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Form 990   Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>  The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047  <b>2010</b>  <b>Open to Public Inspection</b>
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<b>A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011</b>		
<b>B</b> Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization MARCUS DALY MEMORIAL HOSPITAL	<b>D Employer identification number</b>  81-0240726
	Doing Business As	<b>E Telephone number</b>  (406) 375-4609
	Number and street (or P O box if mail is not delivered to street address) 1200 WESTWOOD DRIVE	Room/suite
	City or town, state or country, and ZIP + 4 HAMILTON, MT 59840	
	<b>F</b> Name and address of principal officer JOHN M BARTOS 1200 WESTWOOD DRIVE HAMILTON, MT 59840	
		<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
<b>J Website:</b> ▶ WWW.MDMH.ORG		
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		<b>L</b> Year of formation 1938
<b>M</b> State of legal domicile MT		

<b>Part I</b>	<b>Summary</b>
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Activities & Governance	<b>1</b>	Briefly describe the organization's mission or most significant activities OUR COMMITMENT TO THE BITTERROOT VALLEY IS QUALITY, ACCESSIBLE, PERSONALIZED HEALTHCARE
	<b>2</b>	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets
	<b>3</b>	Number of voting members of the governing body (Part VI, line 1a) . . . . .
	<b>4</b>	Number of independent voting members of the governing body (Part VI, line 1b) . . . . .
Revenue	<b>5</b>	Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . .
	<b>6</b>	Total number of volunteers (estimate if necessary) . . . . .
	<b>7a</b>	Total unrelated business revenue from Part VIII, column (C), line 12 . . . .
	<b>7b</b>	Net unrelated business taxable income from Form 990-T, line 34 . . . .
Expenses	<b>8</b>	Contributions and grants (Part VIII, line 1h) . . . . .
	<b>9</b>	Program service revenue (Part VIII, line 2g) . . . . .
	<b>10</b>	Investment income (Part VIII, column (A), lines 3, 4, and 7d ) . . . . .
	<b>11</b>	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)
	<b>12</b>	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .
	<b>13</b>	Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) . . . .
	<b>14</b>	Benefits paid to or for members (Part IX, column (A), line 4) . . . . .
	<b>15</b>	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)
Net Assets or Fund Balances	<b>16a</b>	Professional fundraising fees (Part IX, column (A), line 11e) . . . . .
	<b>b</b>	Total fundraising expenses (Part IX, column (D), line 25) ▶187,663
	<b>17</b>	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f) . . . . .
	<b>18</b>	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)
	<b>19</b>	Revenue less expenses Subtract line 18 from line 12 . . . . .

<b>Part II</b>	<b>Signature Block</b>
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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.

<b>Sign Here</b>	***** Signature of officer		2012-05-03 Date		
	JOHN M BARTOS CEO, SECRETARY AND TREASURER Type or print name and title				
<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ▶ CLIFTONLARSONALLEN LLP				Firm's EIN ▶
	Firm's address ▶ 220 SOUTH SIXTH STREET SUITE 300 MINNEAPOLIS, MN 55402				Phone no ▶ (612) 376-4500

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

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1

Briefly describe the organization’s mission

OUR COMMITMENT TO THE BITTERROOT VALLEY IS QUALITY, ACCESSIBLE, PERSONALIZED HEALTHCARE

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 \$ 38,228,340 including grants of \$ 2,644 ) (Revenue \$ 46,893,051 )

MARCUS DALY MEMORIAL HOSPITAL CORPORATION OWNS AND OPERATES A 48 LICENSED BED ACUTE CARE CRITICAL ACCESS HOSPITAL WITH 25 BEDS SETUP THE HOSPITAL PROVIDES ACUTE CARE SERVICES TO PATIENTS IN RAVALLI COUNTY THE SERVICES PROVIDED INCLUDE ACUTE CARE HOSPITAL, RELATED ANCILLARY SERVICES SUCH AS LABORATORY, RADIOLOGY AND THERAPY INPATIENT AND OUTPATIENT SURGERY, EMERGENCY CARE, AMBULANCE, HOME HEALTH, CLINIC, TRANSITIONAL CARE, INPATIENT AND OUTPATIENT HOSPICE CARE THE HOSPITAL PROVIDES EMS SERVICES WITH 3 CREWS PROVIDING 911 SERVICE TO THE COUNTY THE GOAL IS TO RESPOND WITHIN 20 MINUTES OR LESS TO ANY CALL WITHIN THE COUNTY THE HOSPITAL IS THE ONLY PEDIATRIC REHABILITATION PROVIDER OF PHYSICAL THERAPY, OCCUPATIONAL THERAPY AND SPEECH THERAPY IN WESTERN MONTANA USING CERTIFIED THERAPISTS THE HOSPITAL CLINICS SEE ALL PATIENTS REGARDLESS OF INSURANCE OR ABILITY TO PAY AND ENABLE THE COMMUNITY ACCESS TO PRIMARY CARE IN 2010, THE HOSPITAL OPERATED FOUR RURAL HEALTH CLINICS

4b

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

4c

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

4d

Other program services (Describe in Schedule O )

















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

4e

Total program service expenses \$ 38,228,340

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21		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? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? . . . . .	35	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> 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	67		
	b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b		
c		Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	546		
	b		If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		
Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).					
3a		Did the organization have unrelated business gross income of \$1,000 or more during the year?		3a	No
b		If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		3b	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a	No
	b			If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.	
5a		Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a	No
b		Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b	No
c		If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		5c	
6a		Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?		6a	No
b		If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b	
7 Organizations that may receive deductible contributions under section 170(c).					
a		Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		7a	No
b		If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b	
c		Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c	No
d		If "Yes," indicate the number of Forms 8282 filed during the year.		7d	
e		Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e	No
f		Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f	No
g		If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g	
h		If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h	
8		Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9		Sponsoring organizations maintaining donor advised funds.			
a		Did the organization make any taxable distributions under section 4966?		9a	
b		Did the organization make a distribution to a donor, donor advisor, or related person?		9b	
10 Section 501(c)(7) organizations. Enter					
a		Initiation fees and capital contributions included on Part VIII, line 12.		10a	
b		Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b	
11 Section 501(c)(12) organizations. Enter					
a		Gross income from members or shareholders.		11a	
b		Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b	
12a		Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b		If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b	
13		Section 501(c)(29) qualified nonprofit health insurance issuers.			
a		Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		13a	
b		Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b	
c		Enter the amount of reserves on hand.		13c	
14a		Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b		If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		14b	

Part VI

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . . . .	1a	11	
b	Enter the number of voting members included in line 1a, above, who are independent . . . . .	1b	8	
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		No
14	Does the organization have a written document retention and destruction policy? . . . . .	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? . . . . .			
a	The organization's CEO, Executive Director, or top management official . . . . .	15a	Yes	
b	Other officers or key employees of the organization . . . . . If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions ) . . . . .	15b	Yes	
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .	16a		No
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .	16b		

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ DONJA C ERDMAN 1200 WESTWOOD DRIVE HAMILTON, MT 59840 (406) 375-4609

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) SONNY LASALLE CHAIR	4.00	X		X				0	0	0
(2) DON LODMELL PHD VICE CHAIR	4.00	X		X				0	0	0
(3) DONNA COONEY BOARD MEMBER	4.00	X						0	0	0
(4) STEVEN ELLIS MD BOARD MEMBER	4.00	X						0	0	0
(5) BARBARA ACKERMAN BOARD MEMBER	4.00	X						0	0	0
(6) BILL BEAN BOARD MEMBER	4.00	X						0	0	0
(7) JAMES OWINGS CPA BOARD MEMBER	4.00	X						0	0	0
(8) MICHAEL COWAN BOARD MEMBER	4.00	X						0	0	0
(9) RANDY STEWART MD BOARD MEMBER	4.00	X						0	0	0
(10) JOHN M BARTOS CEO/SECRETARY/TREASURER	40.00	X		X				277,485	0	29,233
(11) WALKER ASHCRAFT MD PHYSICIAN/BOARD MEMBER	40.00	X						152,724	0	22,698
(12) FREDERIK ILGENFRITZ MD PHYSICIAN/BOARD MEMBER	40.00	X						219,002	0	9,400
(13) DONJA C ERDMAN CFO	40.00			X				120,169	0	19,581
(14) JOHN COURCHESNE MD PHYSICIAN	40.00					X		351,250	0	37,206
(15) JEREMIAH CLINTON MD PHYSICIAN	40.00					X		366,354	0	5,185
(16) JOHN MORELAND MD PHYSICIAN	40.00					X		317,493	0	38,500



