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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
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
BILLINGS CLINIC

Doing Business As

Number and street (or P O box if mail is not delivered to street address)
2800 Tenth Avenue North

Room/suite

City or town, state or country, and ZIP + 4
Billings, MT 59101

D Employer identification number
81-0231784

E Telephone number
(406) 238-2500

G Gross receipts $ 1,091,195,196

F Name and address of principal officer
Nicholas Wolter MD
2800 Tenth Avenue N
Billings, MT 59101

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

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

J Website: ▶ billingsclinic com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1907

M State of legal domicile MT

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Billings Clinic will be a national leader in providing the best clinical quality, patient safety, service and value

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	3,893
6	Total number of volunteers (estimate if necessary)	**6**	248
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	5,393,358
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	118,877

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	5,252,157	3,799,079
	9 Program service revenue (Part VIII, line 2g)	486,738,291	501,834,997
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	4,176,066	11,022,251
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	13,867,154	16,685,027
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	510,033,668	533,341,354
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	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)	262,345,592	269,671,198
	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)	224,834,233	235,125,312
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	487,179,825	504,796,510
	19 Revenue less expenses Subtract line 18 from line 12	22,853,843	28,544,844

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	497,625,440	534,176,825
	21 Total liabilities (Part X, line 26)	231,421,885	227,968,706
	22 Net assets or fund balances Subtract line 21 from line 20	266,203,555	306,208,119

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 — Date: 2012-05-15

Connie F Prewitt CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ☐	PTIN
Firm's name ▶				Firm's EIN ▶
Firm's address ▶				Phone no ▶

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Billings Clinic is a not for profit healthcare organization serving the nearly 600,000 residents of eastern and south-central Montana, northern Wyoming and the western Dakotas Billings Clinic operates a multi-specilty group practice in Billings and in six regional locations, an acute care hospital and long term care facility Their mission is healthcare, education and research

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

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

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a	(Code	) (Expenses $	180,207,783	including grants of $	0) (Revenue $	282,694,101)	
	Hospital patient care						
4b	(Code	) (Expenses $	180,804,402	including grants of $	0) (Revenue $	192,785,005)	
	Clinic patient care						
4c	(Code	) (Expenses $	11,157,663	including grants of $	0) (Revenue $	7,677,754)	
	Nursing home patient care						
4d	Other program services (Describe in Schedule O) **See also Additional Data for Description**						
	(Expenses $	7,454,296	including grants of $	0) (Revenue $	17,529,502)		
4e	**Total program service expenses** ▶ $	379,624,144					

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
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*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		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*	9		No
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*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	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*	12a	Yes	
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*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		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*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**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? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**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? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☑ Yes ☐ No			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**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? *If "Yes," complete Schedule R, Part VI*	**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 . . . . . .

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	230		
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, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	3,893		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	12		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	9		
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		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		7a		No
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

Connie F Prewitt
2800 Tenth Avenue North
Billings, MT 59101
(406) 238-2134

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) W Ballard Board member	2	X						7,500	0	0
(2) D Brown Board member	2	X						0	0	6,725
(3) E Fulton Board member	2	X						0	0	3,016
(4) T Hathaway Board member	2	X						0	0	7,961
(5) L Knight Board member	2	X						12,000	0	0
(6) P Nance Board member	2	X						7,500	0	0
(7) J Ott Board member	2	X						0	0	6,451
(8) L Overstreet Board member	2	X						0	0	7,961
(9) M Schaer Board member	2	X						12,000	0	0
(10) J Shepard Lovell Board member	2	X						0	0	4,613
(11) Dr J Millikan Baord member/physician	95	X						552,827	0	37,557
(12) Dr C McCracken Board member/physician	75 00	X						290,421	0	32,836
(13) Dr N Wolter CEO	60			X				660,565	0	181,021
(14) C Prewitt CFO	68			X				307,503	0	52,964
(15) D Ebel CFO	1			X				20,555	0	0
(16) Dr Wentzell Dermatologic surgeon	50					X		1,124,787	0	34,369

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) Dr Morone Neurologic surgeon	75 00					X		985,119	0	32,047
(18) Dr Purcell Oncologist/hemotologist	70 00					X		927,888	0	32,949
(19) Dr Sample Interventional cardiologist	100 00					X		826,025	0	32,214
(20) Dr Lindenbaum Radiologist	50 00					X		796,772	0	32,003
(21) Dr Knostman Former board member	0						X	11,714	0	835
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								6,543,176	0	505,522

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 ▶ 319

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
Sodexo C/O Billings Clinic Billings, MT 59101	Patient food service	5,025,851
MD Network Box 731 Cody, WY 82414	Transcription services	2,095,433
Healthcare Resource Group 12610 E Mirabeau Parkway Suite 800 Spokane Valley, WA 99216	Temporary staffing	1,921,533
Weatherby Locums Inc PO Box 972633 Dallas, TX 75397	Professional staffing	1,716,543
Bauer Construction 148 Hallowell Lane Billings, MT 59101	Building contractor	1,363,753

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 ▶ 38

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	0				
	b	Membership dues	0				
	c	Fundraising events	0				
	d	Related organizations	3,799,079				
	e	Government grants (contributions)	0				
	f	All other contributions, gifts, grants, and similar amounts not included above	0				
	g	Noncash contributions included in lines 1a-1f $	0				
	h	**Total.** Add lines 1a-1f		3,799,079			
Program Service Revenue			Business Code				
	2a	Patient service revenue	622000	496,441,639	496,441,639	0	0
	b	Reference lab	621500	3,614,459	0	3,614,459	0
	c	IT services to other hospitals	541519	1,148,047	0	1,148,047	0
	d	Optical shop	446130	630,264	0	630,264	0
	e	Partnership income related to program service	541900	588	0	588	0
	f	All other program service revenue		0	0	0	0
	g	**Total.** Add lines 2a–2f		501,834,997			
	3	Investment income (including dividends, interest and other similar amounts)		5,777,894	0	0	5,777,894
	4	Income from investment of tax-exempt bond proceeds		0	0	0	0
	5	Royalties		0	0	0	0
			(i) Real / (ii) Personal				
	6a	Gross Rents	68,849 / 0				
	b	Less rental expenses	101,211 / 0				
	c	Rental income or (loss)	-32,362 / 0				
	d	Net rental income or (loss)		-32,362	0	0	-32,362
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	562,139,723 / 537,166				
	b	Less cost or other basis and sales expenses	556,830,883 / 601,649				
	c	Gain or (loss)	5,308,840 / -64,483				
	d	Net gain or (loss)		5,244,357	0	0	5,244,357
Other Revenue	8a	Gross income from fundraising events (not including $ 0 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	458,024				
	b	Less cost of goods sold b	320,099				
	c	Net income or (loss) from sales of inventory		137,925	0	0	137,925
		Miscellaneous Revenue	Business Code				
	11a	Insurance premiums	524298	6,819,037	6,819,037	0	0
	b	Share of JV	621300	945,708	945,708	0	0
	c						
	d	All other revenue		8,814,719	8,814,719	0	0
	e	**Total.** Add lines 11a–11d		16,579,464			
	12	**Total revenue.** See Instructions		533,341,354	513,021,103	5,393,358	11,127,814

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	0	0		
2 Grants and other assistance to individuals in the U S See Part IV, line 22	0	0		
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0	0		
4 Benefits paid to or for members	0	0		
5 Compensation of current officers, directors, trustees, and key employees	2,242,033	0	2,242,033	0
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0	0	0	0
7 Other salaries and wages	222,925,838	181,367,104	41,558,734	0
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	10,619,638	8,633,793	1,985,845	0
9 Other employee benefits	19,995,413	14,286,553	5,708,860	0
10 Payroll taxes	13,888,276	10,837,236	3,051,040	0
a Fees for services (non-employees) Management	0	0	0	0
b Legal	1,350,911	2,375	1,348,536	0
c Accounting	182,158	0	182,158	0
d Lobbying	37,524	0	37,524	0
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees	846,809	0	846,809	0
g Other	31,835,921	10,505,061	21,330,860	0
12 Advertising and promotion	994,706	139,339	855,367	0
13 Office expenses	92,227,877	88,164,821	4,063,056	0
14 Information technology	5,494,653	463,233	5,031,420	0
15 Royalties	0	0	0	0
16 Occupancy	6,400,757	3,451,592	2,949,165	0
17 Travel	2,474,418	1,589,867	884,551	0
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0	0	0	0
19 Conferences, conventions, and meetings	321,995	118,837	203,158	0
20 Interest	11,325,346	99,811	11,225,535	0
21 Payments to affiliates	0	0	0	0
22 Depreciation, depletion, and amortization	17,097,750	13,249,267	3,848,483	0
23 Insurance	15,165,636	4,572,896	10,592,740	0
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 Recruitment	1,661,887	5,805	1,656,082	0
b Bad debt	36,589,311	36,259,311	330,000	0
c Bed tax	3,453,397	280,947	3,172,450	0
d Dues and fees	980,483	163,626	816,857	0
e Repairs	6,102,137	4,946,511	1,155,626	0
f All other expenses	581,636	486,159	95,477	0
25 **Total functional expenses.** Add lines 1 through 24f	504,796,510	379,624,144	125,172,366	0
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		17,087,854	1	10,559,381
	2	Savings and temporary cash investments		21,883,719	2	21,303,735
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		68,297,133	4	67,931,288
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	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		0	6	0
	7	Notes and loans receivable, net		8,546,299	7	8,704,883
	8	Inventories for sale or use		6,794,151	8	6,505,363
	9	Prepaid expenses and deferred charges		5,524,333	9	5,380,977
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 408,241,254			
	b	Less accumulated depreciation	10b 212,978,957	186,707,728	10c	195,262,297
	11	Investments—publicly traded securities		139,090,983	11	171,354,595
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		12,191,155	13	11,657,517
	14	Intangible assets		3,722,305	14	3,222,544
	15	Other assets See Part IV, line 11		27,779,780	15	32,294,245
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		497,625,440	16	534,176,825
Liabilities	17	Accounts payable and accrued expenses		47,708,467	17	48,962,844
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		144,839,706	20	137,531,015
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		2,531,045	23	6,327,042
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities Complete Part X of Schedule D		36,342,667	25	35,147,805
	26	**Total liabilities.** Add lines 17 through 25		231,421,885	26	227,968,706
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		240,597,129	27	279,868,321
	28	Temporarily restricted net assets		7,725,992	28	7,316,156
	29	Permanently restricted net assets		17,880,434	29	19,023,642
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		266,203,555	33	306,208,119
	34	Total liabilities and net assets/fund balances		497,625,440	34	534,176,825

Part XI Reconcilliation 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	533,341,354
2	Total expenses (must equal Part IX, column (A), line 25)	2	504,796,510
3	Revenue less expenses Subtract line 2 from line 1	3	28,544,844
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	266,203,555
5	Other changes in net assets or fund balances (explain in Schedule O)	5	11,459,720
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	306,208,119

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	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	2c	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 ☐ Separate basis ☐ Consolidated basis ☑ 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?	3a		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	3b		

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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
BILLINGS CLINIC

Employer identification number
81-0231784

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?

