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DLN: 93493136059792

Department of the Treasury

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)

OMB No 1545-0047

Open to Public Inspection

The organization may have to use a copy of this return to satisfy state reporting requirements Internal Revenue Service A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011 Name of organization LIVINGSTON HEALTHCARE FOUNDATION D Employer identification number B Check if applicable Address change 81-0621997 Doing Business As Name change FOUNDATION E Telephone number Initial return Number and street (or P O box if mail is not delivered to street address) (406)823-6262 504 S 13TH STREET Terminated G Gross receipts \$ 128,055 Amended return City or town, state or country, and ZIP + 4 LIVINGSTON, MT 590473727 Application pending Name and address of principal officer **H(a)** Is this a group return for affiliates? MICHELLE BECKER 504 S 13TH STREET **H(b)** Are all affiliates included? LIVINGSTON, MT 590473727 If "No," attach a list (see instructions) H(c) Group exemption number ▶ **Website:** ► WWW LIVINGSTONHEALTHCARE ORG **L** Year of formation 1955 M State of legal domicile MT Summary Part I Briefly describe the organization's mission or most significant activities THE PURPOSE OF THE FOUNDATION IS TO SOLICIT AND RECEIVE GIFTS AND TO DISTRIBUTE THEM TO LIVINGSTON HEALTHCARE, AN AFFILIATED 501 (C) (3) SUPPORTED ORGANIZATION, TO FURTHER THE CHARITABLE ACTIVITIES Activities & Governance RELATED TO LIVINGSTON HEALTHCARE 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) . . . 7 4 Number of independent voting members of the governing body (Part VI, line 1b) . . . 4 Total number of individuals employed in calendar year 2010 (Part V, line 2a) . 5 0 6 0 Total number of volunteers (estimate if necessary) 0 7a Total unrelated business revenue from Part VIII, column (C), line 12. 7a ${f b}$ Net unrelated business taxable income from Form 990-T, line 34 7h 0 **Prior Year Current Year** Contributions and grants (Part VIII, line 1h) . 124,335 121,205 Program service revenue (Part VIII, line 2g) . 0 Investment income (Part VIII, column (A), lines 3, 4, and 7d) 6,850 10 11,277 0 11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) 0 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12 135,612 128,055 12) . 13 Grants and similar amounts paid (Part IX, column (A), lines 1-3) . . . 52.625 397,278 Benefits paid to or for members (Part IX, column (A), line 4) 0 0 14 Salaries, other compensation, employee benefits (Part IX, column (A), lines 15 Expenses 0 0 5-10)0 0 Professional fundraising fees (Part IX, column (A), line 11e) 16a b Total fundraising expenses (Part IX, column (D), line 25) \blacktriangleright 43 17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f) 10 18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25) 52,635 397,321 82,977 19 Revenue less expenses Subtract line 18 from line 12 -269,266 Assets or defined by the second of the secon **Beginning of Current End of Year** Year 1.231.482 1.500.748 20 Total assets (Part X, line 16) . 21 Total liabilities (Part X, line 26) . . 0 0 22 Net assets or fund balances Subtract line 21 from line 20 1,500,748 1,231,482 Signature Block Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge. 2012-05-09 Signature of officer Sign Here MICHELLE BECKER PRESIDENT Type or print name and title Print/Type Preparer's signature Check if self NATHAN D MCCARTHY NATHAN D MCCARTHY preparer's name employed F 2012-05-09 CPA

HELENA, MT 596241699

May the IRS discuss this return with the preparer shown above? (see instructions)

Firm's name 🕨 GALUSHA HIGGINS & GALUSHA PC

Firm's address F PO BOX 1699

Paid

Preparer

Use Only

Νo

Phone no 🕨 (406) 442-

Firm's EIN

▼Yes 厂

Form	า 990 (2010)				Page 2
Par	t III Statement of Program Check if Schedule O contains				
1	Briefly describe the organization's n	nission			
HEA	PURPOSE OF THE FOUNDATION IS LTHCARE, AN AFFILIATED 501 (C) NGSTON HEALTHCARE				
2	Did the organization undertake any sthe prior Form 990 or 990-EZ? .			hich were not listed on	┌ Yes ┌ No
	If "Yes," describe these new service				
3	Did the organization cease conduction services?		ges in how it cond • • • •	ucts, any program • • • • • •	┌ Yes ┌ No
4	-				
4	Describe the exempt purpose achieved Section 501(c)(3) and 501(c)(4) orgaliocations to others, the total expensions	janizations and section 494	7(a)(1) trusts are	required to report the amo	
4a	(Code) (Expenses	\$ 397,278 includ	ng grants of \$	397,278) (Revenue \$)
	THE PURPOSE OF THE FOUNDATION IS TO SUPPORTED ORGANIZATION, TO FURTHER				AN AFFILIATED 501 (C) (3)
4b	(Code) (Expenses	\$ includir	ng grants of \$) (Revenue \$)
4 c	(Code) (Expenses	\$ includir	ng grants of \$) (Revenue \$)
4d	Other program conveces (Decembe	un Schodulo O \			
-ru	Other program services (Describe (Expenses \$	including grants of \$) (Revenue \$)
4e	Total program service expenses►\$	397,278			

			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)? $^{f 2}$	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? <i>If</i> "Yes," complete Schedule C, Part II	4		No
5	Is the organization a section $501(c)(4)$, $501(c)(5)$, or $501(c)(6)$ organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure $98-19$? 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? <i>If "Yes," complete Schedule D, Part II</i>	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? 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? <i>If</i> "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			
а	Did the organization report an amount for land, buildings, and equipment in Part X, line10? If "Yes," complete Schedule D, Part VI.	11a		No
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? <i>If</i> "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		No
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
	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? <i>If</i> " <i>Yes,"</i> 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 $11e^7$ 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? <i>If</i> "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		No
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		