## Part VII

2	Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization	30
---	---	----

		Yes	No
<b>3</b>	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	<b>3</b>	No
<b>4</b>	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	<b>4</b>	Yes
<b>5</b>	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i> . . . . .	<b>5</b>	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
HEALTHCARE OUTSOURCING NETWORK LLC 621 17TH ST 1800 DENVER, CO 80293	BUSINESS SERVICES PROVIDER	450,281
ALLIANCE HEALTHCARE SERVICES FILE 55826 LOS ANGELES, CA 90074	MRI IMAGING	443,682
E-PARTNERS 75 REMITTANCE DR 8617 CHICAGO, IL 60675	IT PROFESSIONAL FEES	358,282
CLINTON R ADKINS DO 387 WOMBAT CORVALLIS, MT 59828	EMERGENCY ROOM PHYSICIAN	254,107
CERNER CORPORATION PO BOX 412072 KANSAS CITY, MO 64141	IT SUPPORT	226,331
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 9		

Part VIII

Statement of Revenue

		(A)	(B)	(C)	(D)	
		Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . . . . 1a					
	b Membership dues . . . . . 1b					
	c Fundraising events . . . . . 1c					
	d Related organizations . . . . . 1d	36,500				
	e Government grants (contributions) 1e					
	f All other contributions, gifts, grants, and similar amounts not included above 1f	188,604				
	g Noncash contributions included in lines 1a-1f \$					
	h Total. Add lines 1a-1f . . . . .	225,104				
	Program Service Revenue	2a PATIENT SERVICE INCOME	621400	45,239,736	45,239,736	
b HOSPITAL UTILZTN REV		621400	1,536,465	1,536,465		
c OTHER OPERATING INCOME		621400	116,850	116,850		
d						
e						
f All other program service revenue						
g Total. Add lines 2a-2f . . . . .		46,893,051				
Other Revenue		3 Investment income (including dividends, interest and other similar amounts) . . . . .		109,850		109,850
		4 Income from investment of tax-exempt bond proceeds . . . . .				
	5 Royalties . . . . .					
	6a Gross Rents	(i) Real 171,919	(ii) Personal			
	b Less rental expenses	261,309				
	c Rental income or (loss)	-89,390				
	d Net rental income or (loss) . . . . .		-89,390		-89,390	
	7a Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other 11,220			
	b Less cost or other basis and sales expenses		60,930			
	c Gain or (loss)		-49,710			
	d Net gain or (loss) . . . . .		-49,710		-49,710	
	8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .	a				
	b Less direct expenses . . . . . b					
	c Net income or (loss) from fundraising events . . . . .					
	9a Gross income from gaming activities See Part IV, line 19 . . . . . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . . . .					
	10a Gross sales of inventory, less returns and allowances . . . . .	a				
	b Less cost of goods sold . . . . . b					
c Net income or (loss) from sales of inventory . . . . .						
Miscellaneous Revenue	Business Code					
11a MISCELLANEOUS	900099	65,439		65,439		
b						
c						
d All other revenue . . . . .						
e Total. Add lines 11a-11d . . . . .		65,439				
12 Total revenue. See Instructions . . . . .		47,154,344	46,893,051	0	36,189	

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	2,644	2,644		
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees . . . . .	818,861	400,351	418,510	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
7	Other salaries and wages	19,402,817	15,854,546	3,444,007	104,264
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	105,002	95,418	8,849	735
9	Other employee benefits . . . . .	3,786,359	3,045,660	721,140	19,559
10	Payroll taxes . . . . .	1,311,546	1,048,855	255,166	7,525
a	Fees for services (non-employees)				
	Management . . . . .				
b	Legal . . . . .	64,578		64,578	
c	Accounting . . . . .	49,150		49,150	
d	Lobbying . . . . .				
e	Professional fundraising services See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .				
g	Other . . . . .	4,334,091	2,827,351	1,494,341	12,399
12	Advertising and promotion . . . . .	175,919	175,919		
13	Office expenses . . . . .	4,366,369	4,041,137	322,710	2,522
14	Information technology . . . . .	529,456	465,937	63,519	
15	Royalties . . . . .				
16	Occupancy . . . . .	323,507	316,812	6,695	
17	Travel . . . . .	105,554	73,593	31,918	43
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .				
20	Interest . . . . .	795,689	635,161	128,422	32,106
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	2,897,824	2,605,460	285,653	6,711
23	Insurance . . . . .	959,619	959,619		
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	PROVISION FOR BAD DEBTS	4,872,742	4,872,742		
b	MAINTENANCE AND REPAIRS	718,770	564,090	152,965	1,715
c	MISCELLANEOUS EXPENSES	250,553	66,270	184,199	84
d	PHARMACY/ LAB EXPENSES	149,276	149,276		
e	TRAINING & DEVELOPMENT	34,068	27,499	6,569	
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	46,054,394	38,228,340	7,638,391	187,663
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

						(A)		(B)
						Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .				6,104,400	1	3,127,975
	2	Savings and temporary cash investments . . . . .				3,604,899	2	2,592,286
	3	Pledges and grants receivable, net . . . . .					3	
	4	Accounts receivable, net . . . . .				8,661,625	4	11,265,092
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .					5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L . . . . .					6	
	7	Notes and loans receivable, net . . . . .				163,929	7	108,523
	8	Inventories for sale or use . . . . .				967,188	8	1,079,757
	9	Prepaid expenses and deferred charges . . . . .				453,245	9	370,554
	10a	Land, buildings, and equipment cost or other basis. Complete Part VI of Schedule D	10a	48,289,511	23,527,354	10c	26,780,235	
	b	Less accumulated depreciation . . . . .	10b	21,509,276				
	11	Investments—publicly traded securities . . . . .					11	
	12	Investments—other securities. See Part IV, line 11 . . . . .					12	
	13	Investments—program-related. See Part IV, line 11 . . . . .				1,157,713	13	1,368,776
	14	Intangible assets . . . . .				771,657	14	444,242
	15	Other assets. See Part IV, line 11 . . . . .					15	
	16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .				45,412,010	16	47,137,440
Liabilities	17	Accounts payable and accrued expenses . . . . .				4,077,061	17	5,201,791
	18	Grants payable . . . . .					18	
	19	Deferred revenue . . . . .					19	
	20	Tax-exempt bond liabilities . . . . .				9,265,000	20	8,685,000
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .					21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .					22	
	23	Secured mortgages and notes payable to unrelated third parties . . . . .				5,811,840	23	5,381,512
	24	Unsecured notes and loans payable to unrelated third parties . . . . .					24	600,007
	25	Other liabilities. Complete Part X of Schedule D . . . . .				1,119,102	25	819,110
	26	Total liabilities. Add lines 17 through 25 . . . . .				20,273,003	26	20,687,420
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.							
	27	Unrestricted net assets . . . . .				23,631,082	27	24,723,132
	28	Temporarily restricted net assets . . . . .				524,562	28	743,245
	29	Permanently restricted net assets . . . . .				983,363	29	983,643
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.							
	30	Capital stock or trust principal, or current funds . . . . .					30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .					31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .					32	
	33	Total net assets or fund balances . . . . .				25,139,007	33	26,450,020
	34	Total liabilities and net assets/fund balances . . . . .				45,412,010	34	47,137,440

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	47,154,344
2	Total expenses (must equal Part IX, column (A), line 25)	2	46,054,394
3	Revenue less expenses Subtract line 2 from line 1	3	1,099,950
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	25,139,007
5	Other changes in net assets or fund balances (explain in Schedule O)	5	211,063
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	26,450,020

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization MARCUS DALY MEMORIAL HOSPITAL	Employer identification number  81-0240726
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Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

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

☐

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

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?  
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?  
(ii) a family member of a person described in (i) above?  
(iii) a 35% controlled entity of a person described in (i) or (ii) above?
- h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions )					12	

13

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

▶

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

Part IIIPart III

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and <b>stop here</b> 						

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 <b>stop here</b> . 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 <b>stop here</b> . The organization qualifies as a publicly supported organization 		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions 		



Part IV

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

Facts And Circumstances Test

SCHEDULE 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  
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number  
81-0240726

Part I

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

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

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

Number of states where property subject to conservation easement is located ▶ \_\_\_\_\_

5

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

☐ Yes ☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

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

2

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

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

b Assets included in Form 990, Part X▶ \$ \_\_\_\_\_

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

Cat No 52283D

Schedule D (Form 990) 2010

Part III

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

3

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

a

☐

Public exhibition

b

☐

Scholarly research

c

☐

Preservation for future generations

d

☐

Loan or exchange programs

e

☐

Other

4

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

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

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

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a Beginning of year balance . . . . .	313,190	313,190	313,190		
b Contributions . . . . .					
c Investment earnings or losses . . . . .	3,160	4,071			
d Grants or scholarships . . . . .					
e Other expenditures for facilities and programs . . . . .	3,160	4,071			
f Administrative expenses . . . . .					
g End of year balance . . . . .	313,190	313,190	313,190		

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶ 0 %

b

Permanent endowment ▶ 100 000 %

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

(i) unrelated organizations . . . . .

