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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
OLMSTED MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
210 NINTH STREET SE

City or town, state or country, and ZIP + 4
ROCHESTER, MN 55904

D Employer identification number
41-0855367

E Telephone number
(507) 288-3443

G Gross receipts $ 165,048,777

F Name and address of principal officer
ROY YAWN
210 NINTH STREET SE
ROCHESTER, MN 55904

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ HTTP //WWW OLMMED ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1949

M State of legal domicile MN

Part I Summary

1 Briefly describe the organization's mission or most significant activities
THE DELIVERY OF EXCEPTIONAL PATIENT CARE FOCUSING ON CARING, QUALITY, SAFETY AND SERVICE

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	16
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 2011 (Part V, line 2a)	**5**	1,185
6	Total number of volunteers (estimate if necessary)	**6**	88
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	1,086,174	2,330,720
9	Program service revenue (Part VIII, line 2g)	146,157,471	157,809,553
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,100,758	1,885,878
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	436,012	733,162
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	148,780,415	162,759,313
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	571,070	471,938
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	88,288,949	92,827,255
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶257,841		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	47,475,721	50,516,373
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	136,335,740	143,815,566
19	Revenue less expenses Subtract line 18 from line 12	12,444,675	18,943,747

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	145,694,422	163,081,129
21	Total liabilities (Part X, line 26)	59,838,471	58,805,266
22	Net assets or fund balances Subtract line 21 from line 20	85,855,951	104,275,863

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

****** 2012-11-12
Signature of officer Date

TIM WEIR CHIEF EXECUTIVE OFFICER
Type or print name and title

Paid Preparer's Use Only

Preparer's signature: VIRGINIA M STRIEGEL | Date | Check if self-employed ☐ | Preparer's taxpayer identification number (see instructions) P00436877

Firm's name (or yours if self-employed), address, and ZIP + 4: MCGLADREY LLP, 400 LOCUST ST STE 640, DES MOINES, IA 503092354 | EIN ▶ 42-0714325 | Phone no ▶ (515) 558-6600

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

THE DELIVERY OF EXCEPTIONAL PATIENT CARE FOCUSING ON CARING, QUALITY, SAFETY AND SERVICE

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 organization's program service accomplishments for each of its three largest program services, as measured 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 $ 129,078,439 including grants of $ 409,411) (Revenue $ 158,775,354)

PATIENT CARE PERSONAL APPROACH TO CARE THROUGH MORE THAN 25 SPECIALTIES ALL OF OUR SPECIALTY SERVICES COMPLIMENT PRIMARY CARE AND OFFER PATIENTS GREATER CONVENIENCE AND PEACE OF MIND OUR TARGETED GROWTH HAS BEEN BASED ON A STRATEGIC PLANNING PROCESS THAT INVOLVES MORE STAFF THAN EVER BEFORE AND, WE SAW POSITIVE RESULTS IN OUR PATIENT SATISFACTION AND CARE QUALITY REPORTS AS A RESULT OF OUR EFFORTS IN 2011 WE TOOK STEPS TOWARD A MUCH LARGER PLAN TO POSITION OMC AS A PREFERRED HEALTHCARE PROVIDER FOR PRIMARY AND SECONDARY CARE AMONG SOUTHEASTERN MINNESOTA RESIDENTS SOME IMPORTANT NEXT STEPS INCLUDE INCREASING THE AMOUNT OF DIRECT PATIENT INPUT IN IMPROVING EXPERIENCES AT OMC THROUGH PATIENT ADVISORY GROUPS THIS INPUT SUPPORTS OMC'S ON-GOING CUSTOMER SERVICE EXCELLENCE INIATIVE, WHICH INCREASINGLY GUIDES THE WAY OUR EMPLOYEES ARE EVALUATED FOR THEIR WORK WE CONTINUE TO MAKE CLINICAL SERVICE, FACILITIES,AND INFRASTRUCTURE UPGRADES IN OUR PATIENTS' BEST INTERESTS, AND WE PROUDLY CARRY ON OUR SUPPORT OF THE COMMUNITIES WE SERVE IN 2011 WE RECEIVED THE NATIONAL HEALTHGRADES AWARD FROM THE HOSPITAL CONSUMER ASSESSMENT OF HEALTHCARE PROVIDERS AND SYSTEMS OUR PATIENT SURVEY RANKED HIGHER THAN 14 OF 15 HOSPITALS IN THE REGION WE WERE RECOGNIZED BY THE MINNESOTA HOSPITAL ASSOCIATION FOR OUR CONTINUED SUCCESSFUL PARTICIPATION IN THE PATIENT SAFETY CAMPAIGNS WE ARE PARTICIPATING IN THE BEACON GRANT AIMED AT IMPROVING THE CARE OF DIABETIC AND ASTHMATIC PATIENTS OMC RECEIVED IT FIFTH ANNUAL "BUSINESS GIVES" AWARD FROM THE MINNESOTA GOVERNER'S OFFICE AND THE ROCHESTER AREA CHAMBER OF COMMERCE IN RECOGNITION OF OUR COMMITMENT TO BE AN ACTIVE, CONTRIBUTING PARTNER IN THE COMMUNITIES WE SERVE OMC VOLUNTARILY ENTERED INTO AN AGREEMENT WITH THE MINNESOTA ATTORNEY GENERAL RELATING TO CHARITY CARE THE TERMS OF THE AGREEMENT INCLUDE AN AUTOMATIC DISCOUNT FOR UNINSURED PATIENTS, A PAYMENT CAP FOR THOSE UNINSURED PATIENTS THAT MEET THE HOSPITAL'S CHARITY CARE CRITERIA, AND A COMMITMENT TO MAKE INFORMATION AVAILABLE TO PATIENTS REGARDING THE CHARITY CARE PROGRAM ADDITIONALY, THE MINNESOTA ATTORNEY GENERAL REVIEWED AND APPROVED THE HOSPITAL'S BILLING AND COLLECTION POLICIES AND PRACTICES

4b (Code) (Expenses $ 255,550 including grants of $ 62,527) (Revenue $)

COMMUNITY OUTREACH AND SUPPORT ACTIVIITES OMC WELCOMES ITS MANY OPPORTUNITIES TO BE AN ACTIVE, CONTRIBUTING PARTNER TO SOUTHEASTERN MINNESOTA'S HEALTH AND WELLNESS EFFORTS OUR COMMUNITY INVESTMENT ACTIVITIES SUPPORTED 88 LOCAL AND REGIONAL ORGANIZATIONS OUR SUPPORT FOR THOSE ORGANIZATIONS IS CONSISTENT WITH THE PEOPLE, PLACES AND INITIATIVES OUR EMPLOYEES SERVE IN THEIR OWN VOLUNTEER WORK IN 2011 EMPLOYEES VOLUNTEERED AN AVERAGE OF 11 HOURS OF PERSONAL TIME USING THE INDEPENDENT SECTOR'S ESTIMATED DOLLAR VALUE OF VOLUNTEER TIME ($21 79 PER HOUR FOR 2011, ACCORDING TO WWW INDEPENDENT-SECTOR ORG), THIS MEANS OMC EMPLOYEES WHO VOLUNTEER CONTRIBUTED $240 PER EMPLOYEE PER MONTH OR $2,880 PER EMPLOYEE PER YEAR THE 346 EMPLOYEES SURVEYED CONTRIBUTED OVER $996,000 DOLLARS IN PERSONAL AND PROFESSIONAL VOLUNTEER TIME AND EFFORTS OMC WAS ACTIVELY INVOLVED WITH THE MAYO CLINIC, OLMSTED COUNTY AND THE ROCHESTER PUBLIC SCHOOLS IN A FREE VACCINATION PROGRAM WE HELD MULTIPLE WALK-IN VACCINATION CLINICS WORKING CLOSELY WITH LOCAL PARTNERS TO EDUCATE OUR COMMUNITIES

4c (Code) (Expenses $ 2,333,226 including grants of $) (Revenue $ 2,193,556)

RESEARCH AT OLMSTED MEDICAL CENTER, WE HAVE STUDIED SCREENING FOR ASTHMA, SCOLIOSIS, NEAR-SIGHTEDNESS, AND COPD WE HAVE LEARNED HOW TO IMPROVE CHILDHOOD IMMUNIZATION RATES, DEVELOPED WAYS TO FIND AND TREAT POSTPARTUM DEPRESSION, CREATED NEW TOOLS TO IMPROVE ASTHMA CARE, LOOKED AT TWO TYPES OF SURGERY FOR CARPAL TUNNEL PROBLEMS, AND STUDIED SHINGLES RESEARCH USING MEDICAL RECORDS IS VERY IMPORTANT TO MEDICAL SCIENCE AND MEDICAL CARE USE OF ANONYMOUS INFORMATION IN MEDICAL RECORDS HAS HELPED RESEARCHERS FIND BETTER WAYS TO TREAT HEART ATTACKS, LEARN ABOUT SIDE EFFECTS OF SEVERAL DRUGS, AND FIND RISK FACTORS FOR COMMON PROBLEMS SUCH AS STROKES, HEART ATTACKS, AND CANCER THE ROCHESTER EPIDEMIOLOGY PROJECT (REP) - THE ROCHESTER EPIDEMIOLOGY PROJECT IS AN INITIATIVE TO COLLECT, ARCHIVE, AND LINK MEDICAL INFORMATION FOR THE APPROXIMATELY 120,000 PEOPLE LIVING IN OLMSTED COUNTY, MN THIS PROJECT ALLOWS MEDICAL RESEARCHERS TO STUDY HEALTH AND ILLNESSES IN THE PEOPLE LIVING IN THIS COMMUNITY WE USE THE ACRONYM REP FOR BREVITY OLMSTED MEDICAL CENTER, THE MAYO CLINIC, THE ROCHESTER FAMILY MEDICINE CLINIC, AND OTHER MEDICAL CARE PROVIDERS IN OLMSTED COUNTY, MN, HAVE AGREED TO WORK TOGETHER AND SHARE THEIR MEDICAL RECORDS WITH RESEARCHERS TO BETTER UNDERSTAND THE CAUSES AND OUTCOMES OF DIFFERENT ILLNESSES AND TO IMPROVE THE HEALTH AND HEALTH CARE OF THE ENTIRE COUNTY THIS COLLARBORATION AND SHARING OF MEDICAL INFORMATION MAKES OLMSTED COUNTY ONE OF THE FEW PLACES IN THE UNITED STATES, AND ONE OF THE FEW PLACES IN THE WORLD, WHERE "POPULATION-BASED" RESEARCH CAN BE ACCOMPLISHED THIS IS VERY IMPORTANT BECAUSE HEALTH RESEARCH BASED ON PEOPLE WHO ARE SEEN BY A SINGLE DOCTOR OR AT A SINGLE CLINIC HAS LIMITATIONS AND CANNOT BE GENERALIZED USING REP, WE CAN FIGURE OUT THE TRUE FREQUENCY OF CERTAIN CONDITIONS (E G HOW MANY NEW PATIENTS DEVELOP HEART DISEASE EACH YEAR AMONG 100 PERSONS AGED 70 TO 79 YEARS) AND THE TRUE SUCCESS OF TREATMENTS (E G HOW MANY PERSONS WILL RESPOND POSITIVELY TO A NEW ANTI-DEPRESSANT MEDICATION) THIS PROJECT HAS BEEN SUPPORTED BY FUNDS FROM THE NATIONAL INSTITUTES OF HEALTH FOR OVER 40 YEARS BEACON COMMUNITY PROJECT - OMC ASSUMED A LEADERSHIP ROLE IN THE FEDERALLY FUNDED $12 2 MILLION SOUTHEAST MINNESOTA REGION BEACON COMMUNITY PROJECT AND ITS GOAL OF CREATING A NATIONAL MODEL FOR THE SECURE EXCHANGE OF PATIENTS' HEALTH INFORMATION AT ANY POINT OF CLINICAL SERVICE

