




See a Social Security Number? Say Something!
Report Privacy Problems to <https://public.resource.org/privacy>
Or call the IRS Identity Theft Hotline at 1-800-908-4490



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

A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011		
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	C Name of organization PARTNERS IN HEALTHCARE INC	D Employer identification number 26-1938641
	Doing Business As NORTH CANYON MEDICAL CENTER	E Telephone number (208) 934-8765
	Number and street (or P O box if mail is not delivered to street address) 267 NORTH CANYON DRIVE	Room/suite
	G Gross receipts \$ 17,701,774	
	City or town, state or country, and ZIP + 4 GOODING, ID 83330	
	F Name and address of principal officer DAVID BUTLER CEO 267 NORTH CANYON DRIVE GOODING, ID 83330	H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
I 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		
J Website: ▶ WWW.NCM-C.ORG		
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶	L Year of formation 2008	M State of legal domicile ID

Part I	Summary																								
Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO PROVIDE A WIDE RANGE OF QUALITY HEALTHCARE SERVICES CLOSE TO HOME AND IMPROVE THE HEALTHCARE OF PEOPLE IN OUR REGION																								
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets																								
	<table><tr><td>3 Number of voting members of the governing body (Part VI, line 1a)</td><td>3</td><td>11</td></tr><tr><td>4 Number of independent voting members of the governing body (Part VI, line 1b)</td><td>4</td><td>10</td></tr><tr><td>5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)</td><td>5</td><td>155</td></tr><tr><td>6 Total number of volunteers (estimate if necessary)</td><td>6</td><td></td></tr><tr><td>7a Total unrelated business revenue from Part VIII, column (C), line 12</td><td>7a</td><td>0</td></tr><tr><td>7b Net unrelated business taxable income from Form 990-T, line 34</td><td>7b</td><td></td></tr></table>	3 Number of voting members of the governing body (Part VI, line 1a)	3	11	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	10	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	155	6 Total number of volunteers (estimate if necessary)	6		7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0	7b Net unrelated business taxable income from Form 990-T, line 34	7b							
3 Number of voting members of the governing body (Part VI, line 1a)	3	11																							
4 Number of independent voting members of the governing body (Part VI, line 1b)	4	10																							
5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	155																							
6 Total number of volunteers (estimate if necessary)	6																								
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0																							
7b Net unrelated business taxable income from Form 990-T, line 34	7b																								
Revenue	<table><tr><td>8 Contributions and grants (Part VIII, line 1h)</td><td>Prior Year</td><td>Current Year</td></tr><tr><td>9 Program service revenue (Part VIII, line 2g)</td><td>734,428</td><td>1,911,668</td></tr><tr><td>10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td><td>13,070,410</td><td>15,618,636</td></tr><tr><td>11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td><td>-162,494</td><td>2,089</td></tr><tr><td>12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td><td></td><td>169,381</td></tr><tr><td></td><td>13,642,344</td><td>17,701,774</td></tr></table>	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year	9 Program service revenue (Part VIII, line 2g)	734,428	1,911,668	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	13,070,410	15,618,636	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-162,494	2,089	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		169,381		13,642,344	17,701,774						
	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year																						
	9 Program service revenue (Part VIII, line 2g)	734,428	1,911,668																						
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	13,070,410	15,618,636																						
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-162,494	2,089																						
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		169,381																						
	13,642,344	17,701,774																							
Expenses	<table><tr><td>13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)</td><td>8,714</td><td>550</td></tr><tr><td>14 Benefits paid to or for members (Part IX, column (A), line 4)</td><td></td><td>0</td></tr><tr><td>15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)</td><td>5,623,426</td><td>5,625,191</td></tr><tr><td>16a Professional fundraising fees (Part IX, column (A), line 11e)</td><td></td><td>0</td></tr><tr><td>b Total fundraising expenses (Part IX, column (D), line 25) ▶⁰</td><td></td><td></td></tr><tr><td>17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)</td><td>9,688,677</td><td>11,815,165</td></tr><tr><td>18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)</td><td>15,320,817</td><td>17,440,906</td></tr><tr><td>19 Revenue less expenses Subtract line 18 from line 12</td><td>-1,678,473</td><td>260,868</td></tr></table>	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	8,714	550	14 Benefits paid to or for members (Part IX, column (A), line 4)		0	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	5,623,426	5,625,191	16a Professional fundraising fees (Part IX, column (A), line 11e)		0	b Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰			17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	9,688,677	11,815,165	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	15,320,817	17,440,906	19 Revenue less expenses Subtract line 18 from line 12	-1,678,473	260,868
	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	8,714	550																						
	14 Benefits paid to or for members (Part IX, column (A), line 4)		0																						
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	5,623,426	5,625,191																						
	16a Professional fundraising fees (Part IX, column (A), line 11e)		0																						
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰																								
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	9,688,677	11,815,165																						
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	15,320,817	17,440,906																						
19 Revenue less expenses Subtract line 18 from line 12	-1,678,473	260,868																							
Net Assets or Fund Balances	<table><tr><td></td><td>Beginning of Current Year</td><td>End of Year</td></tr><tr><td>20 Total assets (Part X, line 16)</td><td>34,304,531</td><td>35,287,940</td></tr><tr><td>21 Total liabilities (Part X, line 26)</td><td>25,893,326</td><td>26,615,867</td></tr><tr><td>22 Net assets or fund balances Subtract line 21 from line 20</td><td>8,411,205</td><td>8,672,073</td></tr></table>		Beginning of Current Year	End of Year	20 Total assets (Part X, line 16)	34,304,531	35,287,940	21 Total liabilities (Part X, line 26)	25,893,326	26,615,867	22 Net assets or fund balances Subtract line 21 from line 20	8,411,205	8,672,073												
		Beginning of Current Year	End of Year																						
	20 Total assets (Part X, line 16)	34,304,531	35,287,940																						
	21 Total liabilities (Part X, line 26)	25,893,326	26,615,867																						
22 Net assets or fund balances Subtract line 21 from line 20	8,411,205	8,672,073																							

Part II	Signature Block				
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.					
Sign Here	***** Signature of officer			2012-07-19 Date	
	TIM POWERS CFO Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name THOMAS DINGUS	Preparer's signature THOMAS DINGUS	Date 2012-07-26	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ▶ DINGUS ZARECOR & ASSOCIATES				Firm's EIN ▶
	Firm's address ▶ 12015 E MAIN STE A SPOKANE VALLEY, WA 99206				Phone no ▶ (509) 242-0874
May the IRS discuss this return with the preparer shown above? (see instructions) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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

TO PROVIDE A WIDE RANGE OF QUALITY HEALTHCARE SERVICES CLOSE TO HOME AND IMPROVE THE HEALTHCARE OF PEOPLE IN OUR REGION

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 \$ 1,184,960 including grants of \$) (Revenue \$ 6,000,277)

NORTH CANYON MEDICAL CENTER (NCMC) IS A 15 BED HOSPITAL THAT PROVIDES SERVICES THAT INCLUDE ACUTE CARE, SWING BED CARE FOR THOSE PATIENTS DISCHARGED FROM ACUTE CARE BUT REQUIRE A FEW DAYS ADDITIONAL SKILLED CARE, DIAGNOSTIC IMAGING, DIABETIC EDUCATION, EMERGENCY CARE, LABORATORY SERVICES, REHABILITATION SERVICES, RESPIRATORY THERAPY, SLEEP STUDIES, SOCIAL SERVICES, AND SURGICAL SERVICES NCMC OFFERS STATE OF THE ART RADIOLOGY EQUIPMENT NOT NORMALLY FOUND IN A RURAL SETTING NCMC EMPLOYS ONLY CERTIFIED RADIOLOGIC TECHNOLOGISTS TO PERFORM EXAMS, EACH HAVING SPECIALIZED TRAINING IN THE TYPE OF EXAM BEING GIVEN ALSO, NORTH CANYON MEDICAL CENTER RECEIVED GRANT MONEY FROM THE SUSAN B KOMEN FOUNDATION THAT WAS USED TO FURTHER BREAST CANCER AWARENESS BY PROVIDING FREE BREAST IMAGING TO WOMEN WHO ARE UNINSURED OR UNDERINSURED NCMC PERFORMED 9,660 IMAGING PROCEDURES DURING THE YEAR

4b

(Code) (Expenses \$ 1,146,363 including grants of \$) (Revenue \$ 3,653,157)

NCMC'S MED SURG DEPARTMENT HANDLES ACUTE CARE AS WELL AS SWING BED CARE SWING BED CARE IS FOR THOSE PATIENTS DISCHARGED FROM ACUTE CARE BUT REQUIRE A FEW DAYS ADDITIONAL SKILLED CARE THE HOSPITAL HAD 653 ADMISSIONS IN 2011, OF WHICH 68% WERE MEDICARE THE INPATIENT AVERAGE DAILY CENSUS FOR THE YEAR WAS 5 5 AND THE ACUTE AVERAGE LENGTH OF STAY WAS 3 0 DAYS

4c

(Code) (Expenses \$ 1,029,904 including grants of \$) (Revenue \$ 4,091,374)

NCMC OFFERS A FULL SERVICE LABORATORY DEPARTMENT STAFFED BY A TEAM OF SPECIALISTS THE LABORATORY UTILIZES CUTTING EDGE ANALYZERS AND EQUIPMENT TO ENSURE QUALITY, ACCURATE RESULTS LABORATORY STAFF IS AVAILABLE 24 HOURS A DAY TO ASSIST IN THE CARE OF EMERGENCY ROOM PATIENTS AND PATIENTS ADMITTED TO THE NURSING FLOOR, AS WELL AS OUTPATIENT SERVICES OUR LABORATORY PERFORMS THE FOLLOWING AREAS OF TESTING HEMATOLOGY, CLINICAL CHEMISTRY, IMMUNOASSAY, SEROLOGY, COAGULATION, URINALYSIS AND MICROBIOLOGY EACH YEAR, THE HOSPITAL SPONSORS A HEALTH FAIR IN A NEIGHBORING COMMUNITY AND OFFERS LAB WORK TO PARTICIPANTS AT A DISCOUNTED PRICE NCMC PERFORMED 66,634 LAB PROCEDURES DURING THE YEAR

4d

Other program services (Describe in Schedule O) See also Additional Data for Description
















(Expenses \$ 10,524,900 including grants of \$ 550) (Revenue \$ 1,873,828)

4e

Total program service expenses






\$ 13,886,127

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 	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?		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		No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 		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 		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 		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 	Yes	
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 		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	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. 		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. 		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. 	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 		No
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 		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 	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?		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		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		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		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)		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		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		No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H 	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	Yes	

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance					
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>					
			Yes	No	
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	15		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes		
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	155		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes		
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a			No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	Organizations that may receive deductible contributions under section 170(c).				
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			No
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	Sponsoring organizations maintaining donor advised funds.				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	Section 501(c)(7) organizations. Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b			
11	Section 501(c)(12) organizations. Enter				
a	Gross income from members or shareholders.	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b			
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b			
13	Section 501(c)(29) qualified nonprofit health insurance issuers.				
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b			
c	Enter the amount of reserves on hand.	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b			

Part VI

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a11		
b	Enter the number of voting members included in line 1a, above, who are independent	1b10		
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	Yes	
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 If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)	15b		No
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 ▶ TIM POWERS 267 NORTH CANYON DRIVE GOODING, ID 83330 (208) 934-8765

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) EARL FITZPATRICK PAST CEO/MEM	40.00	X		X				109,710	0	12,522
(2) BOB PHILLIPS INTERIM CEO/	40.00	X		X				46,800	0	0
(3) LUCY OSBORNE CHAIR	1.00	X		X				0	0	0
(4) CONNIE HERBERT VICE CHAIR	1.00	X		X				0	0	0
(5) ELAINE BRYANT SECRETARY	1.00	X		X				0	0	0
(6) KEN RUBY TREASURER	1.00	X		X				0	0	0
(7) PAT NELSON BOARD MEMBER	1.00	X						0	0	0
(8) RICK BASTERRECHEA BOARD MEMBER	1.00	X						0	0	0
(9) JIM MCCAUGHEY BOARD MEMBER	1.00	X						0	0	0
(10) DAVID BUTLER CEO/MEMBER	40.00	X		X				0	0	0
(11) DEVAN JOHNSON INTERIM CEO/	40.00	X		X				0	0	0
(12) JEFF TAYLOR MEMBER	1.00	X						0	0	0
(13) CHRISTINE NEUHOFF MEMBER	1.00	X						0	0	0
(14) F JOHN GIES MD MEMBER	1.00	X						0	0	0
(15) TIM POWERS CFO	40.00			X				60,124	0	0