	Yes	No
(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? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

(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? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
Total									

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

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in)	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	**17**	
18	Investment income percentage from **2009** Schedule A, Part III, line 17	**18**	

19a **33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

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

Additional Data

Software ID: 10000077
Software Version: v1.00
EIN: 81-0231784
Name: BILLINGS CLINIC

Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services

(Code) (Expenses $ 7,454,296 including grants of $ 0) (Revenue $ 17,529,502)
See Schedule O, statement 1

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ **Complete if the organization is described below.**
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
BILLINGS CLINIC	81-0231784

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $

3 Volunteer hours

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

A Check ☐ if the filing organization belongs to an affiliated group
B Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)	0	
b Total lobbying expenditures to influence a legislative body (direct lobbying)	37,524	
c Total lobbying expenditures (add lines 1a and 1b)	37,524	
d Other exempt purpose expenditures	504,758,986	
e Total exempt purpose expenditures (add lines 1c and 1d)	504,796,510	
f Lobbying nontaxable amount Enter the amount from the following table in both columns	1,000,000	
g Grassroots nontaxable amount (enter 25% of line 1f)	250,000	
h Subtract line 1g from line 1a If zero or less, enter -0-	0	
i Subtract line 1f from line 1c If zero or less, enter -0-	0	

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					6,000,000
c Total lobbying expenditures	136,064	105,276	21,245	37,524	300,109
d Grassroots non-taxable amount	250,000	250,000	250,000	250,000	1,000,000
e Grassroots ceiling amount (150% of line 2d, column (e))					1,500,000
f Grassroots lobbying expenditures	0	0	0	0	0

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

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

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation

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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
BILLINGS CLINIC

Employer identification number
81-0231784

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

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

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

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b Assets included in Form 990, Part X ▶ $ _____

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

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

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table

		Amount
c	Beginning balance	1c
d	Additions during the year	1d
e	Distributions during the year	1e
f	Ending balance	1f

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV

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

		(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a	Beginning of year balance	19,640,069	18,575,246	1,781,249		
b	Contributions	605,720	665,198	1,048,699		
c	Investment earnings or losses	781,122	399,625	-197,238		
d	Grants or scholarships	0	0	0		
e	Other expenditures for facilities and programs	0	0	0		
f	Administrative expenses	0	0	0		
g	End of year balance	21,026,911	19,640,069	2,632,710		

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

- a Board designated or quasi-endowment ▶ 10 %
- b Permanent endowment ▶ 90 %
- c Term endowment ▶ 0 %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

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

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

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

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	0	17,998,001		17,998,001
b Buildings	0	150,196,046	59,104,941	91,091,105
c Leasehold improvements	0	1,374,959	1,131,838	243,121
d Equipment	0	205,217,322	145,114,848	60,102,474
e Other	0	33,454,926	7,627,330	25,827,596
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				195,262,297

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) Beneficial interest in Billings Clinic Foundation	32,294,245
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	32,294,245

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
Swap valuation	19,210,571
Provision for unpaid claims	9,294,689
Estimated claims	6,642,545
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	35,147,805

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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	533,341,354
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	504,796,510
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	28,544,844
4	Net unrealized gains (losses) on investments	4	11,458,970
5	Donated services and use of facilities	5	0
6	Investment expenses	6	0
7	Prior period adjustments	7	0
8	Other (Describe in Part XIV)	8	750
9	Total adjustments (net) Add lines 4 - 8	9	11,459,720
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	40,004,564

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	535,472,699
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	11,458,970		
b	Donated services and use of facilities	2b	750		
c	Recoveries of prior year grants	2c	0		
d	Other (Describe in Part XIV)	2d	91		
e	Add lines **2a** through **2d**			2e	11,459,811
3	Subtract line **2e** from line **1**			3	524,012,888
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	846,809		
b	Other (Describe in Part XIV)	4b	8,481,657		
c	Add lines **4a** and **4b**			4c	9,328,466
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	533,341,354

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

1	Total expenses and losses per audited financial statements			1	495,470,747
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a	0		
b	Prior year adjustments	2b	0		
c	Other losses	2c	0		
d	Other (Describe in Part XIV)	2d	98		
e	Add lines **2a** through **2d**			2e	98
3	Subtract line **2e** from line **1**			3	495,470,649
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	846,809		
b	Other (Describe in Part XIV)	4b	8,479,052		
c	Add lines **4a** and **4b**			4c	9,325,861
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	504,796,510

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
SchD_P05_S00_L04	Schedule D, Part V, Line 4	Schedule D, Part V, Line 4 - Endowment funds are to be invested and held in perpetuity to provide a source of income for Billings Clinic programs and needs
SchD_P10_S00_L02	Schedule D, Part X, Line 2	There is no footnote
SchD_P11_S00_L08	Schedule D, Part XI, Line 8	Transfer of donated equipment from Billings Clinic Foundation
SchD_P12_S00_L02d	Schedule D, Part XII, Line 2d	Rounding
SchD_P12_S00_L04b	Schedule D, Part XII, Line 4b	Reclass 1,110,614 MHI income 7,245,376 Auxiliary income 125,667
SchD_P13_S00_L02d	Schedule D, Part XIII, Line 2d	Rounding
SchD_P13_S00_L04b	Schedule D, Part XIII, Line 4b	Reclass 1,110,614 MHI expenses 7,242,771 Auxiliary expense 125,667

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
BILLINGS CLINIC

Employer identification number
81-0231784

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	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 ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ 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 *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☑ 100% ☐ 150% ☐ 200% ☐ Other _____ %	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
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"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	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)		36,860	13,980,388	0	13,980,388	2 99 %
b Unreimbursed Medicaid (from Worksheet 3, column a)		101,446	41,029,483	44,491,568	-3,462,085	0 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)		0	0	0	0	0 %
d **Total** Financial Assistance and Means-Tested Government Programs	0	138,306	55,009,871	44,491,568	10,518,303	2 99 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	36	103,561	3,555,877	347,552	3,208,325	0 69 %
f Health professions education (from Worksheet 5)	7	553	2,577,748	518,588	2,059,160	0 44 %
g Subsidized health services (from Worksheet 6)	12	185,239	45,466,560	38,058,116	7,408,444	1 58 %
h Research (from Worksheet 7)	1	12,561	3,640,581	2,965	3,637,616	0 78 %
i Cash and in-kind contributions to community groups (from Worksheet 8)	6	3,296	196,323	0	196,323	0 04 %
j **Total** Other Benefits	62	305,210	55,437,089	38,927,221	16,509,868	3 53 %
k **Total.** Add lines 7d and 7j	62	443,516	110,446,960	83,418,789	27,028,171	6 52 %

Part II Community Building Activities during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing			0	0	0	0 %
2	Economic development			0	0	0	0 %
3	Community support			0	0	0	0 %
4	Environmental improvements			0	0	0	0 %
5	Leadership development and training for community members			0	0	0	0 %
6	Coalition building			0	0	0	0 %
7	Community health improvement advocacy	4	0	173,808	0	173,808	0 %
8	Workforce development	3	388	76,977	36,294	40,683	0 %
9	Other	0	0	0	0	0	0 %
10	**Total**	7	388	250,785	36,294	214,491	0 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1			No
2	Enter the amount of the organization's bad debt expense (at cost)	2	16,410,297		
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	5,161,647		
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	158,775,249
6	Enter Medicare allowable costs of care relating to payments on line 5	6	167,364,107
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-8,588,858
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part V Facility Information

Section A. Hospital Facilities

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

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Billings Clinic (Deaconess Hospital) 2800 Tenth Avenue North Billings, MT 59101	X	X		X		X	X		

Part V **Facility Information** *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? **6**

	Name and address	Type of Facility (Describe)
1	Billings Clinic (Billings Clinic) 2800 Tenth Avenue North Billings,MT 59101	Multispecialty physician outpatient clinics
2	Billings Clinic (Billings Clinic) 2800 Tenth Avenue North Billings,MT 59101	Multispecialty physician outpatient clinics
3	Billings Clinic (Billings Clinic) 2800 Tenth Avenue North Billings,MT 59101	Multispecialty physician outpatient clinics
4	Billings Clinic (Billings Clinic) 2800 Tenth Avenue North Billings,MT 59101	Multispecialty physician outpatient clinics
5	Billings Clinic (Billings Clinic) 2800 Tenth Avenue North Billings,MT 59101	Multispecialty physician outpatient clinics
6	Billings Clinic (Billings Clinic) 2800 Tenth Avenue North Billings,MT 59101	Multispecialty physician outpatient clinics
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
SchH_P01_S00_L03c	Schedule H, Part I, Line 3c	The Federal Poverty Guidelines (FPG) are utilized to determine eligibility In addition, Billings Clinic utilizes a calculator that has built into the formulas the FPG and the cost of living within our area to help determine the patient's ability to pay Our application requires submitting bank statement and investment account information to consider assets as part of the process The application includes o Completed and signed application and financial assistance checklist completed o Letter of need completed o Complete copies of previous years federal and state tax returns, all pages, all schedules, all W-2's o Debt to income ratio o Type of employment (part/time, seasonal, etc) o Copies of earnings for last three months for each person in the household, i e , paystubs, social security, pensions, unemployment benefits, etc Profit and Loss statement for self employed applicants o Copies of last three months bank statements, savings statements, investment account statements o Letters of support from assisting party if household is receiving assistance from family and/or friends o Award letters from SNAP, LIEAP, TANF, college loans, general assistance, etc o If currently unemployed, when was last day of work? o How they spend their income (Information from bank statements)

Identifier	ReturnReference	Explanation
SchH_P01_S00_L07	Schedule H, Part I, Line 7	For the calculation of the unreimbursed cost of charity care and Medicaid, a ratio of patient care cost to charges using worksheet 2 was utilized For the calculation of the cost of subsidized services, individual department cost to charge ratios were used, rather than facility wide

Identifier	ReturnReference	Explanation
SchH_P01_S00_L072f	Schedule H, Part I, Line 7, Column f	Bad debt expense included on Form 990, Part IX, line 25, Column A, but subtracted for purposes of calculating the percentage column is $36,589,311

Identifier	ReturnReference	Explanation
SchH_P01_S00_L07g	Schedule H, Part I, Line 7g	Included as subsidized health services are the unreimbursed costs attributable to our rural primary care physician clinics and regional physician outreach clinics (minus bad debt, charity care, Medicaid and Medicare) at a total net benefit of $2,637,190 The specialty outreach clinics offer biweekly or monthly specialty care in rural areas without that care available Outreach clinics provided 15,053 specialty appointments Primary care branch clinics had 114,806 encounters in FY11 Both outreach and primary care branch clinics offer financial asistance to eligible patients, and they see patients with Medicare, Medicaid and Health Montana Kids (SCHIP)

Identifier	ReturnReference	Explanation
SchH_P02_S00_L00	Schedule H, Part II	Billings Clinic's community building activities include support for the Alliance, a partnership between city-county public health department, St Vincent Healthcare and Billings Clinic for community health improvement efforts, community influenza vaccinations and disaster response planning This includes advocacy for community health at the local and regional level Under Workforce Development, Billings Clinic coordinates and sponsors a regional Science Expo to encourage young scientists to become future nurses, physicians or health care professionals

Identifier	ReturnReference	Explanation
SchH_P03_S0A_L04	Schedule H, Part III, Section A, Line 4	The Organization reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others The Organization provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions As a service to the patient, the Organization bills third-party payers directly and bills the patient when the patient's liability is determined Patient accounts receivable are due in full when billed Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account For the calculation of the unreimbursed cost of bad debt, a ratio of patient care cost to charges using worksheet 2 was utilized and applied to charges written off to bad debt The facility does not routinely discount patient charges and any payments received would reduce the bad debt expense At this time, the provider does not have a methodology in place to determine amounts applicable to patients who would qualify for charity care, but did not provide sufficient information Many of these accounts are written off to charity care under the organization's current policies, based upon known factors, such as homelessness Others are written off to bad debt, but cannot be identified We do have a number that would cover possible patients who would have qualified for charity care in the hospital only, but did not provide enough information to qualify That amount is a cost of $5,161,647

Identifier	ReturnReference	Explanation
SchH_P03_S0B_L08	Schedule H, Part III, Section B, Line 8	For the calculation of the unreimbursed cost of Medicare a ratio of patient care cost to charges using worksheet 2 was utilized and applied to gross Medicare charges Billings Clinic provided care for 382,186 Medicare patient encounters, at an unreimbursed cost of $8,588,858 We do not use the Cost Report for this number The Cost Report only captures revenue related to the facility and does not capture revenue/losses related to clinical professional services, which are a substantial portion of Billings Clinic Medicare shortfalls