Par	t 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		Νo
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		
С	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)			
а	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part			
	<i>IV</i>	28a		Νo
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b		No
С	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If</i> "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		Νo
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? <i>If</i> "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		No
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35		No
а	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? <i>If</i> "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 it Schedule O contains a response to any question in this Part V	<u> </u>	· · · ·	
la	Enter the number reported in Box 3 of Form 1096 Enter -0 - if not applicable		Yes	No
h	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable			
	1b 0	1		
	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1 c		<u> </u>
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return	ı		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2ь		
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	20		
la	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		110
la	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			
ia	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		Νo
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		Νo
C	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c		
ia	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		
, _	Organizations that may receive deductible contributions under section 170(c).	7-		NI a
а	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
	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
	file Form 8282?	7c		Νo
d	If "Yes," indicate the number of Forms 8282 filed during the year	-		
е	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		
	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		
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		
}	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		
)	Sponsoring organizations maintaining donor advised funds.			
	Did the organization make any taxable distributions under section 4966?	9a		
О	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
	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]		
	Section 501(c)(12) organizations. Enter			
	Gross income from members or shareholders	-		
ט	against amounts due or received from them)	_		
	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	<u> </u>	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year			
.3	Section 501(c)(29) qualified nonprofit health insurance issuers.			
а	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			
c	Enter the amount of reserves on hand	-		
	13c	1		N.
	Did the organization receive any payments for indoor tanning services during the tax year?	14a 14b		No
_	,		, ,	

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.

<u>Se</u>	ection 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				
b	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?	2		No	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		N o	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No	
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	5		No	
6	Does the organization have members or stockholders?	6		Νο	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		No	
ь	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b		No	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
а	The governing body?	8a	Yes		
b	Each committee with authority to act on behalf of the governing body?	8b	Yes		
9	9		No		
	ection B. Policies (This Section B requests information about policies not required by the Internal evenue Code.)				
	,		Yes	No	
10a	Does the organization have local chapters, branches, or affiliates?	10a		Νo	
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b			
11a	11a Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form				
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990				
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	12a		No	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b			
С	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c			
13	Does the organization have a written whistleblower policy?	13		Νo	
14	Does the organization have a written document retention and destruction policy?	14		Νo	
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?				
а	The organization's CEO, Executive Director, or top management official	15a		Νo	
b	Other officers or key employees of the organization	15b		Νo	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)				
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No	
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b			
Se	ection C. Disclosure	100			
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 LARRY PUTNAM

504 S 13TH STREET LIVINGSTON,MT 590473727 (406)823-6262

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

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 organiz	•	lated or	ganız	zatic	n co	mpen	<u>sat</u> e	d any current office	er, director, or trust	ee
(A) Name and Title	(B) Average hours	(C) Position (check all that apply)						(D) Reportable compensation from the	(E) Reportable compensation	(F) Estimated amount of other
	per week (describe hours for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Key employee			from the organization (W- 2/1099-MISC)	from related organizations (W- 2/1099- MISC)	compensation from the organization and related organizations
(1) MICHELLE BECKER PRESIDENT	1 00	Х		х				0	0	0
(2) Anna deyoung Vice president	1 00	Х		Х				0	0	0
(3) BILLIE KAYE HARMES SECRETARY	1 00	х		х				0	0	0
(4) JOE SWINDLEHURST TREASURER	1 00	Х		Х				0	0	0
(5) SAM PLESHAR LHC CEO	1 00	х		х				0	0	0
(6) STAN CORNELL DIRECTOR	1 00	х						0	0	0
(7) BERNICE DENNIS DIRECTOR	1 00	х						0	0	0
(8) MICHELLE DONALDSON MD DIRECTOR	1 00	Х						0	0	0
(9) BERNIE GERFIN DIRECTOR	1 00	х						0	0	0
(10) DANA TAYLOR DIRECTOR	1 00	х						0	0	0
(11) DOUGLAS WADLE MD DIRECTOR	1 00	Х						0	0	0

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

	(A) Name and Title	(B) Average hours per	(C) Position (check all that apply)						(D) Reportable compensation from the	(E) Reportable compensation from related	I		ated f other
		week (describe hours for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	organization (W- 2/1099-MISC)	organizations (W- 2/1099- MISC)		from t rganizat relat organiza	the Ion and ed
											+		
											+		
											+		
1b	Sub-Total					•		•					
c d	Total from continuation sheet Total (add lines 1b and 1c) .	s to Part VII, Sec					-	.	0				0
2	Total number of individuals (in \$100,000 in reportable compe	cluding but not lir	nıted to	thos	se lis) who	I received more th	an			
3	Did the organization list any fo on line 1a? <i>If "Yes," complete S</i>								or highest compens	ated employee	3	Yes	No No
4	For any individual listed on line organization and related organ individual										4		No
5	Did any person listed on line 1 services rendered to the organ									or individual for •	5		No
Se	ction B. Independent Co	ntractors											
1	Complete this table for your fix \$100,000 of compensation fro			ındep	end	ent o	ontra	tors	that received mo	e than			
	N	(A) lame and business ad	dress						Desc	(B) cription of services	_	(C Comper	
											\dashv		
	Total number of independent co \$100,000 in compensation fron			not lir	nıte	l to	those	ıste	d above) who rece	ved more than			

Form 9	90 (2	010)							Page 9
Part \	/III	Statement of I	Revenue			1			
					(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512,513, or 514	
nts nts	1a	Federated campaig							
E E	b	Membership dues	1b						
% ₩	C	Fundraising events	1c						
₹ਰ	d	Related organizatio	ns 1d						
ÆΈ	e	Government grants (co	ntributions) 1e						
ᅙᇎ	f	All other contributions, g	gifts, grants, and 1f	121,205					İ
Contributions, gifts, grants and other similar amounts	g	Noncash contributions in							l i
늍									
္မ	h	Total. Add lines 1a	-1f		121,205				
				Business Code					1
EII.	2a								
29	ь								1
90	c								1
Š S	d								1
ૐ =	e								1
Ē	f	All other program s	ervice revenue						1
Program Serwoe Revenue									1
	д 3		-2f						-
			e (including dividends, inter mounts)	est ▶	6,850	6,850			-
	4		nt of tax-exempt bond proceeds	•	·	,			†
	5			. ▶					1
		· [(ı) Real	(II) Personal					1
	6a	Gross Rents							
	ь	Less rental expenses							
	c	Rental income							
	d	or (loss)	or (loss)						
		The strength of the strength o	(ı) Securities	(II) Other					†
	7a	Gross amount		,					
		from sales of assets other							
	ь	than inventory Less cost or							
		other basis and sales expenses							
	С	Gain or (loss)							
	d	Net gain or (loss)		►					
	8a	Gross income from	fundraising events]
ë		(not including \$							
듄		of contributions rep							
é		See Part IV, line 18	8 a						
<u>-</u>	h	Less direct expens							
Other Revenue			s) from fundraising events						
•			gaming activities See						1
		Part IV, line 19 .							
	Ь	Less direct expenses							
		expenses	b						
			s) from gaming activities						1
	10a	Gross sales of inve							
		recuins and anowall	a a						
	ь	Less cost of goods	s sold b						
			s) from sales of inventory						
		Miscellaneous R	evenue	Business Code]
	11a]
	ь								
	c								
	d	All other revenue]
	e	Total. Add lines 11	a-11d						
									-
	12	Total revenue. See	Instructions	•	128,055	6,850	0	0	