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ $ 131,667,215

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	**35a**	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	216		
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, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	1,185			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate 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 aggregate amount of reserves on hand	**13c**				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**		

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

Check if Schedule O contains a response to any question in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	16		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	10		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	Yes	
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	Yes	
11a	Has the organization provided a complete 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 the Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13	Yes	
14	Did the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take 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 ▶ MN

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 made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization made 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 ▶

KEVIN HIGGINS
210 9TH STREET SE
ROCHESTER,MN 55904
(507) 529-6600

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, or 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 organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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) CHARLES BRANCH MD PHYSICIAN TRUSTEE	40 00	X						527,304	0	50,766
(2) RANDY HEMANN MD PHYSICIAN TRUSTEE	40 00	X						247,828	0	52,565
(3) JAMES HOFFMANN MD PHYSICIAN TRUSTEE	40 00	X						388,485	0	51,970
(4) LINDA WILLIAMS MD PHYSICIAN TRUSTEE	30 00	X						209,036	0	35,512
(5) JOHN DOYLE 2011 BOARD TRUSTEE CHAIR	1 00	X		X				0	0	0
(6) ROY A YAWN MD PRESIDENT/PHYS TRUSTEE	40 00	X		X				413,065	0	37,364
(7) WENDY SHANNON PUBLIC TRUSTEE	1 00	X						0	0	0
(8) JIM GANDER PUBLIC TRUSTEE	1 00	X						0	0	0
(9) JAY HESLEY PUBLIC TRUSTEE	1 00	X						0	0	0
(10) KATIE RYAN PUBLIC TRUSTEE	1 00	X						0	0	0
(11) JUSTIN MCNEILUS PUBLIC TRUSTEE	1 00	X						0	0	0
(12) JAMES MCPEAK JR PUBLIC TRUSTEE	1 00	X						0	0	0
(13) JULIE ANDERSON PUBLIC TRUSTEE	1 00	X						0	0	0
(14) MARY BENIKE KISILEWSKI PUBLIC TRUSTEE	1 00	X						0	0	0
(15) JAY MYERS PHYSICIAN TRUSTEE/SEC/TREA	40 00	X		X				471,768	0	51,357
(16) MELISSA BRINKMAN PUBLIC TRUSTEE	1 00	X						0	0	0
(17) TOM SLIGHTAM PUBLIC TRUSTEE	1 00	X						0	0	0

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(18) TIM WEIR CEO	40 00			X				421,626	0	52,509
(19) KEVIN HIGGINS CFO	40 00			X				265,703	0	52,410
(20) DAVID WESTGARD MD CHIEF MEDICAL OFFICER	40 00				X			400,307	0	48,027
(21) DR SRDAN BABOVIC PHYSICIAN	40 00					X		673,536	0	30,693
(22) DR VIDHAN CHANDRA PHYSICIAN	40 00					X		658,681	0	33,344
(23) DR JEFFREY BECKENBAUGH PHYSICIAN	40 00					X		585,335	0	53,679
(24) DR DAVID LOWE PHYSICIAN	40 00					X		552,824	0	52,132
(25) DR MARIO POTVIN PHYSICIAN	40 00					X		539,336	0	51,799
(26) DR KATHRYN LOMBARDO FMR TRUSTEE, PSYCHOLOGY DP	40 00						X	411,595	0	31,933
(27) DR THOMAS ERBACH FMR TRUSTEE, SURGERY DPMT	40 00						X	375,053	0	43,494

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	7,141,482	0	729,554

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 142

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
WEIS BUILDERS INC 2227 7TH STREET NW ROCHESTER, MN 55901	CONSTRUCTION	4,919,294
MAYO COLLABORATIVE SERVICES 200 1ST STREET SW ROCHESTER, MN 55905	LAB SERVICES	1,118,264
MCKESSON INFORMATION SYSTEMS PO BOX 98347 CHICAGO, IL 60693	SOFTWARE SUPPORT	874,172
GE HEALTHCARE 2984 COLLECTION CTR DR CHICAGO, IL 60693	SOFTWARE SUPPORT	660,858
CONSTRUCTION COLLABORATIVE 320 SOUTH BROADWAY ROCHESTER, MN 55904	CONSTRUCTION	650,167

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 22

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	137,164			
	e	Government grants (contributions)	1e	1,648,569			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	544,987			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		2,330,720			
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICES	621110	157,809,553	157,809,553		
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		157,809,553			
	3	Investment income (including dividends, interest and other similar amounts)		1,138,604			1,138,604
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real / (ii) Personal				
	6a	Gross rents	96,453 /				
	b	Less rental expenses	0 /				
	c	Rental income or (loss)	96,453 /				
	d	Net rental income or (loss)		96,453			96,453
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	1,687,550 / 1,349,188				
	b	Less cost or other basis and sales expenses	1,427,076 / 862,388				
	c	Gain or (loss)	260,474 / 486,800				
	d	Net gain or (loss)		747,274	486,800		260,474
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	CAFETERIA REVENUE	722210	157,708			157,708
	b						
	c						
	d	All other revenue		479,001	479,001		
	e	**Total.** Add lines 11a–11d		636,709			
	12	**Total revenue.** See Instructions		162,759,313	158,775,354	0	1,653,239

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)
Check if Schedule O contains a response to any question in this Part IX . . . . . ☐

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 United States See Part IV, line 21	471,938	471,938		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	3,745,466	2,294,734	1,450,732	
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	68,963,899	64,609,095	4,147,018	207,786
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	6,117,231	5,594,164	504,974	18,093
9	Other employee benefits	8,604,383	7,841,494	745,808	17,081
10	Payroll taxes	5,396,276	4,842,027	539,368	14,881
11	Fees for services (non-employees)				
a	Management	213,130	139,648	73,482	
b	Legal	200,059		200,059	
c	Accounting	138,504		138,504	
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees	18,887	5,250	13,637	
g	Other	5,660,690	4,879,244	781,446	
12	Advertising and promotion	204,992	14,683	190,309	
13	Office expenses	3,349,646	2,899,999	449,647	
14	Information technology	629,642	357,846	271,796	
15	Royalties . .				
16	Occupancy	4,150,316	3,745,728	404,588	
17	Travel	60,553	54,322	6,231	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	766,733	583,370	183,363	
20	Interest	1,067,268	1,067,268		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	4,470,934	4,470,934		
23	Insurance	778,890	778,890		
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	MEDICAL SUPPLIES	13,411,572	13,411,572		
b	PROVISION FOR BAD DEBTS	7,202,874	7,202,874		
c	EQUIPMENT & SOFTWARE MA	3,028,535	2,041,094	987,441	
d	MINNESOTACARE TAX	2,591,305	2,591,305		
e					
f	All other expenses	2,571,843	1,769,736	802,107	
25	**Total functional expenses.** Add lines 1 through 24f	143,815,566	131,667,215	11,890,510	257,841
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		61,172,009	2	64,577,957
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		20,221,700	4	24,394,812
	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)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		1,205,462	8	1,263,932
	9	Prepaid expenses and deferred charges		1,503,567	9	1,616,650
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 95,404,885			
	b	Less accumulated depreciation	10b 34,266,874	51,122,631	10c	61,138,011
	11	Investments—publicly traded securities		9,558,116	11	9,231,207
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		910,937	15	858,560
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		145,694,422	16	163,081,129
Liabilities	17	Accounts payable and accrued expenses		4,346,489	17	3,105,695
	18	Grants payable			18	
	19	Deferred revenue		310,228	19	673,586
	20	Tax-exempt bond liabilities		28,077,043	20	26,503,775
	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*		480,000	22	320,000
	23	Secured mortgages and notes payable to unrelated third parties		7,448,623	23	7,000,933
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		19,176,088	25	21,201,277
	26	**Total liabilities.** Add lines 17 through 25		59,838,471	26	58,805,266
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		85,855,951	27	104,275,863
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		85,855,951	33	104,275,863
	34	Total liabilities and net assets/fund balances		145,694,422	34	163,081,129

Part XI Reconcilliation 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	162,759,313
2	Total expenses (must equal Part IX, column (A), line 25)	2	143,815,566
3	Revenue less expenses Subtract line 2 from line 1	3	18,943,747
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	85,855,951
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-523,835
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	104,275,863

Part XII Financial Statements and Reporting

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

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

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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

2011

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

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 **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?

	Yes	No
(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? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

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

Part II **Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2011.** 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—2010.** 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—2011.** 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—2010.** 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 IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2011.** 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—2010.** 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

Additional Data

Software ID:
Software Version:
EIN: 41-0855367
Name: OLMSTED MEDICAL CENTER

Form 990, Special Condition Description:

Special Condition Description

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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, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

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

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

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

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

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	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
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

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

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

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV

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

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

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		5,285,183		5,285,183
b Buildings		58,304,056	14,415,481	43,888,575
c Leasehold improvements				
d Equipment		31,652,831	19,713,001	11,939,830
e Other		162,815	138,392	24,423
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				61,138,011

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
PAYROLL LIABILITY	12,961,879
OTHER ACCRUED LIABILITY	5,616,580
ACCRUED INTEREST	739,845
ACCRUED REAL ESTATE TAXES	678,948
THIRD PARTY PAYOR SETTLEMENTS	1,204,025
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	21,201,277

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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	162,759,313
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	143,815,566
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	18,943,747
4	Net unrealized gains (losses) on investments	4	-523,835
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	-523,835
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	18,419,912

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	OLMSTED MEDICAL CENTER AND THE OMC REGIONAL FOUNDATION ARE EXEMPT FROM FEDERAL INCOME TAXES AS TAX-EXEMPT ORGANIZATIONS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE, EXCEPT FOR INCOME ON CERTAIN UNRELATED BUSINESS INCOME THERE IS NO MATERIAL UNRELATED BUSINESS INCOME FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 THE MEDICAL CENTER AND FOUNDATION ARE ALSO EXEMPT FROM STATE INCOME TAXES UNDER APPLICABLE MINNESOTA STATUTES THE MEDICAL CENTER AND FOUNDATION FILE FEDERAL AND STATE INCOME TAX RETURNS GENERALLY, THE ORGANIZATION AND THE FOUNDATION ARE NO LONGER SUBJECT TO STATE AND FEDERAL INCOME TAX EXAMINATIONS BY TAX AUTHORITIES FOR THE YEAR ENDED DECEMBER 31, 2007, AND PRIOR

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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

2011

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☑ Other **230.000000000000 %**	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other **260.000000000000 %**	3b	Yes	
c	If the organization did 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 policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	Yes	
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 eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit reportduring the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1)			1,990,276		1,990,276	1 460 %
b Medicaid (from Worksheet 3, column a)			25,704,900	17,242,801	8,462,099	6 190 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			3,154,900	408,195	2,746,705	2 010 %
d **Total** Charity Care and Means-Tested Government Programs			30,850,076	17,650,996	13,199,080	9 660 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			620,807		620,807	0 450 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			626,662		626,662	0 460 %
h Research (from Worksheet 7)			2,333,226	2,193,556	139,670	0 100 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			471,938		471,938	0 350 %
j **Total** Other Benefits			4,052,633	2,193,556	1,859,077	1 360 %
k **Total.** Add lines 7d and 7j			34,902,709	19,844,552	15,058,157	11 020 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1		No
2	Enter the amount of the organization's bad debt expense	2	7,202,874		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	659,490		
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	10,714,222		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	14,685,721		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-3,971,499		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?		9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI		9b	Yes	

Part IV Management Companies and Joint Ventures (see instructions)