Part VII

2	Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization	1
---	---	---

Section B. Independent Contractors

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

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 ▶4	
--	--

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		1,911,668						
	b	Membership dues	1b								
	c	Fundraising events	1c								
	d	Related organizations	1d								
	e	Government grants (contributions)	1e	1,881,786							
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	29,882							
	g	Noncash contributions included in lines 1a-1f \$									
	h	Total. Add lines 1a-1f									
	Program Service Revenue	2a							Business Code	15,608,465	15,608,465
PATIENT SERVICE REVENUE, NET			624100								
b		RENTAL INCOME		621110	10,171	10,171					
c											
d											
e											
f		All other program service revenue									
g		Total. Add lines 2a-2f			15,618,636						
Other Revenue		3	Investment income (including dividends, interest and other similar amounts)			2,089			2,089		
	4	Income from investment of tax-exempt bond proceeds . . .									
	5	Royalties									
	6a	Gross Rents		(i) Real	(ii) Personal						
		b	Less rental expenses								
		c	Rental income or (loss)								
	d	Net rental income or (loss)									
	7a	Gross amount from sales of assets other than inventory		(i) Securities	(ii) Other						
		b	Less cost or other basis and sales expenses								
		c	Gain or (loss)								
	d	Net gain or (loss)									
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18									
		a									
		b	Less direct expenses	b							
	c	Net income or (loss) from fundraising events . . .									
	9a	Gross income from gaming activities See Part IV, line 19 . . . a									
		b Less direct expenses b									
		c Net income or (loss) from gaming activities . . .									
10a	Gross sales of inventory, less returns and allowances										
	a										
	b	Less cost of goods sold	b								
c	Net income or (loss) from sales of inventory . . .										
Miscellaneous Revenue				Business Code	59,217			59,217			
11a	FRC MEMBERSHIP			900099							
b	CAFETERIA			722210					56,035		56,035
c	OTHER REVENUE			900099					54,129		54,129
d	All other revenue										
e	Total. Add lines 11a-11d				169,381						
12	Total revenue. See Instructions				17,701,774	15,618,636		171,470			

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	550	550		
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	309,445		309,445	
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	4,376,156	3,624,177	751,979	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9	Other employee benefits	549,359	451,741	97,618	
10	Payroll taxes	390,231	312,774	77,457	
a	Fees for services (non-employees)				
	Management	191,066		191,066	
b	Legal	43,676		43,676	
c	Accounting	139,000		139,000	
d	Lobbying				
e	Professional fundraising services See Part IV, line 17				
f	Investment management fees				
g	Other	3,207,342	2,347,475	859,867	
12	Advertising and promotion	35,745		35,745	
13	Office expenses	1,553,916	1,304,179	249,737	
14	Information technology				
15	Royalties				
16	Occupancy	1,836,071	1,563,483	272,588	
17	Travel	50,658	22,484	28,174	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	13,877	8,897	4,980	
20	Interest	416,799	313,967	102,832	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	2,739,576	2,142,581	596,995	
23	Insurance	14,080		14,080	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	BAD DEBT EXPENSE	1,315,234	1,315,234		
b	OTHER EXPENSES	223,993	96,227	127,766	
c	HEALTH FAIR	34,132	34,132		
d	INDIRECT ALLOCATION		348,226	-348,226	
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	17,440,906	13,886,127	3,554,779	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				1	2,992,898
	2	Savings and temporary cash investments			1,192,783	2	69,493
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			2,239,162	4	1,851,085
	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				7	
	8	Inventories for sale or use			336,080	8	418,205
	9	Prepaid expenses and deferred charges			125,719	9	145,677
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	32,250,778			
	b	Less: accumulated depreciation	10b	5,647,223	29,051,887	10c	26,603,555
	11	Investments—publicly traded securities				11	
	12	Investments—other securities. See Part IV, line 11				12	
	13	Investments—program-related. See Part IV, line 11			610	13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			1,358,290	15	3,207,027
16	Total assets. Add lines 1 through 15 (must equal line 34)			34,304,531	16	35,287,940	
Liabilities	17	Accounts payable and accrued expenses			1,733,422	17	1,564,132
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities				20	
	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			24,159,904	23	25,051,735
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D				25	
	26	Total liabilities. Add lines 17 through 25			25,893,326	26	26,615,867
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			8,411,205	27	8,672,073
	28	Temporarily restricted net assets				28	
	29	Permanently restricted net assets				29	
	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			8,411,205	33	8,672,073
34	Total liabilities and net assets/fund balances			34,304,531	34	35,287,940	

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	17,701,774
2	Total expenses (must equal Part IX, column (A), line 25)	2	17,440,906
3	Revenue less expenses Subtract line 2 from line 1	3	260,868
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	8,411,205
5	Other changes in net assets or fund balances (explain in Schedule O)	5	
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	8,672,073

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	Yes	
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	Yes	

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
PARTNERS IN HEALTHCARE INC

Employer identification number
26-1938641

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 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 stop here 						

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

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

Part IV

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

Additional Data

Software ID:
Software Version:
EIN: 26-1938641
Name: PARTNERS IN HEALTHCARE INC

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

4d. Other program services					
(Code) (Expenses \$	10,524,900	including grants of \$	550) (Revenue \$	1,873,828)
NCMC PROVIDES A WIDE RANGE OF HEALTHCARE SERVICES IN TECHNOLOGICALLY ADVANCED FACILITIES SERVICES INCLUDE OTOLARYNGOLOGY (ENT), GASTROINTESTINAL (GI), ORTHOPEDICS, GYNECOLOGY, GENERAL SURGERY, PAIN MANAGEMENT, AND UROLOGY NORTH CANYON FITNESS AND REHABILITATION CENTER IS THE REHABILITATION SERVICES DEPARTMENT OF NCMC OUR REHABILITATION SERVICES ARE PROVIDED BY TRAINED, LICENSED PROFESSIONALS WHO SPECIALIZE IN PHYSICAL, AQUATIC, OCCUPATIONAL, AND SPEECH THERAPY WE PROVIDE INPATIENT THERAPY AT NCMC AND OUTPATIENT THERAPY AT THE NCMC FITNESS AND REHABILITATION CENTER ADDITIONAL SERVICES PROVIDED BY NCMC INCLUDE NUTRITION SERVICES, A SPECIALTY CLINIC, AND A DURABLE MEDICAL EQUIPMENT LICENSE SO THE HOSPITAL CAN PROVIDE EQUIPMENT TO PATIENTS FOR THEIR HOME USE NCMC PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT BELOW COST AND TO INDIVIDUALS WHO ARE UNABLE TO PAY THE UNREIMBURSED VALUE OF PROVIDING CARE TO THESE PATIENTS WAS 195,280 FOR CHARITY CARE, 3,529,971 FOR MEDICARE, 861,795 FOR MEDICAID, AND 1,889,425 FOR OTHER THIRD PARTY PAYORS FOR THE YEAR					

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
PARTNERS IN HEALTHCARE INC

Employer identification number
26-1938641

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?	
	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit	
	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

Part II

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

1

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

2

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

	Held at the End of the Year
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 ▶ \$ _____

Part III

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

3

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

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☒ No

Part IV

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

1a

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

☒ Yes

☐ No

b

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

	Amount
1c Beginning balance	4,927
1d Additions during the year	27,976
1e Distributions during the year	11,760
1f Ending balance	21,143

2a

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

☐ Yes

☒ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

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

4

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

Part VI

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		394,396		394,396
b Buildings		13,947,350	1,137,361	12,809,989
c Leasehold improvements				
d Equipment		17,909,032	4,509,862	13,399,170
e Other				
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				26,603,555

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	17,701,774
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	17,440,906
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	260,868
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	260,868

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	16,386,540
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	16,386,540
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	1,315,234
c	Add lines 4a and 4b	4c	1,315,234
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	17,701,774

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	16,125,672
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	16,125,672
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	1,315,234
c	Add lines 4a and 4b	4c	1,315,234
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	17,440,906

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
EXPLANATION FOR UNREPORTED CONTRIBUTIONS OR ASSETS	SCHEDULE D, PAGE 2, PART IV, LINE 1B	NCMC HAS AN AUXILIARY THAT OPERATES USING THE EIN OF NCMC. THE INCOME AND EXPENSES OF THE AUXILIARY ARE EXCLUDED FROM THE 990, PART VIII AND IX. THE ASSETS, LIABILITIES, AND EQUITIES ARE ALSO EXCLUDED FROM THE 990, PART X.
LIABILITY UNDER FIN 48 FOOTNOTE	SCHEDULE D, PAGE 3, PART X	NCMC HAS BEEN DETERMINED TO BE EXEMPT FROM FEDERAL INCOME TAXES UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE. ACCORDINGLY, NO PROVISION FOR INCOME TAX IS NECESSARY. THE ORGANIZATION EVALUATES UNCERTAIN TAX POSITIONS WHEREBY THE EFFECT OF THE UNCERTAINTY WOULD BE RECORDED IF THE OUTCOME WAS CONSIDERED PROBABLE AND REASONABLY ESTIMABLE. AS OF SEPTEMBER 30, 2011 AND 2010, THE ORGANIZATION HAD NO UNCERTAIN TAX POSITIONS REQUIRING ACCRUAL.
RECONCILIATION OF CHANGES - OTHER	SCHEDULE D, PAGE 4, PART XI, LINE 8	BAD DEBT EXPENSE NETTED IN REVENUE ON THE FINANCIALS -1,315,234. BAD DEBT EXPENSE NETTED IN REVENUE ON THE FINANCIALS 1,315,234.
REVENUE AMOUNTS INCLUDED ON RETURN - OTHER	SCHEDULE D, PAGE 4, PART XII, LINE 4B	BAD DEBT EXPENSE NETTED IN REVENUE ON THE FINANCIALS 1,315,234.
EXPENSE AMOUNTS INCLUDED ON RETURN - OTHER	SCHEDULE D, PAGE 4, PART XIII, LINE 4B	BAD DEBT EXPENSE NETTED IN REVENUE ON THE FINANCIALS 1,315,234.