Part	Statement of Functional Expenses	L compulat !!						
Al	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 no	ot include amounts reported on lines 6b, o, 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	397,278	397,278					
2	Grants and other assistance to individuals in the U.S. See Part IV, line 22	23.,2.0	23.,2.0					
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							
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							
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)							
9	Other employee benefits							
10	Payroll taxes							
а	Fees for services (non-employees) Management							
b	Legal							
C	Accounting							
d	Lobbying							
e	Professional fundraising services See Part IV, line 17							
f	Investment management fees							
g	Other							
12	Advertising and promotion							
13	Office expenses							
14	Information technology							
15	Royalties							
16	Occupancy							
17	Travel							
18	Payments of travel or entertainment expenses for any federal, state, or local public officials							
19	Conferences, conventions, and meetings							
20	Interest							
21	Payments to affiliates							
22	Depreciation, depletion, and amortization							
23	Insurance							
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)							
а	BANK FEES	43		43				
b								
c								
d								
e								
f	All other expenses							
25	Total functional expenses. Add lines 1 through 24f	397,321	397,278	43	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							

Pa	irt X	Balance Sheet			
			(A) Beginning of year		(B) End of year
	1	Cash—non-interest-bearing		1	
	2	Savings and temporary cash investments	1,500,748	2	1,231,482
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net		4	
	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)			
ets.		Schedule L		6	
Assets	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use		8	
	9	Prepaid expenses and deferred charges		9	
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D			
	ь	Less accumulated depreciation 10b		10 c	
	11	Investments—publicly traded securities		11	
	12	Investments—other securities See Part IV, line 11		12	
	13	Investments—program-related See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets See Part IV, line 11		15	
	16	Total assets. Add lines 1 through 15 (must equal line 34)	1,500,748	16	1,231,482
	17	Accounts payable and accrued expenses .		17	
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities		20	
<u>, o</u>	21	Escrow or custodial account liability $\it Complete Part IV of Schedule D$		21	
Liabilities	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified			
ï		persons Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties		23	
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities Complete Part X of Schedule D		25	
	26	Total liabilities. Add lines 17 through 25	0	26	0
ces		Organizations that follow SFAS 117, check here ► 🔽 and complete lines 27 through 29, and lines 33 and 34.			
an	27	Unrestricted net assets	1,500,748	27	0
B	28	Temporarily restricted net assets		28	1,231,482
덛	29	Permanently restricted net assets		29	
or Fund Balance		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	
Assets	31	Paid-in or capital surplus, or land, building or equipment fund		31	
As	32	Retained earnings, endowment, accumulated income, or other funds		32	
Ŋĕţ	33	Total net assets or fund balances	1,500,748	33	1,231,482
Z	34	Total liabilities and net assets/fund balances	1.500.748	34	1.231.482

-(-	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		-	128,05
2	Total expenses (must equal Part IX, column (A), line 25)	2			397,32
3	Revenue less expenses Subtract line 2 from line 1	3			269,26
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4		1,5	500,74
5	Other changes in net assets or fund balances (explain in Schedule O)	5			,
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6		1,2	231,48
Par	Financial Statements and Reporting Check if Schedule O contains a response to any question in this Part XII			৮	
		ſ		Yes	No
1	Accounting method used to prepare the Form 990				
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		2a		No
b	Were the organization's financial statements audited by an independent accountant?	[2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of to 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 its Schedule O		2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were is on a separate basis, consolidated basis, or both Separate basis Consolidated basis Both consolidated and separated basis	ssued			
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?	e	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the raudit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.	equired	3b		

SCHEDULE A Public

(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

Open to Public Inspection

Name of the organization LIVINGSTON HEALTHCARE FOUNDATION

Employer identification number

81-0621997 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) A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i). 1 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). 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 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) A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v). 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) A community trust described in section 170(b)(1)(A)(vi) (Complete Part II) An organization that normally receives (1) more than 331/3% 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 331/3% 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) An organization organized and operated exclusively to test for public safety Seesection 509(a)(4). 10 $\overline{\mathbf{v}}$ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of 11 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 Type II c Type III - Functionally integrated Type III - Other 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) 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 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) Yes No and (III) below, the governing body of the the supported organization? Yes 11g(i) (ii) a family member of a person described in (i) above? 11g(ii) Νo (iii) a 35% controlled entity of a person described in (i) or (ii) above? 11g(iii) Yes h Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see	(iv) Is the organizate col (i) lise your gove docume	e ion in ted in erning	(v) Did you no organizat col (i) of suppoi	tify the ion in your	(vi) Is the organization in col (i) organized in the US?		(vii) A mount of support
		instructions))	Yes	No	Yes	No	Yes	No	
(A) LIVINGSTON HEALTHCARE	810378200	3	Yes		Yes		Yes		389,726
									
Total									389,726

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.)

