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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation) ▶ The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047 2010 Open to Public Inspection
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A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011		
B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization BIG HORN HOSPITAL ASSOCIATION Doing Business As Number and street (or P O box if mail is not delivered to street address) 17 NORTH MILES AVENUE Room/suite City or town, state or country, and ZIP + 4 HARDIN, MT 59034	D Employer identification number 81-0384618 E Telephone number (406) 665-2310 G Gross receipts \$ 13,011,574
	F Name and address of principal officer TERRY BULLIS 17 NORTH MILES AVENUE HARDIN, MT 59034	H(a) Is this a group return for affiliates? ☐ Yes ☒ No H(b) Are all affiliates included? ☐ Yes ☐ No If "No," attach a list (see instructions) H(c) Group exemption number ▶
	I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ◀ (Insert no) ☐ 4947(a)(1) or ☐ 527	
	J Website: ▶ WWW.BIGHORNHOSPITAL.ORG	
	K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶	
L Year of formation 1980		
M State of legal domicile MT		

Part I	Summary
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Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO PROVIDE QUALITY MEDICAL AND HEALTH SERVICES IN BIG HORN COUNTY AND SURROUNDING AREAS		
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	7
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	7
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	218
6 Total number of volunteers (estimate if necessary)	6	15	
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0	
7b Net unrelated business taxable income from Form 990-T, line 34	7b	0	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	299,394	968,104
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	10,850,331	11,815,681
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	11,229	46,771
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	17,439	8,411
		11,178,393	12,838,967
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	32,333
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	6,335,983	6,756,927
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	4,488,399	4,862,707
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	10,824,382	11,651,967
	19 Revenue less expenses Subtract line 18 from line 12	354,011	1,187,000
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	9,305,775	11,962,446
	21 Total liabilities (Part X, line 26)	2,288,607	3,586,940
	22 Net assets or fund balances Subtract line 21 from line 20	7,017,168	8,375,506

Part II	Signature Block
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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.

Sign Here	***** Signature of officer		2012-05-14 Date		
	ROXIE CAIN CONTROLLER Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ☐	PTIN
	Firm's name ▶ 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 IIIS

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

BIG HORN HOSPITAL ASSOCIATION, ALONG WITH ITS AFFILIATED STAFF, WILL WORK TOGETHER TO PROVIDE CARING, ECONOMICAL, QUALITY MEDICAL AND HEALTH SERVICES IN BIG HORN COUNTY AND SURROUNDING AREAS

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 \$ 10,403,163 including grants of \$ 32,333) (Revenue \$ 11,815,681)

BIG HORN HOSPITAL ASSOCIATION IS COMPRISED OF BIG HORN HOSPITAL AND HERITAGE ACRES BIG HORN HOSPITAL IS A 25-BED ACUTE CARE HOSPITAL HERITAGE ACRES IS A 36-BED NURSING CARE FACILITY AND A 10-UNIT ASSISTED LIVING AND 10-UNIT INDEPENDENT LIVING DURING THE YEAR ENDED JUNE 30, 2011, BIG HORN HOSPITAL PROVIDED 683 DAYS OF PATIENT SERVICES, 7,550 OUTPATIENT VISITS (INCLUDING 4,280 ER VISITS) AND 4,557 DAYS OF RESIDENT SERVICES, HERITAGE ACRES PROVIDED 12,649 DAYS OF RESIDENT SERVICES THE HOSPITAL ALSO ADDED NEW MRI AND MAMMOGRAPHY MACHINES BIG HORN HOSPITAL ASSOCIATION PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT OR BELOW COST AND TO INDIVIDUALS WHO ARE UNABLE TO PAY THE UNREIMBURSED VALUE OF PROVIDED CARE TO THESE PATIENTS WAS \$88,066 FOR THE YEAR ENDED JUNE 30, 2011

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

\$ 10,403,163

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V ☐			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	27
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	
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	218
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1b	Enter the number of voting members included in line 1a, above, who are independent		
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?		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?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Does the organization have members or stockholders?		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		No
7b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	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		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?		No
10b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?		No
11b	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	Yes	
12b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	Yes	
13	Does the organization have a written whistleblower policy?		No
14	Does the organization have a written document retention and destruction policy?	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?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization		No
15c	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		No
16b	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?		

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. ROXIE CAIN CONTROLLER 17 N MILES AVENUE HARDIN, MT 59034 (406) 665-9222

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) TERRY BULLIS CHAIRMAN	40	X		X				0	0	0
(2) C WILLIAM FISHER VICE CHAIRMAN	40	X		X				0	0	0
(3) JAMES SEYKORA SECRETARY	40	X		X				0	0	0
(4) SUE MURPHY TREASURER	40	X		X				0	0	0
(5) GARY OSTAHOWSKI MD MEMBER	40	X						0	0	0
(6) CHAD FENNER MEMBER	40	X						0	0	0
(7) ROCKY EGGART MEMBER	40	X						0	0	0
(8) GARY ROBERTSON CEO	40 00			X				130,698	0	12,990
(9) ROXIE CAIN CONTROLLER	40 00			X				78,358	0	14,412

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
	1

Section B. Independent Contractors

Form **990** (2010)

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns 1a						
	b Membership dues 1b						
	c Fundraising events 1c						
	d Related organizations 1d			744,634			
	e Government grants (contributions) 1e			159,118			
	f All other contributions, gifts, grants, and similar amounts not included above 1f			64,352			
	g Noncash contributions included in lines 1a-1f \$						
	h Total. Add lines 1a-1f			968,104			
	Program Service Revenue				Business Code		
2a PATIENT REVENUE			621110	11,745,196	11,745,196		
b CAFETERIA			900099	38,277		38,277	
c OTHER PATIENT REVENUE			900099	32,208		32,208	
d							
e							
f All other program service revenue							
g Total. Add lines 2a-2f			11,815,681				
Other Revenue		3 Investment income (including dividends, interest and other similar amounts)					
				36,416			36,416
	4 Income from investment of tax-exempt bond proceeds . . .						
	5 Royalties						
				(i) Real	(ii) Personal		
	6a Gross Rents			167,018			
	b Less rental expenses			158,607			
	c Rental income or (loss)			8,411			
	d Net rental income or (loss)			8,411			8,411
				(i) Securities	(ii) Other		
	7a Gross amount from sales of assets other than inventory			13,822	10,533		
	b Less cost or other basis and sales expenses				14,000		
	c Gain or (loss)			13,822	-3,467		
	d Net gain or (loss)			10,355			10,355
	8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 a						
	b Less direct expenses b						
	c Net income or (loss) from fundraising events . . .						
	9a Gross income from gaming activities See Part IV, line 19 . . . a						
	b Less direct expenses b						
	c Net income or (loss) from gaming activities . . .						
10a Gross sales of inventory, less returns and allowances a							
b Less cost of goods sold b							
c Net income or (loss) from sales of inventory . . .							
Miscellaneous Revenue			Business Code				
11a							
b							
c							
d All other revenue							
e Total. Add lines 11a-11d							
12 Total revenue. See Instructions			12,838,967	11,745,196	0	125,667	

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	32,333	32,333		
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	233,249	46,650	186,599	
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	5,506,623	5,121,602	385,021	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	85,182	74,388	10,794	
9	Other employee benefits	519,396	447,820	71,576	
10	Payroll taxes	412,477	378,516	33,961	
a	Fees for services (non-employees) Management				
b	Legal				
c	Accounting	62,824		62,824	
d	Lobbying				
e	Professional fundraising services See Part IV, line 17				
f	Investment management fees				
g	Other	971,998	884,243	87,755	
12	Advertising and promotion	19,000	969	18,031	
13	Office expenses	813,442	757,498	55,944	
14	Information technology	27,815	7,560	20,255	
15	Royalties				
16	Occupancy	213,462	213,462		
17	Travel	68,709	53,883	14,826	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	25,630		25,630	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	637,178	632,055	5,123	
23	Insurance	144,164		144,164	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	BAD DEBT	777,226	777,226		
b	EQUIPMENT RENT & MAINT	269,684	265,261	4,423	
c	FOOD	255,599	255,599		
d	MINOR EQUIPMENT	179,840	142,981	36,859	
e	BED TAXES	139,737	139,737		
f	All other expenses	256,399	171,380	85,019	
25	Total functional expenses. Add lines 1 through 24f	11,651,967	10,403,163	1,248,804	0
26	Joint costs. Check here ☒ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			1,270,594	1	674,348
	2	Savings and temporary cash investments			961,333	2	1,997,351
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			1,402,498	4	1,689,210
	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			78,559	7	122,945
	8	Inventories for sale or use			173,522	8	142,225
	9	Prepaid expenses and deferred charges			99,957	9	73,306
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	17,043,308			
	b	Less: accumulated depreciation	10b	9,911,447	5,213,783	10c	7,131,861
	11	Investments—publicly traded securities				11	
	12	Investments—other securities. See Part IV, line 11				12	
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			105,529	15	131,200
16	Total assets. Add lines 1 through 15 (must equal line 34)			9,305,775	16	11,962,446	
Liabilities	17	Accounts payable and accrued expenses			1,253,226	17	1,530,447
	18	Grants payable				18	
	19	Deferred revenue			136,000	19	120,000
	20	Tax-exempt bond liabilities			730,000	20	655,000
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			28,894	21	32,439
	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			140,487	23	1,249,054
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D				25	
	26	Total liabilities. Add lines 17 through 25			2,288,607	26	3,586,940
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			6,840,034	27	8,197,768
	28	Temporarily restricted net assets			177,134	28	177,738
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			7,017,168	33	8,375,506
34	Total liabilities and net assets/fund balances			9,305,775	34	11,962,446	

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	12,838,967
2	Total expenses (must equal Part IX, column (A), line 25)	2	11,651,967
3	Revenue less expenses Subtract line 2 from line 1	3	1,187,000
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	7,017,168
5	Other changes in net assets or fund balances (explain in Schedule O)	5	171,338
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	8,375,506

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		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 ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		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
BIG HORN HOSPITAL ASSOCIATION

Employer identification number
81-0384618

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

Part IIIPart III

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 Total support (Add lines 9, 10c, 11 and 12)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and stop here 						

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

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17		
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2010. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 			
b 33 1/3% support tests—2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 			
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions 			

Part IV

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

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization BIG HORN HOSPITAL ASSOCIATION	Employer identification number 81-0384618
---	--

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

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

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

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

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

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

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

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

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

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

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

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		945
	j Total lines 1c through 1i			945
	2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b If "Yes," enter the amount of any tax incurred under section 4912				
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	A PORTION OF THE DUES PAID TO THE MONTANA HOSPITAL ASSOCIATION AND THE AMERICAN HOSPITAL ASSOCIATION ARE USED FOR LOBBYING PURPOSES

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
BIG HORN HOSPITAL ASSOCIATION

Employer identification number
81-0384618

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

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

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)☐ Preservation of an historically importantly land area
☐ Protection of natural habitat☐ Preservation of a certified historic structure
☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$ _____

(ii) Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2010

Part III

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

3

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

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☒ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☒ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

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

3b

☐ Yes

☐ No

4

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

Part VI

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		434,616		434,616
b Buildings		12,545,942	7,747,887	4,798,055
c Leasehold improvements				
d Equipment		4,045,583	2,163,560	1,882,023
e Other		17,167		17,167
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				7,131,861

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

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

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV

Supplemental Information

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

Identifier	Return Reference	Explanation
	PART IV, LINE 2B	THE HOSPITAL ACTS AS A CUSTODIAN FOR THE FUNDS OF THE NURSING HOME RESIDENTS. THOSE FUNDS APPEAR AS RESTRICTED CASH AND ACCOUNT PAYABLE IN THE BALANCE SHEET.