Identifier	ReturnReference	Explanation
SchH_P03_S0C_L09b	Schedule H, Part III, Section C, Line 9b	There was not a formal, written policy in tax year 2010 We do now have one which is effective as of 10/5/11 (OHA-205 "Patient Financial Services") However, during tax year 2010 we did have a collection process, which was used to screen patients for financial assistance prior to making payment arrangements for care The policy applies equally to all patients - insured, under-insured or uninsured Once a determination has been made and adjustments applied to the account balance, any remaining balance would fall into the regular guidelines of collection, giving patients financing options that will work within their monthly budget Patients who cannot meet the requirements of a payment arrangement should be offered a loan program and/or financial assistance as options If the patient agrees to financial assistance, the application should be requested Agency will print and mail financial assistance applications This will be completed by the end of each business day After a patient completes the application, the patient will send it back to Billings Clinic for financial assistance determination

Identifier	ReturnReference	Explanation
SchH_P06_S00_L02	Schedule H, Part VI, Line 2	The 2010 Community Health Needs Assessment (CHNA) was a systematic, data driven approach to determining the health status, behaviors and needs of residents in Yellowstone County Billings Clinic partnered with another local hospital, St Vincent Healthcare, and city/county health department, RiverStone Health, to coordinate and pay for the CHNA It serves as a tool to improve the health status and improve the quality of life overall of Yellowstone County residents The 2010 Community Health Survey consisted of 400 randomized telephone contacts representing the diverse socioeconomic and geographic characteristics of Yellowstone County Existing vital statistics and other health-related data are incorporated into the assessment as secondary sources In addition, focus groups were conducted among physicians, legislators, social services, educators and employers Results of the 2010 Community Health Assessment were reviewed by the Alliance, a Healthy By Design sponsored community forum, and the Billings Clinic Community Health Improvement Committee Findings were compared between 2010 and the 2006 assessment results And Implementation Plan has been completed, both for the Alliance (community-wide) and for Billings Clinic (organization-wide)

Identifier	ReturnReference	Explanation
SchH_P06_S00_L03	Schedule H, Part VI, Line 3	* All patients may apply for financial assistance - informational brochures and applications are available at registration desks in the clinic and hospital, the Emergency Department discharge desk, care management staff and on our website at billingsclinic com * Information about financial assistance is printed on the back of patient bills * Patients hospitalized without identifying a third party payer source are screened for coverage/assistance - SSI (Social Security Supplemental income, if approved will qualify for Medicaid), SSDI (Social Security Disability Income), Veterans' Administration, Indian Health Services, Workers Compensation, Medicaid, Crime Victims, and health insurance coverage * A Financial Assistance brochure is mailed to new patients (Clinic and Hospital) in their pre-admission packets These packets are mailed to all patients, even if they cannot be reached by phone in advance * An application is mailed to patients whose payment pattern indicates that they may need assistance * Staff is available to help any patient needing assistance to complete an application * According to our existing Financial Application policy, a patient is not eligible for charity assistance if the account is sent to bad debt We do bring accounts back in house for charity assistance on a case-by-case basis * An account is sent to bad debt at least 120 days after they are considered just "self-pay", at least three statements, and/or multiple attempts to contact the patient

Identifier	ReturnReference	Explanation
SchH_P06_S00_L04	Schedule H, Part VI, Line 4	Billings Clinic is based in Billings, Montana, the largest city in Montana, with more than 148,000 people in Yellowstone County In Billings there are two not-for-profit hospitals of similar size Billings Clinic is an integrated, not for profit, community-governed health care organization providing services to a forty-three county area in eastern Montana and northern Wyoming Billings Clinic defines its broad geographic service area as 43 counties in eastern Montana and northern Wyoming, encompassing nearly 128,000 square miles with a population of 595,000 people Today, Billings Clinic employs more than 3,400 employees, including 238 physicians, and 81 mid-level practitioners, and operates a multi-specialty physician clinic, 272-bed acute care hospital, level II trauma center, a 90-bed long-term care facility, a clinical research center, and a variety of ambulatory, diagnostic and treatment services Thirty-eight of those 40 counties are either wholly or partly designated as Health Professional Shortage Areas (HPSA) by the US Department of Health and Human Services, Health Resources and Services Administration under the Primary Medical Care discipline The area includes five American Indian Reservations and an American Indian population of 38,882, or 6 9% of the service area's population The US Census Bureau 2008 estimates show that 27 3% of Montana families are below 200% of the Federal Poverty level, compared to 26 6% for the nation and Montana is ranked 13th lowest of 50 states in Median Family Income According to the 2010 US Census, Montana had 17 3% of the population without health insurance coverage in 2010, including all ages of the civilian, non-institutionalized population

Identifier	ReturnReference	Explanation
SchH_P06_S00_L05	Schedule H, Part VI, Line 5	Billings Clinic is an integrated health care organization, combining a not-for-profit multi-specialty medical group practice with a hospital and long term care facility Our organization promoted community health in many ways in Fiscal Year 2011, including * Substantial financial assistance and charity care was provided to patients in need Billings Clinic provides more charity care than another other hospital or health care organization in Montana * Care was provided to Medicare and Medicaid patients, as well as SCHIP for children * Our Board's governance and nominating committee reviewed the entire 990, including Schedule H, which was then discussed with the entire Board of Directors The Community Benefit Report, used for Schedule H, is also reviewed by the Board committee for Community Health Improvement * Billings Clinic is a teaching hospital and supports, along with Riverstone Health and St Vincent Healthcare, the only post-graduate medical education in Montana - the Montana Family Medicine Residency Program Nearly 90 percent of the graduates establish a practice in rural, medically underserved settings in Montana In addition we provide ongoing preceptorships for medical, nursing and pharmacy students so that they can obtain real-life experience during college and graduate school * Billings Clinic is a Medicaid disproportionate share hospital serving a significantly disproportionate number of low-income patients * Billings Clinic has the only inpatient psychiatric services available in our region of central and eastern Montana and northern Wyoming, despite significant financial loss We are committed to mental health care and continually work to find ways to reach those in need in the region, such as through telemedicine programs and education for primary care providers * Our full-time emergency department is maintained where no one is denied care, within our capacity to provide care * Our board of directors is composed of community members who reside in the primary service area Only three out of 12 board members are employees - two are employed physicians and one is our CEO * Medical staff privileges are open to all qualified physicians in our community Operating surpluses are directed solely toward meeting our charitable purposes, including education, research, capital expenses, debt amortization, patient care improvements and medical education

Identifier	ReturnReference	Explanation
SchH_P06_S00_L06	Schedule H, Part VI, Line 6	Not applicable

Identifier	ReturnReference	Explanation
SchH_P06_S00_L07	Schedule H, Part VI, Line 7	Billings Clinic files a community benefit report to the state of Montana's Attorney General's office

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
BILLINGS CLINIC

Employer identification number
81-0231784

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☑ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☑ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply			
	☑ Compensation committee	☑ Written employment contract		
	☑ Independent compensation consultant	☑ Compensation survey or study		
	☐ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**	Yes	
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**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured 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) Dr J Millikan	(i)	549,976	0	2,851	29,088	8,271	590,186	0
	(ii)	0	0	0	0	0	0	0
(2) Dr C McCracken	(i)	290,421	0	0	26,259	6,379	323,059	0
	(ii)	0	0	0	0	0	0	0
(3) Dr N Wolter	(i)	583,023	77,438	104	171,775	9,048	841,388	0
	(ii)	0	0	0	0	0	0	0
(4) C Prewitt	(i)	256,940	50,563	0	46,264	6,502	360,269	0
	(ii)	0	0	0	0	0	0	0
(5) Dr Wentzell	(i)	1,124,687	0	100	21,775	12,396	1,158,958	0
	(ii)	0	0	0	0	0	0	0
(6) Dr Morone	(i)	790,367	0	194,751	20,461	11,389	1,016,968	194,751
	(ii)	0	0	0	0	0	0	0
(7) Dr Purcell	(i)	699,177	31,500	197,211	21,775	10,061	959,724	197,211
	(ii)	0	0	0	0	0	0	0
(8) Dr Sample	(i)	825,026	0	0	21,775	10,241	857,042	0
	(ii)	0	0	0	0	0	0	0
(9) Dr Lindenbaum	(i)	776,772	20,000	0	21,775	10,030	828,577	0
	(ii)	0	0	0	0	0	0	0
(10) Dr Knostman	(i)	0	0	11,714	835	0	12,549	11,714
	(ii)	0	0	0	0	0	0	0
(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
SchJ_P01_S00_L01a	Schedule J, Part I, Line 1a	Billings Clinic periodically arranges and pays for charter travel for management and/or Board members attending governance education conferences, State legislative hearings and association meetings There were 17 of these flights in FY11 Billings Clinic also pays for the travel expenses of spouses of Board members attending organizationally approved/arranged goverance education This reimbursement is reported as income consistent with the Board travel reimbursement policy
SchJ_P01_S00_L04	Schedule J, Part I, Line 4	Schedule J, Part I, Line 4 - Supplemental Retirement Agreement (CEO) - nonelective 457(f) agreement provides for fixed annual deferrals in amounts ranging from $115,000 to $165,000, which become vested and payable after continued employement on June 30, 2013 or earlier death, disability, involuntary termination without cause, or involuntary termination for good reason following a change in control of the corporation Physician 457(f) Plan - Nonelective 457(f) agreement provides for one-time deferral of $200,000 in August 2006 to become vested and payable on July 1, 2010 or in a prorated amount on earlier death, disability or involuntary termination of employment without cause
SchJ_P01_S00_L06	Schedule J, Part I, Line 6	Scheduel J, Part I, Line 6 - The Board of Directors annually determines the incentive plan amount for the CEO and the Senior Executive Team based on an external compensation study The availability of the incentive is triggered by the organizational operating margin performance target The incentive is awarded based on financial performance as well as organizational performance measurements in quality, service satisfaction, both patient and employee satisfaction and then individual goals set each year if the target is triggered The incentive is paid only if triggered following the financial audit presentation

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
BILLINGS CLINIC

Employer identification number
81-0231784

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Montana Facility Finance Authority	81-0302402		05-30-2008	60,000,000	Property, plant and equipment		X		X		X
B	Montana Facility Finance Authority	81-0302402		06-24-2009	12,720,000	Property, plant and equipment		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	0	0		
2	Amount of bonds legally defeased	0	0		
3	Total proceeds of issue	60,000,000	12,720,000		
4	Gross proceeds in reserve funds	5,535,735	0		
5	Capitalized interest from proceeds	0	0		
6	Proceeds in refunding escrow	0	0		
7	Issuance costs from proceeds	1,200,000	58,000		
8	Credit enhancement from proceeds	0	0		
9	Working capital expenditures from proceeds	0	0		
10	Capital expenditures from proceeds	53,264,265	12,662,000		
11	Other spent proceeds	0	0		
12	Other unspent proceeds	0	0		
13	Year of substantial completion	2009	2009		

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X				
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X				
b	Are there any research agreements that may result in private business use of bond-financed property?		X		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?	X		X					
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 %		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 %		0 %					
6	Total of lines 4 and 5	0 %		0 %					
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X				
2	Is the bond issue a variable rate issue?		X		X				
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		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		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		X				
6	Did the bond issue qualify for an exception to rebate?		X		X				

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
BILLINGS CLINIC

Employer identification number
81-0231784

Identifier	Return Reference	Explanation
F990_P06_S0B_L11b	Form 990, Part VI, Section B, Line 11b	The 990 review is completed before the return is filed is as follows 1)CFO, 2)Executive group, 3)Governance and Nominating Committee of the Board, and 4)Board of Directors

Identifier	Return Reference	Explanation
F990_P06_S0B_L12c	Form 990, Part VI, Section B, Line 12c	The Governance and Nominating Committee of the Board of Directors, according to their charter, reviews annually the disclosure statements of the Board of Directors and senior exectives and takes action to resolve conflicts A Conflict of Interest Review Panel, chaired by the Compliance Officer, as outlined in organizational policy, is responsible for reviewing disclosed conflicts and approving necessary conflict management plans of all other interested persons at Billings Clinic

