | 100,764,427 | 1,933,036 | (1,677,382) | 101,020,081 |
| Net Assets | | | | |
| Unrestricted | 148,418,872 | 11,850 | - | 148,430,722 |
| Temporarily restricted | 1,451,212 | - | - | 1,451,212 |
| Total net assets | 149,870,084 | 11,850 | - | 149,881,934 |
| Total liabilities and net assets | \$ 250,634,511 | \$ 1,944,886 | \$ (1,677,382) | \$ 250,902,015 |

St. Alexius Medical Center and Subsidiaries
Consolidating Balance Sheet – Liabilities and Net Assets
June 30, 2011

| <u>Garrison Memorial Hospital</u> | <u>Heart and Lung</u> | <u>Total</u> | <u>Elimination Entries</u> | <u>Consolidated</u> |
|---|---------------------------|----------------|--------------------------------|---------------------|
| \$ - | \$ - | \$ 5,000,000 | \$ - | \$ 5,000,000 |
| 142,373 | - | 4,730,263 | - | 4,730,263 |
| 277,435 | 91,901 | 9,776,461 | - | 9,776,461 |
| 290,000 | - | 7,095,278 | - | 7,095,278 |
| 495,530 | 25,559,976 | 26,055,506 | (26,055,506) | - |
| - | - | 4,348,880 | - | 4,348,880 |
| 253,149 | - | 3,947,245 | - | 3,947,245 |
| 223,432 | - | 6,410,354 | - | 6,410,354 |
| - | - | 823,378 | - | 823,378 |
| 746 | - | 677,152 | - | 677,152 |
| 37,398 | - | 670,169 | - | 670,169 |
| - | - | 1,300,330 | - | 1,300,330 |
| 1,720,063 | 25,651,877 | 70,835,016 | (26,055,506) | 44,779,510 |
| - | - | 171,982 | - | 171,982 |
| 549,812 | - | 57,934,835 | - | 57,934,835 |
| 2,269,875 | 25,651,877 | 128,941,833 | (26,055,506) | 102,886,327 |
| 1,676,935 | (23,372,405) | 126,735,252 | 23,372,405 | 150,107,657 |
| - | - | 1,451,212 | - | 1,451,212 |
| 1,676,935 | (23,372,405) | 128,186,464 | 23,372,405 | 151,558,869 |
| \$ 3,946,810 | \$ 2,279,472 | \$ 257,128,297 | \$ (2,683,101) | \$ 254,445,196 |

| | St. Alexis Medical Center | | | |
|---|---------------------------|--------------------------------|---------------------------|----------------|
| | St. Alexis Medical Center | Turtle Lake Community Hospital | Intracompany Eliminations | Total |
| Unrestricted Revenues, Gains and Other Support | | | | |
| Net patient and resident service revenue | \$ 234,959,844 | \$ 3,448,634 | \$ - | \$ 238,408,478 |
| Other revenue | 12,418,578 | 12,447 | | 12,431,025 |
| Total revenues, gains and other support | 247,378,422 | 3,461,081 | - | 250,839,503 |
| Expenses | | | | |
| Nursing services | 37,622,225 | 1,262,260 | - | 38,884,485 |
| Other professional services | 126,276,946 | 1,194,605 | - | 127,471,551 |
| General and administrative | 37,305,237 | 636,365 | - | 37,941,602 |
| Depreciation and amortization | 14,368,502 | 131,098 | - | 14,499,600 |
| Property and household | 8,271,040 | 175,807 | - | 8,446,847 |
| Provision for bad debts | 8,370,103 | 35,175 | - | 8,405,278 |
| Dietary | 3,219,239 | 172,506 | - | 3,391,745 |
| Interest | 2,522,786 | - | - | 2,522,786 |
| Total expenses | 237,956,078 | 3,607,816 | - | 241,563,894 |
| Operating Income (Loss) | 9,422,344 | (146,735) | - | 9,275,609 |
| Other Income | | | | |
| Investment income (loss) | 364,750 | 7,477 | - | 372,227 |
| Gain (loss) on sale of equipment | 50,078 | - | - | 50,078 |
| Other | 1,864,002 | 146,871 | (7,613) | 2,003,260 |
| Total other income | 2,278,830 | 154,348 | (7,613) | 2,425,565 |
| Revenues in Excess of (Less Than) Expenses | 11,701,174 | 7,613 | (7,613) | 11,701,174 |
| Changes in Unrealized Gains and Losses on Investments | 367,867 | - | - | 367,867 |
| Change in Fair Value of Interest Rate Swap Agreement | 31,243 | - | - | 31,243 |
| Contributions for Long-Lived Assets | 46,308 | 11,850 | - | 58,158 |
| Support from St. Alexis | - | (7,613) | 7,613 | - |
| Increase (Decrease) in Unrestricted Net Assets | \$ 12,146,592 | \$ 11,850 | \$ - | \$ 12,158,442 |