3a(i)

Yes

No

(ii) related organizations . . . . .

3a(ii)

Yes

No

b

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

3b

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 . . . . .		1,415,098		1,415,098
b Buildings . . . . .		29,431,724	11,392,672	18,039,052
c Leasehold improvements . . . . .		695,752	606,282	89,470
d Equipment . . . . .		16,428,793	9,510,322	6,918,471
e Other . . . . .		318,144		318,144
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				26,780,235

Schedule D (Form 990) 2010



Part XI

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	47,154,344
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	46,054,394
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	1,099,950
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	211,063
9	Total adjustments (net) Add lines 4 - 8	9	211,063
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	1,311,013

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	46,881,091
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments . . . . .	2a	
b	Donated services and use of facilities . . . . .	2b	
c	Recoveries of prior year grants . . . . .	2c	
d	Other (Describe in Part XIV) . . . . .	2d	261,309
e	Add lines 2a through 2d . . . . .	2e	261,309
3	Subtract line 2e from line 1 . . . . .	3	46,619,782
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a	
b	Other (Describe in Part XIV) . . . . .	4b	534,562
c	Add lines 4a and 4b . . . . .	4c	534,562
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .	5	47,154,344

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements . . . . .	1	46,315,703
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities . . . . .	2a	
b	Prior year adjustments . . . . .	2b	
c	Other losses . . . . .	2c	
d	Other (Describe in Part XIV) . . . . .	2d	261,309
e	Add lines 2a through 2d . . . . .	2e	261,309
3	Subtract line 2e from line 1 . . . . .	3	46,054,394
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a	
b	Other (Describe in Part XIV) . . . . .	4b	
c	Add lines 4a and 4b . . . . .	4c	0
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .	5	46,054,394

Part XIV

Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	ENDOWMENT FUNDS ARE DESIGNATED FOR THE PURPOSE OF BUILDING AND CARRYING ON A HOSPITAL IN HAMILTON, MONTANA, AND FOR THE CARE AND TREATMENT OF CRIPPLED CHILDREN
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	PER THE AUDITED FINANCIAL STATEMENTS, NOTE 1 THE HOSPITAL FOLLOWS THE GUIDANCE IN THE ACCOUNTING STANDARDS REGARDING THE RECOGNITION AND MEASUREMENT OF UNCERTAIN TAX POSITIONS. THE GUIDANCE CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN AN ENTITY'S FINANCIAL STATEMENTS. THE GUIDANCE FURTHER PRESCRIBES RECOGNITION AND MEASUREMENT OF TAX PROVISIONS TAKEN OR EXPECTED TO BE TAKEN ON A TAX RETURN THAT ARE NOT CERTAIN TO BE REALIZED. THE APPLICATION OF THIS STANDARD HAS NO IMPACT ON THE HOSPITAL'S FINANCIAL STATEMENTS. THE HOSPITAL'S INCOME TAX RETURNS ARE SUBJECT TO REVIEW AND EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES. THE INFORMATION TAX RETURNS FOR THE YEARS ENDED 2008 TO 2010 ARE OPEN TO EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES.

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**  
MARCUS DALY MEMORIAL HOSPITAL

**Employer identification number**  
81-0240726

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	Yes	
b	If "Yes," is it a written policy? . . . . .	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year		
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input checked="" type="checkbox"/> 100%</div> <div><input type="checkbox"/> 150%</div> <div><input type="checkbox"/> 200%</div> <div><input type="checkbox"/> Other _____ %</div>	Yes	
b	Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . <div><div>100.000000000000</div><div><input checked="" type="checkbox"/> Other _____ %</div><div><input type="checkbox"/> 200%</div><div><input type="checkbox"/> 250%</div><div><input type="checkbox"/> 300%</div><div><input type="checkbox"/> 350%</div><div><input type="checkbox"/> 400%</div></div>	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"? . . . . .	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . .	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .		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 eligible for free or discounted care? . . . . .		
6a	Does the organization prepare a community benefit report during the tax year? . . . . .	Yes	
6b	If "Yes," did the organization make it available to the public? . . . . .	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)		313	343,132		343,132	0 750 %
b Unreimbursed Medicaid (from Worksheet 3, column a) . . . . .			3,665,461	4,094,448	-428,987	0 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b) . . . . .						
d Total Financial Assistance and Means-Tested Government Programs . . . . .		313	4,008,593	4,094,448	-85,855	0 750 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			243,403		243,403	0 530 %
f Health professions education (from Worksheet 5) . . . . .			2,000		2,000	0 %
g Subsidized health services (from Worksheet 6) . . . . .			6,406,754	5,059,809	1,346,945	2 920 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8) . . . . .			33,444		33,444	0 070 %
j Total Other Benefits . . . . .			6,685,601	5,059,809	1,625,792	3 520 %
k Total. Add lines 7d and 7j . . . . .		313	10,694,194	9,154,257	1,539,937	4 270 %

Part II

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development	2				
3	Community support		2,644		2,644	0 010 %
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building	1	721		721	0 %
7	Community health improvement advocacy					
8	Workforce development	1	77,866		77,866	0 170 %
9	Other					
10	Total	4	81,231		81,231	0 180 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	2,534,533	
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	0	
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	6,359,311	
6	Enter Medicare allowable costs of care relating to payments on line 5	6	12,053,268	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-5,693,957	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other			

Section C. Collection Practices

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

Part IV

Management Companies and Joint Ventures

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

## Section A. Hospital Facilities

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

1	MARCUS DALY MEMORIAL HOSPITAL 1200 WESTWOOD DRIVE HAMILTON, MT 59840
---	--

Other (Describe)

ER-other
ER-24 hours
Research facility
Critical access hospital
Teaching hospital
Children's hospital
General medical & surgical
Licensed hospital



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? 4

Name and address		Type of Facility (Describe)
1	CORVALLIS FAMILY MEDICINE CLINIC 1037 MAIN STREET CORVALLIS, MT 59828	CLINIC
2	CORVALLIS FAMILY MEDICINE CLINIC 1037 MAIN STREET CORVALLIS, MT 59828	CLINIC
3	CORVALLIS FAMILY MEDICINE CLINIC 1037 MAIN STREET CORVALLIS, MT 59828	CLINIC
4	CORVALLIS FAMILY MEDICINE CLINIC 1037 MAIN STREET CORVALLIS, MT 59828	CLINIC
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		PART I, LINE 3C FULL TO PARTIAL ASSISTANCE MAY BE GRANTED TO PATIENTS WITH GROSS FAMILY INCOME BELOW 100% OF THE FPG, AS ADJUSTED FOR FAMILY SIZE A FAMILY MAY NOT OWN NET ASSETS IN EXCESS OF \$10,000 CURRENT VALUE

Identifier	ReturnReference	Explanation
		PART I, LINE 6A A COMMUNITY BENEFIT REPORT FOR FISCAL YEAR 2010 WAS IN THE WINTER 2011 EDITION OF HEALTHLINES, THE NEWSLETTER OF MARCUS DALY MEMORIAL HOSPITAL THE NEWSLETTER WAS DELIVERED TO EVERY MAILING ADDRESS IN RAVALLI COUNTY COVERING APPROXIMATELY 14,300 HOUSEHOLDS AN ADDITIONAL 1,000 COPIES OF THE NEWSLETTER WERE PRINTED FOR GENERAL CIRCULATION