Identifier	Return Reference	Explanation
F990_P06_S0B_L15	Form 990, Part VI, Section B, Line 15	Billings Clinic has an executive compensation program administered by independent trustees following best practices and the highest regulatory standards expected of a not-for-profit organization They follow a board approved charter and overall executive compensation philosophy which defines the market as a comparable set of not-for-profit health care delivery systems They look at relevant market data of similar roles in similar organizations Annual disclosure of the committee's actions and decisions to the full Board is required

Identifier	Return Reference	Explanation
F990_P06_S0C_L19	Form 990, Part VI, Section C, Line 19	Billings Clinic makes its tax forms available for public inspection through individual request

Identifier	Return Reference	Explanation
F990_P11_S00_L05	Form 990, Part XI, Line 5	Part XI, line 5 unrealized gains and transfer of equipment from Billings Clinic Foundation

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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
BILLINGS CLINIC

Employer identification number
81-0231784

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
(1) Montana Healthcare Indemnity LLC 2800 Tenth Avenue North Billings, MT 59101 81-0231784	Insurance captive	MT	7,245,376	9,666,532	Billings Clinic

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) Billings Clinic Foundation 2917 Tenth Avenue North Billings, MT 59101 81-0407289	Fund raising	MT	501(c)(3)	7	Billings Clinic		No

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) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

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

		Yes	No
1 During the tax year, did the orgranization 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	1a		No
b Gift, grant, or capital contribution to other organization(s)	1b		No
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
d Loans or loan guarantees to or for other organization(s)	1d		No
e Loans or loan guarantees by other organization(s)	1e		No
f Sale of assets to other organization(s)	1f		No
g Purchase of assets from other organization(s)	1g		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1i		No
j Lease of facilities, equipment, or other assets from other organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for other organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by other organization(s)	1l	Yes	
m Sharing of facilities, equipment, mailing lists, or other assets	1m	Yes	
n Sharing of paid employees	1n	Yes	
o Reimbursement paid to other organization for expenses	1o	Yes	
p Reimbursement paid by other organization for expenses	1p	Yes	
q Other transfer of cash or property to other organization(s)	1q		No
r Other transfer of cash or property from other organization(s)	1r	Yes	

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Billings Clinic Foundation	c	3,799,079	
(2)			
(3)			
(4)			
(5)			
(6)			

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Billings Clinic

Accountants' Report and Consolidated Financial Statements

June 30, 2011 and 2010

Billings Clinic

June 30, 2011 and 2010

Contents

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Independent Accountants' Report on Consolidated Financial Statements and Supplementary Information

Board of Directors
Billings Clinic
Billings, Montana

We have audited the accompanying consolidated balance sheet of Billings Clinic (the Clinic) as of June 30, 2011, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended These financial statements are the responsibility of the Clinic's management Our responsibility is to express an opinion on these financial statements based on our audit The financial statements of Billings Clinic as of and for the year ended June 30, 2010, were audited by other accountants whose report dated October 1, 2010, expressed an unqualified opinion on those statements We did not audit the financial statements of Montana Healthcare Indemnity, LLC (MHI), a wholly-owned subsidiary, which statements reflect total assets of $9,666,532 as of June 30, 2011 and total revenues of $6,819,037 for the year then ended Those statements were audited by other accountants whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for MHI, is based solely on the report of the other accountants

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

In our opinion, based on our audit and the report of other auditors, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Billings Clinic as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

Our audit was conducted for the purpose of forming an opinion on the basic 2011 consolidated financial statements taken as a whole The accompanying supplementary information, including the consolidating information, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements The consolidating information is presented for purposes of additional analysis of the basic 2011 consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual organizations, and is not a required part of the basic consolidated financial statements Such information has been subjected to the procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole

\s\ **BKD, LLP**

September 29, 2011

Billings Clinic
Consolidated Balance Sheets
June 30, 2011 and 2010

Assets

	2011	2010
Current Assets		
Cash and cash equivalents	$ 12,663,148	$ 19,095,444
Short-term investments	2,993,396	182,217
Assets limited as to use - current	8,838,013	8,099,428
Patient accounts receivable, net of allowance of approximately, 2011 - $55,880,000 and 2010 - $45,950,000	71,570,327	72,749,344
Other receivables	2,975,359	2,600,810
Estimated amounts due from third-party payers	3,953,772	4,112,390
Supplies	6,505,363	6,794,151
Prepaid expenses and other	5,393,269	5,537,476
Total current assets	114,892,647	119,171,260
Assets Limited as to Use		
Internally designated	115,768,825	104,247,108
Externally restricted by donors	26,275,969	24,736,570
Held by trustee	20,715,103	21,026,911
	162,759,897	150,010,589
Less amount required to meet current obligations	8,838,013	8,099,428
	153,921,884	141,911,161
Investments		
Investment in and advances to equity investees	14,063,579	14,628,418
Long-term investments	62,806,581	42,064,231
	76,870,160	56,692,649
Property and Equipment, Net	195,784,154	186,989,141
Other Assets		
Deferred financing costs	3,161,225	3,610,036
Other	1,361,730	1,920,816
	4,522,955	5,530,852
Total assets	$ 545,991,800	$ 510,295,063

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2011	2010
Current Liabilities		
Current maturities of long-term debt	$ 9,285,446	$ 8,002,514
Accounts payable	21,064,101	22,132,329
Accounts payable - construction	530,763	698,613
Accrued compensation and related expenses	24,788,395	23,708,586
Accrued expenses - other	7,818,629	8,395,333
Estimated amounts due to third-party payers	3,875,292	2,666,224
Other	2,407,672	2,632,629
Total current liabilities	69,770,298	68,236,228
Long-term Debt	134,511,291	139,255,967
Interest Rate Swap Agreement	19,210,571	22,153,253
Other Long-term Liabilities	16,291,527	14,446,060
Total liabilities	239,783,687	244,091,508
Net Assets		
Unrestricted	279,868,314	239,614,599
Temporarily restricted	7,316,156	8,708,522
Permanently restricted	19,023,643	17,880,434
Total net assets	306,208,113	266,203,555
Total liabilities and net assets	$ 545,991,800	$ 510,295,063

Billings Clinic

Consolidated Statements of Operations

Years Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Net patient service revenue	$ 492,160,737	$ 477,630,199
Other	14,137,886	12,906,844
Net assets released from restrictions used for operations	4,193,408	3,963,611
Total operating revenues	510,492,031	494,500,654
Operating Expenses		
Salaries and wages	225,857,671	221,254,574
Employee benefits	44,381,952	41,558,945
Purchased services and professional fees	31,808,177	29,691,656
Supplies and other	130,246,919	124,793,765
Depreciation and amortization	17,103,074	16,844,677
Interest	11,325,346	10,587,931
Provision for uncollectible accounts	36,589,863	36,734,861
Total operating expenses	497,313,002	481,466,409
Operating Income	13,179,029	13,034,245
Other Income (Expense)		
Investment return	10,819,560	3,914,316
Change in net unrealized gains on investments	11,961,559	10,912,989
Change in fair value of interest rate swap agreements	2,942,682	(5,231,790)
Other income (loss)	(28,746)	502,111
Total other income	25,695,055	10,097,626
Excess of Revenues Over Expenses	38,874,084	23,131,871
Net assets released from restriction used for purchase of property and equipment	1,379,631	2,693,943
Other	-	35,253
Increase in Unrestricted Net Assets	$ 40,253,715	$ 25,861,067

Billings Clinic

Consolidated Statements of Changes in Net Assets

Years Ended June 30, 2011 and 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, July 1, 2010	$ 213,753,532	$ 8,786,485	$ 16,995,012	$ 239,535,029
Excess of revenues over expenses	23,131,871	-	-	23,131,871
Contributions received	-	4,807,447	881,832	5,689,279
Net assets released from restrictions, operating	-	(4,881,820)	-	(4,881,820)
Net assets released from restrictions, capital	2,693,943	-	-	2,693,943
Other	35,253	(3,590)	3,590	35,253
Increase (decrease) in net assets	25,861,067	(77,963)	885,422	26,668,526
Net Assets, June 30, 2010	239,614,599	8,708,522	17,880,434	266,203,555
Excess of revenues over expenses	38,874,084	-	-	38,874,084
Contributions received	-	3,734,187	605,239	4,339,426
Investment Income	-	446,528	538,678	985,206
Net assets released from restrictions, operating	-	(4,193,408)	-	(4,193,408)
Net assets released from restrictions, capital	1,379,631	(1,379,631)	-	-
Other	-	(42)	(708)	(750)
Increase (decrease) in net assets	40,253,715	(1,392,366)	1,143,209	40,004,558
Net Assets, June 30, 2011	$ 279,868,314	$ 7,316,156	$ 19,023,643	$ 306,208,113

Billings Clinic

Consolidated Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
Operating Activities		
Change in net assets	$ 40,004,558	$ 26,668,526
Items not requiring (providing) operating cash flow		
Loss on sale of property and equipment	64,482	81,455
Depreciation and amortization	17,103,074	16,902,537
Gain on investment in equity investee	(729,739)	(2,493,667)
Net realized and unrealized gains on investments	(18,317,505)	(10,413,686)
Change in fair value of interest rate swap agreements	(2,942,682)	5,231,790
Contributions of or for acquisition of property and equipment	(3,698,757)	(3,270,162)
Provision for uncollectible accounts	36,589,863	36,734,861
Changes in		
Patient accounts receivable, net	(35,410,846)	(38,723,737)
Other receivables	(374,549)	4,637,591
Supplies	288,788	(544,359)
Prepaid expenses and other	144,207	(576,515)
Estimated amounts due from and to third-party payers	1,367,686	286,533
Accounts payable and accrued expenses	(1,263,736)	(109,083)
Other current assets and liabilities	(224,957)	246,118
Other long term liabilities	1,845,467	(941,798)
Net cash provided by operating activities	34,445,354	33,716,404
Investing Activities		
Purchase of investments	(804,200,004)	(515,188,078)
Proceeds from disposition of investments	786,214,672	479,183,975
Distributions received from equity investees	1,999,285	6,320,289
Investment in equity investees	(704,707)	-
Purchase of property and equipment	(25,270,161)	(14,920,470)
Proceeds from sale of property and equipment	537,166	21,122
Decrease in other long-term assets	(115,879)	137,663
Net cash used in investing activities	(41,539,628)	(44,445,499)

Billings Clinic

Consolidated Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
Financing Activities		
Proceeds from contributions and investment income restricted for long-term investment	3,448,757	3,270,162
Change in contributions receivable	674,965	1,017,097
Proceeds from issuance of long-term debt	5,214,816	-
Principal payments on long-term debt	(8,676,560)	(7,347,195)
Proceeds from line of credit	25,464,150	4,857,607
Payment on line of credit	(25,464,150)	(4,857,607)
Net cash used in financing activities	661,978	(3,059,936)
Decrease in Cash and Cash Equivalents	(6,432,296)	(13,789,031)
Cash and Cash Equivalents, Beginning of Year	19,095,444	32,884,475
Cash and Cash Equivalents, End of Year	$ 12,663,148	$ 19,095,444
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	$ 11,693,130	$ 10,654,204
Noncash Investing and Financing Activities		
Acquisition of property and equipment accrued for but unpaid	$ 530,763	$ 698,613
Contribution of land	$ 250,000	$ -
Equipment acquired through capital lease	$ -	$ 846,152

Billings Clinic

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Billings Clinic (the Clinic) is a Montana not-for-profit corporation, which is structured as a medical foundation The Clinic operates a 272-licensed-bed acute care hospital located in Billings, Montana, a multi-specialty physician group consisting of 228 physicians based in Billings with branch clinics in Columbus, Miles City, and Bozeman, Montana and Cody, Wyoming, a long-term care facility located in Billings, Montana, and a research center located in Billings, Montana The Clinic also manages several smaller hospitals in Montana and Wyoming (the affiliates)