S	ection A. Public Support		and to quanty t			out complete	
	endar year (or fiscal year beginning						
Care	in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1	Gifts, grants, contributions, and						
	membership fees received (Do not						
	ınclude 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						
Ū	line 4						
S	ection B. Total Support		<u> </u>	I I.			
	endar year (or fiscal year beginning						
	ın) >	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7	A mounts from line 4						
8	Gross income from interest,						
Ū	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)					<u> </u>	
12	Gross receipts from related activiti	es, etc (See inst	ructions)			12	
13	First Five Years If the Form 990 is t	for the organizati	on's first, second	, thırd, fourth, or	fifth tax year as a	501(c)(3) organı	
	check this box and stop here						►
	-tiC Ct-tiC D-l	L'a Carana at B					
<u> </u>	ection C. Computation of Pub Public Support Percentage for 2010			11 column (f))			
	· ·		•	II Column (1))		14	
15	Public Support Percentage for 2009	Schedule A, Pa	rt II, line 14			15	
16a	33 1/3% support test—2010. If the				line 14 is 33 1/3%	or more, check	
_	and stop here. The organization qua						▶ □
b	33 1/3% support test—2009. If the				5a, and line 15 is 3	33 1/3% or more,	- -
	box and stop here. The organization				45.46		►
1/a	10%-facts-and-circumstances test-						
	is 10% or more, and if the organization made						rt a d
	in Part IV how the organization mee	ts the "racts and	circumstances"	test ine organiz	ration qualifies as	a publicly suppo	
L	organization	_2000 If+ba a	anization did not	chack a hay an l	no 12 165 166 -	r 17a and line	► □
D	10%-facts-and-circumstances test- 15 is 10% or more, and if the organ						
	Explain in Part IV how the organization						V
	supported organization	aon meets the 10	acts and circuilis	tances test file	z organizacion qual	mes as a publici	y ▶[¯
18	Private Foundation If the organizati	on did not check	a box on line 13	. 16a. 16b. 17a o	r 17b, check this	box and see	- 1
	instructions	on ala not check	a box on fine 15	, 100, 100, 1700	I by check tills	SON GING SCC	▶ □

organization

Part III Support Schedule for Organizations Described in Section 509(a)(2) (Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.) Section A. Public Support Calendar year (or fiscal year beginning (a) 2006 **(b)** 2007 (c) 2008 (d) 2009 (e) 2010 (f) Total ın) 🟲 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants") 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 Gross receipts from activities that are not an unrelated trade or business under section 513 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf The value of services or facilities furnished by a governmental unit to the organization without charge Total. Add lines 1 through 5 7a Amounts included on lines 1, 2, and 3 received from disqualified 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 Public Support (Subtract line 7c from line 6) Section B. Total Support Calendar year (or fiscal year beginning (a) 2006 **(b)** 2007 (c) 2008 (d) 2009 (e) 2010 (f) Total in) 9 Amounts from line 6 Gross income from interest, 10a dividends, payments received on securities loans, rents, royalties and income from similar sources Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 Add lines 10a and 10b C Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on Other income Do not include 12 gain or loss from the sale of capital assets (Explain in Part IV) Total support (Add lines 9, 10c, 11 and 12) First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here Section C. Computation of Public Support Percentage 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 Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f)) 17 **17** Investment income percentage from 2009 Schedule A, Part III, line 17 18 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

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 **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 A (Form 990 or 990-EZ) 2010

efile GRAPHIC print - DO NOT PROCESS | As Filed Data -

Schedule I (Form 990)

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

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

► Attach to Form 990

OMB No 1545-0047

DLN: 93493136059792

Inspection

Department of the Treasury Internal Revenue Service

Name of the organization

Employer identification number

LIVINGSION HEALTHCARE F	OUNDATION					81-0621997	
Part I General Inform	nation on Grants	and Assistance				'	
	d to award the grants or grants or grants or grantzation's procedurer to the control of the cont	or assistance? res for monitoring the use Governments and	of grant funds in the lactions in	Jnited States the United States.	Complete if the o	rganization answered	
		ecipient that received eded.					000. Part II can be
1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) Amount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) LIVINSGTON HEALTHCARE504 S 13TH STREET LIVINGSTON,MT 59047	81-0378200	501(C)(3)	389,726				TO FURTHER THE CHARITABLE ACTIVITIES PROVIDED BY LIVINGSTON HEALTHCARE
2 Enter total number of sect							<u> </u>
3 Enter total number of other				C-+ N- F00FFD		<u> •</u>	

Identifier

Return Reference

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

Explanation

Schedule I (Form 990) 2010

efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

DLN: 93493136059792

OMB No 1545-0047

2010

Open to Public
Inspection

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.

Name of the organization LIVINGSTON HEALTHCARE FOUNDATION

Employer identification number

81-0621997

ldentifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE BOARD OF DIRECTORS REVIEWS THE DRAFT OF THE FORM 990 AND APPROVES BEFORE FILING

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	UPON REQUEST

Identifier	Return Reference	Explanation
		THE PROCESS THE ORGANIZATION'S COMMITTEE FOLLOWS TO OVERSEE THE AUDIT HAS NOT CHANGED FROM THE PRIOR YEAR

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

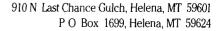
Livingston Healthcare and Subsidiary

June 30, 2011 and 2010

June 30, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
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A Professional Corporation of Certified Public Accountants and Advisors Phone (406) 442-5520 Fax (406) 443-1017

www ghg-cpa com

INDEPENDENT AUDITOR'S REPORT

Board of Directors Livingston Healthcare and Subsidiary Livingston, Montana

We have audited the accompanying consolidated statements of financial position of Livingston Healthcare and Subsidiary (the Hospital) (a tax-exempt corporation) as of June 30, 2011 and 2010, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits 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 accompanying consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Livingston Healthcare and Subsidiary as of June 30, 2011 and 2010, and the results of its operations, changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GALUSHA, HIGGINS AND GALUSHA, PC Certified Public Accountants and Advisors

Salusta, Liggens V Salusta, PC

Helena, Montana October 17, 2011

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as of June 30,

	2011	2010
ASSETS	2011	
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,473,721	\$ 1,891,484
Patient accounts receivable, net of estimated		
uncollectibles and contractual allowances of \$2,424,555		
and \$2,502,808, respectively	4,876,427	6,153,939
Other accounts receivable	394,537	334,932
Inventories	708,194	728,657
Other current assets	262,807	467,642
Total current assets	8,715,686	9,576,654
ASSETS WHOSE USE IS LIMITED OR RESTRICTED		
By board for designated purposes	1,534,239	1,581,618
By donor for specific purposes	1,592,685	1,180,453
Total assets whose use is limited or restricted	3,126,924	2,762,071
INVESTMENTS	28,696	26,379
PROPERTY AND EQUIPMENT, net	3,235,457	3,322,558
OTHER ASSETS		
Livingston Imaging Center accounts receivable	1,998,515	1,689,579
Other assets	735,967	690,085
Total other assets	2,734,482	2,379,664
TOTAL ASSETS	\$ 17,841,245	\$ 18,067,326
LIABILITIES AND NET A	SSETS	
CURRENT LIABILITIES		
Accounts payable	\$ 644,139	\$ 809,789
Accrued salaries and benefits	993,216	1,928,230 153,099
Bank line of credit loan	52,446	6,060
Current portion of long-term debt	6,412 177,630	167,987
Current portion of obligation under capital leases Estimated third party settlements (receivable) payable	(170,121)	(374,052)
Other liabilities	(21,103)	(27,462)
Total current liabilities	1,682,619	2,663,651
Livingston Imaging Center accounts payable	2,985,089	2,744,293
Long-term debt, excluding current installments	297,877	304,290
Capital lease obligation, excluding current installments	396,482	574,119
Deferred compensation	149,434	292,980
TOTAL LIABILITIES	5,511,501	6,579,333
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	10,308,776	9,736,557
Temporarily restricted	737,091	467,559
Permanently restricted	1,283,877	1,283,877
Total net assets	12,329,744	11,487,993
TOTAL LIABILITIES AND NET ASSETS	\$ 17,841,245	\$ 18,067,326

