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

<b>A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011</b>				
<b>B</b> Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization Northwestern Medical Center		<b>D Employer identification number</b>  03-0266986	
	Doing Business As		<b>E Telephone number</b>	
	Number and street (or P O box if mail is not delivered to street address) 133 Fairfield St		Room/suite	(802) 524-5911
	City or town, state or country, and ZIP + 4 St Albans, VT 05478		<b>G</b> Gross receipts \$ 90,261,323	
	<b>F</b> Name and address of principal officer Ted Sirotta 133 Fairfield St St Albans, VT 05478		<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶	
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527				
<b>J Website:</b> ▶ www.northwesternmedicalcenter.org				
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶			<b>L</b> Year of formation 1977	<b>M</b> State of legal domicile VT

<b>Part I</b>	<b>Summary</b>
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Activities & Governance	1 Briefly describe the organization's mission or most significant activities Northwestern Medical Center's mission is to provide exceptional healthcare for our community			
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets			
	3	Number of voting members of the governing body (Part VI, line 1a)	12	
	4	Number of independent voting members of the governing body (Part VI, line 1b)	12	
	5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	645	
Revenue	6	Total number of volunteers (estimate if necessary)	110	
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	2,229,471	
	7b	Net unrelated business taxable income from Form 990-T, line 34	-48,015	
Expenses	8	Contributions and grants (Part VIII, line 1h)	249,111	536,175
	9	Program service revenue (Part VIII, line 2g)	76,581,990	78,541,161
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d )	1,654,835	1,699,251
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	356,763	323,363
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	78,842,699	81,099,950
	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3 )	0	0
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	35,478,977	37,434,844
Net Assets or Fund Balances	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	35,401,037	35,115,470
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	70,880,014	72,550,314
	19	Revenue less expenses Subtract line 18 from line 12	7,962,685	8,549,636
			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	83,114,924	89,040,961
	21	Total liabilities (Part X, line 26)	24,709,903	24,615,163
	22	Net assets or fund balances Subtract line 21 from line 20	58,405,021	64,425,798

<b>Part II</b>	<b>Signature Block</b>
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Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

<b>Sign Here</b>	***** Signature of officer		2012-08-06 Date		
	Ted Sirotta CFO Type or print name and title				
<b>Paid Preparer Use Only</b>	Print/Type preparer's name Rachel Williamson CPA	Preparer's signature Rachel Williamson CPA	Date 2012-08-06	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ▶ Berry Dunn McNeil & Parker LLC				Firm's EIN ▶
	Firm's address ▶ 1000 Elm Street 15th Floor  Manchester, NH 03101				Phone no ▶ (603) 669-7337

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

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

Northwestern Medical Center's mission is to provide exceptional healthcare for our community

2

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

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

3

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

If "Yes," describe these changes on Schedule O

4

Describe the exempt purpose achievements for each of the organization's three largest program services by expenses

Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a

(Code ) (Expenses \$ 57,570,452 including grants of \$ ) (Revenue \$ 76,622,153 )

Providing inpatient and outpatient services to the general public in a full-service 70-bed hospital The Hospital publishes an annual report Please refer to the annual report for additional explanation of the Hospital's programs and achievements

4b

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

Charity Care - The Hospital provides care to patients who meet certain critena under its charity care policy Because the Hospital does not pursue collection or amounts determined to qualify as chanty care they are not reported in revenue The Hospital maintains records to identify and monitor the level of charity care it provides The records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies and equivalent service statistics The following information measures the level of charity care provided during the year ended September 30, 2011 See continuation on Schedule O Estimated costs and expenses incurred to provide charity care \$702,985 Number of charity care patients served 504The Hospital provides health care services to residents of St Albans, Vermont, and the surrounding area, without regard to the individual's ability to pay for their services

4c

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

4d


















Other program services (Describe in Schedule O )

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

4e

Total program service expenses \$ 57,570,452

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		<b>Yes</b>	<b>No</b>
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	<b>1a</b>	88
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	<b>2a</b>	645
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>	Yes
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>	Yes
<b>4a</b>	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)?	<b>4a</b>	No
<b>b</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.		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>	No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>	No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>	
<b>6a</b>	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?	<b>6a</b>	No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>	
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b>	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?	<b>7a</b>	No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>	
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>	No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>	
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>	No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>	Yes
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>	
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>	
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>8</b>	
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>		
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>	
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>	
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>	
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter		
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>	
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>	
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>	
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	<b>13a</b>	
<b>b</b>	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	<b>13b</b>	
<b>c</b>	Enter the amount of reserves on hand.	<b>13c</b>	
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>	No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>	

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	12	
b	Enter the number of voting members included in line 1a, above, who are independent	1b	12	
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	Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Does the organization have members or stockholders?	6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. Ted Sirota, CFO 133 Fairfield Street St Albans, VT 05478 (802) 524-1042	

Part VII

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

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

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

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

- List all of the organization’s **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization’s **current** key employees, if any See instructions for definition of "key employee "
- List the organization’s five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC ) of more than \$100,000 from the organization and any related organizations
- List all of the organization’s **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations
- List all of the organization’s **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O )	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC )	(E) Reportable compensation from related organizations (W-2/1099-MISC )	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Judy Ashley-McLaughlin President	5 00	X		X				0	0	0
(2) Peter Rath Vice President	5 00	X		X				0	0	0
(3) Kevin Manahan Treasurer	5 00	X		X				0	0	0
(4) Michelle Lawrence Assistant Treasurer	5 00	X		X				0	0	0
(5) Paul Clark Secretary	5 00	X		X				0	0	0
(6) John Edwards Member	3 00	X						0	0	0
(7) John Hango Member	3 00	X						0	0	0
(8) Paula Kane Member	3 00	X						0	0	0
(9) Frank Zsoldos Member	3 00	X						0	0	0
(10) Lowrey Sullivan Member	3 00	X						0	0	0
(11) Patrick Talcott Member	3 00	X						0	0	0
(12) William O'Connor Member	3 00	X						0	0	0
(13) John Casavant Past Member	3 00	X						0	0	0
(14) Jill Berry Bowen CEO	40 00			X				281,627	0	0
(15) Ted Sirotta CFO	40 00			X				184,880	0	0
(16) Michael Barnum Physician	40 00					X		697,184	0	24,179



Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) Jeremy Hatch Physician	40 00					X		408,793	0	23,537
(18) Peter Burke Physician	40 00					X		360,219	0	29,079
(19) Thomas Suppan Physician	40 00					X		321,652	0	19,448
(20) Sherry Cipriano Physician	40 00					X		283,861	0	7,882
(21) Peter Hofstetter CEO (Oct '08 - May '09)	40 00						X	0	0	0
(22) Wesley Oswald Interim CEO	40 00						X	0	0	0
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								2,538,216	0	104,125

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

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Fletcher Allen Health Care PO Box 1902 Burlington, VT 05402	Lab & Stress Test Services	1,067,640
Quorum Health Resources 105 Continental Place Brentwood, TN 37027	Mgmt/Consulting (incl Officers' comp )	1,047,211
Brandthropology 266 Pine Street Suite 5 Burlington, VT 05401	Community Communications	869,432
Barton Associates 10 Dearborn Road Peabody, MA 01960	Locum Physician Service	494,800
Locumtenenscom PO Box 405547 Atlanta, GA 30384	Locum Physician Service	432,929

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ▶62

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections  512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . . . . 1a						
	b Membership dues . . . . . 1b						
	c Fundraising events . . . . . 1c						
	d Related organizations . . . . . 1d						
	e Government grants (contributions) 1e						
	f All other contributions, gifts, grants, and similar amounts not included above 1f			536,175			
	g Noncash contributions included in lines 1a-1f \$			10,960			
	h Total. Add lines 1a-1f . . . . .			536,175			
	Program Service Revenue				Business Code		
2a Net Patient Service Re			900099	77,585,222	75,581,959	2,003,263	
b Other Operating Revenu			900099	538,953	312,745	226,208	
c Cafeterna			900099	416,986	416,986		
d							
e							
f All other program service revenue							
g Total. Add lines 2a-2f . . . . .			78,541,161				
Other Revenue		3 Investment income (including dividends, interest and other similar amounts) . . . . .					
				986,727			986,727
	4 Income from investment of tax-exempt bond proceeds . .						
	5 Royalties . . . . .						
				(i) Real	(ii) Personal		
	6a Gross Rents			311,620			
	b Less rental expenses			1,157			
	c Rental income or (loss)			310,463			
	d Net rental income or (loss) . . . . .			310,463	310,463		
				(i) Securities	(ii) O ther		
	7a Gross amount from sales of assets other than inventory			9,872,740			
	b Less cost or other basis and sales expenses			9,160,216			
	c Gain or (loss)			712,524			
	d Net gain or (loss) . . . . .			712,524			712,524
	8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .			a 12,900			
	b Less direct expenses . . . . . b			0			
	c Net income or (loss) from fundraising events . .			12,900			12,900
	9a Gross income from gaming activities See Part IV, line 19 . . a						
	b Less direct expenses . . . . . b						
	c Net income or (loss) from gaming activities . .						
10a Gross sales of inventory, less returns and allowances . .			a				
b Less cost of goods sold . . . . . b							
c Net income or (loss) from sales of inventory . .							
Miscellaneous Revenue			Business Code				
11a							
b							
c							
d All other revenue . . . . .							
e Total. Add lines 11a-11d . . . . .							
12 Total revenue. See Instructions . . . . .			81,099,950	76,622,153	2,229,471	1,712,151	