The Clinic is the sole member of Billings Clinic Foundation (the Foundation) The principal activity of the Foundation is the solicitation of funds from the general public for the Clinic and the not-for-profit affiliates of the Clinic The operations of the Foundation are financed principally from contributions and investment income

The Clinic is the sole member of Montana Healthcare Indemnity, LLC (MHI) The principal activity of MHI is to act as a captive insurance company for general and professional liability coverage for Billings Clinic and other affiliated healthcare facilities located in Montana and Wyoming

The consolidated financial statements include the operations of the Clinic, the Foundation and MHI (collectively, the Organization) All significant intercompany balances and transactions have been eliminated in consolidation

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents At June 30, 2011 and 2010, cash equivalents consisted primarily of money market accounts with brokers, certificates of deposit and sweep accounts

One or more of the financial institutions holding the Organization's cash accounts are participating in the FDIC's Transaction Account Guarantee Program Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions

For financial institutions opting out of the FDIC's Transaction Account Guarantee Program or interest-bearing cash accounts, the FDIC's insurance limits were permanently increased to $250,000, effective July 21, 2010 At June 30, 2011, the Organization's cash accounts exceeded federally insured limits by approximately $13,600,000

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value The investments in equity investees are reported on the equity method of accounting Other investments, including approximately 80 acres of land, are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets Other investment return is reflected in the statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions

Assets Limited as to Use

Assets limited as to use include (1) assets held by trustees under bond indenture agreements, including approximately $16,910,000 and $17,367,000 as of June 30, 2011 and 2010, respectively, which is required to be held in reserves pursuant to bond indenture agreements, (2) assets restricted by donors and (3) 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 Amounts required to meet current liabilities of the Organization are included in current assets

Patient Accounts Receivable

The Organization reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others The Organization provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions As a service to the patient, the Organization bills third-party payers directly and bills the patient when the patient's liability is determined Patient accounts receivable are due in full when billed Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account

Supplies

The Organization states supply inventories at the lower of cost, determined using the first-in, first-out method, or market

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor Monetary gifts that must be used to acquire property and equipment are reported as restricted support The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service

The Organization capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing, if the borrowing is a tax-exempt borrowing During 2011 and 2010, the Organization capitalized interest of approximately $160,000 and $1,433,000, respectively

The estimated useful lives for each major depreciable classification of property and equipment is as follows

Buildings and improvements	25 to 80 years
Land improvements	5 to 25 years
Equipment	5 to 20 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value No asset impairment was recognized during the years ended June 30, 2011 and 2010

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt Such costs are being amortized using the effective interest method over the term of the respective debt

Deferred Compensation – Board of Directors

Voting members of the Billings Clinic Board of Directors receive a stipend of $6,000 in deferred compensation annually during their term of Board service. The Board Chair receives $12,000 annually. This stipend is received as deferred compensation and is deferred to age 65 and is then paid out annually in equal installments over five years. The total liability for future payment to all current and past Board members totals approximately $866,000 and $835,000 as of June 30, 2011 and 2010, respectively, and is included in the Clinic's other long-term liabilities category.

Temporarily and Permanently Restricted Net Assets

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

Net Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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

The Organization provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Organization does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. For the years ended June 30, 2011 and 2010, the Organization provided services, as measured by charges foregone, of approximately $31,172,000 and $30,162,000, respectively.

Contributions

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets

Income Taxes

The Clinic and the Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law Accordingly, no provision for income taxes for these entities has been made in the accompanying consolidated financial statements The activity of MHI, with the Clinic as its sole member, is reported on the Clinic tax return The Organization is subject to federal income tax on any unrelated business taxable income The Organization files tax returns in the U S federal jurisdiction With a few exceptions, the Organization is no longer subject to U S federal examinations by tax authorities for years before 2008

Excess of Revenues Over Expenses

The statements of operations include excess of revenues over expenses Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, the change in fair value of an interest rate swap agreement, permanent transfers to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets)

Reclassifications

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

Note 2: Net Patient Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates These payment arrangements include

Medicare Revenue from the Medicare program accounted for approximately 32% of the Organization's net patient service revenue for the years ended June 30, 2011 and 2010 Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology The Organization is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare fiscal intermediary

Medicaid Revenue from the Medicaid program accounted for approximately 6% and 5% of the Organization's net patient service revenue for the years ended June 30, 2011 and 2010, respectively Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors The Organization is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicaid fiscal intermediary

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change As a result, it is reasonably possible that recorded estimates will change materially in the near term

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates The portion of net patient service revenues provided to Blue Cross and Blue Shield represents approximately 21% and 20% for the years ended June 30, 2011 and 2010, respectively

The following summary details gross patient service charges and deductions from these charges at June 30

	2011	2010
Gross charges at established rates		
Inpatient	$309,540,851	$296,512,611
Outpatient	578,183,327	552,408,502
	887,724,178	848,921,113
Total deductions from gross charges	395,563,441	371,290,914
Net patient service revenue	$492,160,737	$477,630,199

Montana State Bed Tax

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

In 2011 and 2010, the Organization's utilization fee expense was approximately $3,453,000 and $3,471,000, respectively, and is included in supplies and other expense in the accompanying consolidated statements of operations Additional Medicaid revenue for the years ended June 30, 2011 and 2010 totaled approximately $9,910,000 and $9,569,000, respectively, which is included in net patient service revenue in the accompanying consolidated statements of operations Thus, the net Montana State Bed Tax impact in the accompanying consolidated financial statements of operations was approximately $6,457,000 and $6,098,000 for the years ended June 30, 2011 and 2010, respectively

Note 3: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements The mix of net receivables from patients and third-party payors at June 30, 2011 and 2010, is

	2011	2010
Medicare and Medicaid	26%	26%
Commercial insurance	36%	38%
Other third-party payers	11%	9%
Patients	27%	27%
	100%	100%

Note 4: Unsponsored Community Benefit

The Organization has policies that provide for serving those without the ability to pay The policies also provide for less than total payment based on a sliding scale of income and the assets of the person responsible for the bill In addition to direct charity, the Organization provides services that benefit the poor and others in the communities they serve The community services and benefits provided include activities carried out for the express purpose of improving community health Examples include immunizations, counseling services, senior wellness services, children's wellness and transportation The costs of providing these community benefits often exceed the revenue sources available

The Organization provides additional benefit to the community through advocacy of community service by employees The Organization's employees serve numerous organizations through Board representation, in-kind donations, fund raising, youth sponsorship and other related activities

Note 5: Investments and Investment Return

Assets Limited as to Use

Assets limited as to use, at June 30 include

	2011	2010
Internally designated for capital improvements		
Cash and cash equivalents	$ 3,586,736	$ 5,544,622
Equities		
International	9,335,666	13,302,870
Consumer discretionary and staples	11,256,067	7,558,214
Health care	7,087,508	2,846,017
Industrials and materials	10,242,075	5,548,466
Other industries	17,116,026	13,669,958
Mutual funds	4,928,727	-
U S Government securities	26,040,039	12,543,946
Corporate bonds	25,670,855	42,822,466
Interest receivable	505,126	410,549
	115,768,825	104,247,108
Externally restricted by donors		
Cash and cash equivalents	1,029,603	2,093,164
Equity securities		
International	563,260	143,806
Consumer discretionary and staples	1,428,391	1,386,665
Health care	730,236	679,488
Industrials and materials	895,950	1,024,097
Other industries	2,521,708	2,456,402
Mutual funds	12,569,109	9,162,703
U S Government securities	2,024,027	3,152,567
Corporate bonds	4,491,441	4,613,236
Other	22,244	24,442
	26,275,969	24,736,570
Held by trustee under indenture agreement		
Cash and cash equivalents	1,005,378	14,507,722
U S Treasury obligations	19,621,905	6,434,309
Interest receivable	87,820	84,880
	20,715,103	21,026,911
Total assets limited as to use	$162,759,897	$150,010,589

Other Investments

Other investments, at June 30, include

	2011	2010
Cash and cash equivalents	$ 1,503,276	$ 182,217
Equities		
International	4,030,900	3,219,895
Consumer discretionary and staples	5,011,856	1,829,429
Health care	3,121,503	688,864
Industrials/materials	4,478,577	1,342,979
Other industries	7,911,065	3,308,748
Mutual funds	4,613,964	771,371
U S Government securities	11,335,164	5,793,702
Corporate bonds and notes	17,996,101	19,312,666
Real estate	5,794,520	5,794,520
Other	3,051	2,057
	65,799,977	42,246,448
Less short-term investments	2,993,396	182,217
Total long-term investments	$ 62,806,581	$ 42,064,231

Total investment return for assets limited as to use and other investments is comprised of the following

	2011	2010
Interest and dividend income	$ 5,448,820	$ 4,823,587
Unrealized gains	11,961,559	10,912,988
Realized gains (losses)	6,355,946	(499,302)
	$ 23,766,325	$ 15,237,273

Total investment return for assets limited as to use and other investments is reflected in the statements of operations and changes in net assets as follows

	2011	2010
Unrestricted net assets		
Other nonoperating income	$ 10,819,560	$ 3,914,316
Change in unrealized gains and losses on investments	11,961,559	10,912,989
Temporarily restricted net assets	446,528	187,210
Permanently restricted net assets	538,678	222,760
	$ 23,766,325	$ 15,237,275

Note 6: Investment in and Advances to Equity Investees

Investments in equity investees consist of seven privately held health care related organizations in which the Clinic's ownership interest ranges from 34% to 50% interest

At June 30, 2011 and 2010, investments and advances in joint ventures consisted of the following

	2011	2010
New West Health Services (A)	$ 11,237,798	$ 11,952,339
Billings MRI Center, LLC (B)	948,454	1,316,303
Other investments	1,877,327	1,359,776
	$ 14,063,579	$ 14,628,418

Gain or (loss) recognized on investments in equity investees for the year ended June 30 consists of

	2011	2010
New West Health Services (A)	$ (705,209)	$ (200,849)
Billings MRI Center, LLC (B)	1,573,795	2,694,517
Other investments	(138,847)	(582,611)
	$ 729,739	$ 1,911,057

These amounts are included in other operating revenue in the accompanying consolidated statements of operations

(A) New West Health Services

The Clinic is a member of New West Health Services (New West), a mutual benefit corporation, which provides health insurance plans to employer groups New West also provides health insurance benefits for many of the Clinic's employees At June 30, 2011 and 2010, the Clinic owned 46 5 percent of New West The Clinic has advanced cash in the form of receivables used to cover New West's operating expenses, which are reflected as equity in New West's statutory financial statements The Clinic's investment in and cash advances to New West are accounted for in a manner which reflects the Clinic's portion of New West's equity The Clinic converts the audited statutory financial statements to generally accepted accounting principles and rolls forward the activity through June 30 to record their investment in New West Premiums paid to New West during the years ended June 30, 2011 and 2010, were approximately $17,184,000 and $15,702,000, respectively

New West's audited statutory financial statements are summarized for the year ended December 31, 2010 and 2009 as follows

	2010	2009
Total assets	$ 33,651,126	$ 35,871,017
Total liabilities	15,364,732	15,364,650
Equity - including surplus notes	$ 18,286,394	$ 20,506,367
Revenues	$119,417,197	$ 98,231,632
Expenses	122,877,851	97,885,165
Other income	566,962	308,076
Net income (loss)	$ (2,893,692)	$ 654,543

(B) Billings MRI Center, LLC

The Billings Clinic MRI Center, LLC (BMRI) is jointly owned by the Clinic and a neighboring health care organization, each having a 50% interest In January 2010, the members agreed to dissolve the company, and in April 2011 the company ceased operations The Clinic received distributions of $1,942,000 and $6,320,000 during the years ended June 30, 2011 and 2010, respectively The Clinic rolls forward the activity in BMRI from December 31st through June 30th to record their investment in BMRI The Clinic's remaining interest in the company is expected to be distributed in 2012