Identifier	ReturnReference	Explanation
		PART I, LINE 7 EXPLANATION OF COSTING METHOD FOR FINANCIAL ASSISTANCE, MEDICAID, COMMUNITY HEALTH IMPROVEMENT SERVICES AND COMMUNITY BENEFIT OPERATIONS, HEALTH PROFESSIONS EDUCATION, AND CASH AND IN-KIND CONTRIBUTIONS TO COMMUNITY GROUPS,THE HOSPITAL APPLIES THE RATIO OF PATIENT CARE COSTS TO CHARGES (TOTAL OPERATING EXPENSES LESS NON-PATIENT CARE ACTIVITIES, MEDICAID PROVIDER TAXES, TOTAL COMMUNITY BENEFIT AND TOTAL COMMUNITY BUILDING) THIS METHODOLOGY ALSO APPLIES TO EMERGENCY SERVICES, THE BITTERROOT GENERAL VASCULAR SURGERY CLINIC, THE RAVALLI UROLOGY GLINIC, AND BITTERROOT ORTHOPEDICS & SPORTS, ALL INCLUDED IN SUBSIDIZED HEALTH SERVICES ALSO INCLUDED IN THE SUBSIDIZED HEALTH SERVICES LINE IS HOME HEALTH AND HOSPICE FOR HOME HEALTH AND HOSPICE, THE MEDICARE COST REPORT WAS USED TO DETERMINE TOTAL COSTS AND REVENUES

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 4872742

Identifier	ReturnReference	Explanation
		PART II THE HOSPITAL PROMOTES THE HEALTH OF THE COMMUNITY BY PARTICIPATION IN BOTH ECONOMIC AND COALITION BUILDING EVENTS THE HOSPITAL PARTNERS WITH LOCAL HIGH SCHOOLS WITH A "JOB SHADOW" PROGRAM THE GOAL IS TO EXPOSE AND PROMOTE THE HEALTH CARE PROFESSION TO AREA YOUTH THE HOSPITAL IS ALSO REPRESENTED ON THE BITTERROOT COLLEGE STEERING TEAM AND THE JOB SERVICE ECONOMIC COUNCIL THE HOSPITAL PARTNERS WITH THE ROCKY MOUNTAIN LAB, A LEVEL 4 BIOHAZARD LAB, TO HELP ENSURE COMMUNITY SAFETY AND IS REPRESENTED AT ADULT PROTECTION SERVICES AND OTHER COMMUNITY SUPPORT ORGANIZATIONS

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 THE FOLLOWING IS FROM THE "PATIENT RECEIVABLES" PARAGRAPH IN NOTE 1 TO THE HOSPITAL'S FINANCIAL STATEMENTS "THE HOSPITAL MAINTAINS AN ALLOWANCE FOR UNCOLLECTIBLE SELF-PAY ACCOUNTS PATIENTS ARE NOT REQUIRED TO PROVIDE COLLATERAL FOR SERVICES RENDERED PAYMENT FOR SERVICES IS REQUIRED AT THE TIME OF SERVICE WHEN THE AMOUNT DUE IS KNOWN OR UPON RECEIPT OF AN INVOICE, AFTER PAYMENT BY INSURANCE, IF ANY MANAGEMENT DETERMINES THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BY IDENTIFYING TROUBLED ACCOUNTS, BY HISTORICAL EXPERIENCE APPLIED TO AN AGING OF ACCOUNTS AND BY CONSIDERING THE PATIENTS' FINANCIAL HISTORY, CREDIT HISTORY AND CURRENT ECONOMIC CONDITIONS WHEN ALL COLLECTION EFFORTS HAVE BEEN EXHAUSTED, THE ACCOUNT IS WRITTEN OFF AGAINST THE RELATED ALLOWANCE "THE AMOUNT OF BAD DEBT EXPENSE (AT COST) REPORTED IN PART III, LINE 2 IS CALCULATED AS FOLLOWS PAYMENT ARRANGEMENT 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</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 8 MDMH HAS A MEDICARE SHORTFALL IN EXCESS OF \$5 MILLION THE HOSPITAL HAS CRITICAL ACCESS HOSPITAL STATUS AND IS REIMBURSED BY MEDICARE FOR INPATIENT AND OUTPATIENT SERVICES ON A COST BASIS AS DEFINED AND LIMITED BY THE MEDICARE PROGRAM MDMH PROVIDES A SIGNIFICANT RURAL LINK FOR BOTH THE HEALTH AND WELL-BEING OF RAVALLI COUNTY RESIDENTS WE ARE COMMITTED TO LOCAL HEALTHCARE CLOSE TO HOME AND WORK HARD TO EARN AND KEEP THE TRUST OF THE LOCAL COMMUNITY TO ENSURE THAT A VARIETY OF CLINIC, HOSPITAL AND EMERGENCY SERVICES ARE OPEN AND AVAILABLE TO ALL THOSE WITHIN OUR SERVICE AREA WE STRIVE TO OPERATE AT THE HIGHEST LEVEL OF FISCAL RESPONSIBILITY AND TO BE A GOOD STEWARD OF OUR RESOURCES IRS AND CLIFTONLARSONALLEN METHODOLOGY WAS USED TO COMPUTE THE MEDICARE SHORTFALL



Identifier	ReturnReference	Explanation
		PART III, LINE 9B IF A PATIENT IS PRESUMED TO BE FINANCIALLY INDIGENT, THE PATIENT REPRESENTATIVE WILL OFFER A PATIENT FINANCIAL STATEMENT (PFS) TO BE FILLED OUT THE PFS WILL BE FORWARDED TO THE CHARITY CARE COMMITTEE FOR REVIEW AND DETERMINATION OF CHARITY CARE STATUS A PATIENT MAY REQUEST A MONTHLY PAYMENT ARRANGMENT A MINIMUM PAYMENT OF \$30 MUST BE PAID MONTHLY, WITH THE BALANCE PAID IN FULL WITHIN 3 YEARS ACCOUNTS THAT CANNOT BE COLLECTED AFTER NORMAL IN-HOUSE COLLECTION PROCEDURES MAY BE REFERRED TO A COLLECTION AGENCY, MAGISTRATE OR ATTORNEY FOR FURTHER COLLECTION ACTION

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 PLANNING IS IN PLACE TO DEVELOP CRITERIA FOR ASSESSING THE NEEDS OF THE COMMUNITY IN WHICH THE HOSPITAL SERVES NEEDS ASSESSMENT CRITERIA WILL BE IN USE FOR FISCAL YEAR 2013

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 BILLING AND COLLECTION INFORMATION IS LOCATED ON THE BACK OF STATEMENTS SENT TO PATIENTS ON A MONTHLY BASIS, WE CONTACT BY PHONE REQUESTING PAYMENT AND MAY EXPLAIN POLICIES AT THAT TIME WE UTILIZE THE MASH PROGRAM TO SCREEN PRIVATE PAY PATIENTS TO QUALIFY FOR OTHER PROGRAMS SUCH AS MEDICAID AND DISABILITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 WE SERVE A RURAL POPULATION WHERE THE HOUSEHOLD MEDIAN INCOME IS ABOUT \$28,000 OUR PAYER MIX IS 50% MEDICARE, 9% MEDICAID, 11% SELF PAY, NO INSURANCE, WITH THE BALANCE AS OTHER COMMERCIAL PAYERS THE PERIOD UNEMPLOYMENT RATE IN RAVALLI COUNTY IS BETWEEN 9 AND 10 2%

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 THE HOSPITAL IS PROUD OF IT'S EFFORTS TO PROMOTE COMMUNITY HEALTH AND WELLNESS THROUGH PROMOTING WOMEN'S HEART HEALTH AND BREAST CANCER AWARENESS THE HOSPITAL SPONSORS AN ANNUAL SPORTS PHYSICAL CLINIC TO SUPPORT AND ENCOURAGE AREA YOUTH TO PARTICIPATE IN PHYSICAL ACTIVITIES OTHER COMMUNITY CLINICS OR SCREENINGS INCLUDED BLOOD PRESSURE TESTING AT AREA SENIOR CENTERS, AND LIPID PROFILES AND CHOLESTEROL TESTS PROVIDED TO THE COMMUNITY FREE OF CHARGE THE HOSPITAL WAS PROUD TO CONDUCT AN EDUCATIONAL SERIES DEDICATED TO DIABETES WHICH WAS WELL RECEIVED BY THE COMMUNITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 THE ORGANIZATION IS NOT PART OF AN AFFILIATED HEALTH CARE SYSTEM

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	MT

Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization  
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number  
81-0240726

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
1b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	<div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
4a	Receive a severance payment or change-of-control payment from the organization or a related organization?		No
4b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?		No
4c	Participate in, or receive payment from, an equity-based compensation arrangement?		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		
5a	The organization?		No
5b	Any related organization?		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		
6a	The organization?		No
6b	Any related organization?		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		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		