Part IX Statement of Functional Expenses

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21				
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees . . . . .	466,507		466,507	
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	29,835,802	23,979,705	5,856,097	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	1,050,866	898,911	151,955	
9	Other employee benefits . . . . .	4,063,506	3,475,923	587,583	
10	Payroll taxes . . . . .	2,018,163	1,726,337	291,826	
a	Fees for services (non-employees)				
	Management . . . . .	592,580		592,580	
b	Legal . . . . .	124,178		124,178	
c	Accounting . . . . .	105,233		105,233	
d	Lobbying . . . . .				
e	Professional fundraising services See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .	100,171	100,171		
g	Other . . . . .	7,185,680	5,646,574	1,539,106	
12	Advertising and promotion . . . . .	542,902		542,902	
13	Office expenses . . . . .	306,633	173,246	133,387	
14	Information technology . . . . .				
15	Royalties . . . . .				
16	Occupancy . . . . .	656,171	458,910	197,261	
17	Travel . . . . .	249,696	150,390	99,306	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .				
20	Interest . . . . .	629,458	538,438	91,020	
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	3,353,160	2,868,293	484,867	
23	Insurance . . . . .	898,852	138,882	759,970	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )				
a	Supplies	8,927,421	8,637,278	290,143	
b	Healthcare improvement	3,964,661	3,964,661		
c	NOH	2,407,842	2,407,842		
d	Maintenance Contracts	1,490,676	626,735	863,941	
e	Utilities	832,065	709,991	122,074	
f	All other expenses	2,748,091	1,068,165	1,679,926	
25	Total functional expenses. Add lines 1 through 24f	72,550,314	57,570,452	14,979,862	0
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			2,986	1	
	2	Savings and temporary cash investments . . . . .			14,728,324	2	20,164,203
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			6,128,498	4	7,398,595
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L . . . . .				6	
	7	Notes and loans receivable, net . . . . .			42,203	7	40,461
	8	Inventories for sale or use . . . . .			1,553,943	8	1,654,532
	9	Prepaid expenses and deferred charges . . . . .			1,474,462	9	1,440,174
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	65,476,930			
	b	Less: accumulated depreciation . . . . .	10b	35,875,421	30,266,573	10c	29,601,509
	11	Investments—publicly traded securities . . . . .			28,807,860	11	28,635,623
	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 . . . . .			110,075	15	105,864
16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			83,114,924	16	89,040,961	
Liabilities	17	Accounts payable and accrued expenses . . . . .			7,603,453	17	7,318,985
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .				19	
	20	Tax-exempt bond liabilities . . . . .			13,200,000	20	12,960,390
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .				22	
	23	Secured mortgages and notes payable to unrelated third parties . . . . .				23	
	24	Unsecured notes and loans payable to unrelated third parties . . . . .				24	
	25	Other liabilities. Complete Part X of Schedule D . . . . .			3,906,450	25	4,335,788
	26	Total liabilities. Add lines 17 through 25 . . . . .			24,709,903	26	24,615,163
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets . . . . .			56,837,480	27	62,639,492
	28	Temporarily restricted net assets . . . . .			719,941	28	901,676
	29	Permanently restricted net assets . . . . .			847,600	29	884,630
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds . . . . .				30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .				31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .				32	
	33	Total net assets or fund balances . . . . .			58,405,021	33	64,425,798
34	Total liabilities and net assets/fund balances . . . . .			83,114,924	34	89,040,961	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	81,099,950
2	Total expenses (must equal Part IX, column (A), line 25)	2	72,550,314
3	Revenue less expenses Subtract line 2 from line 1	3	8,549,636
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	58,405,021
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-2,528,859
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	64,425,798

Part XII Financial Statements and Reporting

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

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

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
Northwestern Medical Center

Employer identification number  
03-0266986

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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


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



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

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




Part IIIPart III

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

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

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

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

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



Part IV

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

---

SCHEDULE C  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Northwestern Medical Center	Employer identification number 03-0266986
---	--

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

- 1

Provide a description of the organization’s direct and indirect political campaign activities in Part IV
- 2

Political expenditures ▶ \$ \_\_\_\_\_
- 3

Volunteer hours \_\_\_\_\_

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

- 1

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

Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ \$ \_\_\_\_\_
- 3

If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No
- 4a

Was a correction made? ☐ Yes ☐ No
- b

If “Yes,” describe in Part IV

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

- 1

Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ \$ \_\_\_\_\_
- 2

Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ \$ \_\_\_\_\_
- 3

Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ \$ \_\_\_\_\_
- 4

Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No
- 5

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

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

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

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

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

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

Part II-B

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

		(a)		(b)	
		Yes	No	Amount	
<b>1</b>	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of				
	<b>a</b> Volunteers?				No
	<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?				No
	<b>c</b> Media advertisements?				No
	<b>d</b> Mailings to members, legislators, or the public?		No		
	<b>e</b> Publications, or published or broadcast statements?		No		
	<b>f</b> Grants to other organizations for lobbying purposes?		No		
	<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?		No		
	<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No		
	<b>i</b> Other activities? If "Yes," describe in Part IV	Yes		20,143	
	<b>j</b> Total lines 1c through 1i			20,143	
<b>2a</b>	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No		
<b>b</b>	If "Yes," enter the amount of any tax incurred under section 4912				
<b>c</b>	If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
<b>d</b>	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Other Lobbying Activities	Part II-B, Line 1i	Northwestern Medical Center is a member of the Vermont Association of Hospitals and Health Systems and the American Hospital Association. A portion of the dues paid to these organizations is available for lobbying expenditures on behalf of Northwestern Medical Center and other member organizations in furtherance of their exempt purposes. Northwestern Medical Center does not directly perform any lobbying activities.

SCHEDULE D

(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public Inspection

**Name of the organization**  
Northwestern Medical Center

**Employer identification number**  
  
03-0266986

Part I

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

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

Part II

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes☐ No

6

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

7

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

8

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

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

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

Cat No 52283D

Schedule D (Form 990) 2010

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

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

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance . . . . .	847,600	806,185	913,985	
b	Contributions . . . . .				
c	Investment earnings or losses . . . . .	37,030	41,415	-107,800	
d	Grants or scholarships . . . . .				
e	Other expenditures for facilities and programs . . . . .				
f	Administrative expenses . . . . .				
g	End of year balance . . . . .	884,630	847,600	806,185	

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶ 100 000 %

c

Term endowment ▶

3a

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

(i)

unrelated organizations . . . . .

(ii)

related organizations . . . . .

b

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

	Yes	No
3a(i)	Yes	
3a(ii)		No
3b		

4

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

Part VI

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a	Land . . . . .	1,020,531		1,020,531
b	Buildings . . . . .	36,655,983	17,714,153	18,941,830
c	Leasehold improvements . . . . .			
d	Equipment . . . . .	25,510,274	16,928,383	8,581,891
e	Other . . . . .	2,290,142	1,232,885	1,057,257
Total.	Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)			29,601,509



Part XI

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	81,099,950
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	72,550,314
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	8,549,636
4	Net unrealized gains (losses) on investments	4	-2,265,331
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-263,528
9	Total adjustments (net) Add lines 4 - 8	9	-2,528,859
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	6,020,777

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements . . . . .	1	78,470,920
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments . . . . .	2a	-2,265,331
b	Donated services and use of facilities . . . . .	2b	
c	Recoveries of prior year grants . . . . .	2c	
d	Other (Describe in Part XIV) . . . . .	2d	37,131
e	Add lines 2a through 2d . . . . .	2e	-2,228,200
3	Subtract line 2e from line 1 . . . . .	3	80,699,120
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a	100,171
b	Other (Describe in Part XIV) . . . . .	4b	300,659
c	Add lines 4a and 4b . . . . .	4c	400,830
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .	5	81,099,950

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements . . . . .	1	72,450,143
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities . . . . .	2a	
b	Prior year adjustments . . . . .	2b	
c	Other losses . . . . .	2c	
d	Other (Describe in Part XIV) . . . . .	2d	
e	Add lines 2a through 2d . . . . .	2e	0
3	Subtract line 2e from line 1 . . . . .	3	72,450,143
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a	100,171
b	Other (Describe in Part XIV) . . . . .	4b	
c	Add lines 4a and 4b . . . . .	4c	100,171
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .	5	72,550,314

Part XIV

Supplemental Information

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

Identifier	Return Reference	Explanation
Description of Intended Use of Endowment Funds	Part V, Line 4	The organization intends to use the endowment funds in the manner prescribed by the donors.
Part XI, Line 8 - Other Adjustments		Unrealized Loss on Interest Rate Swaps -300,659 Increase in Perpetual Trusts 37,131
Part XII, Line 2d - Other Adjustments		Increase in Perpetual Trusts 37,131
Part XII, Line 4b - Other Adjustments		Unrealized Loss on Interest Rate Swaps 300,659



SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

**Name of the organization**  
Northwestern Medical Center

**Employer identification number**  
03-0266986

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	Yes	
1b	If "Yes," is it a written policy? . . . . .	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  <b>a</b> Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%    <input type="checkbox"/> 150%    <input type="checkbox"/> 200%    <input checked="" type="checkbox"/> Other <u>300.000000000000 %</u></div> <b>b</b> Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . <div><input type="checkbox"/> 200%    <input type="checkbox"/> 250%    <input checked="" type="checkbox"/> 300%    <input type="checkbox"/> 350%    <input type="checkbox"/> 400%    <input type="checkbox"/> Other _____%</div> <b>c</b> If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care  <b>4</b> Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	Yes	
5b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	Yes	
5c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .		No
6a	Does the organization prepare a community benefit report during the tax year? . . . . .		No
6b	If "Yes," did the organization make it available to the public? . . . . .		
Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			702,985		702,985	0 970 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			18,316,969	13,816,521	4,500,448	6 200 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs . . . . .			19,019,954	13,816,521	5,203,433	7 170 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			3,527,403	1,274,067	2,253,336	3 110 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			55,283		55,283	0 080 %
j Total Other Benefits . . . . .			3,582,686	1,274,067	2,308,619	3 190 %
k Total. Add lines 7d and 7j . . . . .			22,602,640	15,090,588	7,512,052	10 360 %

Part II

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

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15? . . . . .	1	Yes
2	Enter the amount of the organization's bad debt expense (at cost) . . . . .	2	2,221,640
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy . . . . .	3	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit . . . . .		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME) . . . . .	5	18,758,559
6	Enter Medicare allowable costs of care relating to payments on line 5 . . . . .	6	16,856,962
7	Subtract line 6 from line 5. This is the surplus or (shortfall) . . . . .	7	1,901,597
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used . . . . .		
<input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

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

Part IV

Management Companies and Joint Ventures

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

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

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

[illegible]

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

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

How many non-hospital facilities did the organization operate during the tax year? 4