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
PARTNERS IN HEALTHCARE INC

Employer identification number
26-1938641

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	Yes	
b	If "Yes," is it a written policy?	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %</div> 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 type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other <u>1.25000</u> %</div> c If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a	Does the organization prepare a community benefit report during the tax year?	Yes	
6b	If "Yes," did the organization make it available to the public?	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H		

7 Financial Assistance and Certain Other Community Benefits at Cost						
Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			126,932		126,932	0 790 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			1,671,983	1,671,983		
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			1,798,915	1,671,983	126,932	0 790 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			36,622	31,765	4,857	0 030 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			2,291,202	992,771	1,298,431	8 050 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			550		550	
j Total Other Benefits			2,328,374	1,024,536	1,303,838	8 080 %
k Total. Add lines 7d and 7j			4,127,289	2,696,519	1,430,770	8 870 %

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		1,239		1,239	0 010 %
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		1,239		1,239	0 010 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	No
2	Enter the amount of the organization's bad debt expense (at cost)	2	854,902
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	7,690,283
6	Enter Medicare allowable costs of care relating to payments on line 5	6	7,614,142
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	76,141
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other		

Section C. Collection Practices

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

Part IV

Management Companies and Joint Ventures

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

Schedule H (Form 990) 2010

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

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

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

Name and address	Type of Facility (Describe)
1	
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 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
EXCLUSIONS FROM PERCENT OF TOTAL EXPENSE	PART I LINE 7 COLUMN F	BAD DEBT EXPENSE INCLUDED ON FORM 990 PART IX LINE 25 COLUMN A OF 1315234 WAS SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN PART I LINE 7 COLUMN F

Identifier	ReturnReference	Explanation
COSTING METHODOLOGY EXPLANATION	PART I LINE 7	THE HOSPITAL APPLIES THE RATIO OF PATIENT CARE COSTTOCHARGES FOR AMOUNTS REPORTED IN THE TABLE TOTAL OPERATING EXPENSES LESS BAD DEBT NONPATIENT CARE ACTIVITIES TOTAL COMMUNITY BENEFIT AND TOTAL COMMUNITY BUILDING EXPENSES

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE EXPLANATION	PART III LINE 4	THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNTS REPORTED ON SCHEDULE H PART III LINE 2 INCLUDES THE COST TO CHARGE RATIO OF PATIENT CARE FOR PART III LINE 3 THE HOSPITAL DOES NOT OFFER DISCOUNTS FOR PAYMENT ON BAD DEBT THE HOSPITAL APPLIES FUNDS COLLECTED ON BAD DEBT AGAINST THE PATIENT ACCOUNT WE ESTIMATE THAT OF THE CHARITY CARE APPLICATIONS GIVEN OUT ABOUT HALF OF THEM COME BACK DURING THE YEAR WE RECORDED 195280 OF CHARITY CARE AT GROSS PATIENT CHARGES WHICH WAS CONVERTED TO 140602 UTILIZING THE COST TO CHARGE RATIO OF PATIENT CARE THEREFORE WE ESTIMATE AN ADDITIONAL 54678 OF BAD DEBT EXPENSE WHICH COULD BE ATTRIBUTABLE TO PATIENTS UNDER THE CHARITY CARE POLICY FOR PART III LINE 4 THE PATIENT ACCOUNTS RECEIVABLE FOOTNOTE OF THE AUDITED FINANCIAL STATEMENTS READS AS FOLLOWS PATIENT RECEIVABLES ARE UNCOLLATERALIZED PATIENT AND THIRDPARTY PAYOR OBLIGATIONS PAYMENTS OF PATIENT RECEIVABLES ARE ALLOCATED TO THE SPECIFIC CLAIMS IDENTIFIED ON THE REMITTANCE ADVICE OR IF UNSPECIFIED ARE APPLIED TO THE EARLIEST UNPAID CLAIM THE CARRYING AMOUNT OF PATIENT RECEIVABLES IS REDUCED BY A VALUATION ALLOWANCE THAT REFLECTS MANagements ESTIMATE OF AMOUNTS THAT WILL NOT BE COLLECTED FROM PATIENTS AND THIRDPARTY PAYORS MANAGEMENT REVIEWS PATIENT RECEIVABLES BY PAYOR CLASS AND APPLIES PERCENTAGES TO DETERMINE ESTIMATED AMOUNTS THAT WILL NOT BE COLLECTED FROM THIRD PARTIES UNDER CONTRACTUAL AGREEMENTS AND AMOUNTS THAT WILL NOT BE COLLECTED FROM PATIENTS DUE TO BAD DEBTS MANAGEMENT CONSIDERS HISTORICAL WRITE OFF AND RECOVERY INFORMATION IN DETERMINING THE ESTIMATED BAD DEBT PROVISION

Identifier	ReturnReference	Explanation
MEDICARE EXPLANATION	PART III LINE 8	ANY MEDICARE ALLOWABLE COSTS ARE OBTAINED FROM THE MEDICARE COST REPORT FOR THE YEAR

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES EXPLANATION	PART III LINE 9B	THE BILLING DEPARTMENT BILLS PATIENTS WITHIN 4 DAYS FROM THE DATE OF SERVICE ON THE 10TH DAY SELF PAY OUTSTANDING ACCOUNTS ARE SENT TO OUR THIRD PARTY BILLER HRMG THE SAME IS TRUE AFTER INSURANCE PAYMENTS ARE MADE AND THE OPEN ACCOUNT GOES TO SELF PAY STATUS THROUGHOUT A FULL 120 DAYS VARIOUS PHONE CALLS AND LETTERS ARE USED TO CONTACT THE PATIENT IN ORDER TO FOLLOWTHROUGH WITH COLLECTION PROCESSES AND TO TRY TO QUALIFY PATIENTS FOR CHARITY CARE OR FINANCIAL ASSISTANCE AFTER 120 DAYS HRMG SENDS A BED DEBT RECOMMENDATION LIST TO THE HOSPITAL TO REVIEW THE DIRECTOR OF PATIENT FINANCIAL SERVICES REVIEWS THIS LIST PRIOR TO SENDING TO AN OUTSIDE COLLECTION AGENCY ANY COLLECTIONS FROM THE OUTSIDE COLLECTION AGENCY ARE APPLIED AS A RECOVERY AGAINST BAD DEBT

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI	THE HOSPITAL ASSESSES THE HEALTH CARE NEEDS OF THE COMMUNITY IT SERVES BY CONSIDERING SERVICES BEYOND THE TYPICAL SCOPE OF A CRITICAL ACCESS HOSPITAL TO DETERMINE WHICH SERVICES TO PROVIDE BASED UPON STATISTICAL ANALYSIS AND SERVICE REQUIREMENTS THAT THE COMMUNITY IS DEMANDING

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI	THE HOSPITAL HAS A PATIENT FINANCIAL SERVICES PFS DEPARTMENT THAT STRIVES TO TREAT ALL PATIENTS EQUITABLY WITH DIGNITY RESPECT AND COMPASSION PFS INFORMS PATIENTS ABOUT PROGRAMS AVAILABLE INCLUDING THE CHARITY CARE PROGRAM IF THE PATIENT IS INTERESTED IN THE PROGRAM PFS WILL VERBALLY INFORM THE PATIENT ABOUT THE GUIDELINES ANDOR SEND FORMS THAT ARE REQUIRED TO JOIN THE PROGRAMS

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI	GOODING IDAHO IS A RURAL COMMUNITY WITH APPROXIMATELY 3400 RESIDENTS THERE ARE TWO OTHER HOSPITALS IN COMMUNITIES WITHIN 35 MILES THE MARKET PLACE IS PRIMARILY COMPRISED OF MEDICAID AND MEDICARE RESIDENTS DEMONSTRATED BY THE HOSPITALS PAYOR MIX MEDICAID AND MEDICARE MAKE UP APPROXIMATELY 75 OF THIS MIX

Identifier	ReturnReference	Explanation
HEALTH OF COMMUNITY IN RELATION TO EXEMPT PURPOSE	PART VI	THE HOSPITALS BOARD OF DIRECTORS IS PRIMARILY MADE UP OF RESIDENTS IN THE SURROUNDING COMMUNITY THE HOSPITAL DOES EXTEND MEDICAL STAFF PRIVELEGES TO QUALIFIED PHYSICIANS IN THE COMMUNITY THE MEDICAL STAFF IS RESPONSIBLE FOR PAYING FOR THEIR OWN MEDICAL EDUCATION AND MONEY IS NOT SPENT ON RESEARCH THEREFOR THE HOSPITAL DOES NOT SPEND SURPLUS FUNDS IN THIS MANNER HOWEVER IF THERE ARE SURPLUS FUNDS THE ORGANIZATION WOULD EVALUATE SPENDING ON ADDITIONAL SERVICES TO PATIENTS THE HOSPITAL ALSO PROMOTES HEALTH IN THE COMMUNITY BY OFFERING THE FOLLOWING SERVICES THE HOSPITAL OPERATES AN EMERGENCY ROOM THAT IS AVAILABLE TO ALL REGARDLESS OF ABILITY TO PAY THE HOSPITAL PARTICIPATES IN EDUCATION OF HEALTHCARE PROFESSIONALS THE HOSPITAL PARTICIPATES IN GOVERNMENT SPONSORED HEALTH PROGRAMS SUCH AS MEDICARE AND MEDICAID THE HOSPITAL HAS VOLUNTEER OPPORTUNITIES AVAILABLE THE HOSPITAL SPONSORS AN ANNUAL HEALTH FAIR THAT GIVES COMMUNITY MEMBERS OPPORTUNITIES TO HAVE TESTS PERFORMED THE HOSPITAL HAS A FREE SPECIALTY CLINIC THAT IS OPEN ONE NIGHT A WEEK

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE INFORMATION	PART VI	NA

Identifier	ReturnReference	Explanation
ADDITIONAL INFORMATION	PART VI	THE COMMUNITY BENEFIT REPORT IS MADE PUBLIC AT THE REQUEST OF GOODING MEMORIAL HOSPITAL DISTRICT IT IS AVAILABLE UPON REQUEST

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 PARTNERS IN HEALTHCARE INC	Employer identification number 26-1938641
--	--

Identifier	Return Reference	Explanation
EXPLANATION ON VOLUNTEERS AND TYPES OF SERVICES OR BENEFITS	FORM 990, PAGE 1, PART I, LINE 6	VOLUNTEERS CONTRIBUTE THEIR TIME AND TALENTS TO ENHANCE THE HOSPITAL FOUNDATION, THRIFT STORE, AND INTERNAL VOLUNTEER POSITIONS

Identifier	Return Reference	Explanation
ANY SIGNIFICANT NEW PROGRAM SERVICES NOT LISTED ON A PRIOR RETURN	FORM 990, PAGE 2, PART III, LINE 2	IN 2011, NCMC EXPANDED ITS SURGICAL PROCEDURES TO INCLUDE OUTPATIENT SPINE SURGERY DR DAVID VERST BEGAN PROCEDURES IN SEPTEMBER 2011 AND OFFERS A VARIETY OF PROCEDURES INCLUDING ANTERIOR CERVICAL FUSION DISCECTOMY LAMINECTOMY POSTERIOR LUMBAR INTERBODY FUSION

Identifier	Return Reference	Explanation
FIRST ACHIEVEMENT DESCRIPTION	FORM 990, PAGE 2, PART III, LINE 4A	FROM THE SUSAN B KOMEN FOUNDATION THAT WAS USED TO FURTHER BREAST CANCER AWARENESS BY PROVIDING FREE BREAST IMAGING TO WOMEN WHO ARE UNINSURED OR UNDERINSURED NCMC PERFORMED 9,660 IMAGING PROCEDURES DURING THE YEAR

Identifier	Return Reference	Explanation
ALL OTHER ACHIEVEMENTS DESCRIPTION	FORM 990, PAGE 2, PART III, LINE 4D	NCMC PROVIDES A WIDE RANGE OF HEALTHCARE SERVICES IN TECHNOLOGICALLY ADVANCED FACILITIES SERVICES INCLUDE OTOLARYNGOLOGY (ENT), GASTROINTESTINAL (GI), ORTHOPEDICS, GYNECOLOGY, GENERAL SURGERY, PAIN MANAGEMENT, AND UROLOGY NORTH CANYON FITNESS AND REHABILITATION CENTER IS THE REHABILITATION SERVICES DEPARTMENT OF NCMC OUR REHABILITATION SERVICES ARE PROVIDED BY TRAINED, LICENSED PROFESSIONALS WHO SPECIALIZE IN PHYSICAL, AQUATIC, OCCUPATIONAL, AND SPEECH THERAPY WE PROVIDE INPATIENT THERAPY AT NCMC AND OUTPATIENT THERAPY AT THE NCMC FITNESS AND REHABILITATION CENTER ADDITIONAL SERVICES PROVIDED BY NCMC INCLUDE NUTRITION SERVICES, A SPECIALTY CLINIC, AND A DURABLE MEDICAL EQUIPMENT LICENSE SO THE HOSPITAL CAN PROVIDE EQUIPMENT TO PATIENTS FOR THEIR HOME USE NCMC PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT BELOW COST AND TO INDIVIDUALS WHO ARE UNABLE TO PAY THE UNREIMBURSED VALUE OF PROVIDING CARE TO THESE PATIENTS WAS 195,280 FOR CHARITY CARE, 3,529,971 FOR MEDICARE, 861,795 FOR MEDICAID, AND 1,889,425 FOR OTHER THIRD PARTY PAYORS FOR THE YEAR

Identifier	Return Reference	Explanation
MANAGEMENT DELEGATED	FORM 990, PAGE 6, PART VI, LINE 3	NCMC UTILIZES AN EMPLOYEE OF ST LUKE'S HEALTH SYSTEM FOR ITS CHIEF EXECUTIVE OFFICER