	(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					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	OLMSTED MEDICAL CENTER-HOSPITAL 1650 4TH STREET SE ROCHESTER, MN 55904	X	X					X	X	URGENT CARE

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

OLMSTED MEDICAL CENTER

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		No
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 260.000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 260 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☐ Insurance status			
	e ☐ Uninsured discount			
	f ☐ Medicaid/Medicare			
	g ☐ State regulation			
	h ☑ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?	**21**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? **16**

	Name and address	Type of Facility (Describe)
1	See Additional Data Table	
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 descriptions 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, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 3C FEDERAL POVERTY GUIDELINES ARE USED FOR DETERMINING FINANCIAL ASSISTANCE

Identifier	ReturnReference	Explanation
		PART I, LINE 7 LINE 7A-7C AMOUNTS SHOWN ARE BASED UPON A COST-TO-CHRAGE RATIO FROM IRS WORKSHEET 2 LINE 7E-7I AMOUNTS SHOWN ARE BASED UPON THE ORGANIZATIONS COST ACCOUNTING SYSTEM

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $ 7202874

Identifier	ReturnReference	Explanation
		PART I, LINE 6A THE OLMSTED MEDICAL CENTER ANNUAL REPORT IS MADE WIDELY AVAILABLE AND IS AVAILABLE ON THE WEBSITE

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE FOOTNOTE FROM THE ORGANIZATION'S FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSE IS AS FOLLOWS PATIENT ACCOUNTS RECEIVABLE DUE DIRECTLY FROM THE PATIENTS ARE CARRIED AT THE ORIGINAL CHARGE FOR THE SERVICE PROVIDED, LESS AMOUNTS COVERED BY THIRD-PARTY PAYORS AND LESS AN ESTIMATED ALLOWANCE FOR DOUBTFUL RECEIVABLES MANAGEMENT DETERMINES THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BY IDENTIFYING TROUBLED ACCOUNTS AND BY HISTORICAL EXPERIENCE APPLIED TO AN AGING OF ACCOUNTS PATIENT ACCOUNTS RECEIVABLE ARE WRITTEN OFF WHEN DEEMED UNCOLLECTIBLE RECOVERIES OF PATIENT ACCOUNTS RECEIVABLE PREVIOUSLY WRITTEN OFF ARE RECORDED WHEN RECEIVED

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE ORGANIZATION DERIVED ITS COSTING METHODOLOGY USED TO DETERMINE THE MEDICARE ALLOWABLE COSTS REPORTED IN THE ORGANIZATION'S MEDICARE COST REPORT BY USING COST REPORT WORKSHEETS MEDICARE COSTS ARE DETERMINED THROUGH THE MEDICARE COST FINDING PROCESS WHICH ALLOCATES GENERAL SERVICE CENTER COSTS TO REVENUE DEPARTMENTS THE METHODOLOGY DESCRIBED IN THE INSTRUCTIONS TO SCHEDULE H, PART III, SECTION B, LINE 6 DOES NOT TAKE INTO ACCOUNT ALL COSTS INCURRED BY THE HOSPITAL AND DOES NOT REPRESENT THE TOTAL COMMUNITY BENEFIT CONFERRED IN THIS AREA THE REASONS MEDICARE SHORTFALL SHOULD BE TREATED AS A COMMUNITY BENEFIT ARE ABSENT THE MEDICARE PROGRAM, IT IS LIKELY MANY OF THE INDIVIDUALS WOULD QUALIFY FOR FINANCIAL ASSISTANCE OR OTHER NEEDS-BASED GOVERNMENT PROGRAMS, BY ACCEPTING PAYMENT BELOW COST TO TREAT THESE INDIVIDUALS, THE BURDENS OF GOVERNMENT ARE RELIEVED WITH RESPECT TO THESE INDIVIDUALS, THERE IS A SIGNIFICANT POSSIBILITY THAT CONTINUED REDUCTION IN REIMBURSEMENT MAY ACTUALLY CREATE DIFFICULTIES IN ACCESS FOR THESE INDIVIDUALS, AND THE AMOUNT SPENT TO COVER MEDICARE SHORTFALL IS MONEY NOT AVAILABLE TO COVER FINANCIAL ASSISTANCE AND OTHER COMMUNITY BENEFIT NEEDS AS REPORTED ON THE AUDITED FINANCIAL STATEMENTS, THE COMMUNITY BENEFIT OF COSTS IN EXCESS OF MEDICARE PAYMENTS WAS $10,617,532

Identifier	ReturnReference	Explanation
		PART III, LINE 9B PATIENT FINANCIAL HARDSHIP POLICY TO SUPPORT THE ORGANIZATION'S MISSION AND PHILOSOPHY IN THAT THE PATIENT COMES FIRST AND PROVIDE A GUIDELINE IN IDENTIFYING PATIENT'S WHO HAVE AN EXCEPTIONAL PERSONAL FINANCIAL HARDSHIP AND REQUIRED NEEDED AND NECESSARY MEDICAL CARE AND THERE IS REMOTE OR NEGLIBLE CHANCE THAT THE INDIVIDUAL WILL BE ABLE TO REPAY PROCEDURE FACTORS THAT MAY CONTRIBUTE TO EXCEPTIONAL FINANCIAL HARDSHIP INCLUDE 1) UNEMPLOYMENT OR UNDEREMPLOYMENT THROUGH NO FAULT OF THE PATIENT AND/OR FAMILY, 2) THREATENED LOSS OF SHELTER THROUGH FORECLOSURE, ETC, 3) LOSS OF INCOME FROM FEDERAL, STATE OR OTHER GOVERNMENT BENEFITS INCLUDING, BUT NOT LIMITED TO SOCIAL SECURITY, SUPPLEMENTAL SECURITY INCOME, PUBLIC ASSISTANCE, ETC, 4) LOSS OF INCOME DUE TO DEATH OR DISABILITY, 5) EXCEPTIONAL EXPENSES INCURRED BECAUSE OF UNINSURED PROPERTY DAMAGE OR COSTLY REPAIRS TO PRINCIPAL RESIDENCE, 6) EXCEPTIONAL EXPENSES DUE TO TEMPORARY OR CHRONIC ILLNESS, 7) EXCEPTIONAL EXPENSES DUE TO INCREASE IN LIVING EXPENSES BECAUSE OF A DIVORCE, ABANDONMENT OR SEPARATION FROM SPOUSE OR INCOME EARNER, 8) LOSS OF INCOME DUE TO DECLARATION OF INCOMPETENCE OR IN PROCESS OF BEING DECLARED INCOMPETENT, 9) PATIENT OR FAMILY MEMBER IS CONFINED TO A CONVALESCENT HOME OR OTHER RESIDENCE OTHER THAN THEIR PRINCIPAL RESIDENCE, 10) NATURAL DISASTERS SUCH AS FLOODS, FIRES, HURRICANES AND EARTHQUAKES, 11) EVICTION, HOMELESSNESS, LOSS OF OWNED RESIDENCE, ARSON, THEFT, ETC, 12) DISCONTINUANCE OF UTILITIES OR HEAT, OR UNSAFE OR UNHEALTHY LIVING CONDITIONS, 13) ANY OTHER CONDITION CONSIDERED LIFE THREATENING DUE TO EXCEPTIONAL FINANCIAL HARDSHIP APPLICATION PROCESS THE FINANCIAL HARDSHIP APPLICATION, UTILIZING OMC'S FINANCIAL ASSISTANCE APPLICATION, CONTAINS THE NECESSARY INFORMATION TO DETERMINE ELIGIBILITY FOR THE OMC FINANCIAL HARDSHIP PROGRAM NO SEPARATE APPLICATION IS NECESSARY SUPPORTING DOCUMENTATION REQUIRED TO MAKE AN ELIGIBILITY DETERMINATION ARE 1) MOST RECENT TAX RETURNS, 2) CURRENT FAMILY PAYROLL STUB SHOWING YEAR-TO-DATE INCOME, 3) CURRENT TRANSUNION CREDIT REPORT AND OTHER FINANCIAL HARDSHIP DOCUMENTATION TO SUPPORT HARDSHIP, 4) EXPLANATION OF HARDSHIP SITUATION/NECESSITY AND RARE COMPLICATIONS ELIGIBILITY DETERMINATION BASED UPON PATIENT'S/FAMILY'S INCOME AND ASSETS AND COMPLETED FINANCIAL ASSISTANCE APPLICATION BASED UPON TAKING INTO CONSIDERATION ALL PERSONAL FACTORS IN DETERMINING EXCEPTIONAL FINANCIAL HARDSHIP THE BUSINESS SERVICES DEPARTMENT EVALUATES THE APPLICATIONS MEETING THE CRITERIA AND PRESENTS TO ADMINISTRATION FOR APPROVAL OMC RESERVES THE RIGHT TO MAKE ADJUSTMENT DETERMINATIONS ON A CASE-BY-CASE BASIS

Identifier	ReturnReference	Explanation
		PART III, SECTION A, LINE 1 THE FILING ORGANIZATION REPORTS BAD DEBT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) HFMA STATEMENT 15 IS FOLLOWED TO THE EXTENT THAT IT ALIGNS WITH THE GUIDELINES SET FORTH BY GAAP

Identifier	ReturnReference	Explanation
OLMSTED MEDICAL CENTER		PART V, SECTION B, LINE 11H OMC VOLUNTARILY ENTERED INTO AN AGREEMENT WITH THE MINNESOTA ATTORNEY GENERAL RELATING TO CHARITY CARE THE TERMS OF THE AGREEMENT INCLUDE AN AUTOMATIC DISCOUNT FOR UNINSURED PATIENTS, A PAYMENT CAP FOR THOSE UNINSURED PATIENTS THAT MEET THE HOSPITAL'S CHARITY CARE CRITERIA, AND A COMMITMENT TO MAKE INFORMATION AVAILABLE TO PATIENTS REGARDING THE CHARITY CARE PROGRAM ADDITIONALY, OMC HAS SIGNED AN AGREEMENT WITH THE MINNESOTA STATE ATTORNEY GENERAL TO FOLLOW THE ATTORNEY GENERAL'S BILLING AND COLLECTION PRACTICES PER THE ATTORNEY GENERAL'S LETTER

Identifier	ReturnReference	Explanation
OLMSTED MEDICAL CENTER		PART V, SECTION B, LINE 19D THERE WAS NO CAP ON THE AMOUNT OF PATIENT FAP

Identifier	ReturnReference	Explanation
		PART V, SECTION B, LINE 14 OMC VOLUNTARILY ENTERED INTO AN AGREEMENT WITH THE MINNESOTA ATTORNEY GENERAL RELATING TO CHARITY CARE THE TERMS OF THE AGREEMENT INCLUDE AN AUTOMATIC DISCOUNT FOR UNINSURED PATIENTS, A PAYMENT CAP FOR THOSE UNINSURED PATIENTS THAT MEET THE HOSPITAL'S CHARITY CARE CRITERIA, AND A COMMITMENT TO MAKE INFORMATION AVAILABLE TO PATIENTS REGARDING THE CHARITY CARE PROGRAM ADDITIONALY, OMC HAS SIGNED AN AGREEMENT WITH THE MINNESOTA STATE ATTORNEY GENERAL TO FOLLOW THE ATTORNEY GENERAL'S BILLING AND COLLECTION PRACTICES PER THE ATTORNEY GENERAL'S LETTER

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 OMC ACTIVELY WORKS WITH LOCAL GOVERNMENT IN ASSESSING AND ADDRESSING COMMUNITY NEEDS THROUGH MEETINGS, WORKSHOPS, AND COMMUNITY INPUT IN ADDITION, OMC IS ACTIVELY INVOLVED WITH LOCAL GOVERNMENTS IN EMERGENCY PREPAREDNESS AND DISEASE MANAGEMENT