Name and address		Type of Facility (Describe)
1	Northwestern Walk-in Clinic 927 Ethan Allen Hwy Ste 2 Georgia, VT 05468	Diagnostic Imaging, Physical Therapy & Urgent Care
2	Northwestern Walk-in Clinic 927 Ethan Allen Hwy Ste 2 Georgia, VT 05468	Diagnostic Imaging, Physical Therapy & Urgent Care
3	Northwestern Walk-in Clinic 927 Ethan Allen Hwy Ste 2 Georgia, VT 05468	Diagnostic Imaging, Physical Therapy & Urgent Care
4	Northwestern Walk-in Clinic 927 Ethan Allen Hwy Ste 2 Georgia, VT 05468	Diagnostic Imaging, Physical Therapy & Urgent Care
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		Part I, Line 7g Subsidized health services includes the Medicare shortfall from physician practices that are not included in the Hospital's cost reporting reflected on Part III, Line 7

Identifier	ReturnReference	Explanation
		Part III, Line 4 Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of individual accounts and historical adjustments Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable

Identifier	ReturnReference	Explanation
		Part III, Line 8 The cost was determined using the cost to charge ratio

Identifier	ReturnReference	Explanation
		Part III, Line 9b During the collection process, financial assistance, a payment plan or a discount may be offered to the patient, if appropriate, and in accordance with established hospital policy



Identifier	ReturnReference	Explanation
		The Medicare surplus of \$1,901,597, reported on line 7 of Part III, does not represent all Medicare services provided by the Hospital, as required by IRS instructions. When taking all Medicare services into account, the Hospital has a Medicare shortfall in the amount of \$1,638,813, as calculated using an internal costing methodology.

Identifier	ReturnReference	Explanation
		Part VI, Line 2 The Hospital currently participates in 2 community needs assessment initiatives The Hospital partners with another local non-profit organization to complete a formal community needs assessment focused on health, education, and income This assessment takes place approximately every three years The Hospital also completes an informal community needs assessment with each renewal of its strategic plan that focuses on community needs related to specific healthcare providers and services The Hospital will complete a formal community needs assessment in alignment with the Federal mandate by September 30, 2012

Identifier	ReturnReference	Explanation
		Part VI, Line 3 The Hospital uses a variety of methods of communication to inform and educate patients about the eligibility requirements for financial assistance and charity care For example, information related to financial assistance and charity care is available on the Hospital's website, included on the back of patient statements, posted on signs at registration areas, and patients may speak on the phone with a collection specialist

Identifier	ReturnReference	Explanation
		Part VI, Line 4 The Hospital serves the greater Franklin and Grand Isle counties in northwestern Vermont The service area consists of approximately 54,000 people and the area is primarily rural and agricultural in nature with some light industry

Identifier	ReturnReference	Explanation
		Part VI, Line 6 The Hospital maintains an open medical staff and a community based Board of Directors The Hospital's Board of Directors is elected by the Hospital's Board of Incorporators, which consists of approximately 150 local residents The Hospital created and funds a program known as The Center for Health and Wellness, which is committed to a collaborative approach to community health improvement

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  
  
2010  
  
Open to Public  
Inspection

Department of the Treasury  
Internal Revenue Service

Name of the organization  
Northwestern Medical Center

Employer identification number  
03-0266986

Part I General Information on Grants and Assistance

1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . .

Yes

No

2

Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Champlain Drug & Alcohol Services20 Ampersand Drive Plattsburgh, NY 12901	14-1638308	501(c)(3)	12,000				Support programs complimentary to the Hospital's exempt purpose
(2) Franklin Grande Isle United Way40 Lower Newton Street St Albans, VT 05478	03-0273929	501(c)(3)	27,000				Support programs complimentary to the Hospital's exempt purpose
(3) American Heart AssociationTwo Wall Street Manchester, NH 03101	13-5613797	501(c)(3)	10,000				Support programs complimentary to the Hospital's exempt purpose

2

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

▶ 24

3

Enter total number of other organizations . . . . .

▶

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

Cat No 50055P

Schedule I (Form 990) 2010

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
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Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees  
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization Northwestern Medical Center	Employer identification number  03-0266986
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Part I

Questions Regarding Compensation

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



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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Jill Berry Bowen	(i)	281,627	0	0	0	0	281,627	0
	(ii)	0	0	0	0	0	0	0
(2) Ted Sirota	(i)	184,880	0	0	0	0	184,880	0
	(ii)	0	0	0	0	0	0	0
(3) Michael Barnum	(i)	697,184	0	0	7,350	16,829	721,363	0
	(ii)	0	0	0	0	0	0	0
(4) Jeremy Hatch	(i)	408,793	0	0	12,250	11,287	432,330	0
	(ii)	0	0	0	0	0	0	0
(5) Peter Burke	(i)	359,959	0	260	12,250	16,829	389,298	0
	(ii)	0	0	0	0	0	0	0
(6) Thomas Suppan	(i)	321,652	0	0	12,250	7,198	341,100	0
	(ii)	0	0	0	0	0	0	0
(7) Sherry Cipriano	(i)	283,471	0	390	7,350	532	291,743	0
	(ii)	0	0	0	0	0	0	0
( 8 )								
( 9 )								
( 10 )								
( 11 )								
( 12 )								
( 13 )								
( 14 )								
( 15 )								
( 16 )								

Part IIISupplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	Northwestern Medical Center provides fitness club membership automatically for all employees. The employees are required to sign in at the fitness club and those records are provided regularly to the Hospital to determine the amount of payment due to the fitness club.
Supplemental Information	Part III	Jill Berry Bowen, CEO, was compensated through a contract with Quorum Health Resources. Her total compensation for the period ended December 31, 2010 was \$281,627, which includes moving and housing allowances applicable to her first year of employment with the Hospital. Ted Sirota, CFO, was compensated through a contract with Quorum Health Resources. His total compensation for the period ended December 31, 2010 was \$184,880.

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

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Inspection

Name of the organization  
Northwestern Medical Center

Employer identification number  
03-0266986

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A Vermont Educational & Health Building Financing Agency	22-7154467		09-01-2010	13,200,000	Refund 2005A Bond and new capital projects		X		X		X

Part II Proceeds									
		A		B		C		D	
1	Amount of bonds retired	495,476							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	13,200,000							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	10,795,501							
7	Issuance costs from proceeds	110,300							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	2,294,199							
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2012							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?		X						
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

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

Part IIIPrivate Business Use (Continued)

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

Part IVArbitrage

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

Part VSupplemental Information

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

Identifier	Return Reference	Explanation

Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered  
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,  
or Form 990-EZ, Part V lines 38a or 40b.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
Northwestern Medical Center

Employer identification number  
  
03-0266986

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

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

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

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ \$ \_\_\_\_\_

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ \$ \_\_\_\_\_

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

**Part IV Business Transactions Involving Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) John Casavant	Board Member	884,544	John Casavant is employed by an insurance company which the hospital purchases insurance products at market rates		No
(2) Jane Catton	Chief Quality Officer	129,114	Northwestern Medical Center leases space in the doctors' office buildings owned by Jane Catton. The lease has a one-year term, has provisions for early termination without cause and is made at market rate		No
(3) Jane Catton	Chief Quality Officer	266,766	Northwestern Medical Center purchases doctors' office staff support from a company owned by Jane Catton. The support agreement has a one-year term, has a provision for early termination without cause and is made at market rate		No

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation
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SCHEDULE M  
(Form 990)

Department of the Treasury  
Internal Revenue Service

NonCash Contributions

►Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30.  
► Attach to Form 990.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
Northwestern Medical Center

Employer identification number  
03-0266986

Part I Types of Property

	(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining oncash contribution amounts
1 Art—Works of art . . . .	X	8	10,960	FMV
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods . . . . .				
6 Cars and other vehicles .				
7 Boats and planes . . . .				
8 Intellectual property . .				
9 Securities—Publicly traded				
10 Securities—Closely held stock . . . . .				
11 Securities—Partnership, LLC, or trust interests .				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures . . . . .				
14 Qualified conservation contribution—Other . .				
15 Real estate—Residential .				
16 Real estate—Commercial				
17 Real estate—Other . .				
18 Collectibles . . . . .				
19 Food inventory . . . . .				
20 Drugs and medical supplies				
21 Taxidermy . . . . .				
22 Historical artifacts . .				
23 Scientific specimens . .				
24 Archeological artifacts .				
25 Other ► ( )				
26 Other ► ( )				
27 Other ► ( )				
28 Other ► ( )				
29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement . . . .			29	
30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period? . . . . .				Yes No
b If "Yes," describe the arrangement in Part II				
31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?				No
32a Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions? . . . . .				No
b If "Yes," describe in Part II				
33 If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II				

**Part III**

**Supplemental Information.** Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization Northwestern Medical Center	Employer identification number 03-0266986
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Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 3		The CEO and CFO are employees of Quorum Health Resources

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 6		The organization has a maximum of 150 members, elected at the annual meeting from a slate of candidates nominated by the Nominating Committee. Other candidates for membership may be nominated from the floor at the annual meeting. Any person whose term as a Corporation Director has expired shall automatically become a member if that person consents to become a member.

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7a		The membership elects a presiding membership officer, an alternate presiding membership officer and a membership secretary Said officers are designated as Chair, Vice Chair and Recording Secretary of the membership

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		The CFO reviews the 990 and compares it to the audited financial statements. In addition, a copy of the 990 is provided to all members of the Hospital's Board of Directors before it is filed.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Regular monitoring occurs at a minimum annually when each individual must complete the annual disclosure form

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The CEO and CFO are not employees of Northw estern Medical Center. They are employees of Quorum Health Resources and their respective contracts, including compensation, are approved by the Board of Directors on an annual basis.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Northw estern Medical Center does not formally make its governing documents and conflict of interest policy available to the public. Financial information is available to the public through the annual tax return filing, annual Medicare and Medicaid cost report filing, and financial data published by the Vermont Department of Banking, Insurance, Securities, and Health Care Administration and available on the Hospital's website, as well as summarized financial information and statistics published in the Hospital's annual report distributed to local communities and published on the Hospital's website.