BMRI audited financial statements are summarized for the year ended December 31, 2010 and 2009 as follows

	2010	2009
Total assets	$ 3,416,771	$ 12,060,495
Total liabilities	464,709	617,803
Members equity	$ 2,952,062	$ 11,442,692
Revenues	$ 11,229,899	$ 11,366,818
Expenses	6,451,548	6,480,857
Other income	72,910	77,175
Net income	$ 4,851,261	$ 4,963,136

Note 7: Property and Equipment

Property and equipment consists of the following at June 30

	2011	2010
Land	$ 18,515,326	$ 18,114,955
Land improvements	12,570,633	12,032,039
Building and improvements	217,819,916	210,377,015
Equipment	139,043,901	131,155,362
Property held for expansion	5,148,517	4,290,098
	393,098,293	375,969,469
Less accumulated depreciation	(213,049,915)	(203,473,029)
	180,048,378	172,496,440
Construction in progress	15,735,776	14,492,701
	$ 195,784,154	$ 186,989,141

Note 8: General and Professional Liability

The Organization is insured for general and professional liability through Montana Healthcare Indemnity, LLC (MHI), a captive insurance company of which Billings Clinic is the sole member MHI provides insurance to the Organization on a claims-made basis with no deductible Policy limits are $2,000,000 per occurrence and $8,000,000 in aggregate at June 30, 2011 and $2,000,000 per occurrence and $10,200,000 at June 30, 2010 Premiums paid to MHI are based on the claims experience of the Organization The premiums paid to MHI for the years ended June 30, 2011 and 2010, were approximately $6,130,000 and $3,967,000, respectively Claims reported and estimated expenses related to those claims are included under other long-term liabilities

Claims that have been incurred but not reported are reserved for based upon actuarial valuation This includes claims reported prior to the inception of MHI in June 2008 and claims incurred but not reported to MHI The reserve for claims incurred but not reported is included under other long-term liabilities

The Organization's total professional liability was estimated at approximately $15,431,000 and $13,611,000 at June 30, 2011 and 2010, respectively

Note 9: Long-term Debt

	2011	2010
Montana Facility Finance Authority Fixed Rate Bonds, Series 2008A and B, (A)	$ 55,400,000	$ 57,800,000
Montana Facility Finance Authority Fixed Rate Bonds, Select Auction Variable Rate Securities, and Residual Interest Bonds, Series 1994, (B)	41,825,755	41,804,522
Montana Health Facility Authority Select Auction Variable, Rate Securities and Residual Interest Bonds, Series 1991A and B, (C)	15,200,000	17,800,000
Montana Health Facility Authority Select Auction Variable, Rate Securities, Series 1991C, (D)	14,200,000	15,500,000
Montana Facility Finance Authority Health Facility Revenue Bonds, Series 2009A and B, (E)	10,905,260	11,935,183
Note payable, (F)	4,065,265	-
Capital lease obligations, (G)	1,408,759	1,984,413
Other notes payable	791,698	434,363
	143,796,737	147,258,481
Less current maturities	9,285,446	8,002,514
	$ 134,511,291	$ 139,255,967

(A) Series 2008 A and B

In May 2008, the Montana Facility Finance Authority issued $20,000,000 of Health Facilities Revenue Bonds, Series 2008A (Series 2008A) and $40,000,000 of Health Facilities Revenue Bonds, Series 2008B (Series 2008B), collectively the "Series 2008 Bonds"

The Series 2008A bonds are payable in annual installments through February 2023, bearing fixed interest rates of 5 31% Annual installments range from $1,105,000 to $1,760,000 The Series 2008B bonds are payable through February 2028, bearing fixed interest rate of 5 36% Annual installments range from $1,095,000 to $3,255,000 $37,660,000 and $17,740,000 of 2008B and 2008A, respectively, are outstanding as of June 30, 2011 The Clinic may redeem the Series 2008 bonds any time on or after February 2018 at a redemption price equal to the principal amount of each bond and accrued interest to the redemption date Early redemption price declines from 103% at the earliest redemption date to 100% at the last redemption date, plus accrued interest to the date of redemption

(B) Series 1994

In January 1994, the Montana Health Facility Authority issued $19,170,000 of Fixed Rate Bonds, $19,850,000 Select Auction Variable Rate Securities (SAVRS) and $19,850,000 Residual Interest Bonds (RIBS), collectively "Series 1994 Bonds"

The Fixed Rate bonds mature at varying principal amounts from $6,130,000 to $6,590,000 beginning in February 2018 through February 2020 Interest is payable semi-annually at 5 25% The SAVRS and RIBS bonds mature annually at varying principal amounts from $3,600,000 to $4,400,000 for each series beginning in February 2021 through February 2025 The SAVRS and RIBS have a linked interest of 5 34% which is payable every fifth Thursday

The Clinic may redeem the Series 1994 bonds any time at a redemption price equal to the principal amount of each bond and accrued interest to the redemption date The right to redeem each Series 1994 SAVRS is conditioned upon the Organization simultaneously redeeming an equal aggregate principal amount of the Series 1994 RIBS The right to redeem each Series 1994 RIBS is conditioned upon the Organization simultaneously redeeming an equal aggregate principal amount of the Series 1994 SAVRS

During the year ended June 30, 2009, the Organization purchased $16,530,000 of the Series 1994 Bonds and under Generally Accepted Accounting Principles reports the value of the debt net of the amount of the bonds purchased The $16,530,000 is comprised of approximately $10,730,000 of 1994 Fixed Rate Bonds and $5,800,000 of Linked 1994 RIBS/SAVRS There was no gain or loss resulting from this transaction

Approximately $34,500,000 and $7,500,000 of 1994 RIBS/SAVRS and 1994 Fixed Rate Bonds, respectively, are outstanding as of June 30, 2011

(C) Series 1991 A and B

In March 1991, the Montana Health Facility Authority issued $18,000,000 of Select Auction Variable Rate Securities (SAVRS) and $18,000,000 of Residual Interest Bonds (RIBS), collectively "Series 1991"

The 1991 SAVRS and RIBS bonds mature annually at varying principal amounts from $700,000 to $1,700,000 for each series beginning February 2001 through March 2016 The SAVRS and RIBS have a linked interest rate of 6 51% which is payable every fifth Tuesday

The Clinic may redeem the Series 1991A SAVRS and the 1994 RIBS at any time at a redemption price equal to the principal amount of each bond and accrued interest to the redemption date The right to redeem each Series 19991 SAVRS is conditioned upon the Organization simultaneously redeeming an equal aggregate principal amount of the Series 1991 RIBS The right to redeem each Series 1991 RIBS is conditioned upon the Organization simultaneously redeeming an equal aggregate principal amount of the Series 1991 SAVRS

(D) Series 1991 C

In September 1991, the Montana Health Facility Authority issued $32,650,000 of Select Auction Variable Rate Securities (SAVRS) The bonds mature at varying principal amounts from $800,000 to $5,650,000 beginning February 1993 through February 2017, payable annually including interest at variable rate, 0 557% and 0 795% at June 30, 2011 and 2010, respectively Rates are reset based on auctions held every fifth Monday with a maximum rate of 13 50%

The Clinic may redeem the Series 1991C RIBS at any time at a redemption price equal to the principal amount of each bond and accrued interest to the redemption date

(E) Series 2009 A and B

In June 2009, the Montana Facility Finance Authority issued $10,000,000 of Health Facilities Revenue Bonds Series 2009A, and $2,720,000 of Health Facilities Revenue Bonds Series 2009B, collectively "Series 2009" The Series 2009A bonds mature at varying principal amounts through July 2019, payable monthly plus a fixed interest rate of 5 55% Effective August 1, 2012 the interest rate is reset annually to a rate equal to 5 5% plus 60% of the difference between the "3-Year" interest rate for swaps as published by the Federal Reserve Board and 2 42% The Series 2009B bonds mature at varying principal amounts through August 2019, payable semi-annually plus a fixed interest rate of 5 32% Effective August 1, 2014 the interest rate is reset annually to a rate equal to the Federal Home Loan Bank of Seattle five-year amortizing rate for Intermediate/Long-Term, Fixed-Rate Advances, plus 2 35% $8,495,474 and $2,409,786 of 2009A and 2009B, respectively, are outstanding as of June 30, 2011

All of the Bonds still outstanding may be redeemed at the Clinic's option on or after July 1, 2011 for Series 2009A and August 1, 2011 for Series B at the option of the Issuer, upon written direction of the Clinic

(F) Note Payable

Due December 31, 2016, payable $714,286 annually, including interest at 1.53%, secured by real estate and payable to a private Montana corporation

(G) Capital Lease Obligations

At June 30, 2011 and 2010, the following equipment is under capital leases

	2011	2010
Equipment	$ 3,401,487	$ 3,416,600
Less accumulated depreciation	1,863,701	1,301,035
	$ 1,537,786	$ 2,115,565

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at June 30, 2011, are

	Long-term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2012	$ 8,619,530	$ 704,281
2013	8,916,559	531,382
2014	9,592,755	152,892
2015	9,922,442	73,007
2016	10,456,196	8,516
Thereafter	94,880,496	-
	$ 142,387,978	1,470,078
Less amount representing interest		61,319
Present value of future minimum lease payments		1,408,759
Less current maturities		665,916
Noncurrent portion		$ 742,843

The Series 2008A and B, 1994, 1991A and B, 1991C, and 2009A and B bonds are secured by the trust estate created by the Clinic's master trust indenture (including a pledge of the clinic's gross revenues and a first lien mortgage upon certain property, plant, equipment and related tangible assets of the Clinic) by virtue of the assignment and pledge in trust by the Montana Health Facility Finance Authority of the Clinic's related obligations to Wells Fargo Bank, National Association, as bond trustee under the bond trust indentures noted above The Clinic has also agreed to various restrictive covenants including limitations on incurring additional indebtedness, incurring liens on its property, disposing of its property and maintaining certain financial covenants

Line of Credit

The clinic has available an unsecured line of credit aggregating at $15,000,000 at an interest rate of Wall Street Journal Prime rate, with an interest rate floor of 5%, which matures on July 1, 2013 This line of credit is used for short-term cash needs At June 30, 2011 and 2010 there was no amount outstanding

Note 10: Derivative Financial Instruments

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Organization periodically enters into interest rate swaps

The table below presents certain information regarding the Organization's interest rate swap agreements designated as a cash flow hedge The Organization did not have any derivative instruments at June 30, 2011 and 2010 that were not designated as hedging instruments

Notional Amount		Rate Paid	Rate Received	Effective	Termination	Fair Value		
June 30, 2011	June 30, 2010	by Hospital	by Hospital	Date	Date	June 30, 2011	June 30, 2010	Purpose
$ 30,000,000	$ 30,000,000	Fixed - 3 40%	67% of USD-LIBOR-BBA	3/7/06	2/25/25	$ (3,207,346)	$ (3,660,521)	(A)
19,020,000	19,410,000	Fixed - 3 894%	67% of USD-LIBOR-BBA	1/1/08	7/1/37	(2,803,328)	(3,084,724)	(B)
77,440,000	78,750,000	Fixed - 3 7324%	67% of USD-LIBOR-BBA	5/1/09	1/1/38	(10,455,751)	(11,380,207)	(C)
126,170,000	128,320,000	USD - SIFMA	68% of USD-LIBOR-BBA + 0 366%	12/1/07	12/1/37	(2,744,146)	(4,027,801)	(D)
						$ (19,210,571)	$ (22,153,253)	