St. Alexius Medical Center and Subsidiaries
Consolidating Statement of Operations
Year Ended June 30, 2011

| Garrison Memorial Hospital | Heart and Lung | Total | Elimination Entries | Consolidated |
|----------------------------------|-------------------|----------------|------------------------|----------------|
| \$ 8,160,065 | \$ 12,276,939 | \$ 258,845,482 | \$ - | \$ 258,845,482 |
| 112,592 | 8,565 | 12,552,182 | 3,625,268 | 16,177,450 |
| 8,272,657 | 12,285,504 | 271,397,664 | 3,625,268 | 275,022,932 |
| 2,428,690 | 17,226 | 41,330,401 | - | 41,330,401 |
| 2,817,421 | 12,186,528 | 142,475,500 | (582,948) | 141,892,552 |
| 1,245,853 | 4,093,910 | 43,281,365 | (73,404) | 43,207,961 |
| 345,524 | 91,821 | 14,936,945 | - | 14,936,945 |
| 486,648 | 899,426 | 9,832,921 | (319,936) | 9,512,985 |
| 212,116 | (401,851) | 8,215,543 | - | 8,215,543 |
| 331,486 | - | 3,723,231 | - | 3,723,231 |
| 34,666 | - | 2,557,452 | - | 2,557,452 |
| 7,902,404 | 16,887,060 | 266,353,358 | (976,288) | 265,377,070 |
| 370,253 | (4,601,556) | 5,044,306 | 4,601,556 | 9,645,862 |
| 1,049 | - | 373,276 | - | 373,276 |
| (14,441) | - | 35,637 | - | 35,637 |
| 48,610 | - | 2,051,870 | - | 2,051,870 |
| 35,218 | - | 2,460,783 | - | 2,460,783 |
| 405,471 | (4,601,556) | 7,505,089 | 4,601,556 | 12,106,645 |
| - | - | 367,867 | - | 367,867 |
| - | - | 31,243 | - | 31,243 |
| - | - | 58,158 | - | 58,158 |
| - | - | - | - | - |
| \$ 405,471 | \$ (4,601,556) | \$ 7,962,357 | \$ 4,601,556 | \$ 12,563,913 |

| | St. Alexis Medical Center | | | |
|--|---------------------------------|--------------------------------------|------------------------------|----------------|
| | St. Alexis Medical Center | Turtle Lake Community Hospital | Intracompany Eliminations | Total |
| Unrestricted Net Assets | | | | |
| Revenues in excess of (less than) expenses | \$ 11,701,174 | \$ 7,613 | \$ (7,613) | \$ 11,701,174 |
| Changes in unrealized gains and losses on investments | 367,867 | - | - | 367,867 |
| Change in fair value of interest rate swap agreement | 31,243 | - | - | 31,243 |
| Contribution for long-lived assets | 46,308 | 11,850 | - | 58,158 |
| Support to St. Alexis | - | (7,613) | 7,613 | - |
| Increase (decrease) in unrestricted net assets | 12,146,592 | 11,850 | - | 12,158,442 |
| Temporarily Restricted Net Assets | | | | |
| Restricted contributions and interest | 479,649 | - | - | 479,649 |
| Net assets released from restrictions | (255,482) | - | - | (255,482) |
| Increase in temporarily restricted net assets | 224,167 | - | - | 224,167 |
| Change in Net Assets | 12,370,759 | 11,850 | - | 12,382,609 |
| Net Assets, Beginning of Year | 137,499,325 | - | - | 137,499,325 |
| Net Assets, End of Year | \$ 149,870,084 | \$ 11,850 | \$ - | \$ 149,881,934 |