Identifier	Return Reference	Explanation
CLASSES OF MEMBERS OR STOCKHOLDERS	FORM 990, PAGE 6, PART VI, LINE 6	THERE ARE TWO CLASSES OF MEMBERS, CLASS A AND CLASS B THE CLASS A MEMBER IS GOODING COUNTY MEMORIAL HOSPITAL DISTRICT WHICH HAS 840 VOTING UNITS AND THE CLASS B MEMBER IS ST LUKE'S HEALTH SYSTEM, LTD WHICH HAS 160 VOTING UNITS

Identifier	Return Reference	Explanation
ELECTION OF MEMBERS AND THEIR RIGHTS	FORM 990, PAGE 6, PART VI, LINE 7A	CLASS A MEMBERS ELECT 84% OF THE DIRECTORS AND CLASS B MEMBERS ELECT 16% OF THE MEMBERS

Identifier	Return Reference	Explanation
DECISIONS SUBJECT TO APPROVAL OF MEMBERS	FORM 990, PAGE 6, PART VI, LINE 7B	THE MAJORITY OF THE CLASS A DIRECTORS AND THE CLASS B DIRECTORS MUST APPROVE THE FOLLOWING 1) AMENDMENT TO THE BYLAWS 2) ANY ACTIVITY OUTSIDE THE CORPORATION'S ORDINARY COURSE OF BUSINESS 3) ANNUAL BUDGET 4) ADOPTION OF THE CORPORATION'S THREE-YEAR STRATEGIC PLAN AND ANY MODIFICATIONS 5) CONTRACTING OR INCURRING OF ANY LIABILITY FOR OR ON BEHALF OF THE CORPORATION IN THE ORDINARY COURSE OF BUSINESS IN EXCESS OF 10,000 AT ANY ONE TIME 6) CAPITAL EXPENDITURES IN EXCESS OF 10,000 IF NOT IN THE BUDGET 7) TRANSFER OF VOTING RIGHTS, MERGERS, CONSOLIDATIONS OF OTHER BUSINESS COMBINATIONS 8) CONTRACTS WITH A MEMBER OR AN AFFILIATE OF A MEMBER OF WHICH THE MEMBER HAS DIRECT ECONOMIC INTEREST

Identifier	Return Reference	Explanation
ORGANIZATION'S PROCESS USED TO REVIEW FORM 990	FORM 990, PAGE 6, PART VI, LINE 11B	A COPY OF THE 990 IS PROVIDED TO THE CFO AND CONTROLLER WHO REVIEW THE FORM, SCHEDULES AND RELATED ATTACHMENTS ANY COMMENTS OR QUESTIONS ARE ADDRESSED WITH THE PREPARER AND A FINAL DRAFT IS PRESENTED TO THE FINANCE COMMITTEE OF THE BOARD THE FINANCE COMMITTEE MAKES A MOTION TO APPROVE THE 990 ONCE THE BOARD HAS APPROVED THE 990, THE CFO AUTHORIZES THE PREPARER TO FINALIZE THE RETURN

Identifier	Return Reference	Explanation
ENFORCEMENT OF CONFLICTS POLICY	FORM 990, PAGE 6, PART VI, LINE 12C	A CONFLICT OF INTEREST POLICY CERTIFICATION IS SIGNED BY OFFICERS AND BOARD MEMBERS OF THE ORGANIZATION WHEN THEY BECOME AN EMPLOYEE OR BOARD MEMBER, AND IS UPDATED ANNUALLY FOR ANY CHANGES. OFFICERS AND BOARD MEMBERS ARE SUBJECT TO SELF DISCLOSURE IN THE INTERIM. AT ALL LEVELS THE BOARD IS RESPONSIBLE TO ASSESS, REVIEW AND RESOLVE SUCH CONFLICTS. WHERE A CONFLICT EXISTS, THE AFFECTED PARTIES MUST EXCUSE THEMSELVES FROM PARTICIPATION IN THE SITUATION.

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR TOP OFFICIAL	FORM 990, PAGE 6, PART VI, LINE 15A	ST LUKE'S HEALTH SYSTEM (SLHS) BOARD OF DIRECTORS HAS THE RESPONSIBILITY OF DETERMINING THE COMPENSATION OF THE CEO AND MAKES THE NCMC BOARD AWARE OF THE PAY IF THERE ARE ANY CONCERNS, THEY ARE TAKEN INTO CONSIDERATION SLHS PAY OFFER IS BASED ON MARKET EVALUATIONS AND CURRENT SLHS PAY PRACTICES THE EVALUATION PROCESS LAST TOOK PLACE IN APRIL 2011

Identifier	Return Reference	Explanation
GOVERNING DOCUMENTS DISCLOSURE EXPLANATION	FORM 990, PAGE 6, PART VI, LINE 19	NCMC MAKE ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY , AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST

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
PARTNERS IN HEALTHCARE INC

Employer identification number
26-1938641

Part I

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

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

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) GOODING COUNTY MEMORIAL HOSPITAL DISTRICT 1120 MONTANA STREET GOODING, ID 83330 82-6001356	HEALTHCARE	ID	GOVT		NA		No

Part III

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

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

Part IV

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

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

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by other organization(s)

f

Sale of assets to other organization(s)

g

Purchase of assets from other organization(s)

h

Exchange of assets

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees

o

Reimbursement paid to other organization for expenses

p

Reimbursement paid by other organization for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

Yes

No

No

No

No

No

No

No

No

No

No

Yes

No

No

No

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) GOODING COUNTY MEMORIAL HOSPITAL DISTRICT	C	766,635	FAIR MARKET VALUE
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2010

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

[illegible]

Part VII

Supplemental Information

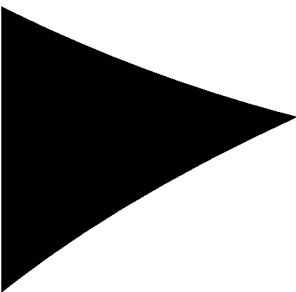
Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation
------------	------------------	-------------

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as
North Canyon Medical Center**

Combined Basic Financial Statements
and Independent Auditors' Reports

September 30, 2011 and 2010



**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Table of Contents**

	Page
<i>INDEPENDENT AUDITORS' REPORT</i>	1-2
<i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i>	3-7
<i>COMBINED BASIC FINANCIAL STATEMENTS</i>	
Combined balance sheets	8-9
Combined statements of revenues, expenses, and changes in net assets	10
Combined statements of cash flows	11-12
Notes to combined basic financial statements	13-25
<i>SUPPLEMENTAL INFORMATION</i>	
Combining balance sheets	26
Combining statements of revenues, expenses, and changes in net assets	27
<i>SINGLE AUDIT</i>	
AUDITORS' SECTION	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	28-29
Independent auditors' report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133	30-31
Schedule of audit findings and questioned costs	32-37
AUDITEE'S SECTION	
Schedule of expenditures of federal awards	38
Corrective action plan	39
Summary schedule of prior audit findings	40-41



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Gooding County Memorial Hospital District and
Partners in Healthcare, Inc
doing business as North Canyon Medical Center
Gooding, Idaho

We have audited the accompanying combined basic financial statements of Gooding County Memorial Hospital District and Partners in Healthcare, Inc. doing business as North Canyon Medical Center (the Organization) as of and for the year ended September 30, 2011, as listed in the table of contents. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the combined financial statements based on our audit. The combined financial statements of the Organization as of September 30, 2010, were audited by other auditors whose report dated February 28, 2011, expressed an unqualified opinion on the combined statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2012, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the combined basic financial statements. Such information, although not a part of the combined basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined basic financial statements, and other knowledge we obtained during our audit of the combined basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the Organization's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the combined financial statements. The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
February 14, 2012

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Management's Discussion and Analysis
September 30, 2011 and 2010**

Our discussion and analysis of Gooding County Memorial Hospital District and Partners in Healthcare, Inc. doing business as North Canyon Medical Center's (the Organization) financial performance provides an overview of the Organization's financial activities for the fiscal years ended September 30, 2011 and 2010. Please read it in conjunction with the Organization's combined financial statements, which begin on page 8.

Financial Highlights

- The Organization's net assets increased by \$256,952, or 3%, in 2011 and decreased by \$1,978,485, or 18.9%, in 2010.
- The Organization reported operating income of \$1,347,738 in 2011 and an operating loss of (\$1,265,521) in 2010. Operating income in 2011 increased by \$2,613,259, or 206.5%, over the loss reported in 2010. Operating income in 2010 decreased by \$1,964,068, or 281.2%.
- Nonoperating revenues increased by \$86,389, or 12.1%, in 2011 compared to 2010. Nonoperating revenues decreased in 2010 by \$116,966, or 14.1%, compared to 2009.

Using This Annual Report

The Organization's combined financial statements consist of three statements—the Combined Balance Sheets, the Combined Statements of Revenues, Expenses, and Changes in Net Assets, and the Combined Statements of Cash Flows. These combined financial statements and related notes provide information about the activities of the Organization, including resources held by the Organization but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Combined Balance Sheets and Combined Statements of Revenues, Expenses, and Changes in Net Assets

Our analysis of the Organization's finances begins on page 8. One of the most important questions asked about the Organization's finances is, "Is the Organization as a whole better or worse off as a result of the year's activities?" The Combined Balance Sheets and the Combined Statements of Revenues, Expenses, and Changes in Net Assets report information about the Organization's resources and its activities in a way that helps answer this question. These combined statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two combined statements report the Organization's net assets and changes in them. You can think of the Organization's net assets—the difference between assets and liabilities—as one way to measure the Organization's financial health, or financial position. Over time, increases or decreases in the Organization's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Organization's patient base and measures of the quality of service it provides to the community, as well as the local economic factors to assess the overall health of the Organization.

The Combined Statements of Cash Flows

The final required statements are the Combined Statements of Cash Flows. The combined statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Management's Discussion and Analysis (Continued)
September 30, 2011 and 2010

The Organization's Net Assets

The Organization's net assets are the difference between its assets and liabilities reported in the Combined Balance Sheets on pages 8 and 9. The Organization's net assets increased by \$256,952, or 3%, in 2011 and decreased by \$1,978,485, or 18.9%, in 2010, as shown in Table 1.

Table 1: Assets, Liabilities, and Net Assets

	2011	2010	2009
<i>Assets</i>			
Current assets	\$ 7,118,702	\$ 4,155,460	\$ 4,249,715
Capital assets, net	26,657,624	29,109,870	14,878,560
Other long-term assets	1,565,683	1,270,717	1,248,106
Total assets	35,342,009	34,536,047	20,376,381
<i>Liabilities</i>			
Long-term debt outstanding	25,051,735	24,159,906	8,761,205
Other current and noncurrent liabilities	1,564,132	1,906,951	1,167,501
Total liabilities	26,615,867	26,066,857	9,928,706
<i>Net assets</i>			
Invested in capital assets	2,528,053	5,418,739	6,117,355
Restricted	425,883	140,412	128,807
Unrestricted	5,772,206	2,910,039	4,201,513
Total net assets	8,726,142	8,469,190	10,447,675
Total liabilities and net assets	\$ 35,342,009	\$ 34,536,047	\$ 20,376,381

Significant components of the change in the Organization's assets are the increases in cash and cash equivalents, estimated third-party payor settlements, and electronic health records incentive payment receivable. Cash and cash equivalents increased by \$1,578,129, or 159.6%, in 2011. Estimated third-party payor settlements increased by \$515,000, or 110.8%, in 2011. Electronic health records incentive payment receivable increased by \$1,115,151 in 2011.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Management's Discussion and Analysis (Continued)
September 30, 2011 and 2010

Operating Results and Changes in the Organization's Net Assets

In 2011, the Organization's operating income increased by \$2,613,259, or 206.5%, over the loss reported in 2010. Operating income in 2010 decreased by \$1,964,068, or 281.2%. The Organization's net assets increased by \$256,952, or 3%, in 2011 and decreased by \$1,978,485, or 18.9%, in 2010, as shown in Table 2.