CONSOLIDATED STATEMENTS OF ACTIVITIES

for the years ended June 30,

UNRESTRICTED REVENUES, GAINS AND		
OTHER SUPPORT	2011	2010
Net patient service revenue	\$ 32,059,626	\$ 32,511,665
Other revenue	658,021	618,097
Total revenues, gains and other support	32,717,647	33,129,762
EXPENSES		
Salaries and wages	14,398,294	14,719,864
Medical supplies	4,136,599	4,646,729
Provision for bad debts	3,401,052	3,409,377
Employee benefits	3,024,964	3,417,176
Purchased services	2,675,658	2,974,867
Other supplies	1,066,949	1,083,366
Depreciation and amortization	670,519	688,266
Professional fees	561,868	563,325
Insurance	493,555	452,996
Utilities	395,614	417,081
Other operating expenses	379,420	517,112
Rents and leases	349,742	361,640
Repairs and maintenance	345,877	280,684
Other fees	293,880	305,544
Education and travel	121,838	111,530
Recruitment expenses	114,521	102,203
Promotion expense	62,633	62,669
Interest	54,480	55,268
Total expenses	32,547,463	34,169,697
Operating (loss) income	170,184	(1,039,935)
NON-OPERATING GAINS (LOSSES)		
Non-operating income	88,348	90,188
Contributions	96,670	90,798
Net realized/unrealized gains (losses) on		
other than trading securities	161,675	77,075
Earnings on investments	54,928	59,874
Investment expenses	(17,079)	(16,029)
Total non-operating gains	384,542	301,906
Excess of revenues, gains and		
other support over expenses	\$ 554,726	\$ (738,029)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

for the years ended June 30,

	2011		2010
UNRESTRICTED NET ASSETS			
Excess (deficit) of revenues, gains and			
other support over expenses	\$ 554,726	\$	(738,029)
Net assets released from restriction	17,493		177,841
Change in unrestricted net assets	 572,219		(560,188)
TEMPORARILY RESTRICTED NET ASSETS			
Contributions	273,374		162,528
Change in value of split-interest agreement	13,651		-
Net assets released from restriction	(17,493)		(177,841)
Change in temporarily restricted net assets	 269,532		(15,313)
CHANGE IN NET ASSETS	841,751		(575,501)
NET ASSETS, BEGINNING OF YEAR	11,487,993	_ 1	12,063,494
NET ASSETS, END OF YEAR	\$ 12,329,744	\$ 1	11,487,993

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended June 30,

	2011	2010
NET CASH FLOWS FROM OPERATING ACTIVITIES		
AND GAINS AND LOSSES:		
Change in net assets	\$ 841,751	\$ (575,501)
Adjustments to reconcile changes in net assets to net cash		
from operating activities and gains and losses:		
Depreciation and amortization of property and equipment	670,519	688,266
Contribution of land	(250,000)	-
Provision for estimated uncollectibles and contractual		
allowances	(78,253)	(85,638)
Realized and unrealized (gains) losses on investments	(175,327)	(77,075)
(Increase) decrease in:		
Patient accounts receivable	1,355,765	1,598,873
Livingston Imaging Center accounts receivable	(308,936)	(323,286)
Other accounts receivable	(59,605)	366,320
Inventories	20,463	(211,764)
Other current assets	204,835	(201,498)
Other assets	(45,882)	(16,623)
Increase (decrease) in:		
Accounts payable	(165,650)	160,508
Livingston Imaging Center accounts payable	240,796	296,007
Accrued salaries and benefits	(935,014)	165,792
Estimated third-party settlements payable	203,931	(630,747)
Other liabilities	(137,187)	(256,221)
Net cash from operating activities		
and gains and losses	1,382,206	897,413
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(935,061)	(636,463)
Sale of investments	993,218	569,789
Capital expenditures	(583,418)	(578,266)
Net cash from investment activities	(525,261)	(644,940)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bank line of credit loan	(100,653)	(101,861)
Repayment of long-term debt	(6,061)	(5,421)
Repayment of obligations under capital leases	(167,994)	(113,022)
Proceeds from capital leases	· -	280,319
Net cash from financing activities	(274,708)	60,015
Change in cash and cash equivalents	582,237	312,488
Cash and cash equivalents, beginning of year	1,891,484	1,578,996
Cash and cash equivalents, end of year	\$ 2,473,721	\$ 1,891,484
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 54,497	\$ 55,234
Non-cash item - land received through donation	\$ 250,000	\$ -
The same received an ough donation	250,000	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2011 and 2010

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1. Organization Livingston Memorial Hospital, Inc., DBA Livingston Healthcare (the "Hospital) is a not-for-profit 25-bed acute care hospital providing inpatient, outpatient, clinical, and emergency services in Livingston, Montana, and the surrounding area. Livingston Healthcare Foundation is a not-for-profit organization with the purpose of soliciting and receiving gifts and distributing them to Livingston Healthcare.
- 2. <u>Basis of Presentation</u> Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards FASB ASC 958-205, Financial Statements of Not-for-Profit Organizations. Under those provisions, net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Hospital pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Hospital.