SCHEDULE H
(Form 990)

Hospitals

OMB No 1545-0047

2010

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

Name of the organization
BIG HORN HOSPITAL ASSOCIATION

Employer identification number
81-0384618

Part I

Financial Assistance and Certain Other Community Benefits at Cost

1a

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

1a

Yes

b

If "Yes," is it a written policy?

1b

Yes

2

If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year

☒ Applied uniformly to all hospitals

☐ Applied uniformly to most hospitals

☐ Generally tailored to individual hospitals

3

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

a

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

☐ 100%

☒ 150%

☐ 200%

☐ Other _____%

b

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

☐ 200%

☐ 250%

☒ 300%

☐ 350%

☐ 400%

☐ Other _____%

c

If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care

4

Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?

4

Yes

5a

Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?

5a

Yes

b

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

5b

No

c

If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?

5c

6a

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

6a

No

6b

If "Yes," did the organization make it available to the public?

6b

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)			203,178		203,178	1 870 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			1,370,089	1,606,689	-236,600	0 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			1,573,267	1,606,689	-33,422	1 870 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			260		260	0 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)						
j Total Other Benefits			260		260	
k Total. Add lines 7d and 7j			1,573,527	1,606,689	-33,162	1 870 %

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

Cat No 50192T

Schedule H (Form 990) 2010

Part II

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

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

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	562,506
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	3,364,804
6	Enter Medicare allowable costs of care relating to payments on line 5	6	3,376,941
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-12,137
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other		

Section C. Collection Practices

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

Part IV

Management Companies and Joint Ventures

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

Schedule H (Form 990) 2010

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

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

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

Name and address		Type of Facility (Describe)
1	HERITAGE ACRES 200 NORTH MITCHELL HARDIN, MT 59034	EXTENDED CARE FACILITY (SNF, ASSISTED LIVING, INDEPENDENT LIVING)
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		PART I, LINE 3C THE "TEST" FOR COMMUNITY CARE IS IN THE FORM OF INCOME, WHICH IS VERIFIED WITH THE TAX RETURNS IF A PERSON MEETS THE 150% OF FEDERAL POVERTY GUIDELINES THEIR ENTIRE BILL IS WRITTEN OFF THE ORGANIZATION THEN PROVIDES A SLIDING FEE SCALE FOR DISCOUNTED CARE UP TO 300% OF THE FEDERAL POVERTY GUIDLINES THE ORGANIZATION PROVIDES CUSTOMERS WITH AN APPLICATION UPON REQUEST, IF THE CUSTOMER IS STRICTLY PRIVATE PAY OR IF WE HAVE KNOWLEDGE OF A FINANCIAL HARDSHIP THE ORGANIZATION KEEPS A LOG OF COMMUNITY CARE APPLICATIONS GIVEN TO CUSTOMERS AS WELL AS FOR COMMUNITY CARE AWARDED AND DENIED

Identifier	ReturnReference	Explanation
		PART I, LINE 7 A COST-TO-CHARGE RATIO DERIVED USING WORKSHEET 2 FROM THE IRS WAS USED TO CALCULATE THE AMOUNTS IN PART I, LINE 7

Identifier	ReturnReference	Explanation
		PART I, LINE 7G PHYSICIAN'S FEES BILLED FROM BHHA ARE WRITTEN OFF IF A CUSTOMER IS ELIGIBLE FOR COMMUNITY CARE

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE AMOUNT OF BAD DEBT EXPENSE EQUAL TO \$777,226 INCLUDED IN FORM 990, PART IX, LINE 25 WAS EXCLUDED IN CALCULATING THE PERCENT OF TOTAL EXPENSE IN SCHEDULE H, PART I, LINE 7, COLUMN F

Identifier	ReturnReference	Explanation
		PART II BHHA USES THE LOCAL PAPERS AS AN OUTLET FOR GIVING THE PUBLIC INFORMATION ON DIFFERENT TYPE OF HEALTH CONCERNS, SUCH AS DIABETES, WEIGHT LOSS ETC THEIR PUBLIC HEALTH EDUCATOR IS DEVELOPING A HEALTH COUNCIL TO HELP EDUCATE AND SHARE IDEAS WITH OTHER HEALTH PROVIDERS IN THE COMMUNITY AS TO THE TYPE OF SERVICES NEEDED IN THE AREA AND HOW TO GET THOSE SERVICES TO THE POPULATION

Identifier	ReturnReference	Explanation
		PART III, LINE 4 PART III, LINE 4 THE FOLLOWING IS FROM THE "PATIENT AND RESIDENT ACCOUNTS RECEIVABLE" PARAGRAPH IN NOTE 1 TO THE HOSPITAL'S FINANCIAL STATEMENTS "THE HOSPITAL REPORTS PATIENT AND RESIDENT ACCOUNTS RECEIVABLE FOR SERVICES RENDERED AT NET REALIZABLE AMOUNTS FROM THIRD-PARTY PAYORS, PATIENTS, RESIDENTS AND OTHERS THE HOSPITAL PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON A REVIEW OF OUTSTANDING RECEIVABLES, HISTORICAL COLLECTION INFORMATION AND EXISTING ECONOMIC CONDITIONS AS A SERVICE TO THE PATIENT AND RESIDENT, THE HOSPITAL BILLS THIRD-PARTY PAYORS DIRECTLY AND BILLS THE PATIENTS AND RESIDENT WHEN THE PATIENT AND RESIDENT'S LIABILITY IS DETERMINED PATIENT AND RESIDENT ACCOUNTS RECEIVABLE ARE ORDINARILY DUE IN FULL WHEN BILLED DELINQUENT RECEIVABLES ARE WRITTEN OFF BASED ON INDIVIDUAL CREDIT EVALUATION AND SPECIFIC CIRCUMSTANCES OF THE PATIENT AND RESIDENT OR THIRD-PARTY PAYOR "THE AMOUNT OF BAD DEBT EXPENSE (AT COST) REPORTS 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-PART PAYORS, AND OTHERS FOR SERVICES RENDERED, INCLUDING ESTIMATED RETROACTIVE ADJUSTMENTS UNDER REIMBURSEMENT AGREEMENTS WITH THIRD-PARTY PAYORS

Identifier	ReturnReference	Explanation
		PART III, LINE 8 SHORTFALL OF \$12,137 IS REPRESENTATIVE OF PATIENT DEDUCTABLES AND COINSURANCE FROM PART III, LINE 6 THE TOTAL ALLOWABLE COST REPORTS TO MEDICARE WAS BASED ON THE 2011 FILED MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE HOSPITAL HAS DONE A MAIL SURVEY TO HELP ASSESS THE NEEDS OF THE COMMUNITY BHHA ALSO USES COMMUNICATION WITH THE PHYSICIAN PRACTICE AS TO WHAT WOULD BE USEFUL AND NEEDED BY THEIR PAITIENT POPULATION

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 THE FACILITY KEEPS FORMS ON HAND THAT ARE AVAILABLE (ON IN PLAIN SITE) FOR DIFFERENT GOV'T PROGRAMS SUCH AS HEALTH MT KIDS THE PATIENT ACCOUNTS REPRESENTATIVE WILL INFORM ANY PRIVATE PAY PATIENT OF OUR COMMUNITY CARE AND WILL ALSO RELAY THIS INFORMATION TO CUSTOMERS WHEN DISCUSSING PAYMENT OPTIONS FOR OUTSTANDING BILLS

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 BHHA SERVERS A HIGH POVERTY LEVEL THEY ARE ON THE EDGE OF THE CROW INDIAN RESERVATION AND HAVE A LOT OF CUSTOMERS WHO UTILIZE INDIAN HEALTH SERVICES AS A PAYOR SOURCE FOR HEALTH CARE THEIR POPULATION HAS A LARGE POPULATION OF MEDICARE AND MEDICAID CUSTOMERS AS THEY SERVE A SMALL TOWN IN MONTANA, THE POPULATION CONSISTS OF A LOT OF CHILDREN AS WELL AS ELDERLY, BOTH OF WHICH UTILIZE OUR HEALTHCARE SYSTEM

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 BHHA DOES HAVE A COMMUNITY BOARD TO HELP NOT ONLY "RUN" THE FACILITY WITH POLICIES AND PROCEDURES, BUT TO GIVE INPUT TO THE MANAGEMENT TEAM ABOUT THE NEEDS THEY SEE FOR THE COMMUNITY IN WHICH THEY LIVE BHHA IS DEVELOPING MORE EDUCATIONAL PROGRAMS FOR ITEMS SUCH AS WOMEN'S HEALTH, DIABETES MANAGMENT AND SMOKING CESASTION BHHA USES THE LOCAL PAPERS AS AN OUTLET FOR GIVING THE PUBLIC INFORMATION ON DIFFERENT TYPE OF HEALTH CONCERNS, SUCH AS DIABETES, WEIGHT LOSS ETC THEIR PUBLIC HEALTH EDUCATOR IS DEVELOPING A HEALTH COUNCIL TO HELP EDUCATE AND SHARE IDEAS WITH OTHER HEALTH PROVIDERS IN THE COMMUNITY AS TO THE TYPE OF SERVICES NEEDED IN THE AREA AND HOW TO GET THOSE SERVICES TO THE POPULATION

**Grants and Other Assistance to Organizations,
Governments and Individuals in the United States**
Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2010

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization

Name of the organization
BIG HORN HOSPITAL ASSOCIATION

Employer identification number

81-0384618

Part I General Information on Grants and Assistance

- 1** Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2** Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II **Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed.

