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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
 BEARTOOTH BILLINGS CLINIC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) Room/suite
 PO BOX 590

City or town, state or country, and ZIP + 4
 RED LODGE, MT 59068

D Employer identification number
 81-0224734

E Telephone number
 (406) 446-2345

G Gross receipts \$ 10,108,907

F Name and address of principal officer

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

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

H(c) Group exemption number ▶

I Tax-exempt status 501(c)(3) 501(c) () (Insert no) 4947(a)(1) or 527

J Website: ▶ www.beartoothbillingsclinic.org

K Form of organization Corporation Trust Association Other ▶ **L** Year of formation 1948 **M** State of legal domicile MT

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities THE MISSION OF THE ORGANIZATION IS TO SAVE LIVES AND PROMOTE HEALTHY LIVING THE ORGANIZATIONAL VALUES INCLUDE ACCOUNTABILITY, COMPASSION, PASSION FOR EXCELLENCE, LOVE, AND INNOVATION		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	13
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	11
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	119
	6 Total number of volunteers (estimate if necessary)	6	150
	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		
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	1,172,267	142,567
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	7,176,684	9,826,765
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-178,854	39,575
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	15,248	0
		8,185,345	10,008,907
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	85,314	0
	14 Benefits paid to or for members (Part IX, column (A), line 4)		0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	4,111,147	0
	16a Professional fundraising fees (Part IX, column (A), line 11e)		0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ 24,347		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	3,153,281	10,681,864
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	7,349,742	10,681,864
19 Revenue less expenses Subtract line 18 from line 12	835,603	-672,957	
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	27,830,394	23,479,227
	21 Total liabilities (Part X, line 26)	21,864,002	18,190,243
22 Net assets or fund balances Subtract line 21 from line 20	5,966,392	5,288,984	

Part II Signature Block

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

Sign Here

Signature of officer: *****
 Date: 2012-11-15

KELLEY EVANS CEO
 Type or print name and title

Paid Preparer's Use Only

Preparer's signature: JEFFREY MRACHEK
 Date: _____
 Check if self-employed:

Preparer's taxpayer identification number (see instructions): _____
 Firm's name (or yours if self-employed), address, and ZIP + 4: Mrachek Popp & Associates PC
 404 North 31st Suite 400
 Billings, MT 59101
 EIN: _____
 Phone no: (406) 252-6301

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 Yes No

1 Briefly describe the organization's mission
THE MISSION OF THE ORGANIZATION IS TO SAVE LIVES AND PROMOTE HEALTHY LIVING THE ORGANIZATIONAL VALUES INCLUDE ACCOUNTABILITY, COMPASSION, PASSION FOR EXCELLENCE, LOVE, AND INNOVATION

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 \$ 9,233,387 including grants of \$) (Revenue \$ 9,826,765)
COMMUNITY-OWNED CRITICAL ACCESS HOSPITAL PROVIDING ACUTE AND TRANSITIONAL CARE, OUTPATIENT SURGICAL SERVICES, DIAGNOSTIC SERVICES, REHABILITATION, AND HOSPICE/HOME CARE FOR RED LODGE, MT AND SURROUNDING AREA PAID FOR THROUGH PATIENT FEES, MEDICARE AND MEDICAID, AND PRIVATE INSURANCE REIMBURSEMENTS

4b (Code) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services (Describe in Schedule O)
(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses \$ 9,233,387

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)? <i>If "Yes," complete Schedule A.</i> <input checked="" type="checkbox"/>	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? <input checked="" type="checkbox"/>	Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>		No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i>		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? <i>If "Yes," complete Schedule C, Part III.</i>		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? <i>If "Yes," complete Schedule D, Part I.</i> <input checked="" type="checkbox"/>		No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> <input checked="" type="checkbox"/>		No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> <input checked="" type="checkbox"/>		No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> <input checked="" type="checkbox"/>		No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> <input checked="" type="checkbox"/>		No
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> <input checked="" type="checkbox"/>	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? <i>If "Yes," complete Schedule D, Part VII.</i> <input checked="" type="checkbox"/>		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? <i>If "Yes," complete Schedule D, Part VIII.</i> <input checked="" type="checkbox"/>		No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> <input checked="" type="checkbox"/>		No
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>		No
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>		No
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> <input checked="" type="checkbox"/>	Yes	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> <input checked="" type="checkbox"/>	Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i>		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? <i>If "Yes," complete Schedule F, Part II and IV.</i>		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? <i>If "Yes," complete Schedule F, Part III and IV.</i>		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? <i>If "Yes," complete Schedule G, Part I.</i>		No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>		No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> <input checked="" type="checkbox"/>	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. <input checked="" type="checkbox"/>	Yes	

Part IV Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

Table with columns for question number, question text, sub-questions (1a, 1b, etc.), and Yes/No columns. Includes questions 1a-14a regarding Form 1096, W-2G, Form W-3, and various organizational requirements.

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

Table with 3 columns: Question, Yes, No. Rows include: 1a (13), 1b (11), 2 (No), 3 (Yes), 4 (No), 5 (No), 6 (Yes), 7a (Yes), 7b (No), 8a (Yes), 8b (Yes), 9 (No).

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

Table with 3 columns: Question, Yes, No. Rows include: 10a (No), 10b (No), 11a (Yes), 12a (Yes), 12b (Yes), 12c (Yes), 13 (Yes), 14 (Yes), 15a (Yes), 15b (Yes), 16a (No), 16b (No).