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

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

**Note.** The sum of columns (B)(i)-(iii) 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) JOHN M BARTOS	(i)	233,412	0	44,073	20,520	8,713	306,718	0
	(ii)	0	0	0	0	0	0	0
(2) WALKER ASHCRAFT MD	(i)	132,001	20,723	0	15,984	6,714	175,422	0
	(ii)	0	0	0	0	0	0	0
(3) FREDERIK ILGENFRITZ MD	(i)	219,002	0	0	8,400	1,000	228,402	0
	(ii)	0	0	0	0	0	0	0
(4) JOHN COURCHESNE MD	(i)	184,452	166,798	0	30,492	6,714	388,456	0
	(ii)	0	0	0	0	0	0	0
(5) JEREMIAH CLINTON MD	(i)	366,354	0	0	0	5,185	371,539	0
	(ii)	0	0	0	0	0	0	0
(6) JOHN MORELAND MD	(i)	271,844	45,649	0	38,500	0	355,993	0
	(ii)	0	0	0	0	0	0	0
(7) YVONNE COURCHESNE MD	(i)	163,708	158,705	0	30,492	1,000	353,905	0
	(ii)	0	0	0	0	0	0	0
(8) LUKE CHANNER MD	(i)	249,999	35,896	0	18,500	9,688	314,083	0
	(ii)	0	0	0	0	0	0	0
( 9 )								
( 10 )								
( 11 )								
( 12 )								
( 13 )								
( 14 )								
( 15 )								
( 16 )								

**Part III**   **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Schedule 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  
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number  
81-0240726

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 MT HEALTH FACILITY AUTHORITY	81-0302402	612043ED7	01-31-2007	7,068,924	CONSTRUCTION OF A NEW EMERGENCY DEPARTMENT		X		X		X

Part II    Proceeds									
		A		B		C		D	
1	Amount of bonds retired	750,000							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	7,135,000							
4	Gross proceeds in reserve funds	538,116							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	261,801							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	5,973,474							
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2008							
		Yes	No						
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part V

Supplemental Information

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

Identifier	Return Reference	Explanation

Schedule L  
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number  
81-0240726

Part I

Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

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

2

Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . .

\$

3

Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . .

\$

Part II

Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

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

Part III

Grants or Assistance Benefitting Interested Persons.

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

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

**Part IV**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) KATHLEEN OWINGS	SPOUSE OF BOARD MEMBER	104,607	EMPLOYMENT		No

**Part V**

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

Identifier	Return Reference	Explanation
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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 MARCUS DALY MEMORIAL HOSPITAL	Employer identification number 81-0240726
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Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE FORM 990 WAS REVIEWED, IN DETAIL, BY THE CFO AND CEO THE FORM 990 WAS THEN REVIEWED BY THE BOARD OF DIRECTORS AND HOSPITAL FINANCE COMMITTEE AT A BOARD MEETING BEFORE IT WAS FILED

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	THE HOSPITAL ATTORNEY ATTENDS ALL BOARD MEETINGS AND HE IS GIVEN THE AUTHORITY TO QUESTION, PRIOR TO DISCUSSION, A POTENTIAL CONFLICT OF INTEREST FOR ANY DIRECTOR THE CEO RAISES A QUESTION REGARDING CONFLICT OF INTEREST THE HOSPITAL BOARD ASKS THE DIRECTOR TO STEP OUT OF THE ROOM DURING DISCUSSION OF CONFLICT THE DIRECTOR IS EXCUSED FOR THE DISCUSSION ONCE A CONFLICT HAS BEEN DETERMINED OR IS INVITED BACK INTO THE ROOM IF NO CONFLICT IS DETERMINED TO EXIST



Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	CEO - OCCURS ANNUALLY WITH ANNUAL COMPENSATION COMMITTEE OF THE BOARD THE COMMITTEE REVIEWS SURVEYS FOR COMPARABLE PAY AND BENEFITS THIS COMMITTEE ALSO CONDUCTS THE ANNUAL EVALUATION OF THE CFO

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY ARE NOT MADE AVAILABLE TO THE PUBLIC FINANCIAL STATEMENTS ARE MADE AVAILABLE TO THE PUBLIC UPON REQUEST

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	CHANGE IN BENEFICIAL INTEREST IN NET ASSETS OF DALY HOSPITAL FOUNDATION 211,063 TOTAL TO FORM 990, PART XI, LINE 5 211,063

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  
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number  
81-0240726

Part I

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) DALY HOSPITAL FOUNDATIONINC  1200 WESTWOOD DRIVE  HAMILTON, MT 59840 36-3766000	CHARITABLE SERVICES	MT	501(C)(3)	11-TYPE 2	N/A	Yes	

Part III

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

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

Part IV

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

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

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by other organization(s)

f Sale of assets to other organization(s)

g Purchase of assets from other organization(s)

h Exchange of assets

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

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

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

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

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

n Sharing of paid employees

o Reimbursement paid to other organization for expenses

p Reimbursement paid by other organization for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

Yes

No

No

No

No

No

No

No

Yes

No

Yes

Yes

No

No

No

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) DALY HOSPITAL FOUNDATION INC	K	145,953	FAIR MARKET VALUE
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2010

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

[illegible]

**Part VII**   **Supplemental Information**

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

Identifier	Return Reference	Explanation
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**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Marcus Daly Memorial Hospital Corporation  
Hamilton, Montana

We have audited the accompanying balance sheets of Marcus Daly Memorial Hospital Corporation, (the Hospital) as of June 30, 2011 and 2010, and the related statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marcus Daly Memorial Hospital Corporation as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*LarsonAllen LLP*  
LarsonAllen LLP

Minneapolis, Minnesota  
October 12, 2011



**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**BALANCE SHEETS**  
**JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,127,975	\$ 6,104,400
Assets Limited as to Use Required for Current Liabilities	1,175,605	1,177,507
Patient Accounts, Net Allowance for Uncollectible Accounts of \$5,457,000 in 2011 and \$4,494,000 in 2010	11,003,133	8,422,187
Other Receivables	261,959	239,438
Inventory	1,079,757	967,188
Prepaid Expenses	<u>370,554</u>	<u>453,245</u>
Total Current Assets	17,018,983	17,363,965
<b>ASSETS LIMITED AS TO USE</b>	2,592,286	3,604,899
Less Assets Limited as to Use Required for Current Liabilities	<u>(1,175,605)</u>	<u>(1,177,507)</u>
Total Assets Limited as to Use, Net	1,416,681	2,427,392
<b>PROPERTY AND EQUIPMENT, NET</b>	26,780,235	23,723,176
<b>BENEFICIAL INTEREST IN DALY HOSPITAL FOUNDATION, INC.</b>	1,368,776	1,157,713
<b>OTHER ASSETS</b>	<u>552,765</u>	<u>739,764</u>
 Total Assets	 <u><u>\$ 47,137,440</u></u>	 <u><u>\$ 45,412,010</u></u>

See accompanying Notes to Financial Statements

	<u>2011</u>	<u>2010</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 1,013,649	\$ 987,136
Line of Credit	600,000	-
Accounts Payable	1,881,216	1,987,102
Construction Accounts Payable	1,148,386	144,538
Accrued Compensation and Related Liabilities	2,010,240	1,755,050
Accrued Interest	161,956	190,371
Estimated Third-Party Payor Settlements	819,110	1,119,102
Total Current Liabilities	<u>7,634,557</u>	<u>6,183,299</u>
 <b>LONG-TERM DEBT, Less Current Maturities</b>	 <u>13,052,863</u>	 <u>14,089,704</u>
 Total Liabilities	 20,687,420	 20,273,003
 <b>CONTINGENT LIABILITIES AND COMMITMENTS</b>		
 <b>NET ASSETS</b>		
Unrestricted	24,723,132	23,631,082
Temporarily Restricted	743,245	524,562
Permanently Restricted	983,643	983,363
Total Net Assets	<u>26,450,020</u>	<u>25,139,007</u>
 Total Liabilities and Net Assets	 <u><u>\$ 47,137,440</u></u>	 <u><u>\$ 45,412,010</u></u>