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 OMC INFORMS PATIENTS OF THE FINANCIAL ASSISTANCE PROGRAMS AVAILABLE AND ASSISTS PATIENTS WHO INDICATE AN INABILITY TO PAY OMC INFORMS PATIENTS OF THE FINANCIAL ASSISTANCE PROGRAMS BY PROVIDING THE FINANCIAL ASSISTANCE POLICY ON BROCHURES IN THE NEW PATIENT PACKET AND AT THE FRONT DESK FOR ALL PATIENTS THE POLICY IS ALSO PROVIDED ON THE BACK OF THE HOSPITAL BILL STATEMENTS, ON THE HOSPITAL WEBSITE AND ON THE HOSPITAL'S ONLINE BILL-PAY SYSTEM OMC PATIENT FINANCIAL COUNSELORS PROVIDE INFORMATION TO PATIENTS REGARDING AVAILABLE HEALTHCARE FINANCIAL COVERAGE OPTIONS, SUCH AS 1) MEDICAL ASSISTANCE, 2) MINNESOTA CARE, 3) OTHER FINANCIAL SERVICES AVAILABLE FOR LOW INCOME FAMILIES IN THE COMMUNITY, 4) OMC'S FINANCIAL ASSISTANCE PROGRAM THE PATIENT FINANCIAL COUNSELORS ASSIST OMC PATIENTS IN THE APPLICATION PROCESS ALL APPLICATIONS ARE PROCESSED IN A TIMELY MANNER PATIENT APPLICATIONS ARE CONSIDERED FOR CURRENT PATIENT RESPONSIBLE BALANCES, AS WELL AS NEAR FUTURE SCHEDULED MEDICAL SERVICES PATIENTS MAY QUALIFY FOR FULL OR PARTIAL FINANCIAL ASSISTANCE PATIENT FINANCIAL COUNSELORS NOTE PATIENT'S ACCOUNT VIA ON-LINE NOTES REGARDING APPLICATIONS SENT, APPLICATIONS IN PROCESS, AND WHETHER APPLICATIONS HAVE BEEN APPROVED, DENIED, OR ADDITIONAL INFORMATION IS REQUIRED THE PATIENT FINANCIAL COUNSELORS INFORM THE PATIENT VIA A LETTER REGARDING THE DETERMINATION (APPROVED, DENIED, OR PARTIAL COVERAGE APPROVED) OF THE RECEIVED AND COMPLETED APPLICATION PRIOR TO TURNING ACCOUNTS OVER THE THIRD PARTY COLLECTION, THE ACCOUNT WILL BE REVIEWED FOR POSSIBLE FINANCIAL ASSISTANCE PROGRAM QUALIFICATION THROUGH THE E-BUREAU PROCESS

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 OMC IS A REGIONAL HEALTH CARE FACILITY SERVING PATIENTS WITHIN A FORTY FIVE MILE RADIUS OF ROCHESTER, MN

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE FILING ORGANIZATION MAINTAINS AN EMERGENCY ROOM 24 HOURS A DAY, 7 DAYS A WEEK WHICH IS OPEN TO ALL WITHOUT REGARD TO THE ABILITY TO PAY MEDICAL STAFF PRIVILEGES ARE OPEN TO ALL QUALIFIED PHYSICIANS IN THE AREA THE ORGANIZATION UTILIZES ITS SURPLUS FUNDS TO INCREASE THE SERVICES OFFERED TO ITS PATIENTS THE ORGANIZATION HAS EXPANDED THE OPERATIONS AT FASTCARE FACILITIES AND ADDED CARDIOLOGY AND ENDOCRINOLOGY SERVICES FOR ITS PATIENTS

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 N/A

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 THE ORGANIZATION DOES NOT FILE A COMMUNITY BENEFIT REPORT WITH THE STATE OF MINNESOTA HOWEVER, COMMUNITY BENEFIT INFORMATION IS PROVIDED TO THE MINNESOTA HOSPITAL ASSOCIATION WHICH IS THEN USED IN A STATEWIDE SUMMARY REPORT OF COMMUNITY BENEFITS PROVIDED BY MINNESOTA HOSPITALS

Additional Data

Software ID:
Software Version:
EIN: 41-0855367
Name: OLMSTED MEDICAL CENTER

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility (list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? **16**

Name and address	Type of Facility (Describe)
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER,MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . . ▶ ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) OLMSTED MEDICAL CENTER REGIONAL FOUNDATION210 9TH STREET SE ROCHESTER, MN 55904	26-0022777	501(C)(3)	409,411				PROVIDE FUNDING TO OMC REGIONAL FOUNDATION FOR HEALTHCARE EDUCATION AND COMMUNITY PURPOSES
(2) ROCHESTER CIVIC THEATRE20 CIVIC CENTER DR ROCHESTER, MN 55904	41-0829271	501(C)(3)	5,500				PROVIDE FUNDING TO UNDERWRITE CHILDREN'S PROGRAMPROVIDE FUNDING TO UNDERWRITE CHILDREN'S PROGRAM

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 2

3 Enter total number of other organizations listed in the line 1 table . . . . . ▶ 1

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

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

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 MOST OF GRANT EXPENDITURES ARE PROVIDED TO OLMSTED MEDICAL CENTER REGIONAL FOUNDATION, A RELATED ORGANIZATION OMC PROVIDES FUNDS TO THE FOUNDATION FOR HEALTHCARE EDUCATION AND COMMUNITY PURPOSES AS NEEDED THERE ARE NUMEROUS WAYS TO MONITOR THE USE OF THE GRANT FUNDS MANY OF THE EVENTS ARE OPEN TO THE PUBLIC AND EASILY VERIFIABLE STAFF OFTEN ASSIST AS VOLUNTEERS THE FILING ORGANIZATION CONSIDERS REQUESTS FOR FUNDING TO ORGANIZATIONS IN THE COMMUNITY WITH PROGRAMS THAT ENHANCE ITS MISSION THE FILING ORGANIZATION ONLY CONSIDERS REQUESTS FOR FUNDING TO ORGANIZATIONS IN THE COMMUNITY THAT ADDRESS COMMUNITY NEEDS IN THE HEALTH CARE AREA NO ADDITIONAL MONITORING IS PERFORMED

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) CHARLES BRANCH MD	(i)	521,948	0	5,356	26,950	23,816	578,070	0
	(ii)	0	0	0	0	0	0	0
(2) RANDY HEMANN MD	(i)	236,564	9,662	1,602	26,950	25,615	300,393	0
	(ii)	0	0	0	0	0	0	0
(3) JAMES HOFFMANN MD	(i)	380,955	5,630	1,900	26,950	25,020	440,455	0
	(ii)	0	0	0	0	0	0	0
(4) LINDA WILLIAMS MD	(i)	200,361	5,884	2,791	20,528	14,984	244,548	0
	(ii)	0	0	0	0	0	0	0
(5) ROY A YAWN MD	(i)	345,627	59,975	7,463	26,950	10,414	450,429	0
	(ii)	0	0	0	0	0	0	0
(6) JAY MYERS	(i)	463,740	6,520	1,508	26,950	24,407	523,125	0
	(ii)	0	0	0	0	0	0	0
(7) TIM WEIR	(i)	333,767	87,043	816	26,950	25,559	474,135	0
	(ii)	0	0	0	0	0	0	0
(8) KEVIN HIGGINS	(i)	225,715	39,652	336	26,950	25,460	318,113	0
	(ii)	0	0	0	0	0	0	0
(9) DAVID WESTGARD MD	(i)	312,117	81,735	6,455	26,950	21,077	448,334	0
	(ii)	0	0	0	0	0	0	0
(10) DR SRDAN BABOVIC	(i)	671,943	75	1,518	26,950	3,743	704,229	0
	(ii)	0	0	0	0	0	0	0
(11) DR VIDHAN CHANDRA	(i)	657,616	75	990	26,950	6,394	692,025	0
	(ii)	0	0	0	0	0	0	0
(12) DR JEFFREY BECKENBAUGH	(i)	584,270	75	990	26,950	26,729	639,014	0
	(ii)	0	0	0	0	0	0	0
(13) DR DAVID LOWE	(i)	551,759	75	990	26,950	25,182	604,956	0
	(ii)	0	0	0	0	0	0	0
(14) DR MARIO POTVIN	(i)	537,743	75	1,518	26,950	24,849	591,135	0
	(ii)	0	0	0	0	0	0	0
(15) DR KATHRYN LOMBARDO	(i)	396,951	12,840	1,804	26,950	4,983	443,528	0
	(ii)	0	0	0	0	0	0	0
(16) DR THOMAS ERBACH	(i)	362,962	7,386	4,705	26,950	16,544	418,547	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
SUPPLEMENTAL INFORMATION	PART III	COMPENSATION PAID TO PHYSICIAN TRUSTEES IS PRIMARILY FOR PROFESSIONAL RESPONSIBILITIES AS EMPLOYED PHYSICIANS OF THE ORGANIZATION
SUPPLEMENTAL INFORMATION	PART III	SEE CORE 990 PART VI SECTION B LINE 15 FOR FURTHER INFORMATION REGARDING THE PROCESS UTILIZED FOR DETERMINING COMPENSATION

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 41-0855367
Name: OLMSTED MEDICAL CENTER

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
CHARLES BRANCH MD	(I)	521,948	0	5,356	26,950	23,816	578,070	0
	(II)	0	0	0	0	0	0	0
RANDY HEMANN MD	(I)	236,564	9,662	1,602	26,950	25,615	300,393	0
	(II)	0	0	0	0	0	0	0
JAMES HOFFMANN MD	(I)	380,955	5,630	1,900	26,950	25,020	440,455	0
	(II)	0	0	0	0	0	0	0
LINDA WILLIAMS MD	(I)	200,361	5,884	2,791	20,528	14,984	244,548	0
	(II)	0	0	0	0	0	0	0
ROY A YAWN MD	(I)	345,627	59,975	7,463	26,950	10,414	450,429	0
	(II)	0	0	0	0	0	0	0
JAY MYERS	(I)	463,740	6,520	1,508	26,950	24,407	523,125	0
	(II)	0	0	0	0	0	0	0
TIM WEIR	(I)	333,767	87,043	816	26,950	25,559	474,135	0
	(II)	0	0	0	0	0	0	0
KEVIN HIGGINS	(I)	225,715	39,652	336	26,950	25,460	318,113	0
	(II)	0	0	0	0	0	0	0
DAVID WESTGARD MD	(I)	312,117	81,735	6,455	26,950	21,077	448,334	0
	(II)	0	0	0	0	0	0	0
DR SRDAN BABOVIC	(I)	671,943	75	1,518	26,950	3,743	704,229	0
	(II)	0	0	0	0	0	0	0
DR VIDHAN CHANDRA	(I)	657,616	75	990	26,950	6,394	692,025	0
	(II)	0	0	0	0	0	0	0
DR JEFFREY BECKENBAUGH	(I)	584,270	75	990	26,950	26,729	639,014	0
	(II)	0	0	0	0	0	0	0
DR DAVID LOWE	(I)	551,759	75	990	26,950	25,182	604,956	0
	(II)	0	0	0	0	0	0	0
DR MARIO POTVIN	(I)	537,743	75	1,518	26,950	24,849	591,135	0
	(II)	0	0	0	0	0	0	0
DR KATHRYN LOMBARDO	(I)	396,951	12,840	1,804	26,950	4,983	443,528	0
	(II)	0	0	0	0	0	0	0
DR THOMAS ERBACH	(I)	362,962	7,386	4,705	26,950	16,544	418,547	0
	(II)	0	0	0	0	0	0	0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	CITY OF CHATFIELD MINNESOTA	41-6005045	161817CE9	11-15-2004	8,000,000	HOSPITAL CONSTRUCTION		X		X		X
B	CITY OF CHATFIELD MINNESOTA	41-6005045		04-13-2006	2,651,915	HOSPITAL CONSTRUCTION		X		X		X
C	CITY OF ROCHESTER MINESOTA	41-6005494	771902FY4	07-07-2010	20,360,000	CLINIC CONSTRUCTION		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds defeased				
3	Total proceeds of issue	8,000,000	2,651,915	20,202,546	
4	Gross proceeds in reserve funds	768,104		1,709,215	
5	Capitalized interest from proceeds			1,341,963	
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	160,000	51,915	407,200	
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds			18,243,585	
10	Capital expenditures from proceeds	7,071,896	2,600,000	17,968,405	
11	Other spent proceeds			275,180	
12	Other unspent proceeds				
13	Year of substantial completion	2005	2006	2011	