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed
18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection
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
20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

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) VIRGINIA MOHL MD Director	1 00	X						0	0	0
(2) ANN CHRIST President	2 00	X		X				0	0	0
(3) SHIRLEY OVERTON Director	1 00	X						0	0	0
(4) JIM DUNCAN Director	1 00	X						0	0	0
(5) ROBERT HURD MD Director	1 00	X						0	0	0
(6) KELLEY EVANS CEO	40 00	X						0	0	0
(7) KAREN HOINESS Director	1 00	X						0	0	0
(8) RICH BRUNER Director	1 00	X						0	0	0
(9) STEVE MUTH Vice President	1 00	X		X				0	0	0
(10) SARAH EWALD FNDN LIASON	1 00	X						0	0	0
(11) JIM NOE Secty/Treasurer	1 00	X		X				0	0	0
(12) KEITH BRIGHTON Director	1 00	X						0	0	0
(13) LINDA HARRIS Director	1 00	X						0	0	0

Part VIII Statement of Revenue

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns 1a					
	b	Membership dues 1b					
	c	Fundraising events 1c					
	d	Related organizations 1d					
	e	Government grants (contributions) 1e					
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	142,567				
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f	142,567				
Program Service Revenue	2a	HOSPITAL & NURSING HOME	621990	9,826,765	9,826,765		
	b	_____					
	c	_____					
	d	_____					
	e	_____					
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		9,826,765			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		5,380	5,380		
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
	6a	Gross rents	(i) Real				
			(ii) Personal				
			b Less rental expenses				
			c Rental income or (loss)				
	d	Net rental income or (loss)		0			
	7a	Gross amount from sales of assets other than inventory	(i) Securities	134,195			
			(ii) Other				
			b Less cost or other basis and sales expenses	100,000			
			c Gain or (loss)	34,195			
	d	Net gain or (loss)		34,195	34,195		
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18					
	b	Less direct expenses					
c	Net income or (loss) from fundraising events		0				
9a	Gross income from gaming activities See Part IV, line 19						
b	Less direct expenses						
c	Net income or (loss) from gaming activities		0				
10a	Gross sales of inventory, less returns and allowances						
b	Less cost of goods sold						
c	Net income or (loss) from sales of inventory		0				
	Miscellaneous Revenue	Business Code					
11a	MISCELLANEOUS						
b	DAY CARE SERVICES	624410					
c	CONTRACT INCOME(Loss)	621990					
d	All other revenue						
e	Total. Add lines 11a-11d		0				
12	Total revenue. See Instructions		10,008,907	9,866,340			

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	0			
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	0			
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	0			
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	0			
9	Other employee benefits	0			
10	Payroll taxes	0			
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	0			
c	Accounting	0			
d	Lobbying	0			
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	0			
12	Advertising and promotion	0			
13	Office expenses	0			
14	Information technology	0			
15	Royalties	0			
16	Occupancy	0			
17	Travel	0			
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	0			
20	Interest	903,606	903,606		
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	1,363,288	1,226,959	136,329	
23	Insurance	0			
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	UNCOLLECTIBLE SERVICE FEES	766,945	766,945		
b	OTHER PROFESSIONAL SERVICES	2,976,297	2,976,297		
c	NURSING SERVICES	1,811,798	1,811,798		
d	GENERAL SERVICES	593,466	593,466		
e	ADMINISTRATION	2,266,464	954,316	1,287,801	24,347
f	All other expenses	0			
25	Total functional expenses. Add lines 1 through 24f	10,681,864	9,233,387	1,424,130	24,347
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing		1	65,880
	2 Savings and temporary cash investments	5,988,506	2	820,800
	3 Pledges and grants receivable, net		3	0
	4 Accounts receivable, net	1,527,742	4	2,227,870
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	0
	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	0
	7 Notes and loans receivable, net	787,687	7	227,871
	8 Inventories for sale or use	177,463	8	174,550
	9 Prepaid expenses and deferred charges	61,022	9	73,736
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	20,643,062		
	b Less accumulated depreciation	2,096,344	10c	18,546,718
	11 Investments—publicly traded securities		11	349,548
	12 Investments—other securities See Part IV, line 11		12	0
	13 Investments—program-related See Part IV, line 11		13	0
	14 Intangible assets		14	0
	15 Other assets See Part IV, line 11	128,354	15	992,254
16 Total assets. Add lines 1 through 15 (must equal line 34)	27,830,394	16	23,479,227	
Liabilities	17 Accounts payable and accrued expenses	1,732,970	17	841,730
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties	19,990,084	23	17,348,513
	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	140,948	25	
	26 Total liabilities. Add lines 17 through 25	21,864,002	26	18,190,243
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	5,941,892	27	5,264,484
	28 Temporarily restricted net assets	24,500	28	24,500
	29 Permanently restricted net assets		29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 Total net assets or fund balances	5,966,392	33	5,288,984	
34 Total liabilities and net assets/fund balances	27,830,394	34	23,479,227	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	10,008,907
2	Total expenses (must equal Part IX, column (A), line 25)	2	10,681,864
3	Revenue less expenses Subtract line 2 from line 1	3	-672,957
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	5,966,392
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-4,451
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	5,288,984

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

2011

Open to Public Inspection

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.

Department of the Treasury
Internal Revenue Service

Name of the organization
BEARTOOTH BILLINGS CLINIC

Employer identification number
81-0224734

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?
 (i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?
 (ii) a family member of a person described in (i) above?
 (iii) a 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s)

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

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

Part II Support Schedule for Organizations Described in 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 <input type="checkbox"/>		
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 <input type="checkbox"/>		
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 <input type="checkbox"/>		
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 <input type="checkbox"/>		
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 <input type="checkbox"/>		

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 <input type="checkbox"/>						

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: 11000144

Software Version: 2011v1.2

EIN: 81-0224734

Name: BEARTOOTH BILLINGS CLINIC

Form 990, Special Condition Description:

Special Condition Description

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2011

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization BEARTOOTH BILLINGS CLINIC

Employer identification number 81-0224734

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), 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?
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?

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, Protection of natural habitat, Preservation of open space, Preservation of an historically important land area, Preservation of a certified historic structure.

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

Table with 2 columns: Description, Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06.

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

4 Number of states where property subject to conservation easement is located

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

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)?

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
1c	
1d	
1e	
1f	

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

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

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

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

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

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

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

- (i)** unrelated organizations
- (ii)** related organizations

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

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

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		694,875		694,875
b Buildings		14,498,757	671,128	13,827,629
c Leasehold improvements		1,270,521	136,956	1,133,565
d Equipment		4,178,909	1,288,260	2,890,649
e Other				
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				18,546,718

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	10,008,907
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	10,681,864
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-672,957
4	Net unrealized gains (losses) on investments	4	-4,451
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	-4,451
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-677,408

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	10,004,456
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	-4,451
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	-4,451
3	Subtract line 2e from line 1	3	10,008,907
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	10,008,907

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

1	Total expenses and losses per audited financial statements	1	10,681,864
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	10,681,864
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	10,681,864

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
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SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2011

Open to Public Inspection

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

Department of the Treasury Internal Revenue Service

Name of the organization BEARTOOTH BILLINGS CLINIC

Employer identification number 81-0224734

Part I Charity Care and Certain Other Community Benefits at Cost

1a Did the organization have a charity care policy? 1b If "Yes," is it a written policy? 2 If the organization had multiple hospitals... 3 Answer the following based on the charity care eligibility criteria... 4 Did the organization's policy provide free or discounted care to the "medically indigent"? 5a Did the organization budget amounts for free or discounted care... 5b If "Yes," did the organization's charity care expenses exceed the budgeted amount? 5c If "Yes" to line 5b... 6a Did the organization prepare a community benefit report... 6b If "Yes," did the organization make it available to the public?

7 Charity Care and Certain Other Community Benefits at Cost

Table with 6 columns: (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. Rows include Charity Care and Means-Tested Government Programs and Other Benefits.

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	1		232,153	179,662	52,491	0.490 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy	1		637		637	0.010 %
8 Workforce development						
9 Other						
10 Total	2		232,790	179,662	53,128	0.500 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

	Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1 Yes	
2 Enter the amount of the organization's bad debt expense	2 551,270	
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3 220,508	
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 4,015,378
6 Enter Medicare allowable costs of care relating to payments on line 5	6 4,015,378
7 Subtract line 6 from line 5. This is the surplus or (shortfall)	7
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other	

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year?	9a Yes
9b 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 Beartooth Health Management	Management services	25.000 %		
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)
0	BEARTOOTH BILLINGS CLINIC 2525 N BROADWAY RED LODGE, MT 59068	X	X			X		X		CLINIC

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)

BEARTOOTH BILLINGS CLINIC

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 If "Yes," indicate what the Needs Assessment describes (check all that apply)	1	No
<ul style="list-style-type: none"> a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> 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? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	5	
<ul style="list-style-type: none"> a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> 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)		
<ul style="list-style-type: none"> a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> 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		
8 Did the hospital facility have in place during the tax year a written financial assistance policy that 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? If "Yes," indicate the FPG family income limit for eligibility for free care <u>110 0000%</u> If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V Facility Information *(continued)*

	Yes	No
10 Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 0000</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	No
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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13 Yes	

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 <input checked="" type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input checked="" type="checkbox"/> 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? If "Yes," check all actions in which the hospital facility or a third party engaged a <input checked="" type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16 Yes	
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)		

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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?

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)

	Yes	No
18	Yes	

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 its 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?

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?

.

If "Yes," explain in Part VI

20		No
21	Yes	

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? _____

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

Part VI Supplemental Information

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the 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, 6l, 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 V - Explanation of Number of Facility Type	PART 1 6A - FACILITY PUBLISHES AN ANNUAL REPORT EACH YEAR THAT IS DISTRIBUTED AT THE ANNUAL ASSOCIATION MEETING AND AVAILABLE TO THE PUBLIC THE REPORT CONTAINS FINANCIAL PERFORMANCE RESULTS AND CHARITY CARE OUTCOMES PART III SECTION C 9B - POLICY STATES UP FROM THAT ADMISSIONS REPRESENTATIVE IS TO GIVE FINANCIAL ASSISTANCE PAPERWORK WITH INFORMATION ON CHARITY CARE AT THE TIME OF ADMISSION FOLLOW UP CONSULTATION IS DONE LATER TO INCLUDE FINANCIAL ASSISTANCE DISCUSSIONS WITH PATIENT

Identifier	ReturnReference	Explanation
	Part VI - Community Building Activities	THE FACILITY COORDINATES TRAUMA FOR ALL COUNTY TRAUMA PROVIDERS THIS PROVIDES THE MOST EFFICIENT RESPONSE TIMES AS WELL AS COORDINATED EDUCATION

Identifier	ReturnReference	Explanation
	Part VI - Needs Assessment	PERIODIC COMMUNITY SURVEYS ARE CONDUCTED TO DEFINE THE PHYSICIAN SPECIALTIES THAT ARE NEEDED/REQUESTED AT THE FACILITY

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 21 - Charge Patients Amount Equal Gross Charge for Services	CHARGE FOR SERVICES RENDERED DO NOT VARY UPON THE BASIS OF INSURANCE STATUS

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 19d - Other Billing Determination of Individuals Without Insurance	CHARGE FOR SERVICES RENDERED DO NOT VARY UPON THE BASIS OF INSURANCE STATUS

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 15e - Other Collection Actions Against a Patient	FINANCIAL ASSISTANCE, LOAN PROGRAMS, INDIVIDUAL PUBLIC FUNDING PROGRAMS ASSISTANCE

Identifier	ReturnReference	Explanation
	Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	THE HOSPITAL PROVIDES CARE TO PATIENTS WHO MEET CERTAIN CRITERIAL UNDER ITS CHARITY CARE POLICY WITHOUT CHARGE OR AT AMOUNTS LESS THAN ITS ESTABLISHED RATES BECAUSE THE HOSPITAL DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS CHARITY, THEY ARE NOT REPORTED AS REVENUE, OR SUBJECT TO COLLECTION

Identifier	ReturnReference	Explanation
	Part III, Line 4 - Bad Debt Expense	<p>Patient Accounts Receivable - Patient accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The reserve method is used to account for bad debts. Management determines the reserve balance based on historic collection rates and professional judgment. Net Patient Service Revenue - The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.</p>

**Schedule K
(Form 990)**

OMB No 1545-0047

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.**

2011

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
BEARTOOTH BILLINGS CLINIC

Employer identification number

81-0224734

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	MEMORIAL HOSPITAL ASSOCIATION	81-0224734		01-08-2009	1,380,000	CONSTRUCTION OF MEDICAL FACILITY				X		
B	MEMORIAL HOSPITAL ASSOCIATION	81-0224734		01-08-2009	4,620,000	CONSTRUCTION OF MEDICAL FACILITY				X		
C	MEMORIAL HOSPITAL ASSOCIATION	81-0224734		01-08-2009	7,775,000	CONSTRUCTION OF MEDICAL FACILITY				X		

Part II Proceeds

		A	B	C	D				
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	1,380,000	4,620,000	7,775,000					
4	Gross proceeds in reserve funds			784,693					
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds								
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	1,380,000	4,620,000	2,463,757					
11	Other spent proceeds								
12	Other unspent proceeds			4,526,550					
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?								
15	Were the bonds issued as part of an advance refunding issue?								
16	Has the final allocation of proceeds been made?								
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?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								

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?								
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?								
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?								

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?								
2 Is the bond issue a variable rate issue?								
3a Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?								
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?								
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?								
6 Did the bond issue qualify for an exception to rebate?								

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 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
BEARTOOTH BILLINGS CLINIC

Employer identification number

81-0224734

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	No documents available to the public
Form 990, Part VI, Line 15b	Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	EXECUTIVE MANAGEMENT PREPARES AN ANNUAL EVALUATION OF KEY EMPLOYEE POSTIONS PERFORMANCE AND PROVIDE WAGE ADJUSTMENTS CONSISTENT WITH MARKET VALUE FOR SERVICES RENDERED
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	Board members annually disclose in writing their professional and personal alliances These are review ed by the Board Chair and CEO Throughout the year, if changes occur, the Board Chair and CEO address those items with the individuals involved
Form 990, Part VI, Line 11	Form 990, Part VI, Line 11 Form 990 Review Process	THE ORGANIZATION WAS PROVIDED WITH A COPY OF THE INFORMATIONAL TAX RETURN ALONG WITH FORM 8879 REQUESTING THAT, UPON APPROVAL OF THE RETURN, THE FORM 8879 BE RETURNED WITH SIGNATURES ATTACHED, AT WHICH TIME THE TAX RETURN WOULD BE ELECTRONICALLY FILED
Form 990, Part VI, Line 6	Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	THE COMMUNITY-OWNED HOSPITAL IS OWNED BY THE MEMORIAL HOSPITAL ASSOCIATION, A MEMBER ORGANIZATION RECOGNIZED 501(C)(3) THAT HAS SUBROGATED THE MANAGEMENT RESPONSIBILITY AND FINANCIAL ACCOUNTABILITY TO A BOARD OF DIRECTORS
Form 990, Part VI, Line 3	Form 990, Part VI, Line 3 Description of Delegated Duties to Management Company	Beartooth Billings Clinic hired Beartooth Health Management, LLC (a related party of which the Hospital has a 50% ownership interest) to conduct, supervise, operate and manage day-to-day operations of the Hospital, its departments, employees and financial administration The LLC hired management personnel through another organization and is billed for those services The Hospital reimburses the LLC for expenses for management services

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2011

Open to Public Inspection

▶ **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.**

Department of the Treasury
Internal Revenue Service

Name of the organization
BEARTOOTH BILLINGS CLINIC

Employer identification number

81-0224734

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) BHHC FOUNDATION PO BOX 1290 RED LODGE, MT 59068 81-0484562	FUNDRAISING ACTIVITIES	MT	501(C)(3)	509(A)	N/A		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate 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	
(1) BEARTOOTH HEALTH MANAGEMENT LLC PO BOX 590 RED LODGE, MT 59068 81-0544854	MGMT CO	MT	NA					No		Yes		

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

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

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

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

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

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Sale of assets to related organization(s)
- g** Purchase of assets from related organization(s)
- h** Exchange of assets with related organization(s)
- i** Lease of facilities, equipment, or other assets to related organization(s)
- j** Lease of facilities, equipment, or other assets from related organization(s)
- k** Performance of services or membership or fundraising solicitations for related organization(s)
- l** Performance of services or membership or fundraising solicitations by related organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- n** Sharing of paid employees with related organization(s)

- o** Reimbursement paid to related organization(s) for expenses
- p** Reimbursement paid by related organization(s) for expenses

- q** Other transfer of cash or property to related organization(s)
- r** Other transfer of cash or property from related organization(s)

	Yes	No
1a		No
1b		No
1c		No
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j		No
1k		No
1l		No
1m		No
1n		No
1o		No
1p		No
1q		No
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)			
(2)			
(3)			
(4)			
(5)			
(6)			

Part VII Supplemental Information

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

Identifier**Return Reference****Explanation****Schedule R (Form 990) 2011**

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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INDEPENDENT AUDITOR'S REPORT

**To The Board of Directors
Beartooth Billings Clinic and
Beartooth Billings Clinic Foundation**

We have audited the accompanying combined balance sheets of Memorial Hospital Association d/b/a Beartooth Billings Clinic (a nonprofit corporation) and Beartooth Billings Clinic Foundation (a nonprofit corporation), as of December 31, 2011 and 2010, and the related combined statements of operations, changes in net assets and combined cash flows for the years then ended. These financial statements are the responsibility of the Hospital's and Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Beartooth Billings Clinic and Beartooth Billings Clinic Foundation as of December 31, 2011 and 2010, and the results of its operations, changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules to the statements of operations (pages 29-39) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2012 on our consideration of Memorial Hospital Association d/b/a Beartooth Hospital and Health Care's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Memorial Hospital Association d/b/a Beartooth Hospital and Health Care and the Beartooth Billings Clinic Foundation 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mrachek Popp + Associates, P.C.
Billings, Montana
March 15, 2012

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
COMBINED BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 961,901	\$ 72,413
Operating investments	349,548	563,813
Patient accounts receivable, net of allowance for doubtful accounts of \$609,561 and \$303,674 in 2011 and 2010, respectively)	2,227,870	1,527,742
Current portion of pledges receivable	167,650	238,759
Miscellaneous other receivables	232,593	783,542
Inventories	174,550	177,463
Prepaid expenses	<u>73,986</u>	<u>61,022</u>
Total current assets	<u>4,188,098</u>	<u>3,424,754</u>
Assets limited as to use:		
Board restricted for specific purposes	743,853	371,023
Bond related cash reserves	945,585	1,047,611
Internally designated for capital acquisitions	<u>1,973</u>	<u>4,574,390</u>
	<u>1,691,411</u>	<u>5,993,024</u>
Property, plant and equipment, net	<u>18,546,718</u>	<u>18,934,356</u>
Other assets:		
Goodwill (less amortization of \$0 and \$70,409, respectively)	---	---
Investments in LLC	---	128,354
Investments	676,018	663,508
Pledges receivable, net of current portion	<u>48,555</u>	<u>314,864</u>
	<u>724,573</u>	<u>1,106,726</u>
Total assets	<u>\$ 25,150,800</u>	<u>\$ 29,458,860</u>

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

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
COMBINED BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable - trade	\$ 287,078	\$ 1,229,110
Accrued expenses	424,078	372,142
Due to LLC	---	140,948
Interest payable	132,846	138,050
Current maturities of capital lease obligations	43,232	41,637
Current maturities of long-term debt	<u>193,000</u>	<u>182,413</u>
Total current liabilities	<u>1,080,234</u>	<u>2,104,300</u>
Long-term liabilities:		
Long-term capital lease obligations, net	124,287	169,014
Long-term debt, net	16,987,994	19,597,020
Gift annuities, net of current portion	<u>450</u>	<u>10,220</u>
	<u>17,112,731</u>	<u>19,776,254</u>
Total liabilities	<u>18,192,965</u>	<u>21,880,554</u>
Net assets:		
Unrestricted	5,786,841	6,392,911
Temporarily restricted	955,702	1,016,772
Permanently restricted	<u>215,292</u>	<u>168,623</u>
Total net assets	<u>6,957,835</u>	<u>7,578,306</u>
 Total liabilities and net assets	 <u>\$ 25,150,800</u>	 <u>\$ 29,458,860</u>

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

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Unrestricted Net Assets:		
Unrestricted Revenues, Gains and Other Support:		
Patient services revenue	\$ 10,384,898	\$ 7,572,395
Allowances	<u>(617,967)</u>	<u>(395,711)</u>
Net patient service revenue	9,766,931	7,176,684
Other operating revenue, net	<u>59,834</u>	<u>85,722</u>
Total unrestricted revenues, gains and other support	<u>9,826,765</u>	<u>7,262,406</u>
Expenses:		
Operating Expenses:		
Nursing services	1,811,798	2,015,081
Other professional services	2,976,297	2,164,936
General services	593,466	455,943
Fiscal and administrative services	2,266,464	1,782,381
Depreciation	1,363,435	399,402
Amortization	---	5,954
Foundation administration	124,129	116,509
Grants to individuals	6,000	11,794
Interest	903,639	99,712
Provision for charity care	181,297	85,314
Provision for bad debts	<u>585,648</u>	<u>383,225</u>
Total expenses	<u>10,812,173</u>	<u>7,520,251</u>
Operating loss	<u>(985,408)</u>	<u>(257,845)</u>
Other Revenue, Gains and Support:		
Contributions/Grants	182,711	702,686
Investment (loss) income	<u>13,045</u>	<u>(123,826)</u>
	<u>195,756</u>	<u>578,860</u>
Excess of expenses over revenues, gains and other support	<u>\$ (789,652)</u>	<u>\$ 321,015</u>

Continued...

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

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Other Income (Expense):		
Contract loss	\$ ---	\$ (140,948)
Gain on contract investment	<u>---</u>	<u>70,474</u>
	<u>---</u>	<u>(70,474)</u>
Net assets released from restrictions	<u>183,582</u>	<u>584,314</u>
(Decrease) Increase in unrestricted net assets	<u>(606,070)</u>	<u>834,855</u>
Temporarily Restricted Net Assets:		
Contributions	122,512	413,311
Grants	---	---
Net assets released from restriction for capital asset acquisition	<u>(183,582)</u>	<u>(584,314)</u>
(Decrease) in temporarily restricted net assets	<u>(61,070)</u>	<u>(171,003)</u>
Permanently Restricted Net Assets:		
Endowment contributions	<u>46,669</u>	<u>10,000</u>
(Decrease) Increase in permanently restricted net assets	<u>46,669</u>	<u>10,000</u>
Increase in Net Assets	(620,471)	673,852
Net Assets at Beginning of Year	<u>7,578,306</u>	<u>6,904,454</u>
Net Assets at End of Year	<u>\$ 6,957,835</u>	<u>\$ 7,578,306</u>

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

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	\$ (620,471)	\$ 673,852
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,379,282	413,947
Amortization	---	5,954
Contributions received for long-term purposes	(46,669)	(10,000)
Contributions received for specific purposes	(122,512)	(413,311)
Provision for bad debts	766,945	468,539
Loss/Gain from pass-through entity	---	70,474
Loss on disposal of capital assets	(2,000)	277,897
Unrealized losses (gains) on investments	51,496	(55,989)
Realized gain on investments	(22,258)	893
 (Increase) Decrease in:		
Operating investments	227,555	(198,735)
Patient accounts receivable (net)	(1,467,073)	(802,137)
Pledges receivable	337,418	294,473
Inventories	2,913	(15,872)
Prepaid expenses	(12,964)	(33,452)
Miscellaneous other receivables	550,949	(232,427)
Due to/from LLC	(140,948)	25,115
 Increase (Decrease) in:		
Accounts payable - trade	(942,032)	335,606
Accrued expenses	51,936	(139,912)
Interest payable	(5,204)	138,050
Net cash (used in) provided by operating activities	(13,637)	802,965
 Cash Flows from Investing Activities:		
Increase in limited use assets	4,301,613	1,970,058
Investments in pass-through entities	128,354	(82,201)
Capital expenditures	(991,644)	(9,436,688)
Proceeds from sale of capital assets	2,000	64,573
Proceeds from sale of investments	230,522	636,912
Purchase of investments	(285,560)	(679,770)
Net cash provided by (used in) investing activities	3,385,285	(7,527,116)

Continued...

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

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows from Financing Activities:		
Proceeds from short-term borrowing	\$ ---	\$ ---
Proceeds from long-term borrowing	---	6,227,042
Payments on short-term debt	---	---
Payments on long-term debt	(2,641,571)	(15,037)
Restricted capital campaign funds received	122,512	413,311
Proceeds from contributions received for investment in permanent endowment	<u>36,899</u>	<u>10,000</u>
Net cash (used in) provided by financing activities	<u>(2,482,160)</u>	<u>6,635,316</u>
Net Decrease (Increase) in Cash	889,488	(88,835)
Cash and Cash Equivalents at Beginning of Year	<u>72,413</u>	<u>161,248</u>
Cash and Cash Equivalents at End of Year	<u>\$ 961,901</u>	<u>\$ 72,413</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW AND NON-CASH INVESTING
ACTIVITIES:**

Cash Flow Information:

Interest paid	\$ <u>908,843</u>	\$ <u>866,693</u>
Income taxes paid	\$ <u>---</u>	\$ <u>---</u>

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

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Organization - The Memorial Hospital Association, a community owned and managed organization, was founded in 1948 to establish and operate an acute care hospital in Red Lodge and the surrounding area. Effective July 1, 2002 the Hospital converted to a Critical Access Facility as defined by The Balance Budget Act of 1997. A new Hospital facility was opened in 2010 under the name Beartooth Billing Clinic that provides 10 acute care beds and a 12-room physician clinic. The facility receives integrated management and technological support from a regional health care provider, but ownership of the facility remains with the Memorial Hospital Association.

Beartooth Billings Clinic Foundation is a non-private foundation created to provide for the exclusive benefit of the Beartooth Billings Clinic. The Foundation provides support in the areas of raising funds, managing investments, and specifically, educating the public about Hospital operations and opportunities.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Hospital and Foundation considers investments acquired with an original maturity of three months or less to be cash and cash equivalents. Certain short-term investments (money market funds) held by the Boards of Directors have not been classified as cash equivalents as they are considered an integral part of the Hospital and Foundation's investment strategy.

Patient Accounts Receivable - Patient accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The reserve method is used to account for bad debts. Management determines the reserve balance based on historic collection rates and professional judgment.

Pledges and Notes Receivable - The Foundation carries its pledges and notes receivable at net realizable value, as discounted for the time necessary to collect extended obligations. On a periodic basis, the Foundation evaluates its pledges and notes receivable and establishes an allowance for doubtful accounts, based on a history of past bad debt expense and collections and current credit conditions. The Foundation does not accrue interest on pledges and notes receivable. A receivable is considered past due if payment has not been received within stated terms. The Foundation will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged to uncollectible pledges expense.

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

**Note 1 - Description of Organization and Summary of Significant Accounting Policies
(continued)**

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

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Public Support and Revenue - Public support and revenue is generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded when the written promise to give is received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates (applicable to the years in which the promises are received) to discount the amounts. The majority of the promises to give are received from a broad base of contributors. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at the end of each fiscal year.

Revenue and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Board of Directors adopted a policy whereby if temporary restrictions are accomplished within the fiscal year, the support shall be classified as unrestricted.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distributions are recorded in unrestricted net assets. Investment earnings with restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

**Note 1 - Description of Organization and Summary of Significant Accounting Policies
(continued)**

Public Support and Revenue (continued) - Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

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

Inventories - Inventories are stated at lower of cost or market on a first-in, first-out basis. Management considers the physical inventory for obsolescence or out-dated items and recognizes as needed.

Assets Limited As To Use - Assets limited as to use includes designated assets set aside by the Board of Directors for future capital improvements and other purposes, over which the Board retains control and may at its discretion subsequently use for other purposes. Balances also include custody over funds that are restricted in use by the sources from which the funds are derived. Restrictive use may have been created by grantors, lenders, or other sources of funds as a condition of receipt of the funds.

Property, Plant and Equipment - Property, plant and equipment are stated at cost. All eligible assets are depreciated and amortized over the following estimated useful lives:

	<u>Years</u>
Land improvements	15
Buildings	20-30
Building improvements	7-15
Building service equipment	5-20
Equipment	5-20
Equipment under capital lease	5-20
Goodwill	40

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

**Note 1 - Description of Organization and Summary of Significant Accounting Policies
(continued)**

Depreciation is computed on the straight-line method. The cost of maintenance, repairs and minor renewals are charged directly to expense. Renewals of significant items are capitalized. The cost and accumulated depreciation of property sold or retired are removed from the balance sheet and resulting gains or losses are reflected in earnings.

Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation in the financial statements. The Hospital follows the practice of capitalizing expenditures for property and equipment in excess of \$1,000. 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.

Investments - The Hospital and Foundation have adopted standards for investment recognition whereby investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The endowment includes both donor-restricted funds and funds designated by the Foundation Board of Directors to function as endowments. The net assets associated with endowment funds including funds designated by the Board to function as endowments, are classified and reported based on existence or absence of donor imposed restrictions. The Foundation adheres to the Uniform Prudent Management of Institutional Funds Act of 2006. The new law eliminates the historical dollar threshold and establishes prudent spending guidelines that consider both the duration and preservation of the fund. As a result of this enactment, subject to the donor's intent as expressed in a gift agreement or similar document, the Foundation may now spend the amount of the principal and income of an endowment fund, even from an underwater fund, after considering the factors listed in the Act.

Investments in partnerships in which the Hospital has between a 20% - 50% holding are accounted under the equity method. Losses are recognized to their full extent because the membership agreement requires future financial support of the partnership.

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

**Note 1 - Description of Organization and Summary of Significant Accounting Policies
(continued)**

Investments (continued) -The Hospital and Foundation recognizes all financial assets at their fair value as defined as an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

As a basis for considering assumptions, the Hospital and Foundation adheres to the establishment of a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - Observable inputs such as quoted prices in an active market;
- Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions; based on reasonable and commonly accepted assertions.

The Hospital and Foundation are required to provide additional disclosures under reporting standards as part of its financial statements. Those additional disclosures are included in Note 7.

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

Temporarily and Permanently Restricted Net Assets - Temporarily restricted net assets are those whose use by the Hospital or Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital or Foundation in perpetuity.

Income Taxes - The Hospital and Foundation are non-profit corporations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Hospital and the Foundation have been determined by the Internal Revenue Service not to be "private foundations" within the meaning of section 509(a) of the Internal Revenue Code.

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

**Note 1 - Description of Organization and Summary of Significant Accounting Policies
(continued)**

Excess of Revenues Over Expenses - The combined statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Note 2 - Net Patient Service Revenue

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

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by a Medicaid fiscal intermediary.

Medicare - Effective July 1, 2002 the Hospital converted to a Critical Access Facility as defined by The Balance Budget Act of 1997. Under this organization, the Hospital is eligible to receive reimbursement on a reasonable cost basis rather than a prospective payment system basis. Inpatient and outpatient services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by a Medicare fiscal intermediary.

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

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 3 - Pledges receivable

The Foundation entered into a capital campaign for the purpose of raising funds for a comprehensive medical campus to be constructed north of Red Lodge, MT. The Foundation has recognized pledges as follows:

	<u>2011</u>	<u>2010</u>
Gross pledge receivable - less than one year	\$ 167,650	\$ 238,759
Gross pledge receivable - one year to five years	60,955	339,713
Less - allowance for uncollectible amounts	(7,870)	(24,500)
Less - discount to present value	<u>(4,530)</u>	<u>(349)</u>
	<u>\$ 216,205</u>	<u>\$ 553,623</u>

The Foundation has discounted the pledges receivable to recognize the long-term nature of anticipated collections. The discount rate used for the calculation was 1.53%, and is equivalent to the applicable federal short-term rate as published by the Internal Revenue Service. Management has evaluated the collectability of outstanding pledge balances and has estimated that \$7,870 is uncollectible, and has recognized an allowance in that amount as of December 31, 2011. In addition, management recognized \$20,754 in directly written off pledge balances during the period.

Note 4 - Other Receivables

Other receivables for the years ended December 31, 2011 and 2010 include the following:

	<u>2011</u>	<u>2010</u>
Medicare/Medicaid cost settlement	\$ 200,000	\$ 744,488
Bed tax reimbursement	20,342	---
Capital asset proceeds	---	31,099
Miscellaneous other receivables	<u>12,251</u>	<u>7,955</u>
	<u>\$ 232,593</u>	<u>\$ 783,542</u>

Note 5 - Assets Limited as to Use

The composition of assets limited as to use, held entirely in cash equivalents, is set forth as follows:

	<u>2011</u>	<u>2010</u>
Board restricted reserves	\$ 44,696	\$ 47,563
Operational capital acquisitions	1,871	47,841
Bond reserve funds	784,799	784,693
Construction funds (Hospital)	103	4,564,057
Construction funds (Foundation)	<u>699,156</u>	<u>323,459</u>
	<u>\$ 1,530,625</u>	<u>\$ 5,767,613</u>

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 6 - Property, Plant and Equipment

Assets and related accumulated depreciation are as follows:

	2011		2010	
	Cost	Accum. Deprec.	Cost	Accum. Deprec.
Land	\$ 694,875	\$ ---	\$ 694,875	\$ ---
Land improvements	1,270,521	136,956	1,164,128	19,044
Buildings and improvements	14,498,757	671,128	13,827,512	44,042
Building service equipment	---	---	---	---
Equipment	4,187,881	1,297,232	4,182,960	872,033
Work in progress	---	---	---	---
	\$ 20,652,034	\$ 2,105,316	\$ 19,869,475	\$ 935,119

The Hospital purchased a parcel of land in August 2005 for the purpose of constructing a new campus at a future date. The Hospital incurred various costs including construction, legal services, engineering and surveying studies, financing alternatives, preliminary design work, and financing costs in connection with the opening of a new facility in November 2010. Interest charges incurred related to the development and construction of the facility were capitalized as an integral part of the facility.

Note 7 - Investments and Goodwill

Investments in LLC include a membership interest in Beartooth Health Management, LLC for the years ended December 31, 2011 and 2010 in the amount of \$0 and \$128,354, respectively. Beartooth Health Management, LLC organizes and operates a business that manages community based health care facilities and other assets and provides expertise in order to enhance the value of health care services available to those communities. The Hospital has entered into such a management agreement with Beartooth Health Management, LLC (notes 18 and 20).

The impairment of goodwill has been considered consistent with published standards. A two-step impairment test has been applied to the reporting unit defined as the Physical Therapy department. Goodwill was deemed to be fully impaired because carrying amount of the goodwill was not reflective of the implied fair value of goodwill included in the fair value of the reporting unit. The reporting unit is an integral part of the Hospital operations and the fair value measurement of the unit deems the value of goodwill unsupported. Therefore, a loss on goodwill was realized during the period ended December 31, 2010 of \$161,787.

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 7 - Investments and Goodwill (continued)

Investment income for the periods ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 40,283	\$ 98,975
Realized gains and losses	22,258	(893)
Unrealized gains and losses	(51,496)	55,989
Gain (Loss) on disposal of capital assets	<u>2,000</u>	<u>(277,897)</u>
	<u>\$ 13,045</u>	<u>\$ (123,826)</u>

The following table sets forth the level, within the fair value hierarchy, of investments and certain other assets that are measured at fair value on a recurring basis as of December 31, 2011 and 2010:

	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value Total</u>
December 31, 2011				
Investments				
Money market funds	\$ 1,587,272	\$	\$	\$ 1,587,272
Fixed income	521,227			521,227
Pledges receivable			216,205	216,205
Mutual funds	431,756			431,756
Equities	<u>176,722</u>			<u>176,722</u>
	<u>\$ 2,716,977</u>	<u>\$ ---</u>	<u>\$ 216,205</u>	<u>\$ 2,933,182</u>

	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value Total</u>
December 31, 2010				
Investments				
Money market funds	\$ 5,805,580	\$	\$	\$ 5,805,580
Fixed income	504,823			504,823
Pledges receivable			553,623	553,623
Mutual funds	420,869			420,869
Equities	<u>489,073</u>		<u>128,354</u>	<u>617,427</u>
	<u>\$ 7,220,345</u>	<u>\$ ---</u>	<u>\$ 681,977</u>	<u>\$ 7,902,322</u>

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 7 - Investments and Goodwill (continued)

Observable input fair values include certificate of deposits and bonds. Money market accounts, mutual funds and stocks are included in quoted prices in active markets.

Note 8 - Foundation Investments and Endowments

As previously disclosed, the Beartooth Billings Clinic Foundation was created for the exclusive benefit of the Beartooth Billings Clinic. The Foundation, although a separate legal entity, provides for the exclusive benefit of the Hospital, thereby creating a financial interest between the entities.

The Foundation's financial position for the periods ended December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Assets:		
Cash and cash equivalents	\$ 75,221	\$ 91,874
Furniture/fixtures - net of depreciation	---	147
Invested funds	1,375,175	986,966
Miscellaneous other assets	250	---
Pledges receivable, net	<u>224,606</u>	<u>553,624</u>
	<u>\$ 1,675,252</u>	<u>\$ 1,632,611</u>
Liabilities:		
Accounts payable	\$ 5,950	\$ 10,477
Gift annuity liability	450	10,220
	<u>\$ 6,400</u>	<u>\$ 20,697</u>

Of the Foundation net assets of \$1,668,852 and \$1,611,914, a total of \$1,146,494 and \$1,160,894 have been restricted for the purposes of endowing the foundation or specific expenditures for the years ended December 31, 2011 and 2010, respectively.

The Foundation statement of operations for the periods ended December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Restricted contributions	\$ 169,181	\$ 423,311
Unrestricted contributions	163,381	106,478
Pledge adjustments	(4,181)	(40,029)
Investment income (loss)	<u>(22,079)</u>	<u>55,028</u>
	<u>306,302</u>	<u>544,788</u>

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 8 - Foundation Investments and Endowments (continued)

	<u>2011</u>	<u>2010</u>
Grants to specified beneficiary	119,056	577,350
Scholarships/grants	6,000	11,794
Administrative	90,881	62,029
Fundraising	<u>33,428</u>	<u>55,366</u>
	<u>249,365</u>	<u>706,539</u>
 (Decrease)Increase in net assets	 <u>\$ 56,937</u>	 <u>\$ (161,751)</u>

The Foundation has entered into a management agreement whereby the Hospital underwrites all of the compensation expenses associated with administration of the Foundation and invoices the Foundation for such costs.

The Foundation's endowments consist of individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Montana Prudent management of Institutional Funds Act (MTMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MTMIFA.

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 8 - Foundation Investments and Endowments (continued)

In accordance with MTMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The investment policy of the Foundation.

The composition of endowment net assets by fund as of December 31, 2011 and 2010 is as follows:

December 31, 2011:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$	\$	\$ 215,292	\$ 215,292
Board restricted	<u>(2,427)</u>	<u>---</u>	<u>---</u>	<u>(2,427)</u>
	<u>\$ (2,427)</u>	<u>\$ ---</u>	<u>\$ 215,292</u>	<u>\$ 212,865</u>
December 31, 2010:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$	\$	\$ 168,623	\$ 168,623
Board restricted	<u>494,885</u>	<u>---</u>	<u>---</u>	<u>494,885</u>
	<u>\$ 494,885</u>	<u>\$ ---</u>	<u>\$ 168,623</u>	<u>\$ 663,508</u>

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 8 - Foundation Investments and Endowments (continued)

Changes in endowments net assets for the year ended December 31, 2011 are as follows:

December 31, 2011:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ 494,885	\$	\$ 168,623	\$ 663,508
Investment returns:				
Interest/dividends	17,007			17,007
Realized gain/loss	4,524			4,524
Net appreciation	(47,045)			(47,045)
Contributions	8,135		36,899	45,034
Appropriation of assets for expenditure	(7,009)			(7,009)
Transfers to create board designated funds	<u>(472,924)</u>	<u>---</u>	<u>9,770</u>	<u>(463,154)</u>
End of year	<u>\$ (2,427)</u>	<u>\$ ---</u>	<u>\$ 215,292</u>	<u>\$ 212,865</u>

Changes in endowments net assets for the year ended December 31, 2010 are as follows:

December 31, 2010:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ 410,384	\$	\$ 158,623	\$ 569,007
Investment returns:				
Interest/dividends	9,372			9,372
Realized gain/loss	(12,325)			(12,325)
Net appreciation	52,139			52,139
Contributions	209,319		10,000	219,319
Appropriation of assets for expenditure	(185,309)			(185,309)
Transfers to create board designated funds	<u>11,305</u>	<u>---</u>	<u>---</u>	<u>11,305</u>
End of year	<u>\$ 494,885</u>	<u>\$ ---</u>	<u>\$ 168,623</u>	<u>\$ 663,508</u>

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 8 - Foundation Investments and Endowments (continued)

The Foundation's investment objective is to protect principal from both market value and inflationary erosion and to provide needed capital for program services and grants through earnings derived from a well-diversified portfolio structure. The policy includes a ROR performance benchmark to exceed inflation by 5.0% as measured by CPI annualized over a 3-5 year period or full market cycle. The Foundation will achieve returns through investments allocated among large cap equities, international funds, government bonds, and cash funds that are actively managed through various investment management firms. Although not specifically stated, the Foundation risk tolerance is indicated through the policy to be moderate. The spending policy of the Foundation provides for distributions of 5% of the previous 20 quarters' average market value, subject to a floor of 4% of current assets and a ceiling of 6% of current assets.

Note 9 - Long-Term Debt

	<u>2