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -2,265,331 Unrealized Loss on Interest Rate Swaps - 300,659 Increase in Perpetual Trusts 37,131 Total to Form 990, Part XI, Line 5 -2,528,859



Identifier	Return Reference	Explanation
	Form 990, Page 11, Part XI, Line 2c	No change was made in the way the independent auditor was selected or in the oversight of the audit

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
Northwestern Medical Center

Employer identification number  
03-0266986

Part I

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) Northwest Occupational Health LLC 133 Fairfield street St Albans, VT 05478 03-0360669	Medical rehabilitative and urgent care services	VT	0	1,421,846	Northwestern Medical Center

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No

Part III

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

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

Part IV

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

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

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by other organization(s)

f

Sale of assets to other organization(s)

g

Purchase of assets from other organization(s)

h

Exchange of assets

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees

o

Reimbursement paid to other organization for expenses

p

Reimbursement paid by other organization for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

2

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

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

Schedule R (Form 990) 2010

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation
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**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**with**

**SUPPLEMENTARY INFORMATION**

**September 30, 2011 and 2010**

**With Independent Auditors' Report**



**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**September 30, 2011 and 2010**

**TABLE OF CONTENTS**

	<b><u>Pages</u></b>
Independent Auditors' Report	1
Financial Statements	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 26
Supplementary Information	
Consolidating Balance Sheet	27 - 28
Consolidating Statement of Operations	29





## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Northwestern Medical Center, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Northwestern Medical Center, Inc. and Subsidiaries as of September 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of Northwestern Medical Center, Inc. and Subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northwestern Medical Center, Inc. and Subsidiaries as of September 30, 2011 and 2010, and the consolidated results of their operations, consolidated changes in their net assets and their consolidated cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
December 20, 2011

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**September 30, 2011 and 2010**

**ASSETS**

	<u><b>2011</b></u>	<u><b>2010</b></u>
Current assets		
Cash and cash equivalents	<b>\$ 3,545,562</b>	\$ 3,259,077
Patient accounts receivable, net	<b>7,398,595</b>	6,128,498
Other receivables, net	<b>773,372</b>	680,717
Supplies	<b>1,654,532</b>	1,553,943
Short-term investments	<b>14,091,120</b>	9,227,852
Other current assets	<b>666,802</b>	793,745
Notes receivable, net	<u><b>40,461</b></u>	<u>42,203</u>
Total current assets	<b>28,170,444</b>	21,686,035
Assets limited as to use	<b>18,088,748</b>	18,729,268
Investments	<b>12,336,409</b>	11,613,797
Beneficial interest in perpetual trusts	<b>659,389</b>	622,258
Property and equipment, net	<b>29,601,509</b>	30,266,573
Other long-term assets, net	<u><b>184,462</b></u>	<u>196,993</u>
 Total assets	 <b><u>\$ 89,040,961</u></b>	 <b><u>\$ 83,114,924</u></b>

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The accompanying notes are an integral part of these consolidated financial statements.

## LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
Current liabilities		
Accounts payable	\$ 3,086,094	\$ 3,850,630
Salaries, wages and payroll taxes	3,096,269	2,566,937
Accrued retirement plan contributions	293,996	288,365
Other accrued expenses	842,626	897,521
Estimated third-party settlements	2,627,000	2,498,321
Current portion of long-term debt	<u>423,710</u>	<u>393,888</u>
Total current liabilities	<b>10,369,695</b>	10,495,662
Long-term debt, net of current portion	<b>12,536,680</b>	12,806,112
Interest rate swaps	<u>1,708,788</u>	<u>1,408,129</u>
Total liabilities	<b><u>24,615,163</u></b>	<b><u>24,709,903</u></b>
Commitments and contingencies (Notes 5, 10, 11 and 16)		
Net assets		
Unrestricted	62,639,492	56,837,480
Temporarily restricted	901,676	719,941
Permanently restricted	<u>884,630</u>	<u>847,600</u>
Total net assets	<b><u>64,425,798</u></b>	<b><u>58,405,021</u></b>
Total liabilities and net assets	<b><u>\$ 89,040,961</u></b>	<b><u>\$ 83,114,924</u></b>

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**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Consolidated Statements of Operations**

**Years Ended September 30, 2011 and 2010**

	<u><b>2011</b></u>	<u><b>2010</b></u>
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	\$ <b>82,356,120</b>	\$ 75,589,020
Less provision for bad debts	<u><b>4,770,898</b></u>	<u>3,929,977</u>
Net patient service revenue	<b>77,585,222</b>	71,659,043
Other operating revenue	<b>957,298</b>	789,202
Net assets released from restrictions for operations	<u><b>348,233</b></u>	<u>227,721</u>
Total unrestricted revenues, gains and other support	<u><b>78,890,753</b></u>	<u>72,675,966</u>
Expenses		
Salaries and wages	<b>31,263,486</b>	28,314,875
Employee benefits	<b>7,325,462</b>	7,562,293
Supplies and expenses	<b>10,019,432</b>	9,715,188
Contracted services	<b>11,034,211</b>	9,790,474
Depreciation and amortization	<b>3,406,094</b>	3,335,354
Travelers' expense	<b>238,695</b>	142,687
Healthcare improvement tax	<b>3,964,661</b>	2,790,350
Other operating expense	<b>4,568,644</b>	4,244,923
Interest expense	<u><b>629,458</b></u>	<u>508,024</u>
Total expenses	<u><b>72,450,143</b></u>	<u>66,404,168</u>
Income from operations	<u><b>6,440,610</b></u>	<u>6,271,798</u>
Nonoperating gains (losses)		
Net investment income	<b>1,605,388</b>	1,540,771
Loss on extinguishment of debt	-	(122,651)
Net gain from rental activities	<b>310,463</b>	345,395
Unrealized loss on interest rate swaps	<b>(300,659)</b>	(448,086)
Unrealized (loss) gain on investments	<b>(2,265,331)</b>	624,732
Other	<u><b>11,541</b></u>	<u>(106,856)</u>
Nonoperating (loss) gain, net	<u><b>(638,598)</b></u>	<u>1,833,305</u>
Increase in unrestricted net assets	<u><b>\$ 5,802,012</b></u>	<u>\$ 8,105,103</u>

The accompanying notes are an integral part of these consolidated financial statements

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Consolidated Statements of Changes in Net Assets**

**Years Ended September 30, 2011 and 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balances, October 1, 2009	\$ 48,732,377	\$ 686,583	\$ 806,185	\$ 50,225,145
Increase in unrestricted net assets	8,105,103	-	-	8,105,103
Contributions	-	249,111	-	249,111
Increase in perpetual trusts	-	-	40,545	40,545
Net investment income	-	11,968	870	12,838
Net assets released from restrictions used for operations	-	(227,721)	-	(227,721)
Net increase in net assets	<u>8,105,103</u>	<u>33,358</u>	<u>41,415</u>	<u>8,179,876</u>
Balances, September 30, 2010	<u>56,837,480</u>	<u>719,941</u>	<u>847,600</u>	<u>58,405,021</u>
Increase in unrestricted net assets	5,802,012	-	-	5,802,012
Contributions	-	536,175	-	536,175
Increase in perpetual trusts	-	-	37,131	37,131
Net investment loss	-	(6,207)	(101)	(6,308)
Net assets released from restrictions used for operations	-	(348,233)	-	(348,233)
Net increase in net assets	<u>5,802,012</u>	<u>181,735</u>	<u>37,030</u>	<u>6,020,777</u>
Balances, September 30, 2011	<u>\$ 62,639,492</u>	<u>\$ 901,676</u>	<u>\$ 884,630</u>	<u>\$ 64,425,798</u>

The accompanying notes are an integral part of these consolidated financial statements

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**Years Ended September 30, 2011 and 2010**

	<u><b>2011</b></u>	<u><b>2010</b></u>
Cash flows from operating activities		
Change in net assets	\$ <b>6,020,777</b>	\$ 8,179,876
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	<b>3,406,094</b>	3,335,354
Net realized and unrealized losses (gains) on investments	<b>1,552,807</b>	(1,087,326)
Net gain on beneficial interest in perpetual trusts	<b>(37,131)</b>	(40,545)
Provision for bad debts	<b>4,770,898</b>	3,929,977
Unrealized loss on interest rate swaps	<b>300,659</b>	448,086
Loss on disposal of property and equipment	-	3,008
Loss on extinguishment of debt	-	122,651
Decrease (increase) in		
Patient accounts receivable, net	<b>(6,040,995)</b>	(3,783,891)
Other receivables, net	<b>(92,655)</b>	8,490
Supplies, other assets and notes receivable, net	<b>34,380</b>	(267,697)
Increase (decrease) in		
Accounts payable and accrued expenses	<b>(284,468)</b>	1,889,830
Estimated third-party settlements	<b>128,679</b>	1,558,901
Net cash provided by operating activities	<u><b>9,759,045</b></u>	<u>14,296,714</u>
Cash flows from investing activities		
Purchase of property and equipment	<b>(2,734,783)</b>	(4,958,080)
Purchase of investments	<b>(16,370,907)</b>	(34,133,101)
Proceeds from sale of investments	<u><b>9,872,740</b></u>	<u>24,255,830</u>
Net cash used by investing activities	<u><b>(9,232,950)</b></u>	<u>(14,835,351)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	<b>188,000</b>	13,200,000
Payment of bond issuance costs	-	(105,851)
Principal payments on long-term debt	<u><b>(427,610)</b></u>	<u>(12,264,020)</u>
Net cash (used) provided by financing activities	<u><b>(239,610)</b></u>	<u>830,129</u>
Net increase in cash and cash equivalents	<b>286,485</b>	291,492
Cash and cash equivalents, beginning of year	<u><b>3,259,077</b></u>	<u>2,967,585</u>
Cash and cash equivalents, end of year	<u><b>\$ 3,545,562</b></u>	<u>\$ 3,259,077</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	<u><b>\$ 629,458</b></u>	<u>\$ 484,047</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

**Organization**

Northwestern Medical Center, Inc. (the Hospital) is a 70-bed, not-for-profit hospital in St. Albans, Vermont. The Hospital is a tax-exempt corporation pursuant to Section 501(c)(3) of the Internal Revenue Code and related state statutes and, as such, is not subject to certain income and property taxes. The Hospital is the sole owning member of Northwestern Occupational Health, LLC (NOH), a for-profit entity that provides medical rehabilitative services and operates an urgent care walk-in clinic. As a single member LLC, NOH is considered a disregarded tax entity and its results of operations are consolidated with the Hospital.