Table 2: Operating Results and Changes in Net Assets

	2011	2010	2009
<i>Operating revenues</i>			
Net patient service revenues	\$ 14,293,231	\$ 10,983,604	\$ 9,819,222
Electronic health records incentive payment	1,115,151	-	-
Other operating revenues	179,552	99,457	41,953
Total operating revenues	15,587,934	11,083,061	9,861,175
<i>Operating expenses</i>			
Salaries and benefits	5,475,529	5,481,499	4,359,213
Medical supplies and drugs	1,377,755	1,323,165	1,209,024
Depreciation and amortization	2,743,491	1,793,253	487,442
Other operating expenses	4,643,421	3,750,665	3,106,947
Total operating expenses	14,240,196	12,348,582	9,162,626
<i>Operating gain (loss)</i>	1,347,738	(1,265,521)	698,549
<i>Nonoperating revenues and expenses</i>			
Property taxes	766,635	689,413	672,688
Investment income	2,089	7,180	33,755
Noncapital grants and contributions	29,882	15,624	122,740
Interest expense	(1,889,392)	(1,026,868)	(6,178)
Loss on disposal of fixed assets	-	(421,473)	-
Total nonoperating revenues (expenses), net	(1,090,786)	(736,124)	823,005
Revenues in excess of (less than) expenses before capital contributions	256,952	(2,001,645)	1,521,554
<i>Capital contributions</i>	-	23,160	22,665
Increase (decrease) in net assets	256,952	(1,978,485)	1,544,219
Net assets, beginning of year	8,469,190	10,447,675	8,903,456
Net assets, end of year	\$ 8,726,142	\$ 8,469,190	\$ 10,447,675

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Management's Discussion and Analysis (Continued)
September 30, 2011 and 2010**

Operating Income (Loss)

The first component of the overall change in the Organization's net assets is its operating income (loss). The Organization has reported an operating gain of \$1,347,738 in 2011 and an operating loss of (\$1,265,521) in 2010. This is consistent with the Organization's entire operating history. The Organization's hospital operations were begun in 1987 as a municipal hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, allowing the facility to offset bad debt and charity care costs. The operating gain in 2011 increased by \$2,613,259, or 206.5%, over the loss reported in 2010. The operating loss in 2010 decreased by \$1,964,068, or 281.2%.

The primary component of the increased operating gain is the increase in net patient service revenue of \$3,309,627, or 30.1%, in 2011. Net patient service revenue increased by \$1,164,382, or 11.9%, in 2010.

The hospital's primary insurance payer is Medicare. While the percent of total gross patient revenue from 2010 to 2011 for Medicare remained at 50%, the reimbursement rate associated with Medicare claims increased significantly because of the facility's increased cost to charge ratio associated with the construction of the new facility in 2010 and related equipment costs. The decrease in the aggregate contractual allowances from 36.4% in 2010 to 28.4% in 2011 is directly associated with this increase in reimbursement rates from Medicare.

Employee salary and benefits costs decreased by \$5,970, or 0.1%, in 2011 and increased by \$1,122,286, or 25.7%, in 2010 due to the increased staffing levels as a result of the move into the new facility in March 2010. FTE's from 2010 to 2011 remained static.

The rate of healthcare inflation has a direct effect on the cost of services provided by the Organization. A component of the Organization's costs are expenses for medical supplies and prescription drugs. In 2011, medical supplies and prescription drug costs totaled approximately \$1.4 million, or 9.7%, of total operating expenses and an increase of 4.1% over 2010. Some of the major factors contributing to the increase in medical supplies in 2011 were an increase in surgeries performed during the year, as well as an increase in outpatient visits. In 2010, medical supplies and prescription drug costs totaled approximately \$1.3 million, or 10.7%, of total operating expenses and an increase of 9.4% over 2009.

The Organization sometimes provides care for patients who have little or no health insurance or other means of repayment. As discussed, this service to the community is consistent with the goals established for the Organization when it was established in 1987. The level of services provided to these patients increased by \$155,334 in 2011 compared to 2010. In 2010, the costs of uncompensated care decreased by \$71,976. Because there is no expectation of repayment, charity care is not reported as patient service revenues of the Organization.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of property taxes levied by the Organization and grants and contributions. Tax revenue funded by the Gooding County Memorial Hospital District totaled \$766,635 and \$689,413 in 2011 and 2010, respectively. The increase of approximately \$77,000 in 2011 is the result of an estimate received from the Office of the County Clerk of Gooding County of property tax delinquencies of previous years to be collected during the current taxing year. The District began operations in 1918 as a county hospital and in 1987 converted to a government district hospital. Both as a county and district hospital it was understood that a portion of its costs would be subsidized by property tax revenues, making services accessible to the County's lower income residents.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Management's Discussion and Analysis (Continued)
September 30, 2011 and 2010**

Grants, Contributions, and Endowments

The Organization receives both capital and operating grants from various state and federal agencies for specific programs. These are discussed in detail in Note 1(b) to the combined financial statements. Grants received in 2011 totaled \$29,882 and were comprised primarily of federal grants.

The Organization's Cash Flows

Changes in the Organization's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses, discussed earlier, with one exception. Cash flows provided by operating activities increased more than operating gain in 2011 primarily as a result of a decrease in net patient accounts receivable of approximately \$900,000.

Capital Asset and Debt Administration

Capital Assets

At the end of 2011, the Organization had \$26.7 million invested in capital assets, net of accumulated depreciation, as detailed in Note 7 to the combined financial statements. In 2011, the Organization purchased new capital assets costing \$291,245. In 2010, the Organization purchased new capital assets costing \$17,103,034. The Organization does not anticipate significant capital additions during fiscal 2012.

Debt

At year end, the Organization had \$25,051,735 in mortgage note payable. The Organization incurred approximately \$1.3 million of additional debt in 2011 and \$15.4 million in 2010. The \$1.3 million was comprised of an additional \$773,880 received from the mortgage lender as an additional line item transfer, \$442,963 retainage to the general contractor, and \$43,391 of costs associated with closing.

Other Economic Factors

The Organization is located in a small rural community that has an agriculture-based economy. Like many small rural communities, economic and population growth is slight at best, if not declining. At this time, changes in the area economy are more realignments within agriculture such as larger but fewer farms and dairies, with the consequence being fewer people consuming health care services. In summary, the Organization is not located in a robust economic environment. Increase in hospital service revenue will likely be more the result of added or enhanced services, rather than increased volume through population growth. There are two other hospitals within a 50-mile radius. One is a brand new replacement facility with 186 beds and is a referral hospital for the area. The other hospital is also a Critical Access Hospital which provides surgery and obstetrical services, of which obstetrical is not available at this Organization. The Organization is the only independent hospital in this 50-mile radius.

Contacting the Organization's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional information, contact the Organization's Administrative Office at North Canyon Medical Center, 267 North Canyon Drive, Gooding, ID 83330.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Combined Balance Sheets
September 30, 2011 and 2010

ASSETS	2011	2010
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,567,015	\$ 988,886
Receivables		
Patient, net of estimated uncollectibles of \$919,251 and \$1,267,000, respectively	1,851,085	2,233,931
Estimated third-party payor settlements	980,000	465,000
Electronic health records incentive payment receivable	1,115,151	-
Other	41,569	5,843
Inventories	418,205	336,080
Prepaid expenses	145,677	125,720
Total current assets	7,118,702	4,155,460
<i>Noncurrent assets</i>		
Cash and cash equivalents restricted by mortgage agreement	425,883	140,456
Cash and cash equivalents designated by Board for funded depreciation	69,493	63,438
Deferred financing costs, net of accumulated amortization	1,070,307	1,066,823
Capital assets, net	26,657,624	29,109,870
Total noncurrent assets	28,223,307	30,380,587
Total assets	\$ 35,342,009	\$ 34,536,047

See accompanying notes to combined basic financial statements

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Combined Balance Sheets (Continued)
September 30, 2011 and 2010

LIABILITIES AND NET ASSETS	2011	2010
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 458,202	\$ 430,871
Current maturities of capital lease obligation	-	17,986
Accounts payable	929,432	696,015
Construction accounts payable	-	442,963
Estimated third-party payor settlements	-	173,532
Accrued compensation and related liabilities	486,557	439,356
Accrued interest payable	148,143	155,085
Total current liabilities	2,022,334	2,355,808
<i>Long-term debt, less current maturities</i>	24,593,533	23,711,049
Total liabilities	26,615,867	26,066,857
<i>Net assets</i>		
Invested in capital assets, net of related debt	2,528,053	5,418,739
Restricted	425,883	140,412
Unrestricted	5,772,206	2,910,039
Total net assets	8,726,142	8,469,190
Total liabilities and net assets	\$ 35,342,009	\$ 34,536,047

See accompanying notes to combined basic financial statements

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Combined Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended September 30, 2011 and 2010

	2011	2010
<i>Operating revenues</i>		
Net patient service revenue, net of provision for bad debts of \$1,315,234 and \$1,996,682, respectively	\$ 14,293,231	\$ 10,983,604
Electronic health records incentive payment	1,115,151	-
Other revenue	179,552	99,457
Total operating revenues	15,587,934	11,083,061
<i>Operating expenses</i>		
Salaries and wages	4,521,686	4,188,101
Employee benefits	953,843	1,293,398
Professional fees	1,879,792	1,829,609
Supplies	1,377,755	1,323,165
Purchased services	1,850,954	1,143,887
Utilities	202,060	169,111
Rental and leases	117,526	113,763
Depreciation and amortization	2,743,491	1,793,253
Insurance	195,844	138,888
Other	397,245	355,407
Total operating expenses	14,240,196	12,348,582
<i>Operating gain (loss)</i>	1,347,738	(1,265,521)
<i>Nonoperating revenues (expenses)</i>		
Taxes	766,635	689,413
Investment income	2,089	7,180
Grants	29,882	15,624
Interest expense	(1,889,392)	(1,026,868)
Loss on disposal of fixed assets	-	(421,473)
Total nonoperating revenues (expenses), net	(1,090,786)	(736,124)
Excess of revenues (expenses) before capital contributions	256,952	(2,001,645)
<i>Capital contributions</i>	-	23,160
Change in net assets	256,952	(1,978,485)
Net assets, beginning of year	8,469,190	10,447,675
Net assets, end of year	\$ 8,726,142	\$ 8,469,190

See accompanying notes to combined basic financial statements

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Combined Statements of Cash Flows
Years Ended September 30, 2011 and 2010

	2011	2010
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 13,987,545	\$ 9,750,803
Other receipts and payments	189,297	177,889
Payments to or on behalf of employees	(5,428,328)	(5,345,462)
Payments to suppliers, contractors, and others	(5,889,841)	(4,924,772)
Net cash provided by (used in) operating activities	2,858,673	(341,542)
<i>Cash flows from noncapital financing activities</i>		
Taxes received	721,164	694,001
Grants	29,882	15,624
Net cash provided by noncapital financing activities	751,046	709,625
<i>Cash flows from capital and related financing activities</i>		
Payments for capital assets	(734,208)	(16,003,071)
Repayment of long-term debt	(368,405)	(47,781)
Proceeds from long-term debt	1,260,234	15,446,482
Interest paid on long-term debt, net of amount capitalized	(1,852,818)	(871,783)
Payments for debt issuance costs	(47,000)	(653,432)
Capital contributions	-	23,160
Net cash used in capital and related financing activities	(1,742,197)	(2,106,425)
<i>Cash flows from investing activities</i>		
Proceeds from the sales of investments	-	63,000
Investment income	2,089	7,180
Net cash provided by investing activities	2,089	70,180
Increase (decrease) in cash and cash equivalents	1,869,611	(1,668,162)
Cash and cash equivalents, beginning of year	1,192,780	2,860,942
Cash and cash equivalents, end of year	\$ 3,062,391	\$ 1,192,780

See accompanying notes to combined basic financial statements

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Combined Statements of Cash Flows (Continued)
Years Ended September 30, 2011 and 2010