- 3. <u>Basis of Consolidation</u> The consolidated financial statements include the accounts of Livingston Healthcare and its subsidiary Livingston Healthcare Foundation. All significant intercompany balances and transactions have been eliminated in consolidation. The Hospital consolidates subsidiaries in which it exercises control.
- 4. <u>Use of Estimates</u> The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- 5. <u>Cash and Cash Equivalents</u> Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.
- 6. <u>Inventories</u> Inventories are stated at the lower of cost (average cost) or market.
- 7. <u>Assets Whose Use is Limited</u> Assets whose use is limited include assets set aside by the board of directors for future capital improvements and deferred compensation, over which the board retains control and may at its discretion subsequently use for other purposes and assets held by trustees for management and endowment purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- 8. <u>Investments</u> The Hospital carries investments in marketable equity securities and all debt securities with readily determinable fair values at their fair market values. Unrealized gains and losses are included in the change in net assets unless the income or loss is restricted by donor or law.
- 9. Accounts Receivable Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Hospital provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Hospital's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.
- 10. <u>Property and Equipment</u> Property and equipment acquisitions are recorded at cost. Property and equipment donated for Hospital operations are recorded as unrestricted support and are included in the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. The Hospital capitalizes long-lived assets with a cost in excess of \$3,000.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

- 11. <u>Statements of Operations and Changes in Net Assets</u> For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses.
- 12. Net Patient Service Revenue Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.
- 13. <u>Charity Care</u> The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2011 and 2010

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

14. Contributions - The Hospital accounts for contributions in accordance with the recommendations of the FASB ASC 958-605-15, Revenue Recognition for Contributions Received. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, types of contribution, and nature of fund-raising activity. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Net Assets as net assets released from restrictions.

15. Costs of Borrowing - Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Deferred financing costs are amortized over the period the obligation is outstanding using the interest method.

Amortization of deferred financing costs is capitalized during the period of construction of capital assets.

16. Income Taxes - The Hospital and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Certain income considered unrelated to its exempt purpose may be subject to tax.

As a matter of law, the Hospital and the Foundation are subject to examination by federal and state taxing authorities for the year. Although management believes that the amounts reflected in their tax returns substantially complies with the applicable federal and state tax regulations, both the IRS and the various state taxing authorities can take positions contrary to their position based on IRS interpretation of the law. The Hospital and the Foundation have determined that they are subject to examination of their federal information return filings in the United States for the 2006 through 2009 tax years. A tax position that is challenged by a taxing authority could result in an adjustment. In the event that the Company is assessed penalties and or interest, penalties will be charged to the other operating expense and interest will be charged to the interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2011 and 2010

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- 17. <u>Reclassifications</u> Certain prior year items have been reclassified to conform to current year presentation without effect on the increase in net assets or total net assets.
- 18. <u>Subsequent Events</u> Management has performed an analysis of the activities and transactions subsequent to June 30, 2011 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2011. Management has performed this analysis through October 17, 2011, the date the financial statements were available to be issued.

NOTE B - BUSINESS COMBINATION

On May 31, 1998, the Hospital entered into several agreements with Park Clinic, P.C., the essence of which was a business combination accounted for by the purchase method. The Hospital agreed to lease the physician's office building from the Park Clinic Building Partnership. The Partnership includes six physicians employed by the Hospital under employment agreements. The lease was effective June 1, 1998 for a five-year period, was renewed twice and since June 30, 2007 the lease has been month to month with no long term agreement.

NOTE C - NET PATIENT SERVICE REVENUE

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

Medicare and Medicaid - Effective March 1, 2001, the Hospital qualified as a critical access hospital (CAH). As a CAH, inpatient services are paid based on a cost of care reimbursement system for Medicare and Medicaid patients. On May 6, 2001, Park Clinic qualified as a rural health clinic (RHC), and as such, physician services are reimbursed under a cost-based formula for Medicare and Medicaid rather than on a schedule of approved fees.

Inpatient non-acute services, certain outpatient services, and defined capital costs related to beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare and Medicaid programs 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 cost reports have been audited and settled by the Medicare fiscal intermediary through June 30, 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE D - ASSETS WHOSE USE IS LIMITED

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

	2011		20	10
	FMV	Cost	FMV	Cost
By Board for Designated Purposes:				_
Cash and cash equivalents	\$ 1,436,878	\$ 1,436,878	\$ 1,504,663	\$ 1,504,663
Equity securities	97,361	93,808	76,955_	<u>78,961</u>
	\$ 1,534,239	\$ 1,530,686	\$ 1,581,618	\$ 1,583,624
By Donors for Specific Purposes:				
Cash	\$ 129,384	\$ 129,384	\$ 120,908	\$ 120,908
Land	250,000	250,000	-	-
Equity securities	739,232	674,254	585,354	628,472
Debt securities	201,735	185,374	192,077	174,942
U.S. Treasuries	272,334_	263,506	282,114	271,164
	\$ 1,592,685	\$ 1,502,518	\$ 1,180,453	\$ 1,195,486

NOTE E - INVESTMENT RETURN

Investment return on all investments is summarized as follows:

	2011		2010
Dividend and interest income	\$ 54,928	- 5	59,874
Investment fees	(17,079)		(16,029)
Net realized and unrealized gains (losses)			
on investments carried at fair value	161,675		77,075
Total investment return			
included in non-operating gains (losses)	\$ 199,524	_9	120,920

NOTE F - INVESTMENT IN LIVINGSTON IMAGING CENTER, LLC

In May 2004, the Hospital entered into a joint venture agreement with Billings Clinic (BC) to purchase a CT scanner and operate it at the Hospital. Each party has a 50% ownership interest in the initial capitalization of \$500,000. Profits and losses are split 50% to each party. The Hospital's interest in the net assets of the joint venture is reported as part of other assets in the Statements of Financial Position.