St. Alexius Medical Center and Subsidiaries
Consolidating Statement of Changes in Net Assets
Year Ended June 30, 2011

| Garrison Memorial Hospital | Heart and Lung | Total | Elimination Entries | Consolidated |
|----------------------------------|------------------------|-----------------------|------------------------|-----------------------|
| \$ 405,471 | \$ (4,601,556) | \$ 7,505,089 | \$ 4,601,556 | \$ 12,106,645 |
| - | - | 367,867 | - | 367,867 |
| - | - | 31,243 | - | 31,243 |
| - | - | 58,158 | - | 58,158 |
| - | - | - | - | - |
| 405,471 | (4,601,556) | 7,962,357 | 4,601,556 | 12,563,913 |
| - | - | 479,649 | - | 479,649 |
| - | - | (255,482) | - | (255,482) |
| - | - | 224,167 | - | 224,167 |
| 405,471 | (4,601,556) | 8,186,524 | 4,601,556 | 12,788,080 |
| 1,271,464 | (18,770,849) | 119,999,940 | 18,770,849 | 138,770,789 |
| <u>\$ 1,676,935</u> | <u>\$ (23,372,405)</u> | <u>\$ 128,186,464</u> | <u>\$ 23,372,405</u> | <u>\$ 151,558,869</u> |

St Alexius Medical Center

| | St Alexius Medical Center | Turtle Lake Community Hospital | Intracompany Eliminations | Total |
|---|---------------------------------|--------------------------------------|------------------------------|----------------|
| <hr/> | | | | |
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 19,808,716 | \$ 111,254 | \$ - | \$ 19,919,970 |
| Assets limited as to use | 1,326,409 | - | - | 1,326,409 |
| Receivables | | | | |
| Patient and resident, net | 33,189,344 | 478,561 | - | 33,667,905 |
| Other | 25,279,422 | 43,073 | (1,621,634) | 23,700,861 |
| Supplies | 3,501,039 | 92,344 | - | 3,593,383 |
| Prepaid expenses | 1,624,294 | 15,498 | - | 1,639,792 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total current assets | 84,729,224 | 740,730 | (1,621,634) | 83,848,320 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Assets Limited as to Use Under Bond Indenture | | | | |
| Agreements | 4,857,840 | - | - | 4,857,840 |
| By Board for expansion and replacement | 31,483,478 | - | - | 31,483,478 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets limited as to use | 36,341,318 | - | - | 36,341,318 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Property and Equipment, Net | 94,185,987 | 1,166,030 | - | 95,352,017 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Other Assets | | | | |
| Rental property, net | 6,393,418 | - | - | 6,393,418 |
| Land held for expansion | 1,789,429 | - | - | 1,789,429 |
| Deferred financing costs, net | 439,060 | - | - | 439,060 |
| Other investments | (12,286,983) | - | - | (12,286,983) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total other assets | (3,665,076) | - | - | (3,665,076) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | \$ 211,591,453 | \$ 1,906,760 | \$ (1,621,634) | \$ 211,876,579 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

St. Alexius Medical Center and Subsidiaries
Consolidating Balance Sheet – Assets
June 30, 2010