	2011	2010
<i>Reconciliation of cash and cash equivalents to the combined balance sheets</i>		
Cash and cash equivalents in current assets	\$ 2,567,015	\$ 988,886
Cash and cash equivalents restricted by mortgage agreement	425,883	140,456
Cash and cash equivalents designated by Board for funded depreciation	69,493	63,438
Total cash and cash equivalents	\$ 3,062,391	\$ 1,192,780
<i>Reconciliation of operating gain (loss) to net cash provided by (used in) operating activities</i>		
Operating gain (loss)	\$ 1,347,738	\$ (1,265,521)
<i>Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities</i>		
Depreciation and amortization	2,743,491	1,793,253
Provision for bad debts	1,315,234	1,996,682
Decrease (increase) in assets		
Receivables		
Patient, net	(932,388)	(2,447,772)
Estimated third-party pay or settlements	(515,000)	(465,000)
Electronic health records incentive payment	(1,115,151)	-
Other	9,745	78,432
Inventories	(82,125)	(188,915)
Prepaid expenses	(19,957)	15,897
Increase (decrease) in liabilities		
Accounts payable	233,417	322,076
Estimated third-party pay or settlements payable	(173,532)	(316,711)
Accrued compensation and related liabilities	47,201	136,037
Net cash provided by (used in) operating activities	\$ 2,858,673	\$ (341,542)

See accompanying notes to combined basic financial statements

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements
Years Ended September 30, 2011 and 2010**

1. Description of Reporting Entity and Summary of Significant Accounting Policies:

The combined financial statements include the accounts of Gooding County Memorial Hospital District (the District), and its component unit, Partners in Healthcare, Inc. doing business as North Canyon Medical Center (PIH), collectively referred to as the Organization. These combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The significant accounting policies of the Organization are described below.

a. Reporting Entity

Gooding County Memorial Hospital District is the primary government taxing entity. Partners in Healthcare, Inc. doing business as North Canyon Medical Center owns and operates a 15-bed critical access hospital located in Gooding, Idaho. The District is empowered to levy property taxes to sustain PIH's operations. The District also reviews how PIH utilizes taxes received from the District. The District is not a component unit of another reporting entity and is under no continuing obligation to distribute property taxes to PIH, unless a two-thirds majority vote is reached. The Board of Trustees consists of seven community members elected to seven-year terms.

The accompanying combined financial statements include the activities of the District and its component unit, PIH. The District maintains control over PIH through a majority voting member position of the Board of Directors. Generally accepted accounting principles provide guidance to determine whether certain organizations should be reported as a component unit based on the nature and significance of the relationship. The District has determined that PIH meets this definition for inclusion in the District's financial statements as a blended component unit. PIH's fiscal year ends on September 30, and the accompanying financial statements include financial information for its fiscal years ended September 30, 2011 and 2010. Although it is a separate legal entity from the District, PIH is reported as if it were part of the primary government because of control features contained within the bylaws of PIH.

b. Summary of Significant Accounting Policies

Enterprise fund accounting – The Organization utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Organization has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2011 and 2010

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents – Cash and cash equivalents include highly liquid investments with an original maturity of three months or less

Patient receivables – Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice, or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Inventories – Inventories are stated at lower of cost (first-in, first-out) or market. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the Organization's operations.

Deferred financing costs and interest rate buy-down – Deferred financing costs are to be amortized over the term of the related obligation, which is 25 years, using a straight-line method. The interest rate buy-down costs are amortized over the term of the related obligation, which is 25 years, using the effective interest method. Amortization began on September 1, 2010, when the construction note payable converted to a permanent loan financing as provided for in the loan agreement.

Capital assets – Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Donated capital assets are stated at estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each depreciable asset and computed on the straight-line method. The estimated useful lives of capital assets are as follows:

Land improvements	5-25 years
Buildings and fixed equipment	5-40 years
Major movable equipment	3-20 years

Compensated absences – The Organization's employees earn paid time off and sick leave at varying rates depending on years of service. Paid time off and sick leave accumulate up to a specified maximum depending on length of service. Employees are paid for accumulated paid time off upon termination. Sick leave accumulated is forfeited upon termination. Paid time off is accrued as earned. Sick leave is expensed when taken.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2011 and 2010**

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Net assets – Net assets are presented in the following three components

Net assets invested in capital assets, net of related debt – Invested capital assets, net of related debt consist of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding debt used to finance the purchase or construction of those assets

Restricted net assets – Restricted net assets are assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Organization, including amounts deposited with Trustees as required by bond indentures

Unrestricted net assets – Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets

Operating revenues and expenses – The Organization's combined statements of revenues, expenses, and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Organization's principal activity. Nonexchange revenues, including taxes, investment income, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are expenses incurred to provide health care services, other than financing costs.

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

Charity care – To fulfill its mission of community service, the Organization 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 Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue.

Grants and contributions – From time to time, the Organization receives grants from the state of Idaho as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or capital purposes. Grants that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2011 and 2010

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Restricted resources – When the Organization has both restricted and unrestricted resources available to finance a particular program, it is the Organization's policy to use restricted resources before unrestricted resources

Risk management – The Organization is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Income taxes – The Organization's component unit, PIH, has been determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is necessary. The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of September 30, 2011 and 2010, the Organization had no uncertain tax positions requiring accrual.

Reclassifications – Certain amounts have been reclassified in the 2010 combined financial statements in order to be consistent with the 2011 combined financial statements. These reclassifications had no effect on the previously reported change in net assets.

Subsequent Events – The Organization has evaluated subsequent events through February 14, 2012, the date on which the combined financial statements were available to be issued.

2. Net Patient Service Revenue:

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

Medicare – The Organization has been designated a critical access hospital by Medicare and is reimbursed for inpatient and outpatient services on a cost basis as defined and limited by the Medicare program. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare fiscal intermediary. Physician services are reimbursed on a fee schedule.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a cost basis as defined by the state of Idaho subject to certain limitations. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicaid fiscal intermediary. Physician services are reimbursed on a fee schedule.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2011 and 2010

2. Net Patient Service Revenue (continued):

Other – The Organization has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 50% and 12%, respectively, of the Organization's net patient revenue for the year ended September 30, 2011.

Laws and regulations governing the Medicare, Medicaid, and other 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. Net patient service revenue for the year ended September 30, 2011, increased approximately \$835,000 due to changes in estimates and final settlements of prior years cost reports. Net patient service revenue for the year ended September 30, 2010, decreased approximately \$11,000 due to changes in estimates and final settlements of prior years cost reports.

A summary of patient service revenue, contractual adjustments, and bad debts for the years ended September 30, 2011 and 2010, is as follows:

	Years Ended September 30,	
	2011	2010
<i>Gross patient service revenue</i>	\$ 22,084,936	\$ 20,456,030
Less charity care	(195,280)	(39,946)
	21,889,656	20,416,084
<i>Contractual adjustments</i>		
Medicare	(3,529,971)	(5,036,400)
Medicaid	(861,795)	(1,636,611)
Other	(1,889,425)	(762,787)
Total contractual adjustments	(6,281,191)	(7,435,798)
<i>Provision for bad debts</i>	(1,315,234)	(1,996,682)
Net patient service revenue	\$ 14,293,231	\$ 10,983,604

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2011 and 2010

3. Electronic Health Records Incentive Payment:

The Organization has recorded a receivable of \$1,115,151 as an incentive payment for the meaningful use of electronic health records. The amount recorded is based on the Organization meeting the meaningful use criteria and the days and discharge data for the year ended September 30, 2011. The amount recorded is an estimate and subject to audit by the Medicare intermediary. The revenue is reported as operating income. Subsequent to year end, the Organization received \$999,694 related to this incentive payment. Management believes the Organization will receive the remaining amount when the data is audited by the Medicare intermediary.

4. Patient Accounts Receivable:

Patient accounts receivable reported as a current asset by the Organization at September 30, 2011 and 2010, consisted of these amounts:

	September 30,	
	2011	2010
Receivable from patients and their insurance carriers	\$ 1,994,856	\$ 2,686,405
Receivable from Medicare	630,454	478,758
Receivable from Medicaid	145,026	335,768
Total patient accounts receivable	2,770,336	3,500,931
Less allowance for uncollectible amounts	(919,251)	(1,267,000)
Patient accounts receivable, net	\$ 1,851,085	\$ 2,233,931

5. Bank Deposits:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a depository institution failure, the Organization's deposits may not be returned to it. The Organization does not have a deposit policy for custodial credit risk. At September 30, 2011 and 2010, the Organization had uncollateralized deposit balances of \$175,883 and \$-0-, respectively.

State statutes limit the investments in bonds, debentures, or notes of any corporation to be rated "A" or higher by nationally recognized statistical rating organizations.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2011 and 2010**

6. Property Taxes:

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Under Idaho law, all property taxes become due and payable in the year following that in which they are levied. Property taxes are levied annually on November 1 on property values assessed as of January 1 of the same year. Tax levy notices are issued in November and payments are due on December 20 and June 20. The billings are considered past due one day after the respective payments dates, at which time penalties and interest are assessed.

Assessed values are established by the County Assessor at 100% of fair market value. A revaluation of all property is required every five years. Property taxes are recorded as receivables when levied. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

Collections are distributed monthly to the Organization by the County Treasurer. The Organization is permitted by law to levy up to a 3% increase over the highest levy amount for the previous three years plus an additional \$0.77 per \$1,000 of assessed new construction property valuation. For the year ended September 30, 2011, the assessed property valuation was \$8,003,546, and the levy amount was \$644,142.

7. Capital Assets:

Capital assets, additions, retirements, and balances for the year ended September 30, 2011, were as follows:

	Balance September 30, 2010	Additions	Transfers/ Retirements	Balance September 30, 2011
<i>Capital assets not being depreciated</i>				
Land	\$ 431,077	\$ -	\$ -	\$ 431,077
Construction in progress	-	-	-	-
Total nondepreciable capital assets	431,077	-	-	431,077
<i>Capital assets being depreciated</i>				
Land improvements	2,565,938	13,910	-	2,579,848
Building and fixed equipment	19,378,210	16,463	-	19,394,673
Major movable equipment	9,703,958	260,872	-	9,964,830
Total cost, depreciable capital assets	31,648,106	291,245	-	31,939,351
<i>Less accumulated depreciation for</i>				
Land improvements	(183,113)	(212,295)	-	(395,408)
Building and fixed equipment	(593,921)	(962,185)	-	(1,556,106)
Major movable equipment	(2,192,279)	(1,569,011)	-	(3,761,290)
Total accumulated depreciation	(2,969,313)	(2,743,491)	-	(5,712,804)
<i>Total capital assets being depreciated, net</i>	28,678,793	(2,452,246)	-	26,226,547
Capital assets, net	\$ 29,109,870	\$ (2,452,246)	\$ -	\$ 26,657,624

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2011 and 2010

7. Capital Assets (continued):

Capital assets, additions, retirements, and balances for the year ended September 30, 2010, were as follows

	Balance September 30, 2009	Additions	Transfers/ Retirements	Balance September 30, 2010
<i>Capital assets not being depreciated</i>				
Land	\$ 36,681	\$ -	\$ 394,396	\$ 431,077
Construction in progress	12,983,284	16,735,340	(29,718,624)	-
Total nondepreciable capital assets	13,019,965	16,735,340	(29,324,228)	431,077
<i>Capital assets being depreciated</i>				
Land improvements	82,969	-	2,482,969	2,565,938
Building and fixed equipment	1,664,083	13,689	17,700,438	19,378,210
Major movable equipment	3,768,159	354,005	5,581,794	9,703,958
Total cost, depreciable capital assets	5,515,211	367,694	25,765,201	31,648,106
<i>Less accumulated depreciation for</i>				
Land improvements	(57,257)	(125,856)	-	(183,113)
Building and fixed equipment	(1,028,990)	(626,013)	1,061,082	(593,921)
Major movable equipment	(2,570,369)	(1,041,384)	1,419,474	(2,192,279)
Total accumulated depreciation	(3,656,616)	(1,793,253)	2,480,556	(2,969,313)
<i>Total capital assets being depreciated, net</i>	1,858,595	(1,425,559)	28,245,757	28,678,793
Capital assets, net	\$ 14,878,560	\$ 15,309,781	\$ (1,078,471)	\$ 29,109,870

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During the years ended September 30, 2011 and 2010, the Organization capitalized interest cost as part of the construction project totaling \$-0- and \$609,192, respectively.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2011 and 2010