[illegible]

- | | | |
|----------|--|----------|
| 2 | Enter total number of section 501(c)(3) and government organizations | 1 |
| 3 | Enter total number of other organizations | 0 |

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

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

Part IV

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE GRANT MADE WAS AN EQUITY TRANSFER TO A RELATED ORGANIZATION THESE FUNDS ARE TRACKED THROUGH THE ORGANIZATION'S INTERNAL FINANCIAL REPORTING PROCESS

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 BIG HORN HOSPITAL ASSOCIATION	Employer identification number 81-0384618
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Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 1		THE EXECUTIVE COMMITTEE SHALL HAVE ALL OF THE POWERS OF THE BOARD OF DIRECTORS WHEN THE BOARD IS NOT IN SESSION AND SHALL GENERALLY PERFORM SUCH DUTIES AND EXERCISE SUCH POWERS AS MAY BE PERFORMED AND EXERCISED BY THE BOARD OF DIRECTORS FROM TIME TO TIME THE FACT THAT THE EXECUTIVE COMMITTEE HAS ACTED SHALL BE CONCLUSIVE EVIDENCE THAT THE BOARD OF DIRECTORS WAS NOT IN SESSION AT THAT TIME

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE FORM 990 IS REVIEWED IN DETAIL BY THE CONTROLLER AND CEO, A COPY IS NOT PRESENTED TO THE BOARD OF DIRECTORS PRIOR TO FILING

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	REGULAR COMPLIANCE MEETINGS DISCUSS ANY ACTUAL CONFLICTS OR POTENTIAL CONFLICTS THERE IS ALSO A HOTLINE NUMBER TO CALL FOR COMPLIANCE OR HIPAA ISSUES THAT IS OPERATED BY MONTANA HOSPITAL ASSOCIATION, NOT BIG HORN HOSPITAL ASSOCIATION BOARD MEMBERS SIGN YEARLY CONFLICT OF INTEREST STATEMENTS AND IF A CONFLICT OCCURS ON A SPECIFIC ITEM, THEY ABSTAIN FROM THE VOTE ON THAT ITEM

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15A	ALL POSITIONS - MONTANA HOSPITAL ASSOCIATION SALARY SURVEY IS COMPLETED AND REVIEWED EVERY YEAR TO ALLOW FAIR PAY FOR ALL POSITIONS THE BOARD ALSO REVIEWS AND APPROVES THE CEO'S COMPENSATION AND WAS LAST DONE IN 2011

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE MADE AVAILABE TO THE PUBLIC UPON REQUEST TO THE BUSINESS OFFICE

Identifier	Return Reference	Explanation
ALLOCATION OF HOURS	FORM 990, PART VII, SECTION A	TERRY BULLIS, JAMES SEYKORA, AND WILLIAM FISHER, BOARD MEMBERS OF BIG HORN HOSPITAL ASSOCIATION, ALSO SERVE ON THE BOARD OF DIRECTORS FOR THE BIG HORN COUNTY HOSPITAL AND HEALTH CARE FOUNDATION, A RELATED ORGANIZATION ROXIE CAIN, CONTROLLER OF BIG HORN HOSPITAL ASSOCIATION, ALSO SERVES THE BIG HORN COUNTY HOSPITAL AND HEALTH CARE FOUNDATION, A RELATED ORGANIZATION

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 78,595 PRIOR PERIOD ADJUSTMENTS -504 RESTRICTED GRANTS INCLUDED ON FOUNDATION BOOKS 93,247 TOTAL TO FORM 990, PART XI, LINE 5 171,338

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
BIG HORN HOSPITAL ASSOCIATION

Employer identification number
81-0384618

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) BIG HORN COUNTY MEMORIAL HOSPITAL AND HEALTHCARE FOUNDATION 17 N MILES AVENUE HARDIN, MT 59034 81-0504410	HOSPITAL FUNDRAISING	MT	501(C)(3)	11 TYPE 1	N/A		No
(2) BIG HORN COUNTY MEMORIAL HOSPITAL AUXILIARY HC 36 BOX 2065 HARDIN, MT 59034 81-0428249	FUNDS TO BENEFIT BIG HORN COUNTY MEMORIAL HOSPITAL	MT	501(C)(3)	11 TYPE 2	N/A		No
(3) HERITAGE ACRES AUXILIARY LIMITED PO BOX 474 HARDIN, MT 59034 81-0444017	FUNDS TO BENEFIT HERITAGE ACRES NURSING HOME	MT	501(C)(3)	11 TYPE 2	N/A		No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) 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

No

No

No

No

No

No

No

No

Yes

Yes

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)			
(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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**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
FINANCIAL STATEMENTS	
BALANCE SHEETS	8
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	10
STATEMENTS OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS	13
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	27
SUPPLEMENTARY INFORMATION	
COMBINING BALANCE SHEET	28
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	30
SCHEDULES OF NET PATIENT AND RESIDENT SERVICE REVENUE	31
SCHEDULES OF OTHER REVENUE	33
SCHEDULES OF EXPENSES	34
OPERATIONAL, STATISTICAL AND FINANCIAL HIGHLIGHTS	38
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	39
SCHEDULE OF FINDINGS	41



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Big Horn Hospital Association
Hardin, Montana

We have audited the accompanying balance sheets of Big Horn Hospital Association as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Big Horn Hospital Association as of June 30, 2011 and 2010, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011 on our consideration of Big Horn Hospital Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on management's discussion and analysis.

LarsonAllen LLP

Minneapolis, Minnesota
December 20, 2011



(1)

An independent member of Nexia International

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2011 AND 2010**

Introduction

Big Horn Hospital Association, (the Hospital) offers readers of our financial statements this narrative overview and analysis of the financial activities of the Hospital for the fiscal years ended June 30, 2011 and 2010. We encourage readers to consider the information presented here in conjunction with the Hospital's financial statements, including the notes thereto.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Hospital's audited financial statements. The financial statements are composed of the balance sheet, statement of net revenues, expenses, and changes in net assets, and the statement of cash flows. The financial statements also include notes to the financial statements that explain in more detail some of the information in the financial statements. The financial statements are designed to provide readers with a broad overview of the Hospital finances.

Required Financial Statements

The Hospital's financial statements report information about the Hospital using accounting methods similar to those used by private sector healthcare organizations. These statements offer short and long-term information about its activities. The balance sheet includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities). The balance sheet also provides the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the organization.

All of the current year's revenues and expenses are accounted for in the statement of net revenues, expenses, and changes in net assets. This statement measures the financial success of the Hospital's operations over the past two years and can be used to determine whether the Hospital has successfully recovered all of its costs through its patient service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities. It also provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Highlights

Total assets increased in FY2011 by \$2,594,655 from FY2010 and increased \$390,943 from FY2009 to FY2010. The increase in the current year is primarily driven by investments in capital assets, including the addition of a capital lease for MRI equipment.

The Hospital's operating margin has fluctuated in the past three fiscal years. The operating margin is as follows for the past three years: FY2009 -1.53%, FY2010 0.17% and FY2011 1.64%. The net margin has increased steadily over the same time frame. The net margin went from -0.56% in FY2009, increasing to 1.60% in FY2010 and then increasing again to 3.55% in FY2011.

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2011 AND 2010**

Financial Analysis of the Hospital

The balance sheet and the statement of net revenues, expenses, and changes in net assets report the net assets of the Hospital and the changes in them. The Hospital's net assets - the difference between assets and liabilities - is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth and new or changed governmental legislation should also be considered.

Net Assets

A summary of the Hospital's balance sheets at June 30, 2011, 2010 and 2009 is presented below:

TABLE 1: ASSETS, LIABILITIES AND NET ASSETS

	2011	2010	2009
ASSETS			
Cash and Investments	\$ 1,152,596	\$ 2,472,950	\$ 2,059,329
Accounts Receivable, Net	1,689,210	1,402,498	1,373,516
Other Current Assets	338,621	359,152	421,605
Capital Assets, Net	7,131,861	5,213,783	5,212,090
Noncurrent Cash and Investments	2,257,386	518,852	505,237
Other Noncurrent Assets	13,980	18,057	22,572
Total Assets	<u>\$ 12,583,654</u>	<u>\$ 9,985,292</u>	<u>\$ 9,594,349</u>
LIABILITIES			
Current Liabilities	\$ 1,803,482	\$ 1,317,864	\$ 1,227,516
Deferred Rental Income	104,000	120,000	136,000
Long-Term Debt	1,562,383	764,734	806,105
Total Liabilities	3,469,865	2,202,598	2,169,621
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,227,807	4,343,296	4,314,801
Restricted	177,738	184,248	293,230
Unrestricted	3,708,244	3,255,150	2,816,697
Total Net Assets	<u>9,113,789</u>	<u>7,782,694</u>	<u>7,424,728</u>
Total Liabilities and Net Assets	<u>\$ 12,583,654</u>	<u>\$ 9,985,292</u>	<u>\$ 9,594,349</u>

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2011 AND 2010**

Net Revenues, Expenses, and Changes in Net Assets

The following table presents a summary of the Hospital's revenues and expenses for each of the fiscal years ended June 30, 2011, 2010 and 2009.

TABLE 2: OPERATING RESULTS AND CHANGES IN NET ASSETS

	2011	2010	2009
Operating Revenues			
Net Patient and Resident Service Revenues	\$ 10,967,970	\$ 10,113,315	\$ 9,074,917
Other Operating Revenues	87,750	91,001	91,050
Total Operating Revenues	<u>11,055,720</u>	<u>10,204,316</u>	<u>9,165,967</u>
Operating Expenses			
Professional Care of Patients	6,201,190	5,864,044	5,315,966
General and Administrative	2,323,655	2,269,813	2,066,621
Property and Household	1,021,474	912,694	839,831
Depreciation and Amortization	637,772	478,677	459,795
Dietary	689,816	661,562	624,447
Total Operating Expenses	<u>10,873,907</u>	<u>10,186,790</u>	<u>9,306,660</u>
Operating Income (Loss)	181,813	17,526	(140,693)
Nonoperating Revenues (Expenses)			
Unrestricted Gifts	115,773	141,759	98,412
Interest Income	136,233	26,298	33,787
Gain (Loss) on Sale of Assets	(3,467)	(1,450)	501
Interest Expense	(25,630)	(11,412)	(11,213)
Net Clinic Rental	(10,059)	(9,380)	(30,831)
Other	(1,637)	(413)	(1,618)
Net Nonoperating Revenues (Expenses)	<u>211,213</u>	<u>145,402</u>	<u>89,038</u>
Excess (Deficit) of Revenues Over Expenses	393,026	162,928	(51,655)
Capital Grants and Contributions	861,604	166,652	264,372
Restricted Contributions	<u>76,465</u>	<u>28,386</u>	<u>45,972</u>
Increase in Net Assets	<u>\$ 1,331,095</u>	<u>\$ 357,966</u>	<u>\$ 258,689</u>

Operating and Financial Performance

The following information summarizes the Hospital's statements of net revenue, expenses, and changes in net assets between June 30, 2011 and 2010 and 2009.

Volume: Inpatient admissions decreased by 13% (42 admits) in FY2011 following a similar decrease of 13% (46 admits) from FY2009 to FY2010. Inpatient admissions (including Newborn admissions) for the past three fiscal years are as follows: FY2009 (365); FY2010 (319) and FY2011 (277). Swing Bed admissions have decreased slightly in FY2011 (5 admits) from FY2010 after a slight increase (3 admits) from FY2009 to FY2010. Swing Bed admissions for the past three fiscal years are as follows: FY2009 (70) to FY2010 (73) to FY2011 (68).

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2011 AND 2010**

Volume (Continued): Inpatient days decreased by 6% (41 days) in FY2011 following a decrease in FY2010 of 20%. Inpatient days are down 226 days from FY2009 (down 25%) and 41 days from FY2010 (down 6%) The days for the last three fiscal years are as follows: FY2009 (909 days); FY2010 (724 days) and FY2011 (683 days). Swing Bed days have increased in FY2011 after a similar increase in FY2010. Swing Bed days are up 545 days (up 14%) from FY2010 and up 1029 days (up 29%) from FY2009. The swing beds days are as follows; FY2009 (3,528 days); FY2010 (4,012 days) and FY2011 (4,557 days).

Emergency room visits continued their upward trend in FY2011 at 4,280 visits. This is a 7% increase from FY2010. The ER visits for the last three fiscal years are as follows: FY2009 (3,639 visits); FY2010 (3,998 visits) and FY2011 (4,280 visits). Total outpatients visits continued to increase as well in FY2011 to 7,550 visits, up 1% from the 7,452 outpatient visits in FY2010 and up 6% from the 7,049 in FY2009. A large portion of this outpatient visit increase is due to continued growth in the usage of the CT Scanner and MRI services as well as increased volume in reference labs.

Surgeries decreased again in FY 2011 to 144 surgeries. This is down from 176 surgeries in FY2010 (18% decrease) and 212 surgeries in FY2009 (32% decrease).

Total observation days have increased slightly in FY2011 to 94 days. This is a 8% increase (7 days) from FY2010 but a 1% (1 day) decrease from FY2009. Total observation days for the past three fiscal years are as follows: FY2011 (94 days); FY2010 (87 days) and FY2009 (95 days).

Long term care (Heritage Acres) days increased again in FY2011 to 12,649. The days have increased 4% (491 days) from FY2010 days of 12,158 and 11% (1,259 days) from the FY2009 days of 11,390. Occupancy has increased from 87% in FY2009 and 93% in FY2010 to 96% in FY2011.

Net Patient and Resident Service Revenue: Net patient and resident service revenue has continued to rise in the past three fiscal years. The net revenue has increased by \$854,655 since FY2010. This is due to several factors including rate increases (a maximum of 10% each year) and the increased utilization of outpatient services and swing bed visits.

Salaries and Wages: Salaries and wages increased by \$464,630 in FY2011 compared to increases of \$555,288 and \$448,270 in FY2010 and FY2009, respectively. Even though the salary dollars have continued to increase; the portion of total operating expenses that salaries make up has remained fairly consistent. The percentage of salaries within total operating expenses is as follows: FY2009 (51%), FY2010 (52%) and FY2011 (53%). The increases in FY2011 is just due to standard wage increases and market adjustments. The Hospital is also in a competitive wage market and utilizes the MHA salary survey to ensure a competitive wage.

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2011 AND 2010**

Employee Benefits: Employee benefits expense has decreased by \$43,663 in FY2011 compared to increases of \$151,364 and \$151,952 in FY2010 and FY2009, respectively. The cost of employee benefits has decreased to 10% of the total operating expenses in FY2011 from 11% and 10% in FY2010 and FY2009, respectively. The Hospital attributes this decrease to mainly to a decrease in worker's compensation expense, as other costs like health insurance have continued to rise.

The Hospital continues to pay two thirds of the premium for all categories of the employee's health and dental insurance. This has cost the Hospital the following amounts: FY2009 \$389,400, FY2010 \$485,993 and FY2011 \$549,961. The cost the Hospital paid in FY2011 increased \$63,968 from FY2010. This large increase is due to continued increases in health insurance premiums for calendar year 2011 as well as the Hospital continuing to add more employees that receive benefits compared to more temporary employees in prior years.

The Hospital also contributes to each participating employee's retirement. Employee's who have met the requirements of 1,000 hours worked and are still employed on December 31st of each calendar year will receive a full matching contribution of the lesser of 3.5% of the employee's compensation or an amount equal to the employee's contribution, not to exceed \$2,500. The Hospital has contributed the following amounts; \$69,176 (FY2009), \$86,903 (FY2010) and \$89,082 (FY2011).

Supplies and Other: Supply expenses increased by \$120,013 in FY2011, \$36,964 in FY2010 and \$28,952 in FY2009. The increase is due to increased utilization and the increase in the cost of the supplies themselves.

Non-Operating Revenues and Other Changes in Net Assets: Non-operating revenue and other changes in net assets come from several different areas within the Hospital. These areas include the Foundation, Big Horn County Memorial Hospital Auxiliary, Heritage Acres Auxiliary, investment income and the lease of a building to the Hardin Clinic. Non-operating revenue and other changes in net assets has varied in the past three fiscal years. Non-operating revenue and other changes in net assets were \$399,382 in FY2009; \$340,440 in FY2010 and \$1,149,282 in FY2011.

Capital Assets

During FY2011, FY2010 and FY2009, the Hospital invested \$1,403,353, \$469,881 and \$270,156, respectively, in capital assets. The capital assets have been upgrades and/or equipment purchases funded primarily through grants and contributions.

Long-Term Debt

At the end of FY2009, FY2010 and FY2011, the Hospital had \$897,289, \$870,487 and \$1,904,054 outstanding in long-term debt, respectively. Much of this long term debt is from the 1998A Series MT Health Facility Authority Bond in the amount of \$1,425,000 that was issued on February 1, 1998. This bond was issued to build the Hardin Clinic which the Hospital leases to St Vincent's Healthcare for a physician practice. The long-term debt in FY2010 decreased by \$26,802 due to principal payments offset by the addition of a capital lease for medical equipment. In FY2011 the long-term debt increased by \$1,033,567, due to the addition of a capital lease for MRI equipment, offset by principal payments during the year.

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2011 AND 2010**

Economic and Other Factors and Next Year's Budget

The Hospital's board and executive management considered many factors when setting the FY2011 budget. Some of these factors are as follows:

- Medicare and Medicaid reimbursement rates
- Increased costs due to maintaining a competitive wage for all areas of the hospital and nursing home
- The current and projected utilization in both inpatient and outpatient areas
- The impact of healthcare reform

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, taxpayers and creditors with a general overview of the Hospital's finances and to the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital's Executive Office at (406) 665-2310.

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
BALANCE SHEETS
JUNE 30, 2011 AND 2010**

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 805,609	\$ 1,424,067
Restricted Cash	32,439	28,894
Current Cash and Investments	133,176	115,296
Certificates of Deposit	181,372	904,693
Patient and Resident Accounts Receivable, Net	1,689,210	1,402,498
Pledges Receivable, Net	-	7,114
Other Receivables	123,090	78,559
Supplies	142,225	173,522
Prepaid Expenses	73,306	99,957
Total Current Assets	<u>3,180,427</u>	<u>4,234,600</u>
 NONCURRENT CASH AND INVESTMENTS		
Restricted by Trustee Under Indenture Agreement	172,332	171,728
Restricted by Donor for Care of Terminal Patients	5,406	5,406
Designated by Board for Capital Improvements and Student Loans	2,212,824	457,014
	<u>2,390,562</u>	<u>634,148</u>
Less Current Portion	<u>(133,176)</u>	<u>(115,296)</u>
Total Noncurrent Cash and Investments	<u>2,257,386</u>	<u>518,852</u>
 CAPITAL ASSETS, NET	 7,131,861	 5,213,783
 DEFERRED FINANCING COSTS, NET	 <u>13,980</u>	 <u>18,057</u>
 Total Assets	 <u><u>\$ 12,583,654</u></u>	 <u><u>\$ 9,985,292</u></u>

See accompanying Notes to Financial Statements

	<u>2011</u>	<u>2010</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 341,671	\$ 105,753
Accounts Payable	232,722	286,220
Construction Payable	39,540	-
Estimated Third-Party Payor Settlements	480,000	122,000
Accrued Expenses		
Compensation, Benefits and Related Taxes	634,827	730,222
Interest Payable	13,813	15,375
Bed Taxes	44,909	42,294
Current Portion of Deferred Rental Income	16,000	16,000
Total Current Liabilities	<u>1,803,482</u>	<u>1,317,864</u>
LONG-TERM DEBT, NET OF CURRENT MATURITIES	1,562,383	764,734
DEFERRED RENTAL INCOME, NET OF CURRENT PORTION	<u>104,000</u>	<u>120,000</u>
Total Liabilities	3,469,865	2,202,598
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Invested in Capital Assets Net of Related Debt	5,227,807	4,343,296
Restricted by		
Trustee Under Indenture Agreement	172,332	171,728
Donors for Capital Improvements	-	7,114
Donors for Care of Terminal Patients	5,406	5,406
Unrestricted	3,708,244	3,255,150
Total Net Assets	<u>9,113,789</u>	<u>7,782,694</u>
Total Liabilities and Net Assets	<u><u>\$ 12,583,654</u></u>	<u><u>\$ 9,985,292</u></u>

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Net Patient and Resident Service Revenue (Net of Provision for Bad Debts of \$777,226 in 2011 and \$671,408 in 2010)	\$ 10,967,970	\$ 10,113,315
Other Operating Revenue	87,750	91,001
Total Operating Revenues	<u>11,055,720</u>	<u>10,204,316</u>
OPERATING EXPENSES		
Professional Care of Patients	6,201,190	5,864,044
General and Administrative	2,323,655	2,269,813
Property and Household	1,021,474	912,694
Dietary	689,816	661,562
Depreciation and Amortization	637,772	478,677
Total Operating Expenses	<u>10,873,907</u>	<u>10,186,790</u>
OPERATING INCOME	181,813	17,526
NONOPERATING REVENUES AND (EXPENSES)		
Unrestricted Contributions	115,773	141,759
Investment Income	136,233	26,298
Loss on Sale of Assets	(3,467)	(1,450)
Interest Expense	(25,630)	(11,412)
Net Clinic Rental Expense	(10,059)	(9,380)
Other Nonoperating Expenses, Net	(1,637)	(413)
Net Nonoperating Revenues and (Expenses)	<u>211,213</u>	<u>145,402</u>
EXCESS OF REVENUES OVER EXPENSES	393,026	162,928
Capital Grants and Contributions	861,604	166,652
Restricted Contributions	<u>76,465</u>	<u>28,386</u>
INCREASE IN NET ASSETS	1,331,095	357,966
Net Assets - Beginning of Year	<u>7,782,694</u>	<u>7,424,728</u>
NET ASSETS - END OF YEAR	<u>\$ 9,113,789</u>	<u>\$ 7,782,694</u>

See accompanying Notes to Financial Statements

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients and Residents	\$ 11,039,258	\$ 10,052,333
Payments to Suppliers and Contractors	(3,330,574)	(3,294,978)
Payments to Employees	(6,888,198)	(6,258,047)
Other Receipts and Payments, Net	27,219	52,718
Net Cash Provided by Operating Activities	<u>847,705</u>	<u>552,026</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Clinic Rental, Net	25,279	34,770
Unrestricted Contributions	115,773	183,759
Restricted Contributions	83,579	135,424
Other Nonoperating Revenue and Expenses, Net	(1,637)	(413)
Net Cash Provided by Noncapital Financing Activities	<u>222,994</u>	<u>353,540</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(181,006)	(99,366)
Interest Paid on Long-Term Debt	(62,530)	(58,583)
Capital Grants and Contributions	861,604	124,652
Purchase of Capital Assets	(1,403,353)	(469,881)
Net Cash Used by Capital and Related Financing Activities	<u>(785,285)</u>	<u>(503,178)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Noncurrent Cash and Investments	(1,738,534)	(319,454)
Proceeds from Sales of Investments	719,854	(1,450)
Interest Income	136,233	26,298
Net Cash Used by Investing Activities	<u>(882,447)</u>	<u>(294,606)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(597,033)	107,782
Cash and Cash Equivalents - Beginning of Year	<u>1,568,257</u>	<u>1,460,475</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 971,224</u></u>	<u><u>\$ 1,568,257</u></u>

See accompanying Notes to Financial Statements

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS		
Cash and Cash Equivalents	\$ 805,609	\$ 1,424,067
Restricted Cash	32,439	28,894
Current Cash and Investments	133,176	115,296
Total Cash and Cash Equivalents	<u>\$ 971,224</u>	<u>\$ 1,568,257</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 181,813	\$ 17,526
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	703,925	545,267
Changes in Operating Assets and Liabilities		
Patient and Resident Accounts Receivable, Net	(286,712)	(28,982)
Other Receivables	(44,531)	(22,283)
Supplies	31,297	(36,200)
Prepaid Expenses	26,651	13,898
Accounts Payable	(13,958)	(5,906)
Estimated Third-Party Payor Settlements	358,000	(32,000)
Accrued Expenses	(92,780)	116,706
Deferred Rental Income	(16,000)	(16,000)
Net Cash Provided by Operating Activities	<u>\$ 847,705</u>	<u>\$ 552,026</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Capital Assets Acquired by Capital Lease Obligation	<u>\$ 1,214,573</u>	<u>\$ 72,564</u>

See accompanying Notes to Financial Statements

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Reporting Entities

Big Horn Hospital Association (Hospital) is a Montana non-profit organization which is considered a political subdivision of Big Horn County and is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code. The Hospital consists of: Big Horn County Memorial Hospital and Nursing Home and Heritage Acres. The financial statements also include data of Big Horn County Memorial Hospital and Health Care Foundation (Foundation), Big Horn Hospital Auxiliary and Heritage Acres Auxiliary, separate legal entities which are blended component units in the financial statements. The foundation and auxiliaries are organized as Montana nonprofit corporations, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital. The Hospital has no component units which meet the Governmental Accounting Standards Board criteria, except those noted above.

Big Horn County Memorial Hospital and Nursing Home is a 25-bed acute care hospital. Heritage Acres is a 36-bed skilled nursing facility, 10-bed assisted living facility, and a 10-unit apartment building. Both facilities are located in Hardin, Montana. The hospital property and equipment is owned by Big Horn County and leased to the Hospital at a nominal fee.

Method of Accounting

The Hospital reports in accordance with *Audit and Accounting Guide for Health Care Entities* published by the American Institute of Certified Public Accountants which prescribes accounting and reporting policies, some of which are unique to providers of health care services.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Accounting and Presentation (Continued)

program specific, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. Operating expenses are all expenses incurred to provide healthcare services. The Hospital first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

In reporting its financial activity, the Hospital applies all applicable GASB pronouncements for the proprietary funds as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Use of Estimates

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

Cash and Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents.

Resident Trust Funds

The Hospital acts as custodian for the funds of the nursing home residents. Those funds appear as restricted cash and accounts payable in the balance sheets.

Patient and Resident Accounts Receivable

The Hospital reports patient and resident accounts receivable for services rendered at net realizable amounts from third-party payors, patients, residents and others. The Hospital provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient and resident, the Hospital bills third-party payors directly and bills the patient and resident when the patient and resident's liability is determined. Patient and residents are not required to provide collateral for services rendered. Patient and resident accounts receivable are ordinarily due in full when billed. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient and resident or third-party payor. In addition, an allowance is estimated for other accounts based on historical experience of the Hospital. At June 30, 2011 and 2010, the allowance for uncollectible accounts was approximately \$728,000 and \$612,000, respectively.

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Pledges Receivable

Pledges, less an allowance for estimated uncollectible accounts, are recorded as receivables and support in the year pledges are made, unless the donor explicitly states that the gift is to support current activities.

Supplies

Supply inventories, including medical supplies, are stated at the cost using the first-in, first-out method.

Noncurrent Cash and Investments

Noncurrent cash and investments consist of money market funds, short-term certificates of deposit, and various government and equity securities. These assets include assets restricted under indenture agreement, donor restricted funds for terminal care of patients and internally designated for capital improvements and student loans. Amounts required to meet current liabilities are included in current assets. Investments in money market funds and certificates of deposit are carried at amortized cost, which approximates fair value. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment Income

Investment income includes dividend and interest income, realized gains and losses on investments and the net change for the year in the fair value of investments carried at fair value. Investment income is included as non-operating income on the statements of revenues, expenses, and changes in net assets.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Leasehold improvements and capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Buildings and Improvements	5 - 40 Years
Equipment	3 - 20 Years

Deferred Financing Costs

Deferred financing costs of \$97,898 represent costs incurred in connection with the issuance of long-term debt and are being amortized over the life of the related debt. Accumulated amortization was \$83,918 and \$79,841 as of June 30, 2011 and 2010, respectively. Amortization expense for 2011 and 2010 was \$4,077 and \$4,514, respectively.

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Compensated Absences

The Hospital has a paid-time-off (PTO) policy which incorporates PTO for holidays, vacations, and personal days. Employees begin earning PTO upon employment. Full-time employees may use PTO after a three-month probationary period and part-time employees may use PTO after a six-month probationary period. The maximum accrual is 240 hours for all employees. Accrued PTO is paid upon termination of employment. Accrued PTO is included with accrued compensation, benefits and related taxes on the balance sheets.

Deferred Rental Income

The Hospital received advance payments of rent from St. Vincent Health Center. The Hospital is recognizing income as it is earned.

Grants and Contributions

From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Net Assets

Net assets of the Hospital are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted-expendable net assets are non-capital assets that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Hospital. Restricted net assets are reduced by any liabilities payable from restricted assets. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets, net of related debt or restricted-expendable net assets.

Net Patient and Resident Service Revenue

Net patient and resident service revenue is reported at the estimated net realizable amounts from patients and residents, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the services are rendered and such estimated amounts are revised in future periods as adjustments become known.

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Non-exchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient and resident service revenue. Charges excluded from revenue under the Hospital's charity care policy were \$88,066 and \$84,489 for 2011 and 2010, respectively.

Reclassifications

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

NOTE 2 NET PATIENT AND RESIDENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. These payment arrangements include:

Medicare

The Hospital is certified as a Critical Access Hospital (CAH) and receives reimbursement for services provided to Medicare beneficiaries based on the cost of providing those services. Interim payment rates are established for inpatient and outpatient services, with settlement for over or under payments determined based on year-end cost reports. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been finalized by the Medicare intermediary through June 30, 2010.

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 2 NET PATIENT AND RESIDENT SERVICE REVENUE (CONTINUED)

Medicaid

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

Other

The Hospital has also entered into payment agreements with Blue Cross and other commercial insurance carriers. 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.

Resident Services

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

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 2011 and 2010 net patient and resident revenue increased by approximately \$17,000 and decreased by approximately \$45,000, respectively, due to removal of allowances previously estimated that are no longer subject to audits, reviews, and investigations.

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

	2011	2010
Gross Patient and Resident Service Revenue	\$ 15,048,925	\$ 13,275,085
Adjustments and Discounts		
Medicare	(2,050,112)	(1,244,387)
Medicaid	(411,969)	(366,315)
Other	(841,648)	(879,660)
Provision for Bad Debts	(777,226)	(671,408)
Total Adjustments and Discounts	<u>(4,080,955)</u>	<u>(3,161,770)</u>
Net Patient and Resident Service Revenue	<u>\$ 10,967,970</u>	<u>\$ 10,113,315</u>

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 3 PATIENT AND RESIDENT ACCOUNTS RECEIVABLE

The Hospital grants credit without collateral to its patients and residents, most of whom are local residents and are insured under third-party payor agreements. Patient accounts receivable at June 30, 2011 and 2010 consisted of:

	2011	2010
Patient and Resident Receivables from Patients and their Insurance Carriers	\$ 1,710,477	\$ 1,393,900
Patient and Resident Receivables from Medicare	404,897	355,364
Patient and Resident Receivables from Medicaid	301,836	265,234
Total Patient and Resident Accounts Receivable	2,417,210	2,014,498
Less Allowance for Uncollectible Accounts	(728,000)	(612,000)
Patient and Resident Accounts Receivable, Net	<u>\$ 1,689,210</u>	<u>\$ 1,402,498</u>

NOTE 4 PLEDGES RECEIVABLE

The Foundation has received pledges from corporations and individuals in the community. Use of the pledges has been restricted by the donors for purchases of capital assets. The following is a summary of pledges receivable as of June 30, 2011 and 2010:

	2011	2010
Pledges Receivable	\$ -	\$ 15,923
Less Allowance for Uncollectible Accounts	-	(8,809)
Pledges Receivable, Net	<u>\$ -</u>	<u>\$ 7,114</u>

NOTE 5 DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it in full. The Hospital's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name. The Hospital's deposits in banks at June 30, 2010 were not entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

At June 30, 2011 and 2010, the Hospital had bank balances as follows:

	2011	2010
Insured FDIC	\$ 1,673,491	\$ 2,533,768
Uncollateralized and Uninsured	-	509,810
	<u>\$ 1,673,491</u>	<u>\$ 3,043,578</u>

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The Hospital's investments are carried at fair value as discussed in Note 1, with the exception of cash equivalents, money market accounts and certificates of deposit which are carried at amortized cost, which approximates fair value. At June 30, 2011 and 2010, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by a custodial bank that is an agent of the Hospital:

Investment Type	Carrying Amount June 30, 2011	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Cash and Cash Equivalents	\$ 94,883	\$ 94,883	\$ -	\$ -	\$ -
Money Market	236,051	236,051	-	-	-
Certificates of Deposit	523,656	517,656	6,000	-	-
U S Securities	210,086	23,111	36,654	-	150,321
Common Stock	388,693	388,693	-	-	-
Preferred Stock	159,086	159,086	-	-	-
Equity Securities	446,915	446,915	-	-	-
Mutual Funds	512,564	512,564	-	-	-
Total Long-Term Debt	<u>\$ 2,571,934</u>	<u>\$ 2,378,959</u>	<u>\$ 42,654</u>	<u>\$ -</u>	<u>\$ 150,321</u>

	Carrying Amount June 30, 2010	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Cash and Cash Equivalents	\$ 50,108	\$ 50,108	\$ -	\$ -	\$ -
Money Market	236,698	236,698	-	-	-
Certificates of Deposit	1,252,035	1,252,035	-	-	-
Total Long-Term Debt	<u>\$ 1,538,841</u>	<u>\$ 1,538,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

The Hospital implemented a formal investment policy during the year ended June 30, 2011 that addresses permissible investments, portfolio diversification and instrument maturities. The investment policy focuses on capital preservation, diversification and safety, while maximizing income.

Credit Risk

To limit risk the Hospital's investment policy allows for investment in the following:

- Common stocks listed on major U.S. stock exchanges (NYSE, AMEX and NASDAQ)
- Preferred stocks or convertible bonds listed on the above exchanges
- Obligations of the U.S. government and its agencies
- Bonds issued by U.S. corporations rated A or higher
- Foreign securities (Limited to 10% of the total market value of investments)
- SEC registered mutual funds
- Investment grade money market funds and money market instruments
- Certificates of deposit issued by financially sound banks
- Exchange traded funds (ETFs)

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Hospital's investment policy places limits on the amounts that can be invested in any one security or company. The Board of Directors of the Hospital, through the Finance Committee, are responsible for the formulation, documentation and monitoring of investment strategy consistent with the investment policy. The board of directors is also responsible for reviewing the investment policy annually. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the Hospital's account balances and the amounts reported in the financial statements.

Summary of Carrying Values

The carrying values of deposits and investments as of June 30, 2011 and 2010 are included in the balance sheets as follows:

Carrying Value	2011	2010
Deposits	\$ 838,048	\$ 1,452,961
Investments	2,571,934	1,538,841
Total Deposits and Investments	<u>\$ 3,409,982</u>	<u>\$ 2,991,802</u>
Cash and Cash Equivalents	\$ 805,609	\$ 1,424,067
Restricted Cash	32,439	28,894
Certificates of Deposit	181,372	904,693
Restricted by Trustee Under Indenture Agreement	172,332	171,728
Restricted by Donor for Care of Terminal Patients	5,406	5,406
Designated by Board for Capital Improvements and Student Loans	2,212,824	457,014
Total Deposits and Investments	<u>\$ 3,409,982</u>	<u>\$ 2,991,802</u>

Investment Income

Investment Income Consisted of the Following	2011	2010
Interest and Dividends	\$ 40,686	\$ 26,298
Realized Gains on Sale of Investments	13,822	-
Unrealized Gains on Investments	81,725	-
Total Deposits and Investments	<u>\$ 136,233</u>	<u>\$ 26,298</u>

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 6 CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2011 and 2010 were:

	Balance June 30, 2010	Additions	Transfers and Retirements	Balance June 30, 2011
Land	\$ 428,651	\$ 5,965	\$ -	\$ 434,616
Building and Improvements	11,454,491	176,852	914,599	12,545,942
Equipment	2,498,153	1,605,208	(57,778)	4,045,583
Construction in Progress	121,521	833,071	(937,425)	17,167
Total Capital Assets	14,502,816	2,621,096	(80,604)	17,043,308
Less Accumulated Depreciation				
Building and Improvements	7,319,309	451,404	(22,826)	7,747,887
Equipment	1,969,724	246,947	(53,111)	2,163,560
Total Accumulated Depreciation	9,289,033	698,351	(75,937)	9,911,447
Capital Assets, Net	<u>\$ 5,213,783</u>	<u>\$ 1,922,745</u>	<u>\$ (4,667)</u>	<u>\$ 7,131,861</u>
	Balance June 30, 2009	Additions	Transfers and Retirements	Balance June 30, 2010
Land	\$ 445,228	\$ -	\$ (16,577)	\$ 428,651
Building and Improvements	11,206,635	247,856	-	11,454,491
Equipment	2,266,892	281,915	(50,654)	2,498,153
Construction in Progress	52,272	125,611	(56,362)	121,521
Total Capital Assets	13,971,027	655,382	(123,593)	14,502,816
Less Accumulated Depreciation				
Building and Improvements	6,914,589	404,720	-	7,319,309
Equipment	1,844,348	134,531	(9,155)	1,969,724
Total Accumulated Depreciation	8,758,937	539,251	(9,155)	9,289,033
Capital Assets, Net	<u>\$ 5,212,090</u>	<u>\$ 116,131</u>	<u>\$ (114,438)</u>	<u>\$ 5,213,783</u>

Construction in process at June 30, 2011 is made up of the initial costs of a multi-million dollar assisted living expansion project. It will be years before the assisted living expansion project begins as funds are raised over the coming years. The project is currently expected to be financed internally and through fund raising.

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 7 LONG-TERM DEBT

The following is a summary of long-term obligation transactions for the Hospital for the years ended June 30, 2011 and 2010:

	Balance June 30, 2010	Additions	Payments	Balance June 30, 2011	Amounts Due Within One Year
Series 1998A Bonds	\$ 730,000	\$ -	\$ (75,000)	\$ 655,000	\$ 80,000
Note Payable	22,915	-	(3,712)	19,203	19,203
Capital Lease Obligations	117,572	1,214,573	(102,294)	1,229,851	242,468
Total Long-Term Debt	<u>\$ 870,487</u>	<u>\$ 1,214,573</u>	<u>\$ (181,006)</u>	<u>\$ 1,904,054</u>	<u>\$ 341,671</u>

	Balance June 30, 2009	Additions	Payments	Balance June 30, 2010	Amounts Due Within One Year
Series 1998A Bonds	\$ 805,000	\$ -	\$ (75,000)	\$ 730,000	\$ 75,000
Note Payable	26,558	-	(3,643)	22,915	1,055
Capital Lease Obligations	65,731	72,564	(20,723)	117,572	29,698
Total Long-Term Debt	<u>\$ 897,289</u>	<u>\$ 72,564</u>	<u>\$ (99,366)</u>	<u>\$ 870,487</u>	<u>\$ 105,753</u>

Series 1998A Bonds

Series 1998A Bonds were issued at \$1,425,000 and secured by a mortgage. The bonds mature serially at varying amounts through February 2018, with monthly principal payments at interest rates ranging from 3.8% to 5.1%. The Hospital is required under the terms of the loan agreement to deposit \$115,650 with a trustee, which is included in the balance sheets under restricted by trustee under indenture agreement. The loan agreement also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance, including a covenant that income available for debt service coverage must equal at least 110% of the maximum annual debt service requirement on all funded debt in any future year. For both years ended June 30, 2011 and 2010, the Hospital met the required 110% debt service.

Note Payable

Note payable, to a local bank, due in 2012 with monthly principal and interest payments, at a rate of 7.25%, of \$283. The loan is collateralized by a deed of trust for property.

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 7 LONG-TERM DEBT (CONTINUED)

Capital Lease Obligations

Capital lease obligations consist of several capital lease obligations for medical equipment. The first lease matures in 2013, with monthly payments of \$1,758, the second capital lease matures in 2015, with monthly payments of \$1,422, and the third capital lease matures in 2016, with monthly payments of \$21,869. Capital assets include the following equipment under capital lease obligation:

	2011	2010
Equipment	\$ 1,369,862	\$ 155,289
Less Accumulated Depreciation	(151,447)	(29,313)
	<u>\$ 1,218,415</u>	<u>\$ 125,976</u>

Scheduled principal and interest repayments on long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Bonds and Notes Payable</u>		<u>Capital Lease Obligation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 99,203	\$ 33,973	\$ 242,468	\$ 58,117
2013	85,000	29,150	250,814	44,498
2014	90,000	24,900	247,972	31,522
2015	95,000	20,400	253,768	18,614
2016	95,000	15,555	234,829	5,907
2017-2018	210,000	16,320	-	-
Total	<u>\$ 674,203</u>	<u>\$ 140,298</u>	<u>\$ 1,229,851</u>	<u>\$ 158,658</u>

Subsequent to year end a capital lease was entered into for medical equipment. The capital lease started in July 2011 and matures in June 2016 with monthly payments of \$7,163.

NOTE 8 OPERATING LEASES

The Hospital is committed under various noncancelable operating leases, all of which are for equipment. These expire in various years through 2014. Future minimum operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2012	\$ 14,760
2013	14,760
2014	13,530

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 9 PENSION PLAN

The Hospital has a defined contribution plan under which employees may elect to become participants. Upon completion of one year of service with 1,000 hours, the Hospital will make a matching contribution of the lesser of 3.5% of the employees' compensation or an amount equal to the employees' contribution, but not more than \$2,500. Employee and Hospital contributions are deposited in the employees' Tax Sheltered Annuity. Total employer pension plan expenses for the years ended June 30, 2011, 2010 and 2009 are \$89,082, \$86,903 and \$ 69,176, respectively.

NOTE 10 CONCENTRATION OF CREDIT RISK

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

	2011	2010
Medicare	21 %	22 %
Medicaid	14	15
Other Third-Party Payors	24	25
Patients	41	38
	<u>100 %</u>	<u>100 %</u>

NOTE 11 NET CLINIC REVENUES

Net clinic rental activity consists of the following:

	2011	2010
Rental Income	\$ 116,084	\$ 116,718
Expenses		
Depreciation and Amortization	(66,153)	(66,590)
Interest	(35,338)	(37,629)
Rent	(17,292)	(18,733)
Other	(7,360)	(3,146)
Net Clinic Rental Expense	<u>\$ (10,059)</u>	<u>\$ (9,380)</u>

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 12 COMMITMENTS AND CONTINGENCIES

Litigation

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

Malpractice Insurance

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

Risk Management

The Hospital is 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. These risks are covered by commercial insurance purchased from independent third-parties. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Compliance

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



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Big Horn Hospital Association
Hardin, Montana

Our report on our audit of the basic financial statements of Big Horn Hospital Association for the year ended June 30, 2011 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented on pages 28 through 38 for purposes of additional analysis and is not a required part of the basic financial statements. With the exception of the statistical information on page 38 marked "Unaudited", such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LarsonAllen LLP

Minneapolis, Minnesota
December 20, 2011

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
COMBINING BALANCE SHEET
JUNE 30, 2011**

	<u>Primary Enterprise</u>	<u>Component Units</u>	
		Big Horn County	
		Memorial Hospital	
	Big Horn Hospital	and Health Care	Total Reporting
	Association	Foundation	Entity
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 641,909	\$ 163,700	\$ 805,609
Restricted Cash	32,439	-	32,439
Current Cash and Investments	133,176	-	133,176
Certificates of Deposit	181,372	-	181,372
Patient and Resident Accounts Receivable, Net	1,689,210	-	1,689,210
Other Receivables	123,090	-	123,090
Supplies	142,225	-	142,225
Prepaid Expenses	73,306	-	73,306
Total Current Assets	<u>3,016,727</u>	<u>163,700</u>	<u>3,180,427</u>
NONCURRENT CASH AND INVESTMENTS			
Restricted by Trustee Under Indenture Agreement	172,332	-	172,332
Restricted by Donor for Care of Terminal Patients	5,406	-	5,406
Designated by Board for Capital Improvements and Student Loans	<u>2,008,646</u>	<u>204,178</u>	<u>2,212,824</u>
	<u>2,186,384</u>	<u>204,178</u>	<u>2,390,562</u>
Less Current Portion	<u>(133,176)</u>	<u>-</u>	<u>(133,176)</u>
Total Noncurrent Cash and Investments	<u>2,053,208</u>	<u>204,178</u>	<u>2,257,386</u>
CAPITAL ASSETS, NET	7,131,861	-	7,131,861
DEFERRED FINANCING COSTS, NET	<u>13,980</u>	<u>-</u>	<u>13,980</u>
Total Assets	<u>\$ 12,215,776</u>	<u>\$ 367,878</u>	<u>\$ 12,583,654</u>

	<u>Primary Enterprise</u>	<u>Component Units</u>	
		Big Horn County	
		Memorial Hospital	
	Big Horn Hospital	and Health Care	Total Reporting
	Association	Foundation	Entity
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current Maturities of Long-Term Debt	\$ 341,671	\$ -	\$ 341,671
Accounts Payable	232,722	-	232,722
Construction Payable	39,540	-	39,540
Estimated Third-Party Payor Settlements	480,000	-	480,000
Accrued Expenses			
Compensation, Benefits and Related Taxes	634,827	-	634,827
Interest Payable	13,813	-	13,813
Bed Taxes	44,909	-	44,909
Current Portion of Deferred Rental Income	16,000	-	16,000
Total Current Liabilities	<u>1,803,482</u>	<u>-</u>	<u>1,803,482</u>
LONG-TERM DEBT, NET OF CURRENT MATURITIES	1,562,383	-	1,562,383
DEFERRED RENTAL INCOME, NET OF CURRENT PORTION	<u>104,000</u>	<u>-</u>	<u>104,000</u>
Total Liabilities	3,469,865	-	3,469,865
NET ASSETS			
Invested in Capital Assets Net of Related Debt	5,227,807	-	5,227,807
Restricted by			
Trustee Under Indenture Agreement	172,332	-	172,332
Donors for Care of Terminal Patients	5,406	-	5,406
Unrestricted	3,340,366	367,878	3,708,244
Total Net Assets	<u>8,745,911</u>	<u>367,878</u>	<u>9,113,789</u>
Total Liabilities and Net Assets	<u>\$ 12,215,776</u>	<u>\$ 367,878</u>	<u>\$ 12,583,654</u>

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011**

	<u>Primary Enterprise</u>	<u>Component Units</u> Big Horn County Memorial Hospital and Health Care Foundation	<u>Total Reporting Entity</u>
OPERATING REVENUES			
Net Patient and Resident Service Revenue	\$ 10,967,970	\$ -	\$ 10,967,970
Other Operating Revenue	87,750	-	87,750
Total Operating Revenues	<u>11,055,720</u>	<u>-</u>	<u>11,055,720</u>
OPERATING EXPENSES			
Professional Care of Patients	6,201,190	-	6,201,190
General and Administrative	2,267,120	56,535	2,323,655
Property and Household	1,021,474	-	1,021,474
Dietary	689,816	-	689,816
Depreciation and Amortization	637,772	-	637,772
Total Operating Expenses	<u>10,817,372</u>	<u>56,535</u>	<u>10,873,907</u>
OPERATING INCOME (LOSS)	238,348	(56,535)	181,813
NONOPERATING REVENUES AND (EXPENSES)			
Unrestricted Contributions	115,773	-	115,773
Investment Income	131,223	5,010	136,233
Loss on Sale of Assets	(3,467)	-	(3,467)
Interest Expense	(25,630)	-	(25,630)
Net Clinic Rental	(10,059)	-	(10,059)
Other Nonoperating Expenses, Net	(1,637)	-	(1,637)
Net Nonoperating Revenues and (Expenses)	<u>206,203</u>	<u>5,010</u>	<u>211,213</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	444,551	(51,525)	393,026
Capital Grants and Contributions	109,217	752,387	861,604
Restricted Contributions	-	76,465	76,465
Transfers from (to) Related Party	<u>744,634</u>	<u>(744,634)</u>	<u>-</u>
INCREASE IN NET ASSETS	1,298,402	32,693	1,331,095
Net Assets - Beginning of Year	<u>7,447,509</u>	<u>335,185</u>	<u>7,782,694</u>
NET ASSETS - END OF YEAR	<u><u>\$ 8,745,911</u></u>	<u><u>\$ 367,878</u></u>	<u><u>\$ 9,113,789</u></u>

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
SCHEDULES OF NET PATIENT AND RESIDENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011				
	HOSPITAL			Heritage	
	Inpatient	Outpatient	Total	Acres	Total
PATIENT AND RESIDENT SERVICE REVENUE					
Routine Services					
Skilled Nursing Care	\$ -	\$ -	\$ -	\$ 2,416,774	\$ 2,416,774
Swing Bed	3,234,651	-	3,234,651	-	3,234,651
Adult and Pediatrics	1,382,000	-	1,382,000	-	1,382,000
Assisted Living	-	-	-	232,328	232,328
Nursery	37,100	-	37,100	-	37,100
Total Routine Services	4,653,751	-	4,653,751	2,649,102	7,302,853
Ancillary Services					
Emergency Room	14,318	1,724,851	1,739,169	-	1,739,169
CT Scan	87,206	1,680,104	1,767,310	-	1,767,310
Laboratory	139,621	1,112,326	1,251,947	-	1,251,947
Surgery	8,190	499,587	507,777	-	507,777
Pharmacy	205,649	150,778	356,427	1,069	357,496
Physical Therapy	152,025	288,204	440,229	6,940	447,169
Radiology	38,383	358,374	396,757	-	396,757
Central Service Supplies	73,061	151,887	224,948	7	224,955
Respiratory Therapy	118,439	18,493	136,932	-	136,932
Ultrasound	20,173	326,745	346,918	-	346,918
MRI	3,747	128,954	132,701	-	132,701
Anesthesia	8,939	116,490	125,429	-	125,429
Public Health	-	99,300	99,300	-	99,300
Recovery Room	3,260	38,605	41,865	-	41,865
Intravenous Solutions	12,319	11,184	23,503	-	23,503
Labor and Delivery	56,228	477	56,705	-	56,705
Blood Bank	24,367	12,070	36,437	-	36,437
Bone Density	-	36,371	36,371	-	36,371
WIC	-	34,444	34,444	-	34,444
Maturing Child Health	-	24,771	24,771	-	24,771
Cardiac Rehabilitation	-	3,865	3,865	-	3,865
Speech and Occupational Therapy	35,678	5,092	40,770	1,547	42,317
Total Ancillary Services	1,001,603	6,822,972	7,824,575	9,563	7,834,138
	\$ 5,655,354	\$ 6,822,972	12,478,326	2,658,665	15,136,991
Charity Care			(88,066)	-	(88,066)
Total Patient and Resident Service Revenue			12,390,260	2,658,665	15,048,925
CONTRACTUAL ADJUSTMENTS					
Medicare			(2,046,734)	(3,378)	(2,050,112)
Medicaid			(319,791)	(92,178)	(411,969)
Other			(838,354)	(3,294)	(841,648)
Total Contractual Adjustments			(3,204,879)	(98,850)	(3,303,729)
PROVISION FOR BAD DEBTS					
			(775,628)	(1,598)	(777,226)
NET PATIENT AND RESIDENT SERVICE REVENUE			\$ 8,409,753	\$ 2,558,217	\$ 10,967,970

2010				
HOSPITAL			Heritage	
Inpatient	Outpatient	Total	Acres	Total
\$ -	\$ -	\$ -	\$ 2,210,951	\$ 2,210,951
2,361,721	-	2,361,721	-	2,361,721
1,419,584	-	1,419,584	-	1,419,584
-	-	-	201,373	201,373
71,428	-	71,428	-	71,428
3,852,733	-	3,852,733	2,412,324	6,265,057
21,635	1,451,524	1,473,159	-	1,473,159
99,586	1,542,349	1,641,935	-	1,641,935
125,738	1,004,275	1,130,013	-	1,130,013
41,262	442,611	483,873	-	483,873
208,400	163,960	372,360	1,558	373,918
91,594	226,183	317,777	12,689	330,466
42,728	367,705	410,433	-	410,433
67,612	166,815	234,427	-	234,427
105,533	19,495	125,028	-	125,028
25,419	314,290	339,709	-	339,709
-	-	-	-	-
20,130	113,279	133,409	-	133,409
-	107,084	107,084	-	107,084
9,192	33,636	42,828	-	42,828
29,042	28,816	57,858	-	57,858
71,620	1,084	72,704	-	72,704
17,087	5,274	22,361	-	22,361
-	37,133	37,133	-	37,133
-	35,541	35,541	-	35,541
-	33,087	33,087	-	33,087
-	8,832	8,832	-	8,832
180	-	180	539	719
976,758	6,102,973	7,079,731	14,786	7,094,517
\$ 4,829,491	\$ 6,102,973	10,932,464	2,427,110	13,359,574
		(84,489)	-	(84,489)
		10,847,975	2,427,110	13,275,085
		(1,237,861)	(6,526)	(1,244,387)
		(261,387)	(104,928)	(366,315)
		(879,640)	(20)	(879,660)
		(2,378,888)	(111,474)	(2,490,362)
		(644,571)	(26,837)	(671,408)
		\$ 7,824,516	\$ 2,288,799	\$ 10,113,315

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
SCHEDULES OF OTHER REVENUE
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011			2010		
	Hospital Nursing Home	Heritage Acres	Total	Hospital Nursing Home	Heritage Acres	Total
OTHER OPERATING REVENUE						
Apartment Rent (Net of Expenses of \$27,018 in 2011 and \$21,421 in 2010)	\$ -	\$ 19,064	\$ 19,064	\$ -	\$ 28,011	\$ 28,011
Cafeteria	20,070	18,207	38,277	17,987	14,906	32,893
Miscellaneous	20,283	10,126	30,409	22,578	7,519	30,097
TOTAL OTHER OPERATING REVENUE	<u>\$ 40,353</u>	<u>\$ 47,397</u>	<u>\$ 87,750</u>	<u>\$ 40,565</u>	<u>\$ 50,436</u>	<u>\$ 91,001</u>

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
SCHEDULES OF EXPENSES
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011		
	Hospital		
	Salaries and Benefits	Other	Total
PROFESSIONAL CARE OF PATIENTS AND RESIDENTS			
Skilled Nursing Care	\$ -	\$ -	\$ -
Adults and Pediatrics	655,142	139,032	794,174
Swing Bed	569,021	160,631	729,652
Laboratory	305,492	343,993	649,485
CT Scan	134,046	250,717	384,763
Emergency Room	465,143	43,042	508,185
Nursing Administration	165,595	19,575	185,170
Radiology	137,473	120,508	257,981
Assisted Living	-	-	-
Anesthesia	-	151,871	151,871
Physical Therapy/Rehabilitation	143,847	9,544	153,391
Recreational Therapy	27,900	6,710	34,610
Pharmacy	11,697	83,567	95,264
Surgery	37,176	45,742	82,918
Social Services	70,987	4,215	75,202
Ultrasound	703	100,283	100,986
Central Service Supplies	37,300	43,584	80,884
Public Health	40,451	40,418	80,869
WIC	31,409	316	31,725
Blood Bank	-	29,456	29,456
Maturing Child Health Care	19,766	183	19,949
Labor and Delivery	4,114	16,601	20,715
Intravenous Solutions	-	8,730	8,730
Respiratory Therapy	-	9,503	9,503
MRI	37,402	76,793	114,195
Bone Density	-	1,967	1,967
Nursery	381	4,340	4,721
Recovery Room	732	-	732
Speech/Occupational Therapy	-	29,363	29,363
Total Professional Care of Patients and Residents	2,895,777	1,740,684	4,636,461

2011				2010		
Heritage Acres						
Salaries and Benefits	Other	Total	Total	Hospital	Heritage Acres	Total
\$ 809,795	\$ 247,053	\$ 1,056,848	\$ 1,056,848	\$ -	\$ 990,015	\$ 990,015
-	-	-	794,174	755,640	-	755,640
-	-	-	729,652	687,964	-	687,964
-	-	-	649,485	633,809	-	633,809
-	-	-	384,763	391,380	-	391,380
-	-	-	508,185	456,883	-	456,883
151,897	9,716	161,613	346,783	180,931	153,214	334,145
-	-	-	257,981	292,305	-	292,305
167,629	17,745	185,374	185,374	-	162,038	162,038
-	-	-	151,871	164,148	-	164,148
30,288	-	30,288	183,679	139,405	37,014	176,419
70,901	6,723	77,624	112,234	32,199	77,648	109,847
-	10,472	10,472	105,736	131,451	8,931	140,382
-	-	-	82,918	84,102	-	84,102
35,290	1,106	36,396	111,598	58,455	33,015	91,470
-	-	-	100,986	115,000	-	115,000
5,027	89	5,116	86,000	74,980	3,752	78,732
-	-	-	80,869	73,943	-	73,943
-	-	-	31,725	36,526	-	36,526
-	-	-	29,456	16,490	-	16,490
-	-	-	19,949	17,249	-	17,249
-	-	-	20,715	19,755	-	19,755
-	-	-	8,730	8,463	-	8,463
-	-	-	9,503	8,435	-	8,435
-	-	-	114,195	6,257	-	6,257
-	-	-	1,967	2,689	-	2,689
-	-	-	4,721	6,920	-	6,920
-	-	-	732	1,817	-	1,817
-	998	998	30,361	250	971	1,221
1,270,827	293,902	1,564,729	6,201,190	4,397,446	1,466,598	5,864,044

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
SCHEDULES OF EXPENSES
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011		
	Hospital		
	Salaries and Benefits	Other	Total
GENERAL AND ADMINISTRATIVE			
Fiscal and Administrative	519,757	358,374	878,131
Employee Benefits	762,711	-	762,711
Insurance	-	108,336	108,336
Medical Records	121,527	10,061	131,588
Total General and Administrative	1,403,995	476,771	1,880,766
PROPERTY AND HOUSEHOLD			
Operation of Plant	124,122	290,641	414,763
Housekeeping	146,577	34,571	181,148
Laundry and Linen	25,654	15,525	41,179
Total Property and Household	296,353	340,737	637,090
DIETARY SERVICES	203,961	120,427	324,388
DEPRECIATION AND AMORTIZATION	-	484,697	484,697
TOTAL EXPENSES	<u>\$ 4,800,086</u>	<u>\$ 3,163,316</u>	<u>\$ 7,963,402</u>

2011				2010		
Heritage Acres						
Salaries and Benefits	Other	Total	Total	Hospital	Heritage Acres	Total
67,009	80,425	147,434	1,025,565	786,863	131,546	918,409
282,736	-	282,736	1,045,447	794,344	294,766	1,089,110
-	-	-	108,336	118,486	-	118,486
11,819	900	12,719	144,307	128,908	14,900	143,808
361,564	81,325	442,889	2,323,655	1,828,601	441,212	2,269,813
78,569	165,408	243,977	658,740	377,105	223,841	600,946
74,538	19,457	93,995	275,143	163,749	67,125	230,874
34,574	11,838	46,412	87,591	40,362	40,512	80,874
187,681	196,703	384,384	1,021,474	581,216	331,478	912,694
175,260	190,168	365,428	689,816	295,717	365,845	661,562
-	153,075	153,075	637,772	329,620	149,057	478,677
<u>\$ 1,995,332</u>	<u>\$ 915,173</u>	<u>\$ 2,910,505</u>	<u>\$ 10,873,907</u>	<u>\$ 7,432,600</u>	<u>\$ 2,754,190</u>	<u>\$ 10,186,790</u>

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
OPERATIONAL, STATISTICAL AND FINANCIAL HIGHLIGHTS
YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
OPERATIONAL		
PATIENT AND RESIDENT SERVICE REVENUE		
Routine Services		
Hospital	\$ 4,653,751	\$ 3,852,733
Heritage Acres	2,649,102	2,412,324
Ancillary Services		
Inpatient	1,001,603	976,758
Outpatient	6,822,972	6,102,973
Heritage Acres	9,563	14,786
Charity Care	(88,066)	(84,489)
Contractual Adjustments	(3,303,729)	(2,490,362)
Provision for Bad Debts	(777,226)	(671,408)
Net Patient and Resident Service Revenue	<u>10,967,970</u>	<u>10,113,315</u>
OTHER REVENUE	<u>87,750</u>	<u>91,001</u>
TOTAL REVENUE	11,055,720	10,204,316
EXPENSES		
Salaries and Benefits	6,795,418	6,374,753
Cost of Drugs, Food, Supplies, and Other	3,440,717	3,333,360
Depreciation and Amortization (Excluding Clinic)	637,772	478,677
Total Expenses	<u>10,873,907</u>	<u>10,186,790</u>
OPERATING INCOME	<u>\$ 181,813</u>	<u>\$ 17,526</u>
STATISTICAL	Unaudited	Unaudited
Hospital	2011	2010
Number of Beds at End of Year	15	15
Available Bed Days	5,475	5,475
Acute Patient Days	683	724
Percent of Occupancy	12 47%	13 22%
Discharges	247	284
Average Acute Length of Stay (Days)	2 77	2 55
Swing Bed		
Number of Beds at End of Year	10	10
Patient Days	4,557	4,012
Heritage Acres		
Number of Beds at End of Year	36	36
Available Bed Days	13,140	13,140
Resident Days	12,649	12,158
Percent of Occupancy	96 26%	92 53%
FINANCIAL		
Percentages of Contractual Adjustments to Gross Patient Service Revenue	21 95%	18 76%
Percentage of Salaries and Benefits to Total Expenses	62 49%	62 58%
Number of Days Revenue in Patient Accounts Receivable	56 21	50 62
Current Ratio	1 76	3 21

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Big Horn Hospital Association
Hardin, Montana

We have audited the financial statements of Big Horn Hospital Association as of and for the year ended June 30, 2011, and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Big Horn Hospital Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Horn Hospital Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Big Horn Hospital Association in a separate letter dated December 20, 2011.

Big Horn Hospital Association's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit Big Horn Hospital Association's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, board of directors and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP

Minneapolis, Minnesota
December 20, 2011

**BIG HORN HOSPITAL ASSOCIATION
HARDIN, MONTANA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011**

Material Weaknesses

11-1 Financial Reporting

As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements and the completeness of the footnote disclosures.

Recommendation

We recommend that management implement effective review policies and procedures.

Response

Management feels that committing the resources necessary to perform a review of the footnotes disclosures for completeness would be a duplication of expenditures, as this is part of the cost of the audit engagement. In addition, the CEO and CFO review internal financial statements on a monthly basis and present the results to the board of directors.

11-2 Misstatements Detected by the Audit

Material misstatements were detected during the course of the audit which required management to post several adjusting journal entries to correct certain general ledger balances. Management is responsible for having controls in place to prevent or detect a material misstatement in a timely manner.

Recommendation

We recommend that the management implement effective accounting policies to prevent or detect material misstatements in a timely manner.

Response

Management will review procedures in order to limit the number of adjusting journal entries.