| <u>Garrison Memorial Hospital</u> | <u>Heart and Lung</u> | <u>Total</u> | <u>Elimination Entries</u> | <u>Consolidated</u> |
|---|---------------------------|-----------------------|--------------------------------|-----------------------|
| \$ 59,725 | \$ (1,084) | \$ 19,978,611 | \$ - | \$ 19,978,611 |
| - | - | 1,326,409 | - | 1,326,409 |
| 835,727 | 2,003,360 | 36,506,992 | - | 36,506,992 |
| 20,298 | 64,600 | 23,785,759 | (22,222,621) | 1,563,138 |
| 191,547 | - | 3,784,930 | - | 3,784,930 |
| 66,718 | 81,883 | 1,788,393 | - | 1,788,393 |
| <u>1,174,015</u> | <u>2,148,759</u> | <u>87,171,094</u> | <u>(22,222,621)</u> | <u>64,948,473</u> |
| - | - | 4,857,840 | - | 4,857,840 |
| - | - | 31,483,478 | - | 31,483,478 |
| - | - | 36,341,318 | - | 36,341,318 |
| <u>2,643,457</u> | <u>209,651</u> | <u>98,205,125</u> | <u>-</u> | <u>98,205,125</u> |
| - | 87,500 | 6,480,918 | - | 6,480,918 |
| - | - | 1,789,429 | - | 1,789,429 |
| - | - | 439,060 | - | 439,060 |
| - | 97,578 | (12,189,405) | 18,770,849 | 6,581,444 |
| - | 185,078 | (3,479,998) | 18,770,849 | 15,290,851 |
| <u>\$ 3,817,472</u> | <u>\$ 2,543,488</u> | <u>\$ 218,237,539</u> | <u>\$ (3,451,772)</u> | <u>\$ 214,785,767</u> |

| | St Alexius Medical Center | | | |
|--|---------------------------------|--------------------------------------|------------------------------|----------------|
| | St Alexius Medical Center | Turtle Lake Community Hospital | Intracompany Eliminations | Total |
| Liabilities and Net Assets | | | | |
| Current Liabilities | | | | |
| Notes payable to bank | \$ - | \$ - | \$ - | \$ - |
| Current maturities of long-term debt | 3,770,182 | - | - | 3,770,182 |
| Accounts payable | | | | |
| Trade | 7,797,767 | 52,799 | - | 7,850,566 |
| Estimated third-party payor settlements | 2,500,145 | 43,996 | - | 2,544,141 |
| Related parties | - | 1,621,634 | (1,621,634) | - |
| Construction payables | 1,361,594 | - | - | 1,361,594 |
| Accrued expenses | | | | |
| Salaries and wages | 3,147,131 | - | - | 3,147,131 |
| Vacation pay | 5,667,700 | 188,331 | - | 5,856,031 |
| Professional fees | 860,000 | - | - | 860,000 |
| Interest | 698,728 | - | - | 698,728 |
| Payroll taxes and other | 856,047 | - | - | 856,047 |
| Insurance reserve | 1,268,185 | - | - | 1,268,185 |
| Total current liabilities | 27,927,479 | 1,906,760 | (1,621,634) | 28,212,605 |
| Obligation Under Interest Rate Swap Agreement | 203,225 | - | - | 203,225 |
| Long-Term Debt, Less Current Maturities | 45,961,424 | - | - | 45,961,424 |
| Total liabilities | 74,092,128 | 1,906,760 | (1,621,634) | 74,377,254 |
| Net Assets | | | | |
| Unrestricted | 136,272,280 | - | - | 136,272,280 |
| Temporarily restricted | 1,227,045 | - | - | 1,227,045 |
| Total net assets | 137,499,325 | - | - | 137,499,325 |
| Total liabilities and net assets | \$ 211,591,453 | \$ 1,906,760 | \$ (1,621,634) | \$ 211,876,579 |

St. Alexius Medical Center and Subsidiaries
Consolidating Balance Sheet – Liabilities and Net Assets
June 30, 2010