The un-audited financial statements of the joint venture for the years ended June 30 are summarized as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE F - INVESTMENT IN LIVINGSTON IMAGING CENTER, LLC, continued

	2011	2010
Assets	\$ 3,304,840	\$ 2,916,970
Liabilities	1,998,515	1,689,579
Net assets	\$ 1,306,325	\$ 1,227,391
Hospital share	\$ 653,163	\$ 613,696
Revenue	\$ 717,237	\$ 791,161
Expenses	638,303	770,965
Net Income	\$ 78,934	\$ 20,196
Hospital share	\$ 39,467	\$ 10,098
Livingston Imaging Center, LLC – Related Tra	nsactions:	
	2011	2010
Receivable from Hospital	\$ 2,985,089	\$ 2,744,293
Payable to Hospital	\$ 1,998,515	\$ 1,689,579
DDODEDTV AND EQUIDMENT		

NOTE G - PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30 follows:

	2011	2010
Building and fixed equipment	\$ 6,344,957	\$ 6,293,598
Equipment and capitalized leases	7,067,417	6,930,202
Land	421,977	111,320
	13,834,351	13,335,120
Less: accumulated depreciation and		
amortization	(10,598,894)	(10,012,562)
Property and equipment, net	\$ 3,235,457	\$ 3,322,558

Notes to the Consolidated Financial Statements June 30, 2011 and 2010

NOTE H - LINE OF CREDIT

The Hospital established a line of credit with First Interstate Bank on August 28, 2008. Under the terms of the financing agreement, the Hospital was granted a \$600,255 revolving line of credit with interest at .75% over prime. The interest rate at June 30, 2011 and 2010 was 4.0%. Payment of all outstanding accrued interest is due the first of each month. Substantially all of the Hospital's assets are pledged as collateral to this loan. The Hospital had total outstanding balances on the line of credit of \$52,446 and \$153,099 at June 30, 2011 and 2010, respectively.

NOTE I - LONG-TERM DEBT

A summary of long-term debt as of June 30 follows:

		2011	_		2010
Original note payable dated September 30, 2004 due in monthly installments of \$728, interest at 6.75% per annum. This note was refinanced on September 1, 2009 with balloon payment due October 1, 2014.	\$	102,061		\$	104,096
Original note payable dated September 30, 2004 due in monthly installments of \$869, interest at 6.75% per annum. This note was refinanced on September 1, 2009 with balloon payment due October 1, 2014.		121,728			124,151
Original note payable dated September 30, 2004 due in monthly installments of \$574, interest at 6.75% per annum. This note was refinanced on September 1, 2009 with balloon payment due October 1, 2014.		80,500			82,103
Total long-term debt	_	304,289	-	-	310,350
Less: current installment of long-term debt Long-term debt, excluding current installments	\$	6,412 297,877	- -	\$	6,060 304,290

Notes to the Consolidated Financial Statements June 30, 2011 and 2010

NOTE I - LONG-TERM DEBT, continued

The amortization of the long-term debt as of June 30 is:

2011	\$ 6,412
2012	6,894
2013	7,358
2014	283,625
2015	-
Thereafter	
Total	\$ 304,289

NOTE J - LEASE COMMITMENTS

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Rent paid in 2011 was \$349,742 and in 2010 was \$361,640 under operating leases for property and equipment.

The Hospital leases certain medical equipment under agreements that are classified as capital leases. The cost of equipment under capital leases is included in the statements of financial position as property, plant, and equipment and was \$945,145 at June 30, 2011 and 2010. Accumulated amortization of the leased equipment at June 30, 2011 and 2010 was \$430,736 and \$245,707, respectively. Amortization of assets under capital leases is included in depreciation expense.

The following is a schedule by years of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2011:

Year ending June 30,	
2011	\$ 200,075
2012	187,695
2013	135,983
2014	42,441
2015	69,325
Thereafter	9,214
Total minimum lease payments	 644,733
Less the amount representing interest	(70,621)
Present value of net minimum lease payments	\$ 574,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2011 and 2010

NOTE K - MEDICAL MALPRACTICE CLAIMS

The Hospital is insured under a medical malpractice insurance policy. Losses from asserted claims and from unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system has been made because the amount is not reasonably estimable. Based on the Hospital's malpractice experience, no liability has been accrued.

NOTE L - RETIREMENT PLAN

Effective November 1, 1983, the Hospital established a defined contribution retirement plan. Employees must meet certain age and length of service requirements to be eligible to participate in the plan. Contributions by the employer are discretionary, and normally have been three percent of eligible salaries. In March 2010 the Hospital suspended these employer contributions. Employees may contribute to the plan each year. Employer contributions and administrative fees to the plan were \$10,233 and \$252,728 during the years ending June 30, 2011 and 2010, respectively.

NOTE M - DEFERRED COMPENSATION PLAN

The Hospital entered into an agreement with an employee providing deferred compensation for that employee. The plan grants the employee deferred compensation based on the Hospital's work performance formula. The agreement was entered into on April 16, 2005. The agreement states that the employee will become 50% vested after five years and will gain an additional 10% of vesting each year after that until they become 100% vested at the end of year ten. The Hospital recognized \$-0- and \$60,000 in expense for the years ended June 30, 2011 and 2010, respectively, in order to book deferred compensation assuming all contractual obligations of this agreement will ultimately be fulfilled. For the year ended June 30, 2011 the employee took a distribution of \$126,201 from the deferred compensation plan. The deferred compensation liability at June 30, 2011 and 2010 was \$149,434 and \$292,980, respectively.

NOTE N - CONCENTRATION OF CREDIT RISK

The Hospital is located in Livingston, Montana. The Hospital grants credit without collateral to its patients, most of who are regional residents and are insured under third-party payor agreements. The mix of receivables and revenues from patients and third-party payors at June 30 is as follows:

	Account Re	Reve	nue	
	2011	2010	2011_	2010
Medicare/Medicaid	26%	26%	50%	47%
Other third-party payors	23%	29%	40%	42%
Patients	51%	45%	10%_	11%
	100%	100%	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE N - CONCENTRATION OF CREDIT RISK, continued

The Hospital maintains its cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At June 30, 2011, the Hospital's uninsured bank balances totaled \$3,071,063.

NOTE O - RELATED PARTY TRANSACTIONS

The Hospital leased a physicians' office building for \$13,750 per month for one year effective June 30, 2007, from a partnership that includes physician members of the Hospital board (see Note B).

The Hospital entered into two-year physician employment agreements with two members of the board.

The Hospital entered into a management agreement with Billings Clinic (see Note U). Fees paid for the year ending June 30, 2011 related to this agreement were as follows: CEO reimbursement, \$226,620; clinic practice manager reimbursement, \$122,234; management fees, \$60,000; software, \$87,604; CIS project, \$89,123; radiology administration fee, \$37,500 and other, \$64,693. Fees paid for the year ending June 30, 2010 related to this agreement were as follows: CEO reimbursement, \$207,742; clinic practice manager reimbursement, \$123,215; management fees, \$60,000; software, \$88,925; CIS project \$129,025; radiology administration fee, \$18,750 and other, \$47,202.