(A) The Organization entered into a fixed-pay interest rate swap agreement with Merrill Lynch Capital Services Under the terms of the agreement, the Organization received a floating interest rate equal to 67% of one-month USD-LIBOR-BBA and paid a fixed interest rate of 3 40% on a notional amount of $30,000,000 The interest rate swap was entered into in order to reduce the Clinic's exposure to variable interest rate fluctuations, to take advantage of lower

fixed rates, and to maintain a debt structure that correlates its fixed and variable-rate debt to its fixed and variable-rate investments Interest is settled every fifth Wednesday, and notional amounts reduce annually beginning March 2022 through 2025 The schedule to the International Swaps and Derivative Association Master Agreement related to this swap includes a covenant provision that requires that the Clinic maintain a days' cash on hand ratio of at least 45 days

(B) The Organization entered into a fixed-pay interest rate swap agreement with Lehman Brothers Special Financing, Inc Under the terms of the agreement, the Organization received a floating interest rate equal to 67% of one-month USD-LIBOR-BBA and paid a fixed interest rate of 3 894% on an amortizing notional amount of $20,000,000 The interest rate swap was entered into in order to reduce the Organization's exposure to future variable interest rate fluctuations This transaction allowed the Organization to fix the interest rate for an anticipated new bond offering, which at the time of the swap transaction was expected to have an offering date in August 2008, and a total issuance of $50 million, however no offering occurred Interest is settled monthly, and notional amounts reduce annually through 2037

(C) The Organization entered into a fixed-pay interest rate swap agreement with Merrill Lynch Capital Services Under the terms of the agreement, the Organization received a floating interest rate equal to 67% of one-month USD-LIBOR-BBA and paid a fixed interest rate of 3 7324% on an amortizing notional amount of $80,000,000 The interest rate swap was entered into to reduce the Organization's exposure to future variable interest rate fluctuations This transaction allowed the Organization to fix the interest rate for a new bond offering that was expected to have an offering date of in October 2008, and a total issuance amount of $70 million, however, no offering occurred Interest is settled monthly, and notional amounts reduce annually through 2038

(D) The Organization entered into a basis rate swap agreement with Merrill Lynch Capital Services Under the terms of the agreement, the Organization received a floating interest rate equal to the sum of 68% of one-month USD-LIBOR-BBA plus 0 366% and paid a floating interest rate equal to the USD-SIFMA Municipal Swap Index on an amortizing notional amount of $130,365,000 This interest rate basis swap was entered into in order to reduce the Organization's effective cost of debt This transaction allows the Organization to receive cash flow benefit from taking risks related to changes in interest rates Interest is settled monthly, and notional amounts reduce annually through 2037

The fair value of the swaps at June 30, 2011 and 2010 was recorded as a long-term liability The changes in fair value are recognized as other income (expense) in the consolidated statements of operations Payments made or received under the swap agreement are recognized as adjustments to interest expense During the years ended June 30, 2011 and 2010 changes in the fair value of the swap agreements of $2,942,682 and ($5,231,790) was recognized as adjustments to other income (expense), respectively

Note 11: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purpose or periods

	2011	2010
Education and scholarships	$ 615,543	$ 598,111
Equipment	1,721,823	2,363,182
Health care services	2,211,477	2,605,583
Cancer center	2,247,934	2,897,811
Research	202,506	154,245
Miscellaneous	316,873	89,590
	$ 7,316,156	$ 8,708,522

Permanently restricted net assets are restricted to

	2011	2010
Education and scholarships	$ 1,433,746	$ 1,395,211
Community needs	455,040	415,414
Research	1,463,487	1,415,647
Equipment	780,400	759,715
Health care services	14,890,970	13,894,447
	$ 19,023,643	$ 17,880,434

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors

	2011	2010
Education and scholarships	$ 41,924	$ 43,772
Equipment	661,983	261,280
Health care services	2,782,413	2,989,426
Cancer center	700,000	1,500,000
Miscellaneous	7,088	87,342
	$ 4,193,408	$ 4,881,820

Note 12: Endowment

The Organization's endowment consists of approximately 70 individual funds established for a variety of purposes The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds) As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions

The Organization's governing body has interpreted the State of Montana Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

1 Duration and preservation of the fund
2 Purposes of the Organization and the fund
3 General economic conditions
4 Possible effect of inflation and deflation

5 Expected total return from investment income and appreciation or depreciation of investments
6 Other resources of the Organization
7 Investment policies of the Organization

The composition of net assets by type of endowment fund at June 30, 2011 and 2010 was

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,673,521	$ 19,023,643	$20,697,164
Board-designated endowment funds	329,747	-	-	329,747
Total endowment funds	$ 329,747	$ 1,673,521	$ 19,023,643	$21,026,911

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,437,833	$ 17,880,434	$19,318,267
Board-designated endowment funds	321,802	-	-	321,802
Total endowment funds	$ 321,802	$ 1,437,833	$ 17,880,434	$19,640,069

Changes in endowment net assets for the years ended June 30 were

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 321,802	$ 1,437,833	$ 17,880,434	$19,640,069
Investment income	7,945	446,528	538,678	993,151
Contributions	-	482	605,239	605,721
Appropriation of endowment assets for expenditure	-	(211,322)	-	(211,322)
Other changes - fund transfers	-	-	(708)	(708)
Endowment net assets, end of year	$ 329,747	$ 1,673,521	$ 19,023,643	$21,026,911

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 318,404	$ 1,261,830	$ 16,995,012	$18,575,246
Investment income	3,398	173,467	222,760	399,625
Contributions	-	2,536	659,072	661,608
Other changes - fund transfers	-	-	3,590	3,590
Endowment net assets, end of year	$ 321,802	$ 1,437,833	$ 17,880,434	$19,640,069

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30 consisted of

	2011	2010
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	$ 19,023,643	$ 17,880,434
Temporarily restricted net assets	1,673,521	1,437,833
	$ 20,697,164	$ 19,318,267

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds Under the Organization's policies, endowment assets are invested in a manner that is intended to produce results that is intended to produce a real return, net of inflation and investment management costs, to provide growth over the long-term The Organization targets a diversified asset allocation that balances risk with rate of return

The Organization has a policy of appropriating for expenditure each year 50% of its endowment fund's earnings throughout the previous 12 months through the fiscal year-end preceding the fiscal year-end the distribution is planned The remaining 50% of the earnings stays in the endowment fund to facilitate growth In establishing this policy, the Organization considered the long-term expected return on its endowment Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulations or SPMIFA There were no such deficiencies as of June 30, 2011 or 2010

Note 13: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area Expenses related to providing these services are as follows

	2011	2010
Health care services	$373,227,702	$360,306,050
General and administrative	124,085,300	121,160,359
	$497,313,002	$481,466,409

Note 14: Operating Leases

Noncancelable operating leases for equipment and buildings expire in various years through December 2017

Future minimum lease payments at June 30, 2011, are

2012	$ 4,683,238
2013	4,444,202
2014	3,441,276
2015	1,808,632
2016	1,386,500
Later years	582,135
Future minimum lease payments	$ 16,345,983

Total rent expense for the Organization for the years ended June 30, 2011 and 2010 was approximately $6,470,000 and $6,480,000, respectively

Note 15: Contributions Receivable

Contributions receivable consisted of the following

	2011	2010
Due within one year	$ 830,525	$ 809,879
Due in one to five years	336,690	1,080,497
	1,167,215	1,890,376
Less Allowance for uncollectible contributions	(152,010)	(173,830)
Less Unamortized discount	(11,613)	(37,989)
	$ 1,003,592	$ 1,678,557

Contributions receivable are restricted for the construction of the Billings Clinic Cancer Center Discount rates ranged from 3 3% to 5 5% for both 2011 and 2010 Contribution receivable are included under Other Assets

Note 16: Retirement Plans

The Organization has a defined contribution pension plan covering employees who meet the age and length of service requirement The Organization makes contributions for each participant based on a fixed percentage of the participant's compensation, up to a stated maximum

The Organization also has a defined contribution 403(b) plan covering substantially all employees Participants make voluntary contributions to the plan, up to a fixed percentage of the participants' compensation The Organization matches 50% of participant contributions up to 2 5% of participants' gross wages The match was frozen between December 31, 2008 and December 31, 2009

Contributions to the plans were approximately $10,620,000 and $8,632,000 for June 30, 2011 and 2010, respectively

Note 17: Related Party and Affiliates

As noted in Note 1, the Clinic manages several smaller hospitals in Montana and Wyoming Under the affiliate agreements, the Clinic generally provides key personnel such as the CEO and a variety of other support services The Clinic in return receives reimbursement for salary expenses and a monthly management fee As a result of these management affiliations, the Clinic may become exposed to a variety of financial and/or legal contingencies In management's opinion, there are no known contingencies related to these affiliation agreements that have not been disclosed or recorded in the consolidated financial statements

Stillwater Community Hospital

The Clinic provides management services to Stillwater Community Hospital located in Stillwater County, Montana, which is owned by Stillwater County (the County) The County issued $1,930,000 Healthcare and Boarding Home Facilities Revenue Bonds, Series 1999 (the Bonds), which were used to finance the renovation and expansion of assisted-living units In lieu of operating the above-mentioned facilities itself, the County has leased the facilities to Stillwater Hospital Association, Inc (primary obligor), an affiliate of the Clinic The maturity date of the Bonds is July 2, 2029 The Clinic has guaranteed the payment of principal and interest on the Bonds, which is operative until no Bonds are outstanding, unless the County elects to terminate the lease At June 30, 2011 and 2010, the outstanding principal balance is approximately $1,535,000 and $1,580,000, respectively

As indicated in Note 19, subsequent to year-end the Clinic became the sole member of the Stillwater Hospital Association on August 11, 2011

Note 18: Disclosures About Fair Value of Assets and Liabilities

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value The standard describes three levels of inputs that may be used to measure fair value

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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy Level 1 securities include money market funds, equities, and mutual funds If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows Level 2 securities include U S Government securities, corporate debt securities and real estate In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy The Organization does not have any investments classified as Level 3

Interest Rate Swap Agreement

The fair value is estimated using forward-looking interest rate curves, discounted cash flows, and credit risk credits that are observable or that have unobservable inputs that are supported by little or no market activity, therefore, are classified within Level 3 of the valuation hierarchy

Billings Clinic

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

	June 30, 2011			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities				
International	$ 13,929,826	$ 13,929,826	$ -	$ -
Consumer discretionary and staples	17,696,314	17,696,314	-	-
Health care	10,939,247	10,939,247	-	-
Industrials and materials	15,616,602	15,616,602	-	-
Other industries	27,548,799	27,548,799	-	-
U S Government securities	59,021,135	-	59,021,135	-
Corporate debt securities	48,158,397	-	48,158,397	-
Mutual funds	22,111,800	22,111,800	-	-
Other	618,241	-	618,241	-
Interest rate swaps	(19,210,571)	-	-	(19,210,571)
	$ 196,429,790	$ 107,842,588	$ 107,797,773	$ (19,210,571)

	June 30, 2010			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities				
International	$ 18,228,565	$ 18,228,565	$ -	$ -
Consumer discretionary and staples	10,356,817	10,356,817	-	-
Health care	3,899,820	3,899,820	-	-
Industrials/materials	7,602,914	7,602,914	-	-
Other industries	18,731,575	18,731,575	-	-
U S Government securities	26,773,293	-	26,773,293	-
Corporate debt securities	80,976,173	-	80,976,173	-
Mutual funds	10,318,013	10,318,013	-	-
Interest rate swaps	(22,153,253)	-	-	(22,153,253)
	$ 154,733,917	$ 69,137,704	$ 107,749,466	$ (22,153,253)

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheets using significant unobservable (Level 3) inputs

	Interest Rate Swaps
Balance, July 1, 2009	$ (16,921,463)
Total realized and unrealized gains and losses included in change in net assets	(5,231,790)
Balance, June 30, 2010	(22,153,253)
Total realized and unrealized gains and losses included in change in net assets	2,942,682
Balance, June 30, 2011	$ (19,210,571)

Cash and Cash Equivalents

The carrying amount approximates fair value

Contributions Receivable

Fair value is estimated at the present value of the future payments expected to be received

Notes Payable and Long-term Debt

Fair value is estimated based on the borrowing rates currently available to the Organization for debt with similar terms and maturities