| <u>Garrison Memorial Hospital</u> | <u>Heart and Lung</u> | <u>Total</u> | <u>Elimination Entries</u> | <u>Consolidated</u> |
|---|---------------------------|-----------------------|--------------------------------|-----------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| 136,336 | - | 3,906,518 | - | 3,906,518 |
| 179,395 | 82,396 | 8,112,357 | - | 8,112,357 |
| 172,000 | - | 2,716,141 | - | 2,716,141 |
| 990,680 | 21,231,941 | 22,222,621 | (22,222,621) | - |
| - | - | 1,361,594 | - | 1,361,594 |
| 137,188 | - | 3,284,319 | - | 3,284,319 |
| 202,210 | - | 6,058,241 | - | 6,058,241 |
| - | - | 860,000 | - | 860,000 |
| 892 | - | 699,620 | - | 699,620 |
| 35,122 | - | 891,169 | - | 891,169 |
| - | - | 1,268,185 | - | 1,268,185 |
| 1,853,823 | 21,314,337 | 51,380,765 | (22,222,621) | 29,158,144 |
| - | - | 203,225 | - | 203,225 |
| 692,185 | - | 46,653,609 | - | 46,653,609 |
| 2,546,008 | 21,314,337 | 98,237,599 | (22,222,621) | 76,014,978 |
| 1,271,464 | (18,770,849) | 118,772,895 | 18,770,849 | 137,543,744 |
| - | - | 1,227,045 | - | 1,227,045 |
| 1,271,464 | (18,770,849) | 119,999,940 | 18,770,849 | 138,770,789 |
| <u>\$ 3,817,472</u> | <u>\$ 2,543,488</u> | <u>\$ 218,237,539</u> | <u>\$ (3,451,772)</u> | <u>\$ 214,785,767</u> |

| | St. Alexius Medical Center | | | |
|--|----------------------------|--------------------------------|---------------------------|----------------|
| | St. Alexius Medical Center | Turtle Lake Community Hospital | Intracompany Eliminations | Total |
| Unrestricted Revenues, Gains and Other Support | | | | |
| Net patient and resident service revenue | \$ 221,728,232 | \$ 3,352,322 | \$ - | \$ 225,080,554 |
| Other revenue | 12,312,287 | 10,918 | - | 12,323,205 |
| Total revenues, gains and other support | 234,040,519 | 3,363,240 | - | 237,403,759 |
| Expenses | | | | |
| Nursing services | 35,759,741 | 1,218,983 | - | 36,978,724 |
| Other professional services | 119,338,283 | 1,121,823 | - | 120,460,106 |
| General and administrative | 35,333,166 | 629,362 | - | 35,962,528 |
| Depreciation and amortization | 13,199,837 | 111,757 | - | 13,311,594 |
| Property and household | 7,543,008 | 194,133 | - | 7,737,141 |
| Provision for bad debts | 8,261,183 | 32,235 | - | 8,293,418 |
| Dietary | 3,067,795 | 175,115 | - | 3,242,910 |
| Interest | 2,492,368 | - | - | 2,492,368 |
| Total expenses | 224,995,381 | 3,483,408 | - | 228,478,789 |
| Operating Income (Loss) | 9,045,138 | (120,168) | - | 8,924,970 |
| Other Income (Loss) | | | | |
| Investment income | 330,280 | 3,162 | - | 333,442 |
| Gain (loss) on sale of equipment | (87,111) | - | - | (87,111) |
| Other | 1,447,041 | 122,730 | (5,724) | 1,564,047 |
| Other income, net | 1,690,210 | 125,892 | (5,724) | 1,810,378 |
| Revenues in Excess of (Less Than) Expenses | 10,735,348 | 5,724 | (5,724) | 10,735,348 |
| Change in Unrealized Gains and Losses on Investments | 274,263 | - | - | 274,263 |
| Change in Fair Value of Interest Rate Swap Agreement | (32,664) | - | - | (32,664) |
| Contributions for Long-Lived Assets | 65,788 | - | - | 65,788 |
| Support from St. Alexius | - | (5,724) | 5,724 | - |
| Increase (Decrease) in Unrestricted Net Assets | \$ 11,042,735 | \$ - | \$ - | \$ 11,042,735 |