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**STATEMENTS OF OPERATIONS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Net Patient Service Revenue	\$ 45,239,736	\$ 45,808,668
Montana Hospital Utilization Revenue	1,536,465	1,150,428
Other Operating Revenue	104,890	85,233
Total Operating Revenues	<u>46,881,091</u>	<u>47,044,329</u>
<b>OPERATING EXPENSES</b>		
Salaries and Wages	20,192,358	18,426,856
Employee Benefits	5,232,419	4,908,510
Professional Fees	2,024,811	2,263,377
Supplies	4,317,771	4,159,368
Purchased Services, Other	1,981,609	2,151,874
Purchased Services, Utilities	673,470	621,440
Insurance	959,619	991,664
Other	982,644	1,130,114
Maintenance and Repairs	1,123,438	796,473
Rent	261,309	276,081
Interest	795,689	838,348
Depreciation and Amortization	2,897,824	2,764,123
Provision for Bad Debts	4,872,742	5,188,082
Total Operating Expenses	<u>46,315,703</u>	<u>44,516,310</u>
<b>INCOME FROM OPERATIONS</b>	565,388	2,528,019
<b>NONOPERATING GAINS</b>		
Interest Revenue	109,850	99,709
Grants and Contributions	81,551	71,719
Other Nonoperating Revenue	199,968	179,622
Total Nonoperating Gains, Net	<u>391,369</u>	<u>351,050</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	956,757	2,879,069
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>135,293</u>	<u>84,994</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<u>\$ 1,092,050</u>	<u>\$ 2,964,063</u>

See accompanying Notes to Financial Statements

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>UNRESTRICTED NET ASSETS</b>		
Excess of Revenues Over Expenses	\$ 956,757	\$ 2,879,069
Net Assets Released from Restrictions	<u>135,293</u>	<u>84,994</u>
Increase in Unrestricted Net Assets	1,092,050	2,964,063
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions and Grants	143,553	84,994
Auxiliary Income (Loss)	(360)	15,662
Net Assets Released from Restrictions	(135,293)	(84,994)
Change in Beneficial Interest in Net Assets of Daly Hospital Foundation, Inc	<u>210,783</u>	<u>54,397</u>
Increase in Temporarily Restricted Net Assets	218,683	70,059
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Change in Beneficial Interest in Net Assets of Daly Hospital Foundation, Inc	<u>280</u>	<u>1,165</u>
<b>INCREASE IN NET ASSETS</b>	1,311,013	3,035,287
Net Assets - Beginning of Year	<u>25,139,007</u>	<u>22,103,720</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 26,450,020</u></u>	<u><u>\$ 25,139,007</u></u>

*See accompanying Notes to Financial Statements*

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 1,311,013	\$ 3,035,287
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	2,897,824	2,764,123
Provision for Bad Debts	4,872,742	5,188,082
Loss on Disposal of Assets	49,710	32,004
(Increase) Decrease in Assets		
Accounts Receivable	(7,453,688)	(5,220,320)
Inventory, Prepaid Expenses and Other	(52,399)	(176,456)
Physician Agreement Receivable	-	80,725
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	120,889	61,536
Estimated Third-Party Payor Settlements	(299,992)	1,699,830
Physician Agreement Payable	-	(100,000)
Net Cash Provided by Operating Activities	<u>1,446,099</u>	<u>7,364,811</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(4,813,746)	(3,830,197)
(Increase) Decrease in Assets Limited as to Use	801,550	(109,688)
Net Cash Used by Investing Activities	<u>(4,012,196)</u>	<u>(3,939,885)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of Long-Term Debt	-	893,733
Principal Payments on Long-Term Debt	(1,010,328)	(1,027,836)
Proceeds from Line of Credit	600,000	-
Payment on Line of Credit	-	(400,687)
Net Cash Used by Financing Activities	<u>(410,328)</u>	<u>(534,790)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,976,425)	2,890,136
Cash and Cash Equivalents - Beginning of Year	<u>6,104,400</u>	<u>3,214,264</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 3,127,975</u></u>	<u><u>\$ 6,104,400</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Payments for Interest	<u><u>\$ 824,104</u></u>	<u><u>\$ 851,364</u></u>

See accompanying Notes to Financial Statements



**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Marcus Daly Memorial Hospital Corporation (Hospital) owns and operates a 48 licensed bed acute care hospital with 25 beds in operation. The Hospital provides acute care services to patients in the Ravalli County market. The services provided include acute care hospital, inpatient and outpatient surgery, emergency care, ambulance, home health, clinic, transitional care, inpatient and outpatient hospice care, and the related ancillary procedures (lab, x-ray, therapy, etc.) associated with those services.

**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**

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. For purposes of reporting cash flows, cash includes cash on hand, cash in banks, cash held in escrow and certificates of deposit.

**Investments**

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

**Assets Limited as to Use**

Assets limited as to use include assets held for future debt service payments, assets designated by the board of directors for future purchases of property and equipment, and temporarily and permanently restricted by grantor or donor.

**Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Financing Costs**

Deferred financing costs are legal, accounting, underwriting fees, printing costs, and other expenses associated with the issuance of long-term debt and are being amortized over the term of the debt

**Temporarily and Permanently Restricted Net Assets**

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

Temporarily and permanently restricted funds consist of an endowment fund whose income is used for building and hospital operations, monies to be used for pediatrics, monies held due to a bond indenture, a money reserve in accordance with the state's workers compensation plan, and the Marcus Daly Hospital Auxiliary (Auxiliary). The Auxiliary's Directors control the funds, but it is not set up as a separate entity. Therefore, the Auxiliary's equity is reported as temporarily restricted.

Due to the Hospital's beneficial interest in Daly Hospital Foundation, Inc. (Foundation), the net assets of the Foundation are also shown as temporarily and permanently restricted net assets. Temporarily restricted net assets related to the Foundation are \$698,323 and \$487,540 and permanently restricted net assets related to the Foundation are \$670,453 and \$670,173 as of June 30, 2011 and 2010, respectively.

**Excess of Revenues over Expenses**

The statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include assets that have been released from restriction.

**Net Patient Service Revenue**

The Hospital has agreements with third-party payors that provide payments to the Hospital 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 the final settlements are determined.

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Charity Care**

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify and monitor the level of charity care provided. These records include the amount of charges foregone for services and supplies furnished under the charity care policy. Charges associated with charity care of \$659,729 and \$737,944 were provided for the years ended June 30, 2011 and 2010, respectively.

**Patient Accounts Receivable**

The Hospital maintains an allowance for uncollectible self-pay accounts. Patients are not required to provide collateral for services rendered. Payment for services is required at the time of service when the amount due is known or upon receipt of an invoice, after payment by insurance, if any. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts and by considering the patients' financial history, credit history and current economic conditions. When all collection efforts have been exhausted, the account is written off against the related allowance.

**Montana Hospital Utilization Receivable**

The Hospital received hospital utilization fee matching funds from the Montana Department of Public Health & Human Services to maintain, expand and/or provide services to Medicaid eligible hospital patients.

**Inventories**

Inventories, consisting of pharmaceutical, medical-surgical, and other supplies used in the operation of the Hospital are stated at the lower of cost (first-in, first-out method) or market.

**Contributions**

Unrestricted contributions are included in other income. Contributions restricted by the donors for specific purposes are reported as either temporarily or permanently restricted support. As donor-restricted funds are used for operating expenses, such funds are transferred to the unrestricted net assets and reported in the statements of operations as net assets released from restrictions.

**Fair Value of Financial Instruments**

The Hospital adopted accounting standards regarding the fair value measurement of financial assets and liabilities. Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Hospital emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Hospital has the ability to access

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 2 inputs include the beneficial interest in the foundation. The Hospital does not have any securities that are valued using Level 1 or Level 3 inputs.

**Tax Status**

The Internal Revenue Service (IRS) has determined that Marcus Daly Memorial Hospital is a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Hospital follows the guidance in the accounting standards regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Hospital's financial statements.

The Hospital's income tax returns are subject to review and examination by federal, state, and local authorities. The information tax returns for the years ended 2008 to 2010 are open to examination by federal, local, and state authorities.

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassifications**

Certain items in the prior year financial statements have been reclassified to conform with the current year basis of presentation. These reclassifications had no effect on the overall net assets of the Hospital.

**Subsequent Events**

In preparing the financial statements, the Hospital has considered events and transactions that have occurred through October 12, 2011, the date in which the financial statements were available to be issued.

**NOTE 2 BENEFICIAL INTEREST IN DALY HOSPITAL FOUNDATION, INC.**

The Hospital's beneficial interest in the unrestricted and temporarily restricted net assets of the Foundation and its share of the change in those net assets are reported in the financial statements as temporarily restricted net assets. The Hospital's beneficial interest in permanently restricted net assets of the Foundation and its share of changes therein are reported in the financial statements as permanently restricted net assets.

Transfers the Hospital receives from the Foundation are reported in the financial statements as a reduction in the beneficial interest in the Foundation.

**NOTE 3 NET PATIENT SERVICE REVENUE**

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

**Medicare**

The Hospital has critical access hospital status and is reimbursed by Medicare for inpatient and outpatient services on a cost basis as defined and limited by the Medicare program. The Medicare program's administrative procedures preclude final determination of amounts due to the Hospital for such services until three years after the Hospital's cost reports are audited or otherwise reviewed and settled upon by the Medicare intermediary.