The Hospital financial statements also include the accounts of the Northwestern Medical Center Auxiliary, Inc. (the Auxiliary). The Auxiliary, which is a tax-exempt corporation pursuant to Section 501(c)(3) of the Internal Revenue Code and related state statutes, is organized specifically for the promotion and support of the Hospital. Auxiliary volunteers provide the Hospital approximately 19,250 hours of support annually, as well, as financial support.

**1. Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Hospital and its subsidiaries, NOH and Auxiliary (collectively, the "Organization"). All significant intercompany transactions have been eliminated in consolidation.

**Basis of Presentation**

The Hospital's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. Under FASB ASC 958, all not-for-profit organizations are required to provide a balance sheet, a statement of operations, and a statement of cash flows. The ASC requires reporting amounts for the Hospital's total assets, liabilities, and net assets in a balance sheet, reporting the change in the Hospital's net assets in a statement of operations; and reporting the change in its cash and cash equivalents in a statement of cash flows.

ASC 958 also requires net assets and revenues, expenses, gains, and losses be classified based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a balance sheet and that the amounts of change in each of those classes of net assets be displayed in a statement of operations.

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

**Use of Estimates**

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

**Cash and Cash Equivalents**

Cash and cash equivalents include money market funds with a maturity of three months or less when purchased and exclude assets whose use is limited. The Hospital maintains its cash in deposit accounts which, at times, may exceed federal depository insurance limits. Management believes credit risk related to these investments is minimal. The Hospital has not experienced any losses in such accounts.

**Patient Accounts Receivable**

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of individual accounts and historical adjustments. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

In evaluating the collectibility of accounts receivable, the Hospital analyzes past results and identifies trends for each major payor source of revenue for the purpose of estimating the appropriate amounts of the allowance for doubtful accounts and the provision for bad debts. Data in each major payor source are regularly reviewed to evaluate the adequacy of the allowance for doubtful accounts. For receivables relating to services provided to patients having third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a corresponding provision for bad debts at varying levels based on the age of the receivables and the payor source. For receivables relating to self-pay patients (which includes both patients without insurance and patients with deductibles, and copayment balances due for which third-party coverage exists for part of the bills), the Hospital records a provision for bad debts in the period of service based on past experience which indicates patients are unable or unwilling to pay amounts for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or eligible) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.



**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

**Supplies**

Supplies are carried at the lower of cost (determined by the first-in, first-out method) or market.

**Short-Term Investments and Assets Limited as to Use**

Short-term investments include money market funds, certificates of deposit and highly liquid debt instruments with a maturity of one year or less when purchased.

Assets limited as to use include donor-restricted investments, cash collateralizing property financed by a bank loan, bond proceeds to be used for capital projects, and designated assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may, at its discretion, use for other purposes

**Investments and Investment Income**

Investments in equity securities are reported at readily determinable fair values and all investments in debt securities are measured at fair values in the consolidated balance sheets. The Hospital has adopted ASC 825-10 and has elected the fair value option relative to its investments which consolidates all investment performance activity within nonoperating gains (losses) in the statements of operations.

Investment income or loss earned on unrestricted investments, including realized gains and losses on investments, unrealized gains on investment, and interest and dividends are included in nonoperating gains (losses), unless the income or loss is restricted by donor or law.

**Employee Fringe Benefits**

The Hospital has an "earned time" plan to provide certain fringe benefits for its employees. Under this plan, each employee "earns" paid leave for each payroll period. Accumulated hours may be used for vacations, holidays or illnesses. Hours earned, but not used, vest with the employees up to established limits. The Hospital accrues the cost of these benefits as they are earned.

**Property and Equipment**

Property and equipment acquisitions are recorded at cost or, if contributed, at fair market value determined at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Hospital reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

**Bond Issuance Costs**

The costs incurred to obtain financing for the Hospital's construction programs are amortized over the repayment period of the bonds and are included in other long-term assets, net of amortization on the consolidated balance sheets.

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Hospital have been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as either net assets released from restrictions used for operations or net assets released from restrictions used for capital acquisition.

Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity. Generally, income earned on permanently restricted net assets, including net realized appreciation (depreciation) on investments, is included as a change in unrestricted net assets or as directed by the donor.

**Nonoperating Gains and Losses**

Activities, other than in connection with providing health care services, are considered to be nonoperating. Nonoperating gains and losses consist primarily of income on invested funds, loss on extinguishment of debt, unrestricted gifts, net gains from rental activities, unrealized gains (losses) on investments and unrealized losses on interest rate swaps.

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

**Interest Rate Swaps**

The Hospital uses interest rate swap contracts to eliminate the cash flow exposure of interest rate movements on variable-rate debt. The Hospital has adopted FASB ASC 815, *Derivatives and Hedging*, to account for its interest rate swap contracts. The interest rate swaps do not qualify as cash flow hedges. Gains and losses on derivative financial instruments that do not qualify as hedges are required to be included in the performance indicator. As a result, the unrealized losses on the interest rate swaps for 2010 and 2011 have been included in nonoperating gains (losses).

**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. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Charity Care**

The 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 collections of amounts determined to qualify as charity care, they are not reported as revenue.

**Donor-Restricted Gifts**

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

**New Accounting Pronouncement**

In July 2011, FASB amended ASC 954, *Health Care Entities*, to require health care entities to change the presentation of the statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, enhanced disclosures are required about the policies for recognizing revenues and assessing bad debts. The amendments also require disclosure of qualitative and quantitative information about significant changes in the allowance for doubtful accounts. The amendments to ASC 954 are effective for public entities for the first annual period beginning after December 15, 2011. The Hospital elected to early adopt these amendments for fiscal year ended September 30, 2011. As a result, the 2010 financial statements have been restated for comparative purposes.

**Subsequent Events**

For purposes of the preparation of these financial statements in conformity with GAAP, the Organization has considered transactions of events occurring through December 20, 2011, which was the date the financial statements were issued.

**Reclassifications**

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

**2. Net Patient Service Revenue**

Patient service revenue is reported net of contractual allowances and other discounts as follows for the years ended September 30:

	<u>2011</u>	<u>2010</u>
Gross patient service revenue		
Inpatient services	\$ 31,225,316	\$ 26,778,723
Outpatient services	<u>109,275,037</u>	<u>105,503,919</u>
	<u>140,500,353</u>	132,282,642
Less contractual allowances and discounts	<u>58,144,233</u>	<u>56,693,622</u>
	<u>82,356,120</u>	75,589,020
Patient service revenue (net of contractual allowances and discounts)		
Less provision for bad debts	<u>(4,770,898)</u>	<u>(3,929,977)</u>
Net patient service revenue	<u>\$ 77,585,222</u>	<u>\$ 71,659,043</u>

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

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**

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Final settlement is determined after the submission of an annual cost report by the Hospital and subsequent audit of this report by the Medicare Fiscal Intermediary. Final settlements have been determined for all years through September 30, 2006.

**Medicaid**

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at acuity-based prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. The Hospital's Medicaid cost reports have been audited by the fiscal intermediary through September 30, 2006

**Blue Cross and Cigna**

Inpatient and outpatient services rendered to Blue Cross and Cigna subscribers are reimbursed at submitted charges less a discount. Physician professional fees are reimbursed on a fee schedule. The amounts paid to the Hospital are not subject to any retroactive adjustments.

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

Revenue from the Medicare and Medicaid programs accounted for approximately 27% and 15%, respectively, of the Hospital's patient revenue (net of contractual allowances and discounts) for the year ended 2011, and 26% and 12%, respectively, of the Hospital's patient revenue (net of contractual allowances and discounts), for the year ended 2010. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2011 net patient service revenue increased approximately \$52,000 and the 2010 net patient service revenue increased by approximately \$994,000 due to differences in retroactive adjustments compared to amounts previously estimated.

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

The Hospital recognizes patient service revenue relating to services rendered to patients who have third-party payor coverage on the basis of contractual rates for such services. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates less established discounts promulgated by the Patient Protection and Affordable Care Act. Based on historical trends, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services rendered. Thus, the Hospital records a provision for bad debts related to uninsured patients in the period the services are rendered. Patient service revenue, net of contractual allowances and discounts but before the provision for bad debts, recognized during 2011 totaled \$82,356,120, of which \$79,949,410 was revenue from third-party payors and \$2,406,710 was revenue from self-pay patients.

**3. Net Patient Accounts Receivable**

Patient accounts receivable is stated net of estimated contractual allowances and allowance for doubtful accounts as follows as of September 30:

	<u>2011</u>	<u>2010</u>
Patient accounts receivable	\$ 16,653,394	\$ 14,271,028
Blue Cross periodic interim payment	-	(252,029)
Estimated contractual allowances	(5,881,398)	(5,183,474)
Estimated allowance for doubtful accounts	<u>(3,373,401)</u>	<u>(2,707,027)</u>
Patient accounts receivable, net	\$ <u>7,398,595</u>	\$ <u>6,128,498</u>

During 2011, the Hospital increased its estimate from \$2,107,682 to \$2,446,320 in the allowance for doubtful accounts relating to self-pay patients. During 2011, self-pay write-offs decreased from \$4,748,782 to \$4,447,226. Such changes resulted from trends experienced in the collection of amounts from self-pay patients and third-party payors.

**4. Charity Care and Community Services**

Consistent with its tax-exempt status and community service responsibility, the Hospital provides services at no charge or at discounted rates to patients who are uninsured or underinsured and meet certain criteria. The criteria for charity care consider family income, net worth, and extent of financial obligations, including health care costs.

The net cost of charity care provided was \$702,985 in 2011 and \$725,563 in 2010. The total cost estimate is based on the Hospital's cost accounting system.

In 2011, the Hospital provided 504 patients charity care assistance while in 2010, 552 patients received charity care assistance. The largest proportion of services provided on a charity basis for 2011 and 2010 was for emergency department services.

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

As part of its mission, the Hospital underwrites a number of health-care related programs that may not be otherwise available to the community. Some examples of these programs are described below.

- Activities of The Center for Health & Wellness, an informal community partnership providing more than 100 educational lectures, health screenings, special events and health risk appraisal clinics each year.
- The Chronic Disease Department's assistance with smoking cessation and the provision of health-related support groups within the community.
- A scholarship and work experience program, providing high school graduates enrolled in specific collegiate health care career programs with scholarships and part-time work throughout their undergraduate experience.
- Local United Way programs and other related community health initiatives.

**5. Property and Equipment**

The major categories of property and equipment are as follows as of September 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 1,020,531	\$ 1,020,531
Land improvements	1,525,863	1,525,863
Buildings	36,655,983	36,299,977
Major moveable equipment	<u>25,510,274</u>	<u>20,419,097</u>
	64,712,651	59,265,468
Less accumulated depreciation	<u>35,875,421</u>	<u>32,489,980</u>
	28,837,230	26,775,488
Construction-in-progress	<u>764,279</u>	<u>3,491,085</u>
	<u>\$ 29,601,509</u>	<u>\$ 30,266,573</u>

At September 30, 2011 and 2010, construction in progress included \$461,000 and \$3,252,000, respectively, for the purchase and implementation of new hospital-wide clinical and financial software and related hardware. The first phase of this project was implemented on October 1, 2010, with remaining phases to be completed at various times through 2012. The total capital amount budgeted for this project is \$4 7 million. The project is being funded through operations.

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

At September 30, 2011, construction in progress also included \$104,000 related to the purchase of a new MRI and construction related thereto. In November, 2011, the Hospital received approval from the State of Vermont under its certificate of need program, to proceed on this project. The total capital amount budgeted for this project is \$2.9 million. The project is being funded through operations.

**6. Assets Limited as to Use and Investments**

The composition of assets limited as to use and investments as of September 30:

	<u>2011</u>	<u>2010</u>
<b>Assets Limited as to Use</b>		
Internally designated for capital acquisition		
Cash and cash equivalents	\$ 147,810	\$ 60,621
Equities	8,528,034	9,446,718
Fixed income	<u>6,504,194</u>	<u>6,175,454</u>
	<u>15,180,038</u>	<u>15,682,793</u>
 Donor-restricted		
Cash and cash equivalents	\$ 699,821	\$ 464,814
Equities	214,910	229,569
Fixed income	<u>212,186</u>	<u>250,901</u>
	<u>1,126,917</u>	<u>945,284</u>
 Held by bank as collateral on property		
Cash and cash equivalents	193,000	-
 Bond proceeds to be used for capital projects		
Cash and cash equivalents	<u>1,588,793</u>	<u>2,101,191</u>
	<u>\$ 18,088,748</u>	<u>\$ 18,729,268</u>
 <b>Investments</b>		
Cash and cash equivalents	\$ 8,960,922	\$ 5,971,117
Certificates of deposit with maturity dates exceeding three months	5,028,295	2,875,221
Fixed income	6,597,786	5,492,190
Equities	<u>5,840,526</u>	<u>6,503,121</u>
 Total	26,427,529	20,841,649
 Less short-term investments	<u>14,091,120</u>	<u>9,227,852</u>
 Long-term investments	<u>\$ 12,336,409</u>	<u>\$ 11,613,797</u>



**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

Investment income and gains (losses) for assets limited as to use and investments are comprised of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 892,864	\$ 1,078,177
Realized gains	<u>712,524</u>	<u>462,594</u>
	<b>1,605,388</b>	1,540,771
Unrealized (losses) gains	<u>(2,265,331)</u>	<u>624,732</u>
	<b>\$ <u>(659,943)</u></b>	<b>\$ <u>2,165,503</u></b>

Changes in endowment (donor restricted) net assets by type as of September 30 are as follows

	<u>Permanently Restricted</u>
Endowment net assets, October 1, 2009	\$ 806,185
Investment income	870
Net appreciation	<u>40,545</u>
Total investment return and net change	<u>41,415</u>
Endowment net assets, September 30, 2010	<u>847,600</u>
Investment loss	(101)
Net appreciation	<u>37,131</u>
Total investment return and net change	<u>37,030</u>
Endowment net assets, September 30, 2011	<b>\$ <u>884,630</u></b>

On May 5, 2009, the Governor of Vermont signed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as regulation over donor-restricted endowment funds. Under UPMIFA, the amount of the original gifts and any required accumulations is not expendable, although the value of the investments purchased may occasionally fall below that amount. Future appreciation of the investments generally restores the value to the required level. UPMIFA describes "historic dollar value" as the amount that is not expendable.

Permanently restricted endowment funds consist primarily of the Hospital's beneficial interest in various trusts for which the Hospital does not serve as trustee. Accordingly, the Hospital is not involved in investment management decisions for these trusts.

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

**7. Beneficial Interest in Perpetual Trusts**

The Hospital is the beneficiary of various trusts for which it is not the trustee, including \$659,389 and \$622,258 in irrevocable perpetual trusts at September 30, 2011 and 2010, respectively. The Hospital has reflected as assets in the balance sheets the fair value of the underlying investments in the trusts. Receipts of income are included as unrestricted investment income when received. Receipts from the trusts were approximately \$21,900 and \$15,900 for the years ended September 30, 2011 and 2010, respectively, and were recorded in net investment income.

**8. Borrowings**

Long-term debt consisted of the following as of September 30:

	<u>2011</u>	<u>2010</u>
Vermont Educational and Health Buildings Financing Agency (VEHBFA) Hospital Revenue Bonds (Northwestern Medical Center Project) 2010 Series A, interest payable monthly at a variable rate based on one-month LIBOR (2.18% at September 30, 2011); annual principal payments are of varying amounts from \$414,081 in 2012 to \$1,018,397 in 2030 and due through 2030, callable September 1, 2020; collateralized by substantially all of the Hospital's assets.	<b>\$ 12,772,390</b>	\$ 13,200,000
Bank loan, fixed interest rate of 3.6%, monthly principle and interest payments of \$1,353, with a balloon payment due September 2016 of \$137,143; collateralized by a certificate of deposit.	<u>188,000</u>	<u>-</u>
	<b>12,960,390</b>	13,200,000
Less current portion	<u>423,710</u>	<u>393,888</u>
	<b><u>\$ 12,536,680</u></b>	<b><u>\$ 12,806,112</u></b>

Maturities on long-term debt for fiscal years subsequent to September 30, 2011, are as follows:

2012	\$ 423,710
2013	445,291
2014	467,973
2015	491,814
2016	653,071
Thereafter	<u>10,478,531</u>
	<b><u>\$ 12,960,390</u></b>

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

In September 2011, the Hospital entered into a commercial promissory note agreement with a bank. The proceeds were used to purchase property adjacent to the Hospital.

On September 1, 2010, the Hospital entered into a loan agreement with VEHBFA issuing \$13.2 million in bonds. The new issue was used to refund the Hospital's Series 2005 A bonds and to provide \$2.3 million for various capital projects. Included in the consolidated financial statements of operations is a nonoperating loss on refunding of bonds payable of \$122,651 for the write-off of deferred financing costs.

The bank loan and 2010A bond issues require the Hospital to meet certain covenants. As of September 30, 2011 and 2010, the Hospital was in compliance with these covenants.

Interest expense on long-term debt was \$629,458 and \$428,580 for the years ended September 30, 2011 and 2010, respectively.

**Interest Rate Swaps**

Hospital has a swap agreement which was effective April 10, 2006 on \$6,155,000, and terminates October 2030 or earlier at the Hospital's option. The Hospital pays a fixed rate of 3.77% and receives 68% of USD-LIBOR-BBA. The Hospital has a second swap agreement that was effective October 8, 2008 on \$6,155,000 and terminates October 2030. The Hospital has the option of paying 61.25% of USD-ISDA-swap-rate or 68% of USD-LIBOR-BBA. A third swap was entered into during 2008 (replacing a previous swap) with a notional amount of \$5,600,000. The Hospital pays a fixed rate of 2.906% and receives 68% of the one-month USD LIBOR-BBA on this swap. During 2010 and 2011, the interest rate swap agreements did not qualify for hedge accounting.

Effective September 1, 2011, the Hospital terminated its swap agreement that had an original effective date of October 8, 2008 and a notional amount of \$6,155,000. In consideration of the termination and discharge of this swap agreement, the fixed rate on the swap with an original effective date of April 10, 2006 was amended from 3.77% to 3.228%.

The Hospital is required to include the fair value of the swaps in the balance sheet, and annual changes, if any, in the fair value of the swaps in the statement of operations. For example, during the Bonds' holding period, the annually calculated value of the swaps will be reported as assets if interest rates increase above those in effect on the date the swaps were entered into (and as an unrealized gain in the statement of operations), which will generally be indicative that the net fixed rate the Hospital is paying is below market expectations of rates during the remaining term of the swap. The swaps will be reported as a liability (and as an unrealized loss in the statement of operations) if interest rates decrease below those in effect on the date the swaps were entered into, which will generally be indicative that the net fixed rate the Hospital is paying on the swap is above market expectations of rates during the remaining term of the swap. These annual accounting adjustments of value changes in the swap transaction are non-cash recognition requirements. The Hospital retains the sole right to terminate the swap agreements should the need arise. The Hospital recorded the swaps at their liability positions of \$1,708,788 and \$1,408,129 at September 30, 2011 and 2010, respectively.

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

**Letter of Credit**

The Hospital is required to maintain a letter of credit in the amount of \$190,000 in favor of Employers Insurance Company of Wasau in connection with workers' compensation claims. Prior to July 2011, the letter of credit amount was \$207,919. The letter of credit has no fees.

**9. Retirement Plans**

The Hospital sponsors a 403(b) retirement plan for its employees. To be eligible to participate in the 403(b) plan, an employee must meet certain requirements as specified in the Plan documents. The Hospital matches 1% if the employee contributes 2% or 3% of their annual salary and the Hospital contributes 2% if the employee contributes 4% or more of their annual salary.

The subsidiary of the Hospital sponsors a 401(k) retirement plan for its employees. To be eligible to participate in the 401(k) plan, an employee must meet certain requirements as specified in the Plan documents. Subject to annual review, the subsidiary contributes 2% of gross annual salary (subject to maximum limits) for all employees who work at least 1,000 hours during a calendar year. This portion of the employer contribution to the 401(k) plan has a step vesting schedule. In addition, the subsidiary contributes 3% of gross annual pay in matching funds for employees who contribute at least 3% and who work at least 1,000 hours in a calendar year.

The Hospital sponsors a Money Purchase Pension Plan covering substantially all of its employees. The Hospital's contributions are determined for, and allocated to, eligible participants based on a predetermined percent of compensation paid. Individual benefits at retirement are the amounts which can be provided by the sums contributed to each participant's account. The plan, which may be terminated at any time by the Board of Trustees, provides for employee vesting over a six-year period. Retirement plan expenses charged to operations were \$676,533 and \$740,168 in 2011 and 2010, respectively.

**10. Commitments and Contingencies**

The Hospital has leases for medical care space, and has various leases for medical and office equipment with original terms through September 2014. Certain of these leases have renewal options and contain an annual Consumer Price Index increase provision. Future minimum payments under these leases are as follows:

Years ending September 30,

2012	\$ 129,000
2013	43,000
2014	18,000

Rental expense for the years ended September 30, 2011 and 2010 was \$619,996 and \$422,584, respectively.

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

**Professional Liability Insurance and Litigation**

The Hospital is insured against malpractice loss contingencies under a claims-made insurance policy. Should the policy not be renewed, replaced with equivalent insurance or an extended coverage tail, claims based on occurrence during its term, but reported subsequently, would be uninsured. The Hospital intends to renew coverage on a claims-made basis and anticipates that such coverage will be available.

The Hospital is involved in litigation and investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these investigations are within insurance coverage limits and those matters will be resolved without a material adverse effect on the Hospital's future financial position or results from operations. Management has not recorded any liabilities related to these investigations.

**QHR, LLC**

The Hospital contracts with QHR, LLC for management advisory services. Total expenses related to the Quorum contract, and charged to operations, were \$1,059,087 and \$949,844 for the years ended September 30, 2011 and 2010, respectively.

**Self-Funded Health Insurance**

The Hospital maintains a self-funded health insurance plan. A reserve of \$606,390 and \$536,117 in 2011 and 2010, respectively, has been established to allow for incurred but not reported claims for health care services based on claim history. The self-funded policy had an individual stop loss of \$150,000 and effective January 1, 2010 the individual stop loss was \$100,000. The Hospital's aggregate stop loss coverage begins at 125% of expected claims, excluding claim amounts which are paid under the individual stop loss coverage.

**11. Rental Income**

The Hospital leases land and buildings to various organizations under operating leases. Rental income under these leases was \$309,663 in 2011 and \$345,944 in 2010. The leases expire on various dates ranging from 2012 to 2043 and certain leases contain an annual Consumer Price Index provision.

Included under property and equipment are the following amounts applicable to the leased space

	<b><u>2011</u></b>	<b><u>2010</u></b>
Land improvements	\$ 4,189	\$ 4,189
Cost	<u>868,287</u>	<u>868,287</u>
	872,476	872,476
Accumulated depreciation	<u>(329,633)</u>	<u>(296,482)</u>
Net book value	<u>\$ 542,843</u>	<u>\$ 575,994</u>

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

Minimum future rentals on noncancelable leases are as follows

Years ending September 30,

2012	\$ 206,000
2013	129,000
2014	100,000
2015	74,000
2016	68,000
Thereafter	1,042,000

**12. Health Care Improvement Tax**

A health care improvement tax is imposed on hospitals, nursing homes, and home health agencies as part of a program to upgrade services in Vermont. The State of Vermont pays the Hospital with funds received from the health care improvement trust fund. Hospitals in Vermont are assessed as a percentage of net patient revenue which is determined annually by the General Assembly. Hospital tax rates were 5.5% in 2010 and 2011.

	<u>2011</u>	<u>2010</u>
Medicaid assessment tax expense	\$ 3,964,661	\$ 2,790,350
Healthcare trust fund receipts	<u>2,036,206</u>	<u>1,104,938</u>
Healthcare improvement tax, net	<u>\$ 1,928,455</u>	<u>\$ 1,685,412</u>

The Medicaid assessment tax expense and the healthcare trust fund receipts are included in total expenses and net patient service revenue, respectively, on the consolidated statements of operations. As of September 30, 2011 and 2010, the Hospital had recorded a receivable for the difference between amounts received and paid related to the Medicaid health care improvement tax program of \$477,317 and \$502,929, respectively.

**13. Concentration of Credit Risk**

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

	<u>2011</u>	<u>2010</u>
Medicare	33 %	29 %
Medicaid	11	13
Blue Cross	14	11
Other third-party payors	21	25
Patients	<u>21</u>	<u>22</u>
	<u>100 %</u>	<u>100 %</u>

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

**14. Functional Expenses**

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

	<u>2011</u>	<u>2010</u>
Health care services	\$ 57,470,281	\$ 54,222,428
General and administrative	<u>14,979,862</u>	<u>12,181,740</u>
	<u>\$ 72,450,143</u>	<u>\$ 66,404,168</u>

**15. Restrictions on Net Assets**

Temporarily restricted net assets consisted of donor contributions to the following programs and purposes at September 30:

	<u>2011</u>	<u>2010</u>
Community wellness initiatives	\$ 411,595	\$ 227,585
Capital expenditures	188,128	188,128
Education assistance	90,940	95,989
Free care assistance	76,517	69,101
Other community programs	<u>134,496</u>	<u>139,138</u>
	<u>\$ 901,676</u>	<u>\$ 719,941</u>

Permanently restricted net assets include endowment fund assets to be held in perpetuity and consisted of the following at September 30:

	<u>2011</u>	<u>2010</u>
Beneficial Interest in Trusts; income is unrestricted	\$ 659,389	\$ 622,258
Sowles Memorial Fund; income to be used for charity care	203,530	203,530
Leon Sample Endowment; income is permanently restricted until the value of the fund reaches \$50,000 at which point the fund becomes unrestricted	<u>21,711</u>	<u>21,812</u>
	<u>\$ 884,630</u>	<u>\$ 847,600</u>

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

**16. Related Parties**

A member of the Hospital's Board of Trustees is employed by an insurance company with which the Hospital does business. The expenses recorded for insurance products purchased through this insurance company were \$884,544 for 2011 and \$885,525 for 2010.

The Hospital leases space in doctors' office buildings owned by Hospital employees. The original lease terms range from one to five years. Rental expense under these leases for the years ended September 30, 2011 and 2010 was \$129,114 and \$105,417, respectively.

The Hospital also purchases doctors' office staff support from companies owned by Hospital employees. The original support agreement terms range from one to five years. Expenses incurred related to these agreements, which are included in contracted services expense in the accompanying consolidated statements of operations, for the years ended September 30, 2011 and 2010, were \$266,766 and \$477,315, respectively.

**17. Fair Value Measurements**

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value

**Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.



**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

Assets and liabilities measured at fair value on a recurring basis are summarized below. Fair values were primarily determined using market and income approaches.

	Fair Value Measurements at September 30, 2011			Total
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Assets limited as to use				
Cash and cash equivalents	\$ 2,629,424	\$ -	\$ -	\$ 2,629,424
Fixed Income				
Intermediate duration	6,579,953	-	-	6,579,953
U S Government bonds	136,427	-	-	136,427
Total fixed income	<u>6,716,380</u>	<u>-</u>	<u>-</u>	<u>6,716,380</u>
Equities				
Index funds	79,944	-	-	79,944
Strategic value	2,600,146	-	-	2,600,146
Strategic growth	2,864,647	27,266	-	2,891,913
International	1,976,911	-	-	1,976,911
Emerging markets	416,374	-	-	416,374
Global real estate	<u>777,656</u>	<u>-</u>	<u>-</u>	<u>777,656</u>
Total equities	<u>8,715,678</u>	<u>27,266</u>	<u>-</u>	<u>8,742,944</u>
Assets limited as to use	18,061,482	27,266	-	18,088,748
Investments				
Cash and cash equivalents	8,960,922	-	-	8,960,922
Certificates of deposit > three months	5,028,295	-	-	5,028,295
Fixed Income				
Intermediate duration	1,188,917	-	-	1,188,917
Short duration plus	5,132,537	-	-	5,132,537
Government bonds	<u>276,332</u>	<u>-</u>	<u>-</u>	<u>276,332</u>
Total fixed income	<u>6,597,786</u>	<u>-</u>	<u>-</u>	<u>6,597,786</u>
Equities				
Strategic value	1,870,805	-	-	1,870,805
Strategic growth	1,987,242	14,124	-	2,001,366
International portfolio	1,273,349	-	-	1,273,349
Emerging markets	222,803	-	-	222,803
Global real estate	<u>472,203</u>	<u>-</u>	<u>-</u>	<u>472,203</u>
Total equities	<u>5,826,402</u>	<u>14,124</u>	<u>-</u>	<u>5,840,526</u>
Total investments	26,413,405	14,124	-	26,427,529
Beneficial interest in perpetual trusts	-	-	659,389	659,389
Total assets	<u>\$ 44,474,887</u>	<u>\$ 41,390</u>	<u>\$ 659,389</u>	<u>\$ 45,175,666</u>
<b>Liabilities</b>				
Interest rate swaps	\$ -	\$ 1,708,788	\$ -	\$ 1,708,788

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

	Fair Value Measurements at September 30, 2010			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets:</b>				
Assets limited as to use				
Cash and cash equivalents	\$ 2,626,626	\$ -	\$ -	\$ 2,626,626
Fixed income				
Intermediate duration	6,244,992	-	-	6,244,992
U S Government bonds	181,363	-	-	181,363
Total fixed income	<u>6,426,355</u>	<u>-</u>	<u>-</u>	<u>6,426,355</u>
Equities				
Index funds	80,863	-	-	80,863
Strategic value	2,897,440	-	-	2,897,440
Strategic growth	2,946,541	-	-	2,946,541
International	2,367,369	-	-	2,367,369
Emerging markets	528,268	-	-	528,268
Global real estate	855,806	-	-	855,806
Total equities	<u>9,676,287</u>	<u>-</u>	<u>-</u>	<u>9,676,287</u>
Total assets limited as to use	18,729,268	-	-	18,729,268
Investments				
Cash and cash equivalents	5,971,117	-	-	5,971,117
Certificates of deposit > three months	2,875,221	-	-	2,875,221
Fixed income				
Intermediate duration	4,454,544	-	-	4,454,544
Short duration plus	536,866	-	-	536,866
Government bonds	500,780	-	-	500,780
Total fixed income	<u>5,492,190</u>	<u>-</u>	<u>-</u>	<u>5,492,190</u>
Equities				
Strategic value	2,077,575	-	-	2,077,575
Strategic growth	2,042,787	-	-	2,042,787
International portfolio	1,523,230	-	-	1,523,230
Emerging markets	339,223	-	-	339,223
Global real estate	520,306	-	-	520,306
Total equities	<u>6,503,121</u>	<u>-</u>	<u>-</u>	<u>6,503,121</u>
Total investments	20,841,649	-	-	20,841,649
Beneficial interest in perpetual trusts	-	-	622,258	622,258
Total assets	<u>\$ 39,570,917</u>	<u>\$ -</u>	<u>\$ 622,258</u>	<u>\$ 40,193,175</u>
<b>Liabilities</b>				
Interest rate swaps	\$ -	\$ 1,408,129	\$ -	\$ 1,408,129

The fair value for strategic growth equities and interest rate swaps is primarily based on market prices of comparable securities, and credit rates. The beneficial interest in perpetual trusts is valued based on quoted market prices of the assets in the trusts multiplied by the Hospital's share of the trusts. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2011 and 2010**

The following is a reconciliation of activity for assets measured at fair value on a recurring basis in which significant unobservable inputs (Level 3) were used in determining fair value:

Balance at beginning of year	\$ 622,258
Net changes in unrealized appreciation	<u>37,131</u>
Balance at end of year	\$ <u>659,389</u>

## **SUPPLEMENTARY INFORMATION**

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Consolidating Balance Sheet**

**September 30, 2011  
(With Comparative Totals for September 30, 2010)**

**ASSETS**

	<b>2011</b>				<b>2010</b>
	<b><u>NMC</u></b>	<b><u>NOH</u></b>	<b><u>Eliminations</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
Current assets					
Cash and cash equivalents	\$ 3,450,542	\$ 95,020	\$ -	<b>\$ 3,545,562</b>	\$ 3,259,077
Patient accounts receivable, net	7,036,399	387,199	(25,003)	<b>7,398,595</b>	6,128,498
Other receivables, net	933,246	18,062	(177,936)	<b>773,372</b>	680,717
Supplies	1,630,461	24,071	-	<b>1,654,532</b>	1,553,943
Short-term investments	14,091,120	-	-	<b>14,091,120</b>	9,227,852
Other current assets	624,794	42,008	-	<b>666,802</b>	793,745
Notes receivable, current portion, net	<u>63,004</u>	<u>-</u>	<u>(22,543)</u>	<u><b>40,461</b></u>	<u>42,203</u>
Total current assets	27,829,566	566,360	(225,482)	<b>28,170,444</b>	21,686,035
Assets limited as to use	18,088,748	-	-	<b>18,088,748</b>	18,729,268
Investments	12,336,409	-	-	<b>12,336,409</b>	11,613,797
Beneficial interest in perpetual trusts	659,389	-	-	<b>659,389</b>	622,258
Property and equipment, net	28,746,023	855,486	-	<b>29,601,509</b>	30,266,573
Notes receivable	763,245	-	(763,245)	-	-
Other long-term assets, net	<u>495,039</u>	<u>-</u>	<u>(310,577)</u>	<u><b>184,462</b></u>	<u>196,993</u>
	<b><u>\$ 88,918,419</u></b>	<b><u>\$ 1,421,846</u></b>	<b><u>\$ (1,299,304)</u></b>	<b><u>\$ 89,040,961</u></b>	<b><u>\$ 83,114,924</u></b>

**NORTHWESTERN MEDICAL CENTER, INC.**  
**AND SUBSIDIARIES**

**Consolidating Balance Sheet (Concluded)**

**September 30, 2011**  
**(With Comparative Totals for September 30, 2010)**

**LIABILITIES AND NET ASSETS**

	<b>2011</b>				<b>2010</b>
	<b><u>NMC</u></b>	<b><u>NOH</u></b>	<b><u>Eliminations</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
<b>Current liabilities</b>					
Accounts payable	\$ 3,101,641	\$ 187,392	\$ (202,939)	\$ <b>3,086,094</b>	\$ 3,850,630
Salaries, wages and payroll taxes	2,958,180	138,089	-	<b>3,096,269</b>	2,566,937
Accrued retirement plan contributions	293,996	-	-	<b>293,996</b>	288,365
Other accrued expenses	842,626	-	-	<b>842,626</b>	897,521
Estimated third-party settlements	2,627,000	-	-	<b>2,627,000</b>	2,498,321
Current portion of long-term debt	<u>423,710</u>	<u>22,543</u>	<u>(22,543)</u>	<u><b>423,710</b></u>	<u>393,888</u>
Total current liabilities	10,247,153	348,024	(225,482)	<b>10,369,695</b>	10,495,662
Long-term debt, net of current portion	12,536,680	763,245	(763,245)	<b>12,536,680</b>	12,806,112
Interest rate swaps	<u>1,708,788</u>	<u>-</u>	<u>-</u>	<u><b>1,708,788</b></u>	<u>1,408,129</u>
Total liabilities	<u>24,492,621</u>	<u>1,111,269</u>	<u>(988,727)</u>	<u><b>24,615,163</b></u>	<u>24,709,903</u>
<b>Net assets</b>					
Unrestricted	62,639,492	-	-	<b>62,639,492</b>	56,837,480
Member's equity	-	310,577	(310,577)	<b>-</b>	-
Temporarily restricted	901,676	-	-	<b>901,676</b>	719,941
Permanently restricted	<u>884,630</u>	<u>-</u>	<u>-</u>	<u><b>884,630</b></u>	<u>847,600</u>
Total net assets	<u>64,425,798</u>	<u>310,577</u>	<u>(310,577)</u>	<u><b>64,425,798</b></u>	<u>58,405,021</u>
Total liabilities and net assets	<u><b>\$ 88,918,419</b></u>	<u><b>\$ 1,421,846</b></u>	<u><b>\$(1,299,304)</b></u>	<u><b>\$ 89,040,961</b></u>	<u><b>\$ 83,114,924</b></u>

**NORTHWESTERN MEDICAL CENTER, INC.  
AND SUBSIDIARIES**

**Consolidating Statement of Operations**

**Year Ended September 30, 2011  
(With Comparative Totals for the Year Ended September 30, 2010)**

	<b>2011</b>				<b>2010</b>
	<u>NMC</u>	<u>NOH</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
Unrestricted revenues, gains and other support					
Patient service revenue (net of contractual allowances and discounts)	\$ 80,397,901	\$ 2,133,621	\$ (175,402)	\$ <b>82,356,120</b>	\$ 75,589,020
Less provision for bad debts	<u>4,640,540</u>	<u>130,358</u>	<u>-</u>	<u><b>4,770,898</b></u>	<u>3,929,977</u>
Net patient service revenue	75,757,361	2,003,263	(175,402)	<b>77,585,222</b>	71,659,043
Other operating revenue	949,875	226,208	(218,785)	<b>957,298</b>	789,202
Net assets released from restrictions for operations	<u>348,233</u>	<u>-</u>	<u>-</u>	<u><b>348,233</b></u>	<u>227,721</u>
Total unrestricted revenues, gains and other support	<u>77,055,469</u>	<u>2,229,471</u>	<u>(394,187)</u>	<u><b>78,890,753</b></u>	<u>72,675,966</u>
Expenses					
Salaries and wages	29,835,524	1,310,242	117,720	<b>31,263,486</b>	28,314,875
Employee benefits	7,132,535	297,158	(104,231)	<b>7,325,462</b>	7,562,293
Supplies and expenses	9,931,162	88,270	-	<b>10,019,432</b>	9,715,188
Contracted services	11,088,872	304,500	(359,161)	<b>11,034,211</b>	9,790,474
Depreciation and amortization	3,353,160	52,934	-	<b>3,406,094</b>	3,335,354
Travelers' expense	238,695	-	-	<b>238,695</b>	142,687
Healthcare improvement tax	3,964,661	-	-	<b>3,964,661</b>	2,790,350
Other operating expense	4,495,429	198,458	(125,243)	<b>4,568,644</b>	4,244,923
Interest expense	<u>629,458</u>	<u>25,924</u>	<u>(25,924)</u>	<u><b>629,458</b></u>	<u>508,024</u>
Total expenses	<u>70,669,496</u>	<u>2,277,486</u>	<u>(496,839)</u>	<u><b>72,450,143</b></u>	<u>66,404,168</u>
Income (loss) from operations	<u>6,385,973</u>	<u>(48,015)</u>	<u>102,652</u>	<u><b>6,440,610</b></u>	<u>6,271,798</u>
Nonoperating gains (losses)					
Net investment income	1,583,297	-	22,091	<b>1,605,388</b>	1,540,771
Loss on extinguishment of debt	-	-	-	<b>-</b>	(122,651)
Net gain from rental activities	387,191	-	(76,728)	<b>310,463</b>	345,395
Unrealized loss on interest rate swaps	(300,659)	-	-	<b>(300,659)</b>	(448,086)
Unrealized loss on investments	(2,265,331)	-	-	<b>(2,265,331)</b>	624,732
Other	<u>11,541</u>	<u>-</u>	<u>-</u>	<u><b>11,541</b></u>	<u>(106,856)</u>
Nonoperating (loss) gain, net	<u>(583,961)</u>	<u>-</u>	<u>(54,637)</u>	<u><b>(638,598)</b></u>	<u>1,833,305</u>
Increase (decrease) in unrestricted net assets	<u>\$ 5,802,012</u>	<u>\$ (48,015)</u>	<u>\$ 48,015</u>	<u>\$ <b>5,802,012</b></u>	<u>\$ 8,105,103</u>