St. Alexius Medical Center and Subsidiaries
Consolidating Statement of Operations
Year Ended June 30, 2010

| <u>Garrison Memorial Hospital</u> | <u>Heart and Lung</u> | <u>Total</u> | <u>Elimination Entries</u> | <u>Consolidated</u> |
|---|---------------------------|---------------------|--------------------------------|----------------------|
| \$ 7,437,187 | \$ 12,071,295 | \$ 244,589,036 | \$ - | \$ 244,589,036 |
| 93,185 | 42,614 | 12,459,004 | 3,242,415 | 15,701,419 |
| <u>7,530,372</u> | <u>12,113,909</u> | <u>257,048,040</u> | <u>3,242,415</u> | <u>260,290,455</u> |
| 2,404,113 | - | 39,382,837 | - | 39,382,837 |
| 2,359,141 | 10,421,018 | 133,240,265 | (537,944) | 132,702,321 |
| 1,196,838 | 5,027,506 | 42,186,872 | (75,347) | 42,111,525 |
| 329,535 | 81,558 | 13,722,687 | - | 13,722,687 |
| 483,200 | 905,524 | 9,125,865 | (307,453) | 8,818,412 |
| 170,527 | (158,538) | 8,305,407 | - | 8,305,407 |
| 322,512 | - | 3,565,422 | - | 3,565,422 |
| 40,453 | - | 2,532,821 | - | 2,532,821 |
| <u>7,306,319</u> | <u>16,277,068</u> | <u>252,062,176</u> | <u>(920,744)</u> | <u>251,141,432</u> |
| 224,053 | (4,163,159) | 4,985,864 | 4,163,159 | 9,149,023 |
| 1,289 | - | 334,731 | - | 334,731 |
| 91,431 | - | 4,320 | - | 4,320 |
| 8,776 | - | 1,572,823 | - | 1,572,823 |
| <u>101,496</u> | <u>-</u> | <u>1,911,874</u> | <u>-</u> | <u>1,911,874</u> |
| 325,549 | (4,163,159) | 6,897,738 | 4,163,159 | 11,060,897 |
| - | - | 274,263 | - | 274,263 |
| - | - | (32,664) | - | (32,664) |
| - | - | 65,788 | - | 65,788 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 325,549</u> | <u>\$ (4,163,159)</u> | <u>\$ 7,205,125</u> | <u>\$ 4,163,159</u> | <u>\$ 11,368,284</u> |

| | St. Alexis Medical Center | | | |
|--|---------------------------|--------------------------------|---------------------------|----------------|
| | St. Alexis Medical Center | Turtle Lake Community Hospital | Intracompany Eliminations | Total |
| Unrestricted Net Assets | | | | |
| Revenues in excess of (less than) expenses | \$ 10,735,348 | \$ 5,724 | \$ (5,724) | \$ 10,735,348 |
| Change in unrealized gains and losses on investments | 274,263 | - | - | 274,263 |
| Change in fair value of interest rate swap agreement | (32,664) | - | - | (32,664) |
| Contribution for long-lived assets | 65,788 | - | - | 65,788 |
| Support to St. Alexis | - | (5,724) | 5,724 | - |
| Increase (decrease) in unrestricted net assets | 11,042,735 | - | - | 11,042,735 |
| Temporarily Restricted Net Assets | | | | |
| Restricted contributions and interest | 322,059 | - | - | 322,059 |
| Net assets released from restrictions | (147,368) | - | - | (147,368) |
| Increase in temporarily restricted net assets | 174,691 | - | - | 174,691 |
| Change in Net Assets | 11,217,426 | - | - | 11,217,426 |
| Net Assets, Beginning of Year | 126,281,899 | - | - | 126,281,899 |
| Net Assets, End of Year | \$ 137,499,325 | \$ - | \$ - | \$ 137,499,325 |

St. Alexius Medical Center and Subsidiaries
Consolidating Statement of Changes in Net Assets
Year Ended June 30, 2010

| Garrison Memorial Hospital | Heart and Lung | Total | Elimination Entries | Consolidated |
|----------------------------------|-------------------|----------------|------------------------|----------------|
| \$ 325,549 | \$ (4,163,159) | \$ 6,897,738 | \$ 4,163,159 | \$ 11,060,897 |
| - | - | 274,263 | - | 274,263 |
| - | - | (32,664) | - | (32,664) |
| - | - | 65,788 | - | 65,788 |
| - | - | - | - | - |
| 325,549 | (4,163,159) | 7,205,125 | 4,163,159 | 11,368,284 |
| - | - | 322,059 | - | 322,059 |
| - | - | (147,368) | - | (147,368) |
| - | - | 174,691 | - | 174,691 |
| 325,549 | (4,163,159) | 7,379,816 | 4,163,159 | 11,542,975 |
| 945,915 | (14,607,690) | 112,620,124 | 14,607,690 | 127,227,814 |
| \$ 1,271,464 | \$ (18,770,849) | \$ 119,999,940 | \$ 18,770,849 | \$ 138,770,789 |