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X		X		
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

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

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☑ No

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) No	(f) Approved by board or committee? Yes	(f) No	(g) Written agreement? Yes	(g) No
(1) STERLING STATE BANK - SEE BELOW	X		800,000	320,000		No	Yes		Yes	
Total . . . . . ▶ $				320,000						

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) JULIE WINKELS	FAMILY MEMBER OF THOMAS WINKELS, FORMER TRUSTEE	45,125	EMPLOYEE OF ORGANIZATION		No
(2) DR LOUIS WAGNER	FAMILY MEMBER OF DR LINDA WILLIAMS, TRUSTEE	445,099	EMPLOYEE OF ORGANIZATION		No
(3) DR BARBARA YAWN	FAMILY MEMBER OF DR ROY YAWN, PRESIDENT	184,270	EMPLOYEE OF ORGANIZATION		No
(4) MERCHANTS BANK	JOHN DOYLE, BOARD CHAIR, SERVES AS PRESIDENT OF MERCHANTS BANK	531,640	OPERATING LEASE PAYMENTS ON RIS/PACS SYSTEM		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
PART II	INTERESTED PERSON DESCRIPTION	STERLING STATE BANK - JUSTIN MCNEILUS, TRUSTEE, IS FAMILY MEMBER OF MAJORITY OWNER OF BANK, ROY YAWN, PRESIDENT, IS BOARD MEMBER OF BANK, TOM WINKELS, FORMER TRUSTEE, IS PRESIDENT OF BANK

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	THE BOARD OF GOVERNORS IS ELECTED BY PHYSICIAN VOTE
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS PREPARED BY AN EXTERNAL ACCOUNTANT A DRAFT OF THE FORM 990 IS REVIEWED IN DETAIL BY THE FINANCIAL SERVICES MANAGER, CONTROLLER AND CFO ANY NECESSARY CORRECTIONS AND ADJUSTMENTS ARE MADE THE FORM 990 IS REVIEWED BY THE CEO AND CFO AND PRESENTED TO THE COMPENSATION COMMITTEE THE FINAL FORM 990 IS MADE AVAILABLE TO THE BOARD MEMBERS FOR THEIR REVIEW PRIOR TO FILING WITH THE IRS
	FORM 990, PART VI, SECTION B, LINE 12C	PER OMC POLICY THE BOARD OF TRUSTEES AND PRINCIPAL OFFICERS ANNUALLY SIGN CONFLICT OF INTEREST STATEMENTS SIGNED CONFLICT OF INTEREST STATEMENTS ARE OBTAINED AND REVIEWED BY SENIOR MANAGEMENT ANNUALLY
	FORM 990, PART VI, SECTION B, LINE 15	IN ORDER TO ENSURE THAT ALL OLMSTED MEDICAL CENTER (OMC) EXECUTIVE COMPENSATION DECISIONS ARE COMPETITIVE, EQUITABLE, UNIFORMLY ADMINISTERED, AND CONSISTENT WITH MARKET PRACTICES, OMC FOLLOWS RECOMMENDED BEST PRACTICES THE GOALS OF EXECUTIVE COMPENSATION ARE TO ATTRACT AND RETAIN HIGHLY QUALIFIED PERSONNEL, TO MAINTAIN COMPENSATION LEVELS COMMENSURATE WITH THE SCOPE OF RESPONSIBILITIES FOR EACH POSITION, AND TO REWARD OUTSTANDING PERFORMANCE OMC WILL SEEK MANAGEMENT TALENT BY CONDUCTING NATIONAL SEARCHES FOR QUALIFIED APPLICANTS FOR ANY VACANCIES AT THE CMO AND CEO POSITIONS IN ADDITION TO VICE PRESIDENT POSITIONS AS NECESSARY THE SAME PHILOSOPHY IS APPLICABLE TO THE POSITION OF OMC PRESIDENT PEER GROUPS FOR EXECUTIVE COMPENSATION, WHICH INCLUDES BASE SALARIES, INCENTIVE AND BENEFITS, WILL BE INTEGRATED HEALTH DELIVERY SYSTEMS WITH A MINIMUM OF A HOSPITAL AND AN EMPLOYED PHYSICIAN NETWORK AND NET REVENUES ROUGHLY SIMILAR TO THE REVENUES OF OLMSTED MEDICAL CENTER OMC ENGAGES AN EXTERNAL CONSULTANT WHO COMPILES A PEER GROUP COMPENSATION AND BENEFIT ANALYSIS ON A TWO YEAR BASIS MOST RECENTLY IN DECEMBER 2011, A COMPENSATION PEER REVIEW STUDY WAS COMPLETED FOR THE CEO, PRESIDENT AND CMO AND PRESENTED TO THE BOARD OF GOVERNORS THE EXECUTIVE COMPENSATION COMMITTEE OF THE OLMSTED MEDICAL CENTER CONSISTS OF FIVE ELECTED MEMBER OF THE BOARD OF GOVERNORS THE EXECUTIVE COMPENSATION COMMITTEE WILL SET THE COMPENSATION OF THE PRESIDENT, CEO AND CMO AND MINUTES ARE KEPT OF THESE DISCUSSIONS THE BOARD OF TRUSTEES, ACTING THROUGH THE BOARD OF TRUSTEES COMPENSATION COMMITTEE, MUST APPROVE THE EXECUTIVE COMPENSATION POLICY AND PROCESS OF DETERMINING EXECUTIVE COMPENSATION AND BENEFITS IN ADDITION, THE PHYSICIAN SALARIES ARE CALCULATED ANNUALLY, USING REGIONAL PHYSICIAN SALARY COMPARISON GUIDES FACTORING IN PRODUCTIVITY AND QUALITY MEASURES, AND REVIEWED ON AN ANNUAL BASIS FOR MARKET REASONABLENESS BY MCGLADREY THE PHYSICIANS RECEIVE NO COMPENSATION AS ATTENDING BOARD MEMBERS THESE DISCUSSIONS ARE NOTED IN THE MINUTES OF THE BOARD OF TRUSTEES COMPENSATION COMMITTEE ANNUAL MEETING THE BOARD OF TRUSTEES COMPENSATION COMMITTEE REPORTS TO THE FULL BOARD OF TRUSTEES ON AN ANNUAL BASIS THE COMPLETION OF SUCH DUTIES AND ARE ALSO NOTED IN THE MINUTES
	FORM 990, PART VI, SECTION C, LINE 19	THE GOVERNING DOCUMENTS AND CONFLICT OF INTEREST STATEMENTS ARE NOT MADE AVAILABLE TO THE PUBLIC THE ANNUAL FORM 990 & ATTACHED AUDITED FINANCIAL STATEMENT REPORT IS AVAILABLE IN ACCORDANCE WITH THE PUBLIC INSPECTION OF THE RETURN REQUIREMENTS
	FORM 990, PART VII, SECTION A	BOARD MEMBERS ARE NOT COMPENSATED FOR THEIR SERVICES TO THE ORGANIZATION COMPENSATION SHOWN FOR PHYSICIAN TRUSTEES IS RELATED TO THEIR POSITION AS AN EMPLOYED PHYSICIAN OF THE ORGANIZATION
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -523,835

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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

2011

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

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) OLMSTED MEDICAL CENTER REGIONAL FOUNDATION 210 9TH STREET SE ROCHESTER, MN 55904 26-0022777	HEALTHCARE EDUCATION AND COMMUNITY PURPOSES	MN	501(C)(3)	LINE 11A, I	OLMSTED MEDICAL CENTER	Yes	
(2) OLMSTED MEDICAL CENTER AUXILIARY 1650 4TH STREET SE ROCHESTER, MN 55904 36-3382873	SUPPORT OLMSTED MEDICAL CENTER	MN	501(C)(3)	LINE 11C, III-FI	OLMSTED MEDICAL CENTER	Yes	

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

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

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

		Yes	No
1 During the tax year, did the orgranization 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	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Sale of assets to related organization(s)	1f		No
g Purchase of assets from related organization(s)	1g		No
h Exchange of assets with related organization(s)	1h		No
i Lease of facilities, equipment, or other assets to related organization(s)	1i		No
j Lease of facilities, equipment, or other assets from related organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by related organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n	Yes	
o Reimbursement paid to related organization(s) for expenses	1o		No
p Reimbursement paid by related organization(s) for expenses	1p		No
q Other transfer of cash or property to related organization(s)	1q		No
r Other transfer of cash or property from related organization(s)	1r		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) OLMSTED MEDICAL CENTER REGIONAL FOUNDATION	B	667,252	GAAP
(2) OLMSTED MEDICAL CENTER REGIONAL FOUNDATION	C	128,737	GAAP
(3) OLMSTED MEDICAL CENTER AUXILIARY	C	8,427	GAAP
(4) OLMSTED MEDICAL CENTER REGIONAL FOUNDATION	N	257,841	GAAP
(5)			
(6)			

Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate 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		Yes	No	

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

McGladrey & Pullen, LLP

801 Nicollet Mall
West Tower Ste 1100
Minneapolis, MN 55402-2526
O 612 332 4300
www mcgladrey com

McGladrey

March 22, 2012

Mr Kevin Higgins
Olmsted Medical Center
1650 Fourth Street
Rochester, MN 55904

Dear Kevin

In accordance with your request, we are attaching the accompanying PDF file, which contains an electronic final version of the consolidated financial statements of Olmsted Medical Center as of December 31, 2011 We understand that your request for the electronic copy has been made as a matter of convenience You understand that electronic transmissions are not entirely secure and that it is possible for confidential financial information to be intercepted by others

These consolidated financial statements and our report(s) on them are not to be modified in any manner This final version supersedes all prior drafts Any preliminary draft version of the consolidated financial statements previously provided to you in an electronic format should be deleted from your computer, and all printed copies of any superseded preliminary draft versions should likewise be destroyed

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors or "experts," in a document used in a public or private offering of equity or debt securities Accordingly, as provided for and agreed to in the terms of our arrangement letter, Olmsted Medical Center will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent Any request to consent is also a matter for which separate arrangements will be necessary After obtaining our consent, Olmsted Medical Center also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed In the event our auditor/client relationship has been terminated when Olmsted Medical Center seeks such consent, we will be under no obligation to grant such consent or approval

Thank you for the opportunity to serve you

Sincerely,

Dan Vandenberghe

Daniel A Vandenberghe, Partner
612 376 9267

wpd
Attachment

Olmsted Medical Center

Consolidated Financial and Compliance Report
December 31, 2011

McGladrey

Assurance • Tax • Consulting

Contents

Independent Auditor's Report

To the Board of Trustees
Olmsted Medical Center

We have audited the accompanying consolidated statements of financial position of Olmsted Medical Center as of December 31, 2011 and 2010, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended These financial statements are the responsibility of Olmsted Medical Center's management Our responsibility is to express an opinion on these financial statements based on our audits