8. Long-Term Debt and Other Noncurrent Liabilities:

A schedule of changes in the Organization's long-term debt and other noncurrent liabilities for the years ended September 30, 2011 and 2010, follows

	Balance September 30, 2010	Additions	Reductions	Balance September 30, 2011	Amounts Due Within One Year
Long-term debt					
Mortgage note payable	\$ 25,512.663	\$ 1,260,234	\$ (436,386)	\$ 26,336,511	\$ 458,202
Interest rate buy-down, less accumulated amortization of \$93,193 in 2011	(1,370,743)	-	85,967	(1,284,776)	-
Capital lease obligation	17,986	-	(17,986)	-	-
Total long-term debt and other noncurrent liabilities	\$ 24,159,906	\$ 1,260,234	\$ (368,405)	\$ 25,051,735	\$ 458,202
	Balance September 30, 2009	Additions	Reductions	Balance September 30, 2010	Amounts Due Within One Year
Long-term debt					
Mortgage note payable	\$ 10,101,569	\$ 15,446,482	\$ (35,388)	\$ 25,512,663	\$ 430,871
Interest rate buy-down, less accumulated amortization of \$7,227 in 2010	(1,377,970)	-	7,227	(1,370,743)	-
Capital lease obligation	37,606	-	(19,620)	17,986	17,986
Total long-term debt and other noncurrent liabilities	\$ 8,761,205	\$ 15,446,482	\$ (47,781)	\$ 24,159,906	\$ 448,857

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2011 and 2010

8. Long-Term Debt and Other Noncurrent Liabilities (continued):

The terms and due dates of the Organization's long-term debt, including capital lease obligations, at September 30, 2011 and 2010, are as follows

- The mortgage note payable was entered into by the Organization for the construction of a new hospital facility. The total amount borrowed on the note was \$26,799,300. The note bears interest at 6.75%. The Organization made monthly interest only payments during the construction period. Payments on the permanent loan commenced in September 2010 with a term of 25 years maturing in August 2035. Monthly interest and principal payments on the permanent loan are \$185,159. The note is secured by a mortgage on the new hospital facility and is insured by the U.S. Department of Housing and Urban Development (HUD) under Section 242 of the National Housing Act.

The terms of the loan require monthly deposits to a mortgage reserve fund through 2020. The required balance in the mortgage reserve fund at September 30, 2011 and 2010, was \$238,944 and \$140,412, respectively. Required year end reserve fund balances for each of the next five years are as follows:

Years Ending September 30,

2012	\$ 658,297
2013	1,094,735
2014	1,548,954
2015	2,021,679
2016	2,460,857

The reserve fund is available for debt payments by the approval of HUD.

In addition, the note also places limits on the incurrence of additional borrowings and requires the Organization to satisfy certain measures of financial performances and reporting requirements as long as the note is outstanding. As of September 30, 2011, the Organization had not complied with certain covenants. As a result, the Organization's Board is required to provide HUD with a business plan outlining what measures are being taken to improve the Organization's financial operations.

- Capital lease obligation to the Philips Medical Capital, paid in full during 2011.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2011 and 2010

8. Long-Term Debt and Other Noncurrent Liabilities (continued):

Scheduled principal and interest payments are as follows

Years Ending September 30,	Long-Term Debt		
	Principal	Interest	Total
2012	\$ 458,202	\$ 1,763,711	\$ 2,221,913
2013	490,106	1,731,807	2,221,913
2014	524,231	1,697,682	2,221,913
2015	560,732	1,661,181	2,221,913
2016	599,775	1,622,139	2,221,914
2017-2021	3,686,567	7,423,000	11,109,567
2022-2026	5,161,618	5,947,949	11,109,567
2027-2031	7,226,858	3,882,709	11,109,567
2032-2035	7,628,422	1,074,073	8,702,495
	\$ 26,336,511	\$ 26,804,251	\$ 53,140,762

9. Deferred Compensation Plan:

The Organization provides employees with a deferred compensation pension plan in accordance with Internal Revenue Code Section 403(b). The Partners in Healthcare, Inc. 403(b) Retirement Plan (the 403(b) Plan) is a defined contribution plan and is available to eligible Organization employees who have completed three months of service and permits them to defer a portion of their salary until withdrawn in future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Organization also provides employees with a deferred compensation pension plan in accordance with Internal Revenue Code Section 401(a). The Partners in Healthcare, Inc. Retirement Plan (the Plan) is a defined contribution plan and is available to eligible Organization employees who have met the requirements of the 403(b) Plan and have elective deferrals to that plan. The Organization contributed \$1 for each \$1 the employees contributed up to 6% of deferred compensation until October 8, 2010.

On October 8, 2010, the Finance Committee voted unanimously to recommend to the Board that the Organization temporarily suspend the matching contributions to the Plan. The Organization may also make discretionary contributions. The Organization's contributions vest evenly over a five-year period from the employee's date of entry into the 403(b) Plan. The 403(b) Plan participants contributed approximately \$176,000 and \$163,000 to the plan for the years ended September 30, 2011 and 2010, respectively. The Organization contributed approximately \$0- and \$129,000 to the Plan for the years ended September 30, 2011 and 2010, respectively.

The assets for the 403(b) Plan and the Plan are invested within various fund pools established and maintained by the Variable Annuity Life Insurance Company. The 403(b) Plan and the Plan are administered by the Organization. The Organization may amend the provisions of the plans at its discretion.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2011 and 2010

10. Concentration of Credit Risk:

Receivables – The Organization grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Gooding County.

The mix of receivables from third-party payors and patients at September 30, 2011 and 2010, was as follows:

	2011	2010
Medicare	27%	20%
Medicaid	7%	20%
Blue Cross	11%	12%
Commercial insurance and other third-party payors	22%	12%
Patients	33%	36%
	100%	100%

Physicians – The Organization is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on hospital operations.

11. Commitment and Contingencies:

Medical malpractice claims – The Organization obtains medical malpractice insurance through Lexington Insurance Company (Lexington). Lexington offers the Organization a professional and general liability policy on a "claims made" basis with primary limits of \$2,000,000 per claim and an annual aggregate limit of \$6,000,000. The policy has a \$25,000 deductible per claim. The renewal date of the policy is August 1, 2012.

Litigation – The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of litigations, claims, and disputes in process will not be material to the financial position of the Organization.

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

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2011 and 2010**

12. Related-Party Transactions:

St Luke's Health System (St Luke's) maintains 16% of the voting power of the Organization's Board of Directors. The Organization has a management services agreement (Agreement) with St Luke's. The agreement gives St Luke's, through the Administrator/CEO, full authority to implement and fulfill the policy decisions of the Board of Directors. The Agreement may be terminated by mutual agreement of both parties at any time.

During the years ended September 30, 2011 and 2010, the Organization purchased approximately \$320,000 and \$209,000, respectively, in services from St Luke's.

SUPPLEMENTAL INFORMATION

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Combining Balance Sheets
September 30, 2011

ASSETS	Gooding County Memorial Hospital District	Partners in Healthcare	Combined
<i>Current assets</i>			
Cash and cash equivalents	\$ -	\$ 2,567,015	\$ 2,567,015
Receivables			
Patient, net of estimated uncollectibles of \$919,251	-	1,851,085	1,851,085
Estimated third-party payor settlements	-	980,000	980,000
Electronic health records incentive payment receivable	-	1,115,151	1,115,151
Other	-	41,569	41,569
Inventories	-	418,205	418,205
Prepaid expenses	-	145,677	145,677
Total current assets	-	7,118,702	7,118,702
<i>Noncurrent assets</i>			
Cash and cash equivalents restricted by mortgage agreement	-	425,883	425,883
Cash and cash equivalents designated by Board for funded depreciation	-	69,493	69,493
Deferred financing costs, net of accumulated amortization	-	1,070,307	1,070,307
Capital assets, net	54,069	26,603,555	26,657,624
Total noncurrent assets	54,069	28,169,238	28,223,307
Total assets	\$ 54,069	\$ 35,287,940	\$ 35,342,009
LIABILITIES AND NET ASSETS			
<i>Current liabilities</i>			
Current maturities of long-term debt	\$ -	\$ 458,202	\$ 458,202
Accounts payable	-	929,432	929,432
Accrued compensation and related liabilities	-	486,557	486,557
Accrued interest payable	-	148,143	148,143
Total current liabilities	-	2,022,334	2,022,334
<i>Long-term debt, less current maturities</i>	-	24,593,533	24,593,533
Total liabilities	-	26,615,867	26,615,867
<i>Net assets</i>			
Invested in capital assets, net of related debt	54,069	2,473,984	2,528,053
Restricted	-	425,883	425,883
Unrestricted	-	5,772,206	5,772,206
Total net assets	54,069	8,672,073	8,726,142
Total liabilities and net assets	\$ 54,069	\$ 35,287,940	\$ 35,342,009

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Combining Statements of Revenues, Expenses and Changes in Net Assets
September 30, 2011

	Gooding County Memorial Hospital District	Partners in Healthcare	Combined
<i>Operating revenues</i>			
Net patient service revenue, net of provision for bad debts of \$1,315,234	\$ -	\$ 14,293,231	\$ 14,293,231
Electronic health records incentive payment	-	1,115,151	1,115,151
Other revenue	-	179,552	179,552
Total operating revenues	-	15,587,934	15,587,934
<i>Operating expenses</i>			
Salaries and wages	-	4,521,686	4,521,686
Employee benefits	-	953,843	953,843
Professional fees	-	1,879,792	1,879,792
Supplies	-	1,377,755	1,377,755
Purchased services	-	1,850,954	1,850,954
Utilities	-	202,060	202,060
Rental and leases	-	117,526	117,526
Depreciation and amortization	3,915	2,739,576	2,743,491
Insurance	-	195,844	195,844
Other	-	397,245	397,245
Total operating expenses	3,915	14,236,281	14,240,196
<i>Operating gain (loss)</i>	(3,915)	1,351,653	1,347,738
<i>Nonoperating revenues (expenses)</i>			
Taxes	-	766,635	766,635
Investment income	-	2,089	2,089
Grants	-	29,882	29,882
Interest expense	-	(1,889,392)	(1,889,392)
Total nonoperating revenues (expenses), net	-	(1,090,786)	(1,090,786)
Change in net assets	(3,915)	260,867	256,952
Net assets, beginning of year	57,984	8,411,206	8,469,190
Net assets, end of year	\$ 54,069	\$ 8,672,073	\$ 8,726,142

SINGLE AUDIT

AUDITORS' SECTION



DINGUS | ZARECOR & ASSOCIATES ^{PLLC}
Certified Public Accountants

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

Board of Trustees
Gooding County Memorial Hospital District and
Partners in Healthcare, Inc
doing business as North Canyon Medical Center
Gooding, Idaho

We have audited the combined basic financial statements of Gooding County Memorial Hospital District and Partners in Healthcare, Inc. doing business as North Canyon Medical Center (the Organization), as of and for the year ended September 30, 2011, and have issued our report thereon dated February 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses, have been identified. However, as described in the accompanying schedule of audit findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of audit findings and questioned costs as item 2011-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of audit findings and questioned costs as item 2011-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit findings and questioned costs as items 2011-03, 2011-04, and 2011-05.

We noted certain other matters that we reported to management of the Organization in a separate letter dated February 14, 2012.

The Organization's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
February 14, 2012



DINGUS | ZARECOR & ASSOCIATES ^{PLLC}
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Gooding County Memorial Hospital District and
Partners in Healthcare, Inc
doing business as North Canyon Medical Center
Gooding, Idaho

Compliance

We have audited Gooding County Memorial Hospital District and Partners in Healthcare, Inc. doing business as North Canyon Medical Center's (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on the Organization's major federal program for the year ended September 30, 2011. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

As described in items 2011-04 and 2011-05 in the accompanying schedule of audit findings and questioned costs, the Organization did not comply with requirements relating to the reporting and special tests and provisions compliance requirements that are applicable to its U.S. Department of Housing and Urban Development Mortgage Insurance – Hospitals major federal program. Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of audit findings and questioned costs as items 2011-04 and 2011-05 to be material weaknesses.