St. Alexius Medical Center and Subsidiaries
Operational, Statistical, and Financial Highlights
Five Years Ended June 30, 2011

| | 2011 | 2010 | 2009 (\$000's omitted) | 2008 | 2007 |
|---|------------|------------|---------------------------|------------|------------|
| Operational | | | | | |
| Unrestricted Revenues, Gains and Other Support | | | | | |
| Patient and resident service revenue | | | | | |
| Inpatient services | \$ 268 770 | \$ 266 738 | \$ 251 533 | \$ 229 599 | \$ 213 194 |
| Outpatient services | 251 952 | 232 199 | 220 370 | 190 593 | 169 501 |
| Home Care services | 6 721 | 6 462 | 5 366 | 5 695 | 4 367 |
| Rehabilitation services | 9 435 | 9 516 | 7 985 | 7 934 | 7 533 |
| Less charity care | (5 552) | (3 985) | (3 245) | (2 630) | (2 265) |
| Total patient and resident service revenue | 531 326 | 510 930 | 482 009 | 431 191 | 392 330 |
| Contractual adjustments | (272 481) | (266 341) | (254 442) | (222 050) | (200 656) |
| Net patient and resident service revenue | 258 845 | 244 589 | 227 567 | 209 141 | 191 674 |
| Other revenue | 16 178 | 15 701 | 15 765 | 14 854 | 15 185 |
| Total revenues, gains and other support | 275 023 | 260 290 | 243 332 | 223 995 | 206 859 |
| Expenses | | | | | |
| Salaries and wages | 122 651 | 92 230 | 87 784 | 83 442 | 80 277 |
| Supplies and other | 125 232 | 142 655 | 132 849 | 120 758 | 107 988 |
| Depreciation and amortization | 14 937 | 13 723 | 12 492 | 12 021 | 11 749 |
| Interest | 2 557 | 2 533 | 1 943 | 1 746 | 1 623 |
| Total expenses | 265 377 | 251 141 | 235 068 | 217 967 | 201 637 |
| Operating Income | 9 646 | 9 149 | 8 264 | 6 028 | 5 222 |
| Other Income (Loss) | 2 461 | 1 912 | (2 656) | 1 932 | 1 679 |
| Revenues in Excess of Expenses | \$ 12 107 | \$ 11 061 | \$ 5 608 | \$ 7 960 | \$ 6 901 |
| Statistical | | | | | |
| Number of acute beds at year-end (staffed) | 292 | 292 | 292 | 292 | 292 |
| Available bed days | 106 580 | 106 580 | 106 580 | 106 872 | 106 580 |
| Patient days | | | | | |
| Acute | 41 884 | 43 093 | 44 202 | 44 148 | 42 581 |
| Swing bed | 9 295 | 11 660 | 13 143 | 12 710 | 13 052 |
| Percent of occupancy | 48.0% | 51.4% | 53.8% | 53.2% | 52.2% |
| Number of nursing home beds | 45 | 45 | 45 | 45 | 45 |
| Available nursing bed days | 16 425 | 16 425 | 16 425 | 16 470 | 16 425 |
| Resident days | 15 747 | 14 486 | 14 479 | 14 121 | 13 242 |
| Percentage of occupancy | 95.9% | 88.2% | 88.2% | 85.7% | 80.6% |
| Discharges (acute) | 10 253 | 10 605 | 10 091 | 10 141 | 9 777 |
| Average acute length of stay in days | 4.1 | 4.1 | 4.4 | 4.4 | 4.4 |
| Financial | | | | | |
| Current ratio | 1.6 | 2.2 | 2.4 | 2.3 | 2.4 |
| Days revenue in patient and resident receivables | 53 | 54 | 55 | 61 | 62 |