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 Olmsted Medical Center'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 significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Olmsted Medical Center as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years 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 reports dated March 28, 2012, and March 17, 2011, on our consideration of Olmsted Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole 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 not a required part of the basic financial statements Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole

McGladrey & Pullen, LLP

Rochester, Minnesota
March 28, 2012

Olmsted Medical Center

Consolidated Statements of Financial Position
December 31, 2011 and 2010

Assets	**2011**	2010
Current Assets		
Cash and cash equivalents	**$ 49,059,269**	$ 36,098,878
Current portion of assets limited as to use (Note 4)	**8,454,850**	9,553,714
Patient accounts receivable, net of allowance for doubtful accounts of $14,326,000 in 2011 and $12,860,000 in 2010 (Note 2)	**24,394,812**	20,222,967
Inventories	**1,263,932**	1,205,462
Prepaid expenses and other	**1,616,650**	1,503,567
Total current assets	**84,789,513**	68,584,588
Assets Limited as to Use (Note 4)	**12,718,610**	21,086,976
Investments (Note 4)	**6,734,285**	6,823,244
Bond Issuance and Other Costs, net of amortization	**858,561**	910,937
Property and Equipment (Note 5)		
Land and land improvements	**5,996,944**	5,080,927
Buildings	**57,439,460**	39,630,604
Equipment	**31,815,649**	29,659,089
Construction in process	**160,423**	9,137,866
Total property and equipment	**95,412,476**	83,508,486
Less accumulated depreciation	**34,274,465**	32,385,855
Net property and equipment	**61,138,011**	51,122,631
Total assets	**$ 166,238,980**	$ 148,528,376

See Notes to Consolidated Financial Statements

Liabilities and Net Assets	**2011**	2010
Current Liabilities		
Current maturities of long-term debt (Note 5)	**$ 2,512,843**	$ 2,592,129
Accounts payable		
Trade	**3,105,695**	2,554,504
Construction and retainage	**-**	1,791,985
Accrued expenses		
Compensation and related benefits	**12,961,879**	11,882,552
Estimated third-party payor settlements	**1,204,025**	1,446,864
Real estate taxes	**678,948**	543,376
Interest	**739,845**	736,596
Other	**6,290,166**	4,566,700
Total current liabilities	**27,493,401**	26,114,706
Long-Term Debt, less current maturities (Note 5)	**31,311,865**	33,723,765
Commitments and Contingencies (Notes 8 and 9)		
Net Assets		
Temporarily restricted	**205,858**	225,187
Permanently restricted	**1,427,156**	1,433,701
Unrestricted	**105,800,700**	87,031,017
Total net assets	**107,433,714**	88,689,905
Total liabilities and net assets	**$ 166,238,980**	$ 148,528,376

Olmsted Medical Center

Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2011 and 2010

	2011	2010
Changes in unrestricted net assets		
Operations		
Revenues		
Net patient services (Note 2)	**$ 157,809,553**	$ 146,231,435
Other operating revenues, primarily research grants	**2,818,143**	1,215,129
Net assets released from restriction	**198,984**	101,846
Total revenues	**160,826,680**	147,548,410
Expenses		
Salaries and wages	**72,658,892**	69,101,715
Employee benefit costs	**22,159,858**	20,585,837
Drugs and supplies	**14,286,060**	13,147,512
Purchased services	**9,148,461**	8,051,311
Occupancy	**7,818,378**	7,340,981
Other	**1,342,380**	1,321,880
Provision for bad debts	**7,202,874**	8,185,010
MinnesotaCare tax/MA surcharge	**3,479,675**	3,326,629
Depreciation	**4,470,934**	4,048,511
Interest	**1,067,268**	980,103
Total expenses	**143,634,780**	136,089,489
Operating income	**17,191,900**	11,458,921
Nonoperating gains		
Investment income and other	**1,577,783**	1,965,935
Change in unrestricted net assets	**18,769,683**	13,424,856
Temporarily restricted net assets		
Investment income	**36,498**	53,116
Contributions	**143,157**	51,937
Net assets released from restriction	**(198,984)**	(101,846)
Change in temporarily restricted net assets	**(19,329)**	3,207
Permanently restricted net assets		
Loss in beneficial interest in perpetual trust	**(14,160)**	(48,655)
Contributions	**7,615**	13,440
Change in permanently restricted net assets	**(6,545)**	(35,215)
Change in net assets	**18,743,809**	13,392,848
Net assets at beginning of year	**88,689,905**	75,297,057
Net assets at end of year	**$ 107,433,714**	$ 88,689,905

See Notes to Consolidated Financial Statements

Olmsted Medical Center

Consolidated Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	**$ 18,743,809**	$ 13,392,848
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	**4,470,934**	4,048,511
Gain on disposal of property and equipment	**486,800**	49,848
Contributions restricted for capital and permanently restricted	**(7,615)**	(13,440)
Provision for bad debts	**7,202,874**	8,185,010
Change in unrealized (gains) losses	**523,835**	(546,613)
Changes in assets and liabilities		
Patient accounts receivable	**(11,374,719)**	(8,577,675)
Inventories, prepaid expenses and other assets	**(119,177)**	(923,131)
Estimated third-party payor settlements	**(242,839)**	811,132
Accounts payable	**551,191**	592,414
Accrued expenses	**2,941,614**	2,731,710
Net cash provided by operating activities	**23,176,707**	19,750,614
Cash Flows From Investing Activities		
Purchase of property and equipment	**(16,765,099)**	(11,977,508)
Proceeds from sale of investments	**1,687,550**	823,339
Purchase of investments	**(2,122,426)**	(2,650,591)
Increase in assets limited as to use	**(94,119)**	(12,244,781)
Decrease in assets limited as to use	**11,621,474**	1,311,365
Net cash used in investing activities	**(5,672,620)**	(24,738,176)
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	**345,649**	23,987,497
Principal payments on long-term debt	**(2,836,835)**	(7,323,128)
Proceeds from restricted contributions	**7,615**	13,440
Net cash (used in) provided by financing activities	**(2,483,571)**	16,677,809
Net increase in cash and cash equivalents	**15,020,516**	11,690,247
Cash and Cash Equivalents		
Beginning	**49,671,305**	37,981,058
Ending	**$ 64,691,821**	$ 49,671,305
Cash and Cash Equivalents Are Reported Within the Consolidated Statements of Financial Position as Follows		
Cash and cash equivalents	**$ 49,059,269**	$ 36,098,878
Assets limited as to use (Note 4)	**15,632,552**	13,572,427
	$ 64,691,821	$ 49,671,305

(Continued)

Olmsted Medical Center

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2011 and 2010

	2011	2010
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest, including interest capitalized of $797,345 in 2011 and $516,523 in 2010	**$ 1,861,364**	$ 1,153,898
Supplemental Schedule of Noncash Investing and Financing Activities		
Property and equipment acquisitions included in accounts payable	**$ -**	$ 1,791,985
Change in the fair value of beneficial interest in perpetual trust	**(14,160)**	(48,655)

See Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business: Olmsted Medical Center (the Medical Center) is a not-for-profit organization consisting of a multispecialty medical clinic and an acute care hospital The Medical Center employs approximately 150 clinicians It operates health care sites serving patients in the communities and surrounding areas of Byron, Chatfield, Pine Island, Plainview, Preston, St Charles, Spring Valley, Stewartville, Wanamingo and Rochester, Minnesota

The Medical Center is governed by a Board of Trustees and a Board of Governors The Board of Trustees consists of 16 members Five members are clinic trustees elected by the voting staff of the Medical Center Ten public trustees are appointed by the nominating committee of the Board of Trustees The Medical Center's president is an ex-officio member of the Board of Trustees The Board of Governors consists of eight members Five members are the clinic trustees elected by the voting staff of the Medical Center The Medical Center's president is an ex-officio member of the Board of Governors and is the chairman of the Board The Medical Center's chief executive officer and chief medical officer are voting ex-officio members of the Board of Governors

The consolidated financial statements include the operations of the Medical Center and the net assets and activities of the OMC Regional Foundation (the Foundation) (collectively, the Organization) The Foundation began operations in 2002 and is controlled by the Medical Center All significant intercompany balances and transactions have been eliminated in consolidation

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

Cash and cash equivalents: For the purpose of reporting the consolidated statements of cash flows, the Organization considers all cash accounts and all highly liquid debt instruments purchased with original maturities of three months or less as cash and cash equivalents, excluding amounts subject to withdrawal restrictions or penalties, amounts held by trustees, deferred compensation accounts and long-term investment accounts The Organization maintains its cash accounts in one financial institution Amounts on deposit may exceed federal depository insurance limits No losses have resulted from this policy

Patient accounts receivable: Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors

Patient accounts receivable due directly from the patients are carried at the original charge for the service provided, less amounts covered by third-party payors and less an estimated allowance for doubtful receivables Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts Patient accounts receivable are written off when deemed uncollectible Recoveries of patient accounts receivable previously written off are recorded when received

Inventories: Inventories consist primarily of medical supplies and pharmaceuticals and are stated at the lower of cost (first in, first out) or market

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Investments: Investments in equity mutual funds and debt securities are measured at fair value in the consolidated statements of financial position Investment income or loss (including realized gains and losses on investments, interest and dividends) and unrealized gains and losses on investments are included in the change in unrestricted net assets unless the income or loss is restricted by donor or law

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility It is reasonably possible that changes in the value of investments could occur, and such changes would affect the amounts reported

The Organization continually monitors the difference between the cost and fair value of its investments If any investments experience a decline in value that the Organization believes is other than temporary, the Organization records a realized loss

Assets limited as to use: Assets limited as to use primarily include assets held by trustees under revenue bond indenture agreements, beneficial interest in donor trust, amounts held for research activities, and other designated assets set aside for future uses by the Board of Trustees Amounts available to meet current liabilities of the Organization have been classified as current assets in the consolidated statements of financial position at December 31, 2011 and 2010 Assets limited as to use are stated at fair value The beneficial interest in perpetual trust is stated at the Organization's share of the fair value of trust assets, which approximates the present value of future estimated cash flows

Property and equipment: Property and equipment acquisitions are stated at cost Depreciation is computed using the straight-line method over estimated useful lives of three to 40 years Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets

Impairment: The Organization evaluates the carrying value of its long-lived assets for impairment Based on management's analysis, no assets were found to be impaired

Bond issuance and other costs: Underwriter, legal and other costs incurred in connection with procuring long-term financing are deferred and amortized to expense over the life of the related financing by the interest method

Self-insurance claims: The Organization self-insures its employees' health insurance program and estimates its liability based on an estimate of health claims incurred and not reported as of year-end

Net assets: Unrestricted net assets are those funds presently available for use by or on behalf of the Organization, including amounts available for general and administrative expenses These unrestricted net assets may also include Board-designated funds Temporarily restricted net assets are those whose use by the Organization has been limited by donors or grantors to a specific time period or purpose When the donor-imposed restriction is fulfilled, the temporarily restricted net assets are reclassified to unrestricted Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity

Performance indicator: The Organization's performance indicator is the change in unrestricted net assets

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Net patient services revenue: The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates Net patient services revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services provided

Provisions for contractual adjustments arising under reimbursement agreements with third-party payors are recognized on an estimated basis in the period the related services are provided Certain reimbursement arrangements are subject to retroactive audit and adjustment As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term Differences between amounts originally recorded and final settlements are recorded in the year the differences become known

Charity care: The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates Since the Organization does not pursue collection of these amounts, they are excluded from net patient services revenue

Research grant revenue: The Organization receives grants relating to research activities Grant revenue is recognized as allowable expenses are incurred Amounts received in advance of eligible expenses are recognized as deferred revenues