The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through the year ended June 30, 2009. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by the peer review organization under contract with the Hospital.

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 3    NET PATIENT SERVICE REVENUE (CONTINUED)**

**Montana Medicaid**

Medicaid reimbursement for inpatient acute care services and outpatient services are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after the submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled upon by Medicaid through the year ended June 30, 2009.

**Montana State Bed Tax**

During calendar 2003, the Montana State Legislature passed an act imposing a utilization fee on hospital facilities for inpatient bed days, and authorized the State Department of Revenue to collect and deposit fees in a state special revenue account for funding increases in Medicaid payments to Montana hospitals (the Montana State Bed Tax). The state special revenue account received an appropriation from a federal special revenue fund to match the state special revenue collected through the utilization fee, thereby providing increased Medicaid reimbursement for Montana hospitals.

The total utilization fees paid by the Hospital for the fiscal years ended June 30, 2011 and 2010 amounted to \$236,858 and \$248,928, respectively, and are included in other direct expenses in the statement of operations. The increased Medicaid payments received by the Hospital from the state special revenue amounted to \$1,536,465 and \$1,150,428 for the fiscal years ended June 30, 2011 and 2010, respectively, and are included in net patient service revenues in the statements of operations. Thus the net impact of the Montana State Bed Tax on the changes in net assets in the accompanying statements of operations was \$1,299,607 and \$901,500 for the years ended June 30, 2011 and 2010, respectively.

Net revenue from the Medicare and Medicaid programs accounted for approximately 33% and 10%, respectively, of the Hospital's net patient revenue for the year ended 2011, and 34% and 8%, respectively, of the Hospital's net patient revenue for the year ended 2010. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 3    NET PATIENT SERVICE REVENUE (CONTINUED)**

A summary of patient revenue and contractual adjustments for the years ended June 30, 2011 and 2010 are as follows

	2011	2010
Gross Patient Revenue	\$ 76,768,599	\$ 75,728,847
Contractual Adjustments		
Medicare	23,486,797	20,283,112
Medicaid	2,953,008	2,657,425
Other Insurance	5,089,058	6,979,642
Total Contractual Adjustments	<u>31,528,863</u>	<u>29,920,179</u>
Net Patient Revenue	<u>\$ 45,239,736</u>	<u>\$ 45,808,668</u>

**NOTE 4    ASSETS LIMITED AS TO USE**

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

	2011	2010
Principal of Permanently Restricted Donations	\$ 313,190	\$ 313,190
Held by Trustee for Debt Service	1,648,123	1,812,436
Temporarily Restricted Donations	594,311	849,995
Internally Designated for Capital Acquisitions	-	592,256
Auxiliary Funds	36,662	37,022
Total Assets Limited as to Use	<u>\$ 2,592,286</u>	<u>\$ 3,604,899</u>

The carrying value includes cash and cash equivalents and certificates of deposit at June 30, 2011 and 2010 and is set forth in the following table.

	2011	2010
Cash and Cash Equivalents	\$ 909,893	\$ 2,025,794
Certificates of Deposit	1,682,393	1,579,105
Total	<u>\$ 2,592,286</u>	<u>\$ 3,604,899</u>

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 5    PROPERTY AND EQUIPMENT**

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

	2011	2010
Land	\$ 1,415,098	\$ 1,252,628
Land Improvements	695,752	695,752
Buildings	29,431,724	27,312,993
Fixed Equipment	1,104,976	1,123,309
Major Moveable Equipment	15,323,817	11,230,108
Construction in Progress	318,144	1,354,014
Total Property and Equipment	48,289,511	42,968,804
Less Accumulated Depreciation	(21,509,276)	(19,245,628)
Property and Equipment, Net	<u>\$ 26,780,235</u>	<u>\$ 23,723,176</u>

During fiscal year 2011 the Hospital capitalized an Electronic Health Records project at an approximate total cost of \$3,660,000, which was funded internally. The project is intended to help the Hospital provide greater access to care for patients, improve the quality of care provided, and reduce the costs of providing care.

Construction in progress at June 30, 2011 relates to the boiler project and various remodeling projects that are planned to be completed and capitalized in fiscal years 2012 and 2013. These projects are being financed from a combination of internal funds and a planned future debt issuance.

**Capital Leases – Equipment**

The Hospital has entered into capital lease contracts for the use of medical and office equipment, varying in maturity through 2014. These leases are collateralized by leased equipment with a cost of \$228,315 and \$241,412 and accumulated depreciation of \$118,368 and \$96,763 as of June 30, 2011 and 2010, respectively.



**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 6 CONCENTRATION OF CREDIT RISK**

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

	2011	2010
Medicare	30 %	24 %
Medicaid	6	4
Other Third-Party Payors	22	18
Patients	42	54
Total	<u>100 %</u>	<u>100 %</u>

**FDIC Coverage**

During the year ended June 30, 2011, the Hospital had cash balances in individual financial institutions in excess of FDIC insurance limits. Effective October 3, 2008 FDIC insurance coverage increased from \$100,000 per depositor account to \$250,000 per account and has subsequently been extended indefinitely. In addition, all non-interest bearing accounts are entirely covered by FDIC insurance through December 2012. Prior to the changes in FDIC insurance coverage, at times, cash balances may have been in excess of insured limits.

**NOTE 7 OTHER ASSETS**

A summary of other assets as of June 30 follows:

	2011	2010
Physician Agreement Receivable	\$ 108,523	\$ 163,929
Deferred Financing Costs	403,453	450,137
Other	40,789	125,698
Total Other Assets	<u>\$ 552,765</u>	<u>\$ 739,764</u>

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 8    LONG-TERM DEBT**

A summary of long-term debt at June 30, 2011 and 2010 follows

<u>Notes Payable</u>	<u>2011</u>	<u>2010</u>
Montana Health Facility Authority Revenue Bonds, dated 1996, due in varying annual principal installments of \$140,000 in 2008, to \$170,000 in 2011, payable August 1st each year plus interest at varying rates from 5.25% to 5.6%, payable February 1 and August 1 each year	\$        170,000	\$        335,000
Montana Health Facility Authority Revenue Bonds, dated 2000, due in varying annual principal installments of \$130,000 in 2008, to \$1,800,000 in 2020, payable August 1st each year plus interest at varying rates from 5.3% to 6.0%, payable February 1 and August 1 of each year	2,130,000	2,285,000
Note payable to the Montana Facility Finance Authority, due in monthly installments of \$21,152, including interest at 6.21%, collateralized by a CT Scan	604,266	813,446
Montana Facility Finance Authority Bonds, dated January 1, 2007, due in varying monthly principal installments of \$20,000 to \$42,000, and interest at varying rates from 4.0% to 4.25%, payable monthly beginning February 1, 2007 through July 1, 2027	6,385,000	6,645,000
Promissory Note, Farmers State Bank, Secured by real property, Fixed monthly interest and principal payments of \$6,640, including interest of 5% and a balloon payment of \$869,777 on June 2013	930,739	962,473
Business Loan Agreement, First Security Bank of Missoula, Secured by real property, Monthly payments of \$6,494 including interest of 6% and a balloon payment for remaining balance on February 2015	865,189	890,388
Real estate note, Ravalli County Bank, Secured by Real Property, Monthly payments of \$3,348 including interest of 6.39% through October 2033	425,546	438,083

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**NOTE 8 LONG-TERM DEBT (CONTINUED)**

<u>Notes Payable</u>	<u>2011</u>	<u>2010</u>
Real estate note, Ravalli County Bank, Monthly payments of \$7,168 including interest of 6% and a balloon payment for remaining balance on March 2014	937,632	966,432
Note Payable, Ravalli County Bank, Secured by real property, Monthly payments of \$6,504 including 7% interest until September of 2018	780,519	803,079
Note Payable, Farmers State Bank, Secured by real property, Monthly payments of \$3,351 including 4% interest until May of 2020	295,211	322,812
Promissory Note, First Security Bank of Missoula, Secured by real property, Fixed monthly interest and principal payments of \$3,018, including interest of 6% and a balloon payment of \$424,000 on April 2020	495,685	502,029
<u>Capital Lease Obligations</u>		
Capital lease obligation for equipment with monthly payments of \$4,313, 4 5% interest rate and matures in 2011	8,413	58,247
Capital lease obligation for equipment with monthly payments of \$1,763, 3 9% interest rate and matures in 2013	38,312	54,851
Total Long-Term Debt	14,066,512	15,076,840
Less Current Maturities	(1,013,649)	(987,136)
Long-Term Debt	<u>\$ 13,052,863</u>	<u>\$ 14,089,704</u>

Future principal payment requirements are as follows

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>	<u>Obligations Under Capital Lease</u>
2012	\$ 985,435	\$ 29,526
2013	1,720,195	21,161
2014	1,599,949	457
2015	1,354,132	-
2016	609,665	-
Thereafter	7,750,411	-
Total	<u>\$ 14,019,787</u>	51,144
Less Amount Representing Interest on Obligation Under Capital Leases		(4,419)
Total		<u>\$ 14,066,512</u>

The Hospital's bank loans include financial covenants that must be met as a condition of the loans. Management believes the Hospital was in compliance with these covenants at June 30, 2011 and 2010.