The Hospital entered into a joint venture, Livingston Imaging Center, LLC, with Billings Clinic, the Company managing the Hospital (see Notes F and U).

NOTE P - SPLIT-INTEREST AGREEMENT

Donors established two identical trusts with a trustee, naming the Hospital as the beneficiary of the charitable remainder unitrusts. Under the terms of the split-interest agreements, the donors will receive quarterly payments from the trusts for a period of ten years or until the deaths of the donors, whichever occurs later, at which time the balance will be distributed to the Hospital. Based on the minimum ten-year distribution period and the use of a six percent discount rate, the present value of future benefits expected to be received by the Hospital was estimated to be \$143,510, which was reported in 1999 as a temporarily restricted contribution and a contribution receivable from the charitable remainder unitrusts and was included in other assets. The Hospital also recorded an adjustment in the estimated fair market value of future benefits of \$13,651 in 2011 and \$0 in 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE Q - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets available for the following purposes or periods at June 30 are restricted as to:

		2011		2010
Time	\$	156,717	\$	143,066
Purpose - Building and Hospice		580,374		324,493
	\$	737,091	\$	467,559
Permanently restricted net assets at June 30 are restricted	cted to:	2011		2010
Investments to be held in perpetuity, the income				
from which is expendable to support:				
Education/Equipment	\$	810,463	\$	810,463
Gateway Hospice		473,414		473,414
	-\$	1,283,877	-\$	1,283,877

NOTE R - ENDOWMENT NET ASSETS

The endowment consists of numerous individual funds established for a variety of purposes. The Center's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Center has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard of the prudence prescribed by the MUPMIFA. In accordance with the MUPMIFA, the Hospital considers the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2011 and 2010

NOTE R - ENDOWMENT NET ASSETS, continued

following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1. The duration and preservation of the fund;
- 2. The purposes of Hospital and the donor-restricted endowment fund;
- 3. General economic conditions;
- 4. The expected total return from income and the appreciation of investments;
- 5. Other resources of the Hospital; and
- 6. The investment policies of the Hospital.

Change in net asset composition by type of fund for the year ended June 30, 2011 is as follows:

		Temporarily	Permanently	
	Unrestricted	Restricted	Restricted	Total
Endowment net assets,				
June 30, 2010	\$	\$ (252,781)	\$1,283,877	\$ 1,031,096
Investment return:				
Interest & dividends, net of investment expenses	-	40,987	_	40,987
Net appreciation (depreciation)	-	105,696	-	105,696
Total investment return		146,683		146,683
Appropriation of endowment			-	
assets for expenditure				
Contributions				
Endowment net assets,				
June 30, 2011	<u>\$ -</u>	\$ (106,098)	\$1,283,877	\$1,177,779

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Hospital to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$106,098 as of June 30, 2011. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of net permanently restricted contributions and appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2011 and 2010

NOTE R - ENDOWMENT NET ASSETS, continued

donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve endowment capital. Funds shall be invested such that no less than 30% and no more than 70% of such funds shall be invested in equities, with the balance invested in fixed income securities, while assuming a moderate level of investment risk. The Hospital expects its endowment funds, over time, to provide a reasonable current rate of return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Hospital targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How Investment Objectives Relate to Spending Policy
Ough Trust – The Hospital Board of Directors, based on recommendations by a committee comprised of Hospital and community members, approves appropriations for distribution limited to the accumulated income of the fund.

Stafford Hospice Endowment - The Hospital Board of Directors, based on recommendations by Hospital administration, approves appropriations for distribution limited to 7% of the total fund value in any given year.

In establishing this policy, the Hospital considered the long-term expected return on its endowment. This is consistent with the Hospital's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE S - FAIR VALUE MEASUREMENTS

FASB ASC 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE S - FAIR VALUE MEASUREMENTS, continued

- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

• Equities, Debt Securities, and U.S. Treasuries: Valued at the closing price reported on the active market on which the individual securities are traded.

The following are the Hospital's assets at fair value as of June 30:

	Assets at fair value as of June 30, 2011					
	Level 1	Level 2	Level 3	Total		
Equities	\$ 865,289	\$ -	\$ -	\$ 865,289		
Debt Securities	201,735	-	-	201,735		
U.S. Treasuries	272,334	-	. <u>-</u>	272,334		
	\$ 1,339,358	\$ -	\$ -	\$ 1,339,358		
	A	ssets at fair value	as of June 30, 20	10		
	Level 1	Level 2	Level 3	Total		
Equities	\$ 688,688	\$ -	\$ -	\$ 688,688		
Debt Securities	192,077	-	-	192,077		
U.S. Treasuries	202 114					
U.S. Treasuries	282,114_			282,114		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS June 30, 2011 and 2010

NOTE T - FUNCTIONAL EXPENSES

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services as of June 30 are as follows:

	2011	2010
Health care services	\$ 28,817,665	\$ 30,485,406
General and administrative	3,729,798	3,684,291
	\$ 32,547,463	\$ 34,169,697

NOTE U - MANAGEMENT SERVICES AGREEMENT

On June 20, 2002, the Hospital entered into a management services agreement with Billings Clinic (BC) for a period of three years, and renewable annually after June 19, 2005, unless terminated by either party. The agreement authorizes BC to operate and manage Livingston Healthcare subject to certain conditions and limitations. BC is compensated for a chief executive officer, a clinic practice manager and a general management fee for its services.

NOTE V - CONTINGENCIES

The Hospital has potential claims pending arising in the normal course of business. While it is impossible to estimate the ultimate liability, if any, with respect to these matters, management believes the Hospital maintains adequate insurance coverage and there will be no material adverse effect on the financial position of the Hospital.

NOTE W - LIVINGSTON HEALTHCARE FOUNDATION FINANCIAL STATEMENTS AND RELATED PARTY TRANSACTIONS

The financial statements of Livingston Healthcare Foundation, which are included in the consolidated financial statements, for the years ended June 30 are summarized as follows:

•	2011	2010
Assets	1,231,483	1,500,748
Liabilities		<u> </u>
Net assets	\$ 1,231,483	\$ 1,500,748
		
Revenue	\$ 128,055	\$ 135,612
Expenses	397,320	52,635
Net Income	\$ (269,265)	\$ 82,977
Livingston Healthcare Foundation – Related Transactio	ns:	
Grants paid to the Hospital	\$ 389,726	\$ 52,625

Concluded