Income taxes: The Medical Center and the Foundation are exempt from federal income taxes as tax-exempt organizations described in Section 501(c)(3) of the Internal Revenue Code, except for income on certain unrelated business income There is no material unrelated business income for the years ended December 31, 2011 and 2010 The Medical Center and the Foundation are also exempt from state income taxes under applicable Minnesota statutes The Medical Center and the Foundation file federal and state income tax returns Generally, the Medical Center and the Foundation are no longer subject to state and federal income tax examinations by tax authorities for the year ended December 31, 2007, and prior

Recent accounting pronouncements: In July 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities.* This ASU requires certain health care entities to change the presentation of their statement of activities by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts The ASU is effective for the Organization's fiscal year ending December 31, 2012 The adoption of this standard is not expected to have a material impact on the Organization's consolidated financial statements

Subsequent events: The Organization has evaluated events and transactions through March 28, 2012, the date of issuance of the consolidated financial statements

Note 2. Net Patient Services Revenue

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

Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates These rates vary according to the patient classification system that is based on clinical, diagnostic and other factors Outpatient services related to Medicare and Medicaid program beneficiaries are reimbursed based on a cost-reimbursement method or a fee schedule, depending on the service

The laws and regulations under which the Medicare and Medicaid programs operate are complex, subject to frequent change and subject to interpretation As part of operating under these programs, there is a reasonable possibility that governmental authorities may review the Organization's compliance with these laws and regulations Such review may result in adjustments to reimbursement previously received and subject the Organization to fines and penalties Although no assurances can be given, management believes they have complied with the requirements of these programs

The Organization has reimbursement agreements with certain commercial insurance carriers and preferred provider organizations The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates

Net patient services revenue and patient accounts receivable as of and for the years ended December 31, 2011 and 2010, include amounts from the following payors

	2011		2010	
	Net Patient Services Revenue	Patient Accounts Receivable	Net Patient Services Revenue	Patient Accounts Receivable
Medicare	16%	14%	15%	10%
Medicaid	11%	8%	11%	7%
Blue Cross/Blue Shield	34%	25%	34%	21%
All others	39%	53%	40%	62%
Total	100%	100%	100%	100%

Note 3. Community Benefit

In furtherance of its charitable purpose, the Organization provides a wide variety of benefits to the community These services and donations account for a measurable portion of the Organization's costs and serve to promote healthy lifestyles, community development, health education and affordable access to care

The Organization maintains records to identify and monitor the level of community benefit services it provides Those records include management's estimate of the cost to provide charity care, the cost of services and supplies furnished for community benefit programs, and costs in excess of program payments for treating Medical Assistance patients The Organization measures charity care by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients

Note 3. Community Benefit (Continued)

In addition to community benefit costs outlined below, the Organization provides additional community contributions, such as services to Medicare patients below the costs for treatment and other uncompensated care, and pays state-mandated taxes and fees

	Years Ended December 31	
	2011	2010
Charity care	$ 2,241,793	$ 1,046,334
Costs in excess of Medicaid payments	10,182,990	10,489,269
Medicaid surcharge and MinnesotaCare tax	3,479,675	3,326,629
Cash and in-kind donations	74,476	72,837
Total cost of community benefits	15,978,934	14,935,069
Other community contributions		
Costs in excess of Medicare payments	10,617,532	10,483,348
Charges for other care provided without compensation (bad debt)	7,202,874	8,185,010
Taxes and fees	442,961	629,211
Total value of community contributions	18,263,367	19,297,569
Total community benefits and community contributions	$ 34,242,301	$ 34,232,638

Note 4. Investments

Assets limited as to use:

Board-designated: The Board has designated funds for specific future uses The Board retains control over these funds and may, at its discretion, change these designations in future periods

Held by trustee under indenture agreement: Payments made in connection with the Organization's revenue bonds are held by trustees until disbursed to the bondholders or as a bond reserve for the protection of bondholders Amounts received in connection with specific borrowings for construction of capital assets are held by trustees and disbursed as the project is completed

Beneficial interest in perpetual trust, held by others: The Organization has been named as a beneficiary of a trust The assets are held by a third party The Organization receives income from the trust, which is restricted for specific purposes

Note 4. Investments (Continued)

The composition of assets limited as to use at December 31, 2011 and 2010, is set forth in the following tables Amounts are stated at fair value

	2011	2010
Board-designated		
Retirement savings plan	$ 6,358,490	$ 6,148,564
Funded depreciation	7,065,685	5,960,175
Education	549,736	311,429
Research activities	479,530	64,703
Building development	1,179,111	1,087,556
	15,632,552	13,572,427
Held by trustee under indenture agreement		
Debt service reserve funds	2,496,922	2,734,872
Bond funds	1,341,655	1,548,464
Construction fund	275,175	11,351,226
Permanently endowed funds	266,685	259,070
Beneficial interest in perpetual trust, held by others	1,160,471	1,174,631
Total assets limited as to use	21,173,460	30,640,690
Less current portion	8,454,850	9,553,714
Long-term portion	$ 12,718,610	$ 21,086,976

	2011	2010
Cash and cash equivalents	$ 15,632,552	$ 13,572,427
Money market mutual funds	4,105,262	4,542,406
Money market funds—government	275,175	11,351,226
Beneficial interest in perpetual trust, held by others	1,160,471	1,174,631
Total assets limited as to use	$ 21,173,460	$ 30,640,690

The composition of other investments at December 31, 2011 and 2010, is set forth in the following table Amounts are stated at fair value

	2011	2010
Money market mutual funds	$ 2,020	$ 5,678
Bond mutual funds	2,625,255	2,513,132
Equity mutual funds	4,107,010	4,304,434
Total investments	$ 6,734,285	$ 6,823,244

The Organization's intent is to maintain these funds as part of a long-term investment strategy, therefore, such funds are classified as noncurrent in the consolidated statements of financial position

Note 4. Investments (Continued)

Investment income consists of the following for the years ended December 31, 2011 and 2010, and is included as investment income and other on the consolidated statements of activities and changes in net assets

	2011	2010
Interest and dividend income	$ 1,165,328	$ 1,253,839
Realized/unrealized gains (losses)	(263,540)	543,537
	$ 901,788	$ 1,797,376

Investments are considered to be impaired when a decline in fair value is considered to be other than temporary The Organization evaluates whether investments are impaired using, among other factors, the magnitude and duration of the decline in fair value, the financial health of and business outlook for the issuer, performance of the underlying assets, and the Organization's ability and intent to hold the investment When it is determined an investment is other-than-temporarily impaired, the decline in fair value is recognized as a realized loss and included in the performance indicator A realized loss has not been recognized on investments, as their decline in value does not meet the Organization's criteria for classification as other-than-temporary impairment At December 31, 2011 and 2010, the Organization does not have any investments in a significant unrealized loss position

Note 5. Long-Term Debt

Long-term debt at December 31, 2011 and 2010, consisted of the following

	2011	2010
$20,360,000 Series 2010 Health Care Facilities Revenue Bonds, due in varying semiannual amounts, interest rate of 2 5% to 5 9%, maturing December 2030 (A)	$ 19,695,000	$ 20,360,000
$8,000,000 Series 2004 Health Care Facilities Revenue Bonds, due in varying semiannual amounts, interest rate of 3 7% to 4 9%, maturing July 2019 (B)	4,915,000	5,420,000
$2,600,000 Series 2006 Health Care Facilities Revenue Bonds, due in semiannual installments of $125,859 through April 2021, including interest at 5 2% (C)	1,893,775	2,047,043
$3,850,000 Series 2001 Health Care Facilities Revenue Bonds, interest rate of 5 0% to 5 1%, paid in full during 2011	-	250,000
$3,627,500 note payable, due in semiannual installments of $288,527 through July 2017, including interest at 3 4%, collateralized by a security interest in the Organization's gross receipts on a parity basis with the bonds	2,872,565	3,339,999
$3,162,000 note payable, due in semiannual installments of $199,021 through August 2019, including interest at 4 6%, collateralized by a security interest in the Organization's gross receipts on a parity basis with the bonds	2,639,122	2,906,505

Note 5. Long-Term Debt (Continued)

	2011	2010
$1,860,500 note payable, due in semiannual installments of $203,348 through August 2014, including interest at 3 3%, collateralized by a security interest in the Organization's gross receipts on a parity basis with the bonds	1,152,616	1,512,347
$800,000 note payable, due in varying semiannual installments through November 2013, including interest at 6 5%, collateralized by certain property and equipment of the Organization	320,000	480,000
Capitalized ultrasound lease obligations, discounted at 4 25%, due in monthly installments of $10,243	336,630	-
	33,824,708	36,315,894
Less current maturities	2,512,843	2,592,129
Long-term portion	$ 31,311,865	$ 33,723,765

(A) City of Rochester, Minnesota (City), Health Care Facilities Revenue Bonds, Series 2010 The bonds were issued pursuant to an indenture of trust between the City and Wells Fargo Bank, National Association, as trustee, and the proceeds were loaned to the Organization pursuant to a loan agreement between the City and the Organization The proceeds were used to finance construction of a new clinic The Organization's obligation is collateralized by the gross receipts and gross revenues of the Organization, as defined in the applicable bond document The loan agreement contains certain covenant requirements that include, among other things (1) that income available for debt service will be no less than 125 percent of the debt service requirements, (2) limits on the amount of additional short- and long-term debt that can be issued and (3) that the current ratio be maintained at certain levels, as defined in the agreement

(B) City of Chatfield, Minnesota (City), Health Care Facilities Revenue Bonds, Series 2004 The bonds were issued pursuant to an indenture of trust between the City and Wells Fargo Bank, National Association, as trustee, and the proceeds were loaned to the Organization pursuant to a loan agreement between the City and the Organization The proceeds were used for the purpose of expansion of facilities The Organization's obligation is collateralized by the gross receipts of the Organization, as defined in the applicable bond document The agreement contains certain covenants as disclosed under (A) above

(C) City of Chatfield, Minnesota, Health Care Facilities Revenue Bonds, Series 2006 The bonds were issued pursuant to an indenture of trust between the City of Chatfield (City) and Wells Fargo Bank, National Association, as trustee, and the proceeds were loaned to the Organization pursuant to a loan agreement between the City and the Organization The Organization's obligation is collateralized by the gross receipts of the Organization, as defined in the applicable bond document

Note 5. Long-Term Debt (Continued)

A summary of scheduled future maturities of long-term debt as of December 31, 2011, is as follows

Years Ending December 31,	
2012	$ 2,512,843
2013	2,842,996
2014	2,774,399
2015	2,357,720
2016	2,454,905
Thereafter	20,881,845
	$ 33,824,708

Note 6. Functional Expenses

The Organization provides general health care services to residents within its geographic location Expenses related to providing these services for the years ended December 31, 2011 and 2010, are as follows

	2011	2010
Health care services	$ 131,408,715	$ 124,748,994
General and administrative	11,898,612	11,126,502
Fundraising	327,453	213,993
	$ 143,634,780	$ 136,089,489

Note 7. Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the consolidated statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value Input levels, as defined by FASB ASC 820, Fair Value Measurements and Disclosures, are as follows

Level 1 Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date

Level 2 Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date

Level 3 Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date

Note 7. Fair Value of Financial Instruments (Continued)

The following tables set forth the Organization's assets that are measured at fair value on a recurring basis as of December 31, 2011 and 2010, under the appropriate level of the fair value hierarchy As required by ASC 820, financial instruments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement

	December 31, 2011			
	Total	Level 1	Level 2	Level 3
Money market mutual funds	$ 4,107,282	$ 4,107,282	$ -	$ -
Money market mutual funds—government	275,175	275,175	-	-
Bond mutual funds				
Treasury inflation-protected securities	652,938	652,938	-	-
Broad domestic bond mutual funds	1,716,834	1,716,834	-	-
International bond mutual funds	255,483	255,483	-	-
Total bond mutual funds	2,625,255	2,625,255	-	-
Equity mutual funds				
Large cap equity mutual funds	1,382,148	1,382,148	-	-
Small/mid cap equity mutual funds	510,630	510,630	-	-
International equity mutual funds	1,053,031	1,053,031	-	-
Emerging market equity mutual funds	454,429	454,429	-	-
Real estate investment trusts	492,684	492,684	-	-
International real estate investment trusts	214,088	214,088	-	-
Total equity mutual funds	4,107,010	4,107,010	-	-
Beneficial interest in perpetual trust	1,160,471	-	-	1,160,471
	$ 12,275,193	$ 11,114,722	$ -	$ 1,160,471

Note 7. Fair Value of Financial Instruments (Continued)

	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Money market mutual funds	$ 4,548,084	$ 4,548,084	$ -	$ -
Money market mutual funds—government	11,351,226	11,351,226	-	-
Bond mutual funds				
Treasury inflation-protected securities	620,669	620,669	-	-
Broad domestic bond mutual funds	1,634,928	1,634,928	-	-
International bond mutual funds	257,535	257,535	-	-
Total bond mutual funds	2,513,132	2,513,132	-	-
Equity mutual funds				
Large cap equity mutual funds	1,401,657	1,401,657	-	-
Small/mid cap equity mutual funds	500,242	500,242	-	-
International equity mutual funds	1,161,737	1,161,737	-	-
Emerging market equity mutual funds	527,016	527,016	-	-
Real estate investment trusts	713,782	713,782	-	-
Total equity mutual funds	4,304,434	4,304,434	-	-
Beneficial interest in perpetual trust	1,174,631	-	-	1,174,631
	$ 23,891,507	$ 22,716,876	$ -	$ 1,174,631

Fair values of money market mutual funds, equity mutual funds and bond mutual funds are based on quoted market prices, if available, or estimated using quoted market prices for similar securities

Fair value of the beneficial interest in perpetual trust is based on the Organization's share of the fair value of the trust assets, which approximates the present value of future estimated cash flows

The following table presents additional information about assets measured at fair value on a recurring basis for which the Organization has utilized Level 3 inputs to determine fair value

Balance, December 31, 2009	$ 1,223,286
Valuation loss on perpetual trust	(48,655)
Balance, December 31, 2010	1,174,631
Valuation loss on perpetual trust	(14,160)
Balance, December 31, 2011	$ 1,160,471

The fair value of long-term debt is estimated using discounted cash flow analyses based on the expected interest rate for a current financing with similar terms The fair value of long-term debt exceeded the carrying value by approximately $553,000 at December 31, 2011, while the carrying value of long-term debt exceeded the fair value by approximately $1,839,000 at December 31, 2010

Note 8. Commitments and Contingencies

Regulatory compliance: The health care industry is subject to numerous laws and regulations from federal, state and local governments These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursements for patient services, Medicare and Medicaid fraud and abuse, and the requirements of tax exemption Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by health care providers Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed Management believes the Organization is in compliance with the fraud and abuse regulations as well as other applicable government laws and regulations Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time

Recovery audit contractors program: The Centers for Medicare & Medicaid Services (CMS) implemented a project using recovery audit contractors (RACs) as part of CMS's further efforts to assure accurate payments The project uses the RACs to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount equal to the overpayment or underpayment The Organization will deduct from revenue amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated RAC assessments against the Organization are anticipated, however, the outcome of such assessments is unknown and cannot be reasonably estimated

Health care reform: In March 2010, President Obama signed the Patient Protection and Affordable Care Act (PPACA) into law PPACA will result in sweeping changes across the health care industry, including how care is provided and paid for A primary goal of this comprehensive reform legislation is to extend health care coverage to approximately 32 million uninsured legal U S residents through a combination of public program expansion and private sector health insurance reforms To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs Given that the final regulations and interpretive guidelines have yet to be published, the Organization is unable to fully predict the impact of PPACA on its operations and financial results There are multiple lawsuits challenging the constitutionality of major portions of PPACA To the extent that any significant elements of the law are overturned, additional uncertainty is introduced into the prediction of operational and financial impacts However, if the law is implemented and adopted, the Organization's management expects that in the coming years, patients who were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payors will be reduced and made conditional on various quality measures Management of the Organization is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement

Litigation: The Organization is involved in litigation and regulatory investigations arising in the course of business After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Organization's future financial position or results from operations

Note 8. Commitments and Contingencies (Continued)

Professional liability: The Organization is covered by professional liability insurance on a claims-made basis Individual and aggregate claims coverage is $4,000,000 and $6,000,000, respectively, for hospital and physicians' professional liability The Organization has a deductible of $100,000 per claim, $500,000 in the aggregate The Organization has obtained coverage to December 31, 2012 Should this claims-made policy not be renewed or replaced with equivalent insurance, claims based on incidents occurring during the term of this claims-made policy but reported in subsequent periods would be uninsured The Organization has several claims and pending legal proceedings that generally involve professional liability issues These are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the Organization A liability for estimated amounts related to reported claims identified with specific policy years and for claims incurred but not reported is included in other accrued expenses in the consolidated statements of financial position A receivable is recognized for insurance proceeds expected to be received on reported claims

Self-funded health insurance: The Organization self-insures its employees' health insurance program Stop-loss insurance has been obtained for nonorganization claims in excess of $125,000 per individual and approximately $4,458,000 in aggregate The amount recorded as expense was approximately $3,476,000 and $2,618,000 for the years ended December 31, 2011 and 2010, respectively

Operating leases: The Organization leases eight health care sites, two administrative sites, and various medical and administrative equipment under agreements that expire at various dates through September 2017 and require various minimum annual rentals Most of the site leases require payment of property taxes, normal maintenance, and insurance on the properties Equipment leases also require additional rentals based on the number of patient days the equipment is utilized The total minimum rental commitment is as follows

Years Ending December 31,	
2012	$ 1,154,662
2013	934,832
2014	248,263
2015	186,541
2016	187,197
Due thereafter	178,479
	$ 2,889,974

Total rental expense included in the consolidated statements of activities and changes in net assets for the years ended December 31, 2011 and 2010, is $1,946,000 and $1,820,000, respectively

Purchase commitments: The Organization entered into purchase commitments for various equipment and electronic health record technology The total commitment for these items is approximately $5,307,000, which will be financed The equipment and technology is expected to be put into operation during fiscal years 2012 and 2013

Note 9. Employee Benefit Plans

The Organization has a retirement savings plan for the benefit of its employees who attain minimum qualification requirements as defined in the plan Contributions are determined by the Board of Trustees annually The contributions are made to a trust, which holds and invests such funds Participating employees are eligible to withdraw their respective vested benefits upon retirement, termination or disability Contributions to the trust totaled approximately $6,353,000 and $6,101,000 for the years ended December 31, 2011 and 2010, respectively

The Organization has a defined benefit plan for the benefit of employees who were formerly covered under the Public Employees Retirement Association (PERA) as employees of Olmsted Community Hospital (OCH) This plan was adopted in conjunction with the business combination with OCH Only employees who were employed by OCH on December 31, 1995, and had accrued a benefit under PERA as of that date are eligible to participate in this plan A contribution to the plan by Olmsted County was made in connection with the business combination The amount contributed was based on an actuarial determination The amount is intended to fully fund the plan The plan assets are held by a trustee to provide retirement benefits as provided by the plan document The plan is to provide protection of supplemental retirement income for this employee group, which when combined with the benefits available under the defined contribution plan would be equivalent to the benefits these employees would have received if they had remained under the Public Employees Retirement Association Based on the most recent actuarial calculation, the plan is overfunded

Compliance

McGladrey

Independent Auditor's 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*

To the Board of Trustees
Olmsted Medical Center

We have audited the accompanying consolidated financial statements of Olmsted Medical Center (the Organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 28, 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

Management of the Organization is responsible for establishing and maintaining effective 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 consolidated 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

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 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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above

Compliance and Other Matters

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

This report is intended solely for the information and use of the Organization's Board of Trustees, management, 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 those specified parties

McGladrey & Pullen, LLP

Rochester, Minnesota
March 28, 2012

McGladrey

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Trustees
Olmsted Medical Center

Compliance

We have audited the compliance of Olmsted Medical Center (the Organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011 The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs Compliance with the requirements of laws, regulations, contracts and grants that could have a direct and material effect on each of its major federal programs 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 on the Organization's compliance with those requirements

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our 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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above

This report is intended solely for the information and use of the Organization's Board of Trustees, management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties

McGladrey & Pullen, LLP

Rochester, Minnesota
March 28, 2012

Olmsted Medical Center

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Research and Development Cluster			
Department of Health and Human Services Direct Programs			
Agency for Healthcare Research and Quality			
Research on Healthcare Costs, Quality and Outcomes	93 226	1R01HS018431-01A1	$ 506,019
Department of Health and Human Services Pass-Through Programs From			
National Institutes of Health			
Mayo Clinic in Rochester			
Aging Research	93 866	9R01AG034676-45	58,947
National Institute of Diabetes and Digestive and Kidney Diseases			
Mayo Clinic in Rochester			
Diabetes, Digestive and Kidney Diseases Extramural Research	93 847	5R34DK084009-02	2,061
Agency for Healthcare Research and Quality			
Harvard Clinical Research Institute, Inc			
ARRA—Comparative Effectiveness Research—AHRQ	93 715	R01HS019408	758,997
Mayo Clinic in Rochester			
Research on Healthcare Costs, Quality and Outcomes	93 226	5R18HS018339-02	851
Subtotal Department of Health and Human Services Pass-Through Programs			820,856
Environmental Protection Agency Pass-Through Programs From			
Office of Research and Development			
MN Department of Heath			
Science to Achieve Results Research Program	66 509	-	920
Total Research and Development Cluster			1,327,795
Department of Health and Human Services Pass-Through Programs From			
Office of the Secretary			
Mayo Clinic in Rochester			
ARRA—Health Information Technology—BEACON Communities	93 727	90BC0009/01	276,693
Total expenditures of federal awards			$ 1,604,488

See Note to Schedule of Expenditures of Federal Awards

Olmsted Medical Center

Note to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the grant activity of Olmsted Medical Center and is presented on the accrual basis of accounting The information in this schedule is presented 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, financial statements

Olmsted Medical Center

Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

I SUMMARY OF AUDITOR'S RESULTS

A Financial Statements

1 Type of auditor's report issued on the financial statements Unqualified

2 Internal control over financial reporting

- Material weakness(es) identified? _____Yes __X__No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____Yes __X__None reported

3 Noncompliance material to financial statements identified? _____Yes __X__No

B Federal Awards

1 Internal control over major programs

- Material weakness(es) identified? _____Yes __X__No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____Yes __X__None reported

2 Type of auditor's report issued on compliance for major programs Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____Yes __X__No

3 Identification of major programs

CFDA Number	Name of Federal Program
Research and Development Cluster	
66 509	Science to Achieve Results Research Program
93 226	Research on Healthcare Costs, Quality and Outcomes
93 715	ARRA—Comparative Effectiveness Research—AHRQ
93 847	Diabetes, Digestive and Kidney Diseases Extramural Research
93 866	Aging Research

4 Dollar threshold used to distinguish between Type A and Type B programs $300,000

Auditee qualifies as a low-risk auditee? _____Yes __X__No

(Continued)

Olmsted Medical Center

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2011

II FINANCIAL STATEMENT FINDINGS

A Internal Control

None reported

B Compliance

None

III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A Internal Control

None reported

B Compliance

None

Olmsted Medical Center

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2011

I FINANCIAL STATEMENT FINDINGS

None

II FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None