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**NOTE 9    LINE OF CREDIT**

The Hospital has a revolving line of credit with a local bank. Amounts can be advanced up to the principal balance of \$600,000, plus interest from the date of disbursement, on the unpaid outstanding principal. The line of credit matures on June 11, 2012 and carries a fixed interest rate of 5.5%. At June 30, 2011 and 2010, the Hospital had outstanding balances of \$600,000 and \$-0-, respectively.

During fiscal year 2011 the Hospital opened a revolving line of credit with a local bank. Amounts can be advanced up to the principal balance of \$900,000, plus interest from the date of disbursement, on the unpaid outstanding principal. The line of credit matures on December 16, 2011 and carries a fixed interest rate of 5.5%. At June 30, 2011, the Hospital had not drawn on the line of credit.

**NOTE 10    PENSION PLAN**

The Hospital provides a defined contribution retirement plan for all employees 20 years of age or older for each 12-month period in which the employee completes 1,000 hours or more of service. This plan is subject to the provisions and requirements of the Employee Retirement Income Security Act of 1974 and IRS Section 401(a) and 403(a). Under the terms of the plan, the Hospital contributes 5% of the participating employee's gross wages to the plan. A participant may make after-tax contributions up to 10% of their compensation. Retirement plan expense was \$793,906 and \$776,572 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 11    RELATED-PARTY TRANSACTIONS**

**Daly Hospital Foundation, Inc.**

The Foundation is a Montana nonprofit corporation established to provide charitable services and receive and maintain funds for the improvement of health care services specifically benefiting the Hospital.

The Foundation exists to build a wealth of resources and relationships to ensure that the Hospital has the best facilities and services for the residents of Ravalli County now and in the future.

The Hospital pays certain expenses such as salaries, related benefits and other miscellaneous expenses on behalf of the Foundation. The amounts paid by the Hospital are shown as donated services on the financial statements of the Foundation. At June 30, 2011 and 2010, the Foundation had \$145,953 and \$154,819 recorded as donated services received from the Hospital, respectively. These amounts are included in Support and Revenue.

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
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**NOTE 11 RELATED-PARTY TRANSACTIONS (CONTINUED)**

**Daly Hospital Foundation, Inc. (Continued)**

The Foundation's unrestricted net assets, which represent the Foundation's unrestricted resources, are used for internal operation and administration and to benefit the Hospital at the discretion of the Foundation's Board of Directors. Current restricted funds and assets obtained from income from endowment funds of the Foundation are distributed to the Hospital as required to comply with the purposes specified by the donor.

A summary of the Foundation's assets, liabilities, and results of operations and changes in net assets as of June 30, 2011 and 2010 follows:

	2011	2010
Assets	<u>\$ 1,431,569</u>	<u>\$ 1,209,587</u>
Liabilities	\$ 62,793	\$ 51,874
Net Assets		
Unrestricted	240,213	101,256
Temporarily Restricted	458,110	386,284
Permanently Restricted	<u>670,453</u>	<u>670,173</u>
Total Net Assets	<u>1,368,776</u>	<u>1,157,713</u>
Total Liabilities and Net Assets	<u>\$ 1,431,569</u>	<u>\$ 1,209,587</u>
Support and Revenue including donated services from the Hospital	\$ 396,742	\$ 341,265
Less: Expenses including Distributions to the Hospital	<u>(281,822)</u>	<u>(322,053)</u>
Excess of Support and Revenue over Expenses	114,920	19,212
Net Unrealized Gains on Investments	<u>96,143</u>	<u>36,351</u>
Change in Net Assets	<u>\$ 211,063</u>	<u>\$ 55,563</u>

**NOTE 12 FUNCTIONAL EXPENSES**

The Hospital provides general healthcare services in the Ravalli County area. All of the fundraising expenses are included in general and administrative as they are immaterial in nature. At June 30, 2011 and 2010, expenses related to providing these services are as follows:

	2011	2010
Health Care Services	\$ 38,228,340	\$ 38,549,544
General and Administrative	<u>8,087,363</u>	<u>5,966,766</u>
Total	<u>\$ 46,315,703</u>	<u>\$ 44,516,310</u>

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
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**NOTE 13 FAIR VALUE MEASUREMENTS**

The Hospital uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Hospital measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following tables present the fair value hierarchy for the balances of the assets of the Hospital measured at fair value on a recurring basis as of June 30, 2011 and 2010.

2011	Level 1	Level 2	Level 3	Total
Assets				
Beneficial Interest in Net Assets of Daly Hospital Foundation	\$ -	\$ 1,368,776	\$ -	\$ 1,368,776

2010	Level 1	Level 2	Level 3	Total
Assets				
Beneficial Interest in Net Assets of Daly Hospital Foundation	\$ -	\$ 1,157,713	\$ -	\$ 1,157,713

The following is a summary of financial instruments for which the Hospital did not elect the fair value option. The fair values of such instrument have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows, and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable value could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Hospital.

The following disclosures represent financial instruments in which the ending balances at June 30, 2011 and 2010, are not carried at fair value in their entirety on the balance sheet.

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt	\$ 14,019,787	\$ 13,559,772	\$ 14,963,742	\$ 14,063,562

The fair value of the Hospital's long-term debt is estimated based on the quoted market prices for similar issues or by discounting expected cash flows at the rates currently offered to the Hospital for debt of the same remaining maturities, as advised by investment bankers.

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
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**NOTE 14 RESTRICTIONS ON NET ASSETS**

**Interpretation of Relevant Law**

The State of Montana has adopted the State Prudent Management of Institutional Funds Act (the Act). The Hospital has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard of prudence prescribed in the Act. In accordance with the Act, the Hospital considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Hospital and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Hospital
- The investment policy of the Hospital

The following is the changes in endowment net assets for the years ended June 30, 2011 and 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, June 30, 2009	\$ -	\$ -	\$ 313,190	\$ 313,190
Investment Return				
Investment Income	-	4,071	-	4,071
Apportioned to Operations	<u>-</u>	<u>(4,071)</u>	<u>-</u>	<u>(4,071)</u>
Endowment Net Assets, June 30, 2010	-	-	313,190	313,190
Investment Return				
Investment Income	-	3,160	-	3,160
Apportioned to Operations	<u>-</u>	<u>(3,160)</u>	<u>-</u>	<u>(3,160)</u>
Endowment Net Assets, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,190</u>	<u>\$ 313,190</u>

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 14 RESTRICTIONS ON NET ASSETS (CONTINUED)**

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Hospital to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. Amounts have been transferred from unrestricted to cover any deficit at June 30, 2011 and 2010.

**Return Objectives and Risk Parameters**

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve and grow capital, provide for appropriate liquidity, maximize the returns of the endowments, and diversify investments consistent with commonly accepted industry standard to minimize the risk of large losses.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital targets a diversified asset allocation that meets the Hospital's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Hospital has adopted a spending policy consistent with its objective of preservation of the fair market value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. The Hospital has a targeted rate of return that takes into account an inflationary factor, as defined by the consumer price index (CPI).

**NOTE 15 COMMITMENTS AND CONTINGENCIES**

The Hospital's professional liability coverage policy provides protection on an "occurrence" basis whereby malpractice claims related to services provided in the current year are covered by the current policy.

The current malpractice insurance provides \$1,000,000 per occurrence of primary coverage with a \$3,000,000 annual aggregate and an excess policy of \$5,000,000 annual aggregate limit. There are no significant deductibles or coinsurance clauses.



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**NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

The Hospital is also exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Hospital carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

The Hospital is involved in a litigation arising from the normal course of business. After consulting with legal counsel, management estimates that these matters will be resolved without a material adverse effect on the Hospital's financial position or results of operations.