The following table presents estimated fair values of the Clinic's financial instruments at June 30, 2011 and 2010

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 143,796,737	$ 143,238,679	$ 147,258,481	$ 140,458,070

Note 19: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations Those matters include the following

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 2

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 7

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation Some of these allegations are in areas not covered by the Organization's self-insurance program (discussed elsewhere in these notes) or by commercial insurance, for example, allegations regarding employment practices or performance of contracts The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters Events could occur that would cause the estimate of ultimate loss to differ materially in the near term

Investments

The Organization invests in various investment securities Investment securities are exposed to various risks such as interest rate, market and credit risks Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheet

Recovery Audit Contractor Demonstration Project

In 2005, the Centers for Medicare & Medicaid Services (CMS) announced a new demonstration project using recovery audit contractors (RACs) as a part of CMS' further efforts to assure accurate payments The project uses RACs to search for potentially improper Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts Once a RAC identifies a claim it believes to be improper, it makes an adjustment to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment

The Clinic will adjust revenue for amounts that are assessed under the RAC audits at the time a notice is received or when sufficient information is available to make a reasonable estimate of amounts due RAC assessments against the Clinic have been received, and the financial statements have been adjusted Additional assessments are anticipated, however, the outcomes of such assessments are unknown and cannot be reasonably estimated

Current Economic Conditions

The current protracted economic decline continues to present health care organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing The financial statements have been prepared using values and information currently available to the Organization

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of our patients to pay for services rendered As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payors may significantly impact net patient service revenue, which could have an adverse impact on the Organization's future operating results Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact the Organization's ability to meet debt covenants or maintain sufficient liquidity

Note 20: Subsequent Event

Bond Offering

In August 2011, the Montana Facility Finance Authority through a private placement with Wells Fargo Bank, National Association and Union Bank issued $75,000,000 of Health Facilities Revenue Bonds, Series 2011A, and $65,000,000 of Health Facilities Revenue Bonds, Series 2011B, collectively "Series 2011 Bonds" Proceeds from the Series 2011 Bonds will be used to refund certain existing bonds and to finance certain capital improvements Approximately $54,600,000 will be placed into a project fund for use on future capital improvements The remainder of the proceeds, along with approximately $39,300,000 from the Organization, will be placed into an escrow account The funds held in escrow will be used to defease the Series 1991A, Series 1991B, Series 1991C, Series 1994 Fixed, Series 1994 RIBS/SAVRS, Series 2009A, Series 2009B and $23,000,000 par value of the Series 2008B bonds The defeasance of the various series of bonds is expected to occur between September 2011 and December 2011

Merger Stillwater Community Hospital

As noted in Note 16, the Organization became the sole member of Stillwater Hospital Association on August 11, 2011 Stillwater Hospital Association operates a critical access hospital located in Columbus, Montana

Subsequent events have been evaluated through September 29, 2011, which is the date the financial statements were issued

Supplementary Information

Billings Clinic
Balance Sheet - Consolidating Information
June 30, 2011

Assets

	Billings Clinic	Billings Clinic Foundation	Montana Healthcare Indemnity, LLC	Eliminations	Total
Current Assets					
Cash and cash equivalents	$ 11,512,519	$ 209,190	$ 941,439	$ -	$ 12,663,148
Short-term investments	2,993,396	-	-	-	2,993,396
Assets limited as to use - current	8,838,013	-	-	-	8,838,013
Patient accounts receivable, net of allowance, 2011 - $55,882,000	71,570,327	-	-	-	71,570,327
Other receivables	2,766,140	209,219	2,200,000	(2,200,000)	2,975,359
Estimated amounts due from third-party payers	3,953,772	-	-	-	3,953,772
Due from affiliate	105,506	-	-	(105,506)	-
Supplies	6,505,363	-		-	6,505,363
Prepaid expenses and other	5,370,513	12,293	10,463	-	5,393,269
Total current assets	113,615,549	430,702	3,151,902	(2,305,506)	114,892,647
Assets Limited as to Use					
Internally designated	115,768,825	-	-	-	115,768,825
Externally restricted by donors	-	26,275,969	-	-	26,275,969
Held by trustee	20,715,103	-	-	-	20,715,103
	136,483,928	26,275,969	-	-	162,759,897
Less amount required to meet current obligations	8,838,013	-	-	-	8,838,013
	127,645,915	26,275,969	-	-	153,921,884
Investments					
Investment in and advances to equity investee	14,063,579	-	-	-	14,063,579
Long-term investments	51,409,267	5,132,684	6,514,630	(250,000)	62,806,581
	65,472,846	5,132,684	6,514,630	(250,000)	76,870,160
Property and Equipment, Net	195,262,292	521,862	-	-	195,784,154
Other Assets					
Interest in net assets of Billings Clinic Foundation	32,294,244	-	-	(32,294,244)	-
Deferred financing costs	3,161,225	-	-	-	3,161,225
Other	358,138	1,003,592	-		1,361,730
	35,813,607	1,003,592	-	(32,294,244)	4,522,955
Total assets	$ 537,810,209	$ 33,364,809	$ 9,666,532	$ (34,849,750)	$ 545,991,800

Billings Clinic
Balance Sheet - Consolidating Information
June 30, 2011

Liabilities and Net Assets

	Billings Clinic	Billings Clinic Foundation	Montana Healthcare Indemnity, LLC	Eliminations	Total
Current Liabilities					
Current maturities of long-term debt	$ 9,285,446	$ -	$ -	$ -	$ 9,285,446
Accounts payable	22,510,092	754,009	-	(2,200,000)	21,064,101
Accounts payable - construction	530,763	-	-	-	530,763
Accrued payroll and related liabilities	24,788,395	-	-	-	24,788,395
Accrued expenses other	7,818,629	-	-	-	7,818,629
Estimated amounts due to third-party payers	3,875,292	-	-	-	3,875,292
Due to affiliate	-	105,506	-	(105,506)	-
Other	2,131,253	211,050	65,369	-	2,407,672
Total current liabilities	70,939,870	1,070,565	65,369	(2,305,506)	69,770,298
Long-term Debt	134,511,291	-	-	-	134,511,291
Interest Rate Swap Agreement	19,210,571	-	-	-	19,210,571
Other Long-term Liabilities	6,996,838	-	9,294,689	-	16,291,527
Total liabilities	231,658,570	1,070,565	9,360,058	(2,305,506)	239,783,687
Net Assets					
Unrestricted	279,811,840	4,862,673	306,474	(5,112,673)	279,868,314
Temporarily restricted	7,316,156	8,407,928	-	(8,407,928)	7,316,156
Permanently restricted	19,023,643	19,023,643	-	(19,023,643)	19,023,643
Total net assets	306,151,639	32,294,244	306,474	(32,544,244)	306,208,113
Total liabilities and net assets	$ 537,810,209	$ 33,364,809	$ 9,666,532	$ (34,849,750)	$ 545,991,800

Billings Clinic

Statement of Operations – Consolidating Information

Year Ended June 30, 2011

	Billings Clinic	Billings Clinic Foundation	Montana Healthcare Indemnity, LLC	Eliminations	Total
Unrestricted Revenues, Gains and Other Support					
Net patient service revenue	$ 492,160,737	$ -	$ -	$ -	$ 492,160,737
Other revenue	13,048,754	803,490	6,819,037	(6,533,395)	14,137,886
Net assets released from restrictions used for operations	3,101,636	-	-	1,091,772	4,193,408
Total unrestricted revenues, gains and other support	508,311,127	803,490	6,819,037	(5,441,623)	510,492,031
Expenses and Losses					
Salaries and wages	225,498,676	358,995	-	-	225,857,671
Employee benefits	44,381,952	-	-	-	44,381,952
Purchased services and professional fees	31,475,242	377,335	-	(44,400)	31,808,177
Supplies and other	129,106,698	386,445	7,242,771	(6,488,995)	130,246,919
Depreciation and amortization	17,093,522	9,552	-	-	17,103,074
Interest	11,325,346	-	-	-	11,325,346
Provision for uncollectible accounts	36,589,311	552	-	-	36,589,863
Total expenses and losses	495,470,747	1,132,879	7,242,771	(6,533,395)	497,313,002
Operating Income (Loss)	12,840,380	(329,389)	(423,734)	1,091,772	13,179,029
Other Income (Expense)					
Investment return	9,772,453	555,967	491,140	-	10,819,560
Change in net unrealized gains and losses	8,581,089	3,445,271	(64,801)	-	11,961,559
Change in fair value of interest rate swap	2,942,682	-	-	-	2,942,682
Other loss	(28,746)	-	-	-	(28,746)
Total other income (expense)	21,267,478	4,001,238	426,339	-	25,695,055
Excess of Revenues Over Expenses	34,107,858	3,671,849	2,605	1,091,772	38,874,084
Change in interest in net assets of Billings Clinic Foundation	3,781,092	-	-	(3,781,092)	-
Net assets released from restriction used for purchase of property and equipment	1,379,631	-	-	-	1,379,631
Increase (Decrease) in Unrestricted Net Assets	$ 39,268,581	$ 3,671,849	$ 2,605	$ (2,689,320)	$ 40,253,715

Billings Clinic
Selected Ratios
Year Ended June 30, 2011

	2011	2010
Long-term debt service coverage ratio (Supplemental Master Trust Indenture to amend Supplemental Master Trust Indenture for Obligations No. 1, 2 and 5)		
Unrestricted liquid funds		
Cash and cash equivalents	$ 11,512,519	$ 17,636,311
Short-term investments	2,993,396	182,217
Assets limited as to use by Board for capital improvements	115,768,825	104,247,108
Long-term investments	51,409,267	28,267,363
Less current portion of long-term debt	9,285,446	8,002,514
	$ 172,398,561	$ 142,330,485
Average unrestricted liquid funds	$ 157,364,523	
5% of average unrestricted liquid funds	$ 7,868,226	
Income available for debt service		
5% of average unrestricted liquid funds	$ 7,868,226	
Excess of revenues over expenses	34,107,858	
Investment income	(9,772,453)	
Change in net unrealized losses on investments	(8,581,089)	
Interest rate swaps market adjustment	(2,942,682)	
Depreciation and amortization	17,093,522	
Interest	11,325,346	
	$ 49,098,728	
Long-term debt services requirements -- maximum annual debt service	$ 16,298,144	
Long-term maximum debt service coverage ratio	3 01	

Billings Clinic
Selected Ratios
Year Ended June 30, 2011

Long-term debt service coverage ratio (Supplemental Master Trust Indenture for Obligations No. 7, 8, and 9)	
Excess of revenues over expense	$ 34,107,858
Change in net unrealized losses on investments	(8,581,089)
Interest rate swaps market adjustment	(2,942,682)
Depreciation and amortization	17,093,522
Interest	11,325,346
	$ 51,002,955
Long-term debt services requirements	$ 16,098,081
Long-term maximum debt service coverage ratio	3 17
Cash and cash equivalents	$ 11,512,519
Short-term investments	2,993,396
Long-term investments	45,614,747
Assets limited as to use	
By Board, for capital improvements	115,768,825
Under indenture agreement -- held by trustee	20,715,103
	$ 196,604,590
Current liabilities	$ 70,939,870
Maintenance of liquidity ratio	2 77
Debt to capitalization ratio	
Long-term debt, including current portion	$ 143,796,737
Unrestricted net assets	279,811,840
	$ 423,608,577
Debt to capitalization ratio	33 9%

Billings Clinic
Selected Ratios
Year Ended June 30, 2011

Days cash on hand	
Cash and cash equivalents	$ 11,512,519
Short-term investments	2,993,396
Long-term investments	45,614,747
Assets limited as to use by Board for capital improvements	115,768,825
	$ 175,889,487
Total operating expense	$ 495,470,747
Depreciation and amortization expense	17,093,522
	$ 478,377,225
	365
	$ 1,310,623
Days cash on hand	134 20