The Organization's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Organization's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
February 14, 2012

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Schedule of Audit Findings and Questioned Costs
Year Ended September 30, 2011

Section I -- Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	<i>Unqualified</i>		
Internal control over financial reporting			
• Material weakness(es) identified?	<u> X </u>	yes	<u> </u> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u>	yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> X </u>	yes	<u> </u> no

Federal Awards:

Internal control over major programs			
• Material weakness(es) identified?	<u> X </u>	yes	<u> </u> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u>	yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs	<i>Qualified</i>		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> X </u>	yes	<u> </u> no

Identification of major programs

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14 128	U S Department of Housing and Urban Development Mortgage Insurance - Hospitals

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
--	-------------------	-----------------

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended September 30, 2011**

Section II – Financial Statements Findings

2011-01 Auditor-Detected Adjusting Journal Entries

<i>Condition</i>	There were significant adjusting journal entries, related to patient accounts receivable, property taxes receivable, health insurance claims liability, and other current liabilities, that were identified, proposed, and prepared by the audit team to achieve accurate account balances
<i>Criteria</i>	<input type="checkbox"/> Compliance Finding <input type="checkbox"/> Significant Deficiency <input checked="" type="checkbox"/> Material Weakness No significant or material adjusting journal entries should be detected by the auditors during the audit process
<i>Context</i>	This finding appears to be a systemic problem
<i>Cause</i>	The Organization did not perform adequate account reconciliations during the year
<i>Effect</i>	Financial reports may be inaccurate and could affect management and Board decision making
<i>Recommendation</i>	We recommend management implement an account reconciliation process which assigns responsibility for performing and reviewing to the appropriate personnel to ensure accurate account balances

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended September 30, 2011**

Section II – Financial Statements Findings (continued)

2011-02 Reconciliation of Patient Accounts Receivable

<i>Condition</i>	Patient accounts receivable balances in the billing system did not match the general ledger, resulting in a significant unreconciled variance
<i>Criteria</i>	<p>[] Compliance Finding [X] Significant Deficiency [] Material Weakness</p> <p>The general ledger should reflect actual patient accounts receivable activity of the Organization</p>
<i>Context</i>	This finding appears to be a systemic problem
<i>Cause</i>	Manual journal entries made to the patient accounts receivable control account to reclassify credit balances were not properly reversed during the year, which caused the unreconciled variance
<i>Effect</i>	Financial reports may be inaccurate and could affect management and Board decision making
<i>Recommendation</i>	We recommend management reconcile the billing software reports to the general ledger on a monthly basis to ensure the general ledger reflects the actual balance of accounts receivable due the Organization. Journal entries to reclassify credit balances should be posted to a separate account so that the patient accounts receivable control account will always agree with the subledger

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended September 30, 2011**

Section II – Financial Statements Findings (continued)

2011-03 Compliance with Mortgage Covenants

<i>Condition</i>	The Organization's Board of Directors did not submit a written report to the U S Department of Housing and Urban Development (HUD) describing what measures are being taken to improve the Organization's financial operations as a result of a negative overall change in net assets on the September 30, 2010, audited financial statements or the March 31, 2011, interim financial statements
<i>Criteria</i>	<p>[X] Compliance Finding [] Significant Deficiency [] Material Weakness</p> <p>The Organization's HUD-insured mortgage approval covenants require the Governing Board to review the audited financial statements and six-month interim financial statements within 30 days of their publication. If any of the following conditions exist, the Organization is required to provide HUD a written report within 30 days of the Board's review describing what measures are being taken to improve the Organization's financial operations</p> <ul style="list-style-type: none"> • Loss from operations equal to or greater than 1% of the total operating revenues • Overall change in net assets less than zero • Failure to fully fund the mortgage reserve fund in accordance with the schedule
<i>Context</i>	This finding appears to be a systemic problem
<i>Cause</i>	There are no controls in place for the Board to identify the above financial conditions and require such written report to be submitted to HUD
<i>Effect</i>	Noncompliance with the Organization's mortgage covenants
<i>Recommendation</i>	We recommend controls be implemented for the Board to review the annual audited financial statements and the March 31 interim financial statements within 30 days of their publication to determine if any of the above conditions exist. If such conditions exist, we recommend the Board submit the required written report to HUD within 30 days of the Board's review

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended September 30, 2011**

Section III -- Federal Award Findings and Questioned Costs

2011-04 Timely Filing of Reports

***Program
Information:***

Federal Agency: U S Department of Housing and Urban Development (HUD)

CFDA 14 128 – Mortgage Insurance – Hospitals

Condition The Organization did not comply with its applicable compliance requirements related to timely filing of reports during the year ended September 30, 2011. Our testing of two quarterly financial statement filings showed both not being filed within the 40 days requirement. The annual budget was not sent within 30 days of the beginning of the fiscal year. Responses to the management letter were not sent to HUD within 60 days of the management letter date.

Criteria [X] Compliance Finding [] Significant Deficiency [X] Material Weakness

The Organization is required to file the following reports to HUD

- Quarterly internal financial statements, including reports of employee information and utilization statistics, within 40 days after the end of the accounting period
- An annual budget, including income and expense statements, employee expectations, and utilization statistics, within 30 days of the beginning of the fiscal year
- Responses to the Organization's management letter within 60 days of the management letter date

Context This finding appears to be a systemic problem

Cause The Organization did not have controls in place to identify the applicable report filing requirements or to file the required reports in a timely manner

Effect Required reports were sent to HUD after the applicable deadlines

Recommendation We recommend controls be put into place to identify the required deadlines for report submission to HUD. Appropriate responsibility should be assigned for preparing and reviewing such reports and ensuring they are filed timely.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended September 30, 2011**

Section III -- Federal Award Findings and Questioned Costs (continued)

2011-05 Annual Verification of Compliance with Loan Covenants/Conditions

***Program
Information:***

Federal Agency: U S Department of Housing and Urban Development (HUD)

CFDA 14 128 – Mortgage Insurance – Hospitals

Condition The Organization did not comply with its applicable special tests and provisions compliance requirement related to having its independent auditor provide an unqualified opinion, that in connection with the September 30, 2010, audit, nothing came to the auditors' attention to cause the auditor to believe that the Organization is not in compliance with the applicable covenants of the Regulatory Agreement, or, if the auditor is unable to provide an unqualified opinion, the auditor should have provided a listing of any items of noncompliance and along with an explanation

Criteria [X] Compliance Finding [] Significant Deficiency [X] Material Weakness

Context This finding appears to be a systemic problem

Cause The Organization did not have controls in place to have its independent auditor issue the report listed above related to the September 30, 2010, audit

Effect The required auditors' report related to the September 30, 2010, audit was not issued and sent to HUD

Recommendation We recommend controls be put into place to identify all reports required to be issued by the Organization's independent auditor and ensure that all such reports are issued and sent to HUD

AUDITEE'S SECTION

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.**
doing business as North Canyon Medical Center
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
Direct Program from:			
U S Department of Housing and Urban Development			
Mortgage Insurance - Hospitals	14 128	Not applicable	\$ 26,336,511
Pass-through Program from:			
South Central Public Health District			
National Bioterrorism Hospital Preparedness Program	93 889	Not available	21,871
Total expenditures of federal awards			\$ 26,358,382

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Gooding County Memorial Hospital District and Partners in Healthcare, Inc. doing business as North Canyon Medical Center in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the combined basic financial statements.

2. Loan Guarantee:

Nonmonetary assistance in the form of a loan guarantee is included in the accompanying schedule of expenditures of federal awards. The related loan balance was \$26,336,511 at September 30, 2011.

See accompanying independent auditors' report

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Corrective Action Plan
Year Ended September 30, 2011**

Corrective Action Plan:

2011-01 Auditor-Detected Adjusting Journal Entries – An account reconciliation process was implemented at the beginning of fiscal year 2011 and was being completed each period during fiscal year 2011. Monthly account reconciliations are completed by the Controller and reviewed and approved by the Chief Financial Officer (CFO). The Organization was not aware that property taxes outstanding from prior years had been compiled by the County Clerk. It is the Organization's practice to record prior year's tax receipts as income when received. Regarding the health insurance claims liability, the Organization took a very conservative approach to the incurred, but not reported, health insurance accrual because it was the first year of having a self-funded plan. All other auditor-detected adjusting journal entries were differences between what Management had estimated and what the audit team estimated. However, Management does agree with all entries. Management understands the circumstances that required the account to be adjusted and will use this knowledge to improve estimates.

2011-02 Reconciliation of Patient Accounts Receivable – An account reconciliation process was implemented at the beginning of fiscal year 2011 and was being completed each period during fiscal year 2011. Monthly account reconciliations are completed by the Controller and reviewed and approved by the CFO. Management does agree with the entry to correct the patient accounts receivable balance. Management understands the circumstances that required the account to be adjusted and will use this knowledge to avoid manual adjustments to patient accounts receivable.

2011-03 Compliance with Mortgage Covenants – Representatives from HUD and Lancaster Pollard began attending the weekly ad hoc Finance Committee meetings on October 11, 2010. All issues relating to the financial operations of the Organization and the Organization's plan of restructure were the key topics of each meeting. No request was ever made for a formal written report describing a plan of action to improve financial performance. Although it is a written covenant, HUD and Lancaster Pollard obviously found more benefit from the weekly meetings and the first-hand account of the progress that was being made than monitoring a written report. An example of the weekly progress reported at these meetings was a review of the daily cash flow and cash flow forecast that demonstrated the progress that was being made. Management has no corrective action as the Organization's financial performance has significantly improved and, as of fiscal year 2012, a formal strategic plan has been developed.

2011-04 Timely Filing of Reports - Management understands the necessity of timely filings and agrees with the audit findings. The Organization is currently in compliance for fiscal year 2012 filings.

2011-05 Annual Verification of Compliance with Loan Covenants/Conditions – Our prior audit team did not issue a negative assurance letter and Management was not aware that a letter had not been sent. In addition, Management did not receive notification from HUD that a letter had not been received so did not pursue the matter with our prior auditors. Management understands the necessity of providing a negative assurance letter and will be compliant going forward.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2011**

Prior Year Audit Findings:

2010-01 – Segregation of Duties

This finding was a financial statement finding that the Organization did not have adequate internal controls in certain areas because of a lack of segregation of duties

Status Resolved

2010-02 – Preparation of Financial Statements

This finding was a financial statement finding that the Organization did not have an internal control system designed to provide for the preparation of financial statements

Status Resolved

2010-03 – Account Reconciliations and Significant Audit Adjustments

This finding was a financial statement finding that the Organization was not reconciling various accounts to the general ledger on a monthly basis

Status Repeated as finding 2011-01

2010-04 – Review of Journal Entries

This finding was a financial statement finding that the Organization was not documenting review and approval of journal entries

Status Resolved

2010-05 – Physical Inventory Counts

This finding was a financial statement finding that the Organization was not completing physical inventory counts for Pharmacy and Laboratory

Status Resolved

2010-06 – Implementation of New Software System and Revenue Recognition

This finding was a financial statement finding that the Organization recorded revenue incorrectly in almost every department of the hospital

Status Resolved

2010-07 – Documentation of Significant Operational Policies

This finding was a financial statement finding that the Organization lacked documentation of the processes and procedures used to initiate, authorize, process, record, and report transactions

Status Resolved

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Summary Schedule of Prior Audit Findings (Continued)
Year Ended September 30, 2011**

Prior Year Audit Findings (continued):

2010-08 – Establish Detailed Property Records

This finding was a financial statement finding that the Organization had discrepancies between the recorded balances of fixed assets and the amounts per detail schedules maintained within the fixed assets accounting system

Status Resolved

2010-09 – Goods Received But Not Invoiced and Accounts Payable

This finding was a financial statement finding that the Organization lacked proper reconciliations of the goods received but not invoiced payable account and lacked proper cutoff of accounts payable invoices

Status Resolved

2010-10 – Reporting

This finding was a major Federal award program finding that the Organization did not file the required reports to HUD

Status Repeated as finding 2011-04

2010-11 – Equipment and Real Property Management

This finding was a major Federal award program finding that the Organization did not reconcile fixed asset detail schedules to the general ledger or identify Federal participation in the cost, location, or condition of the equipment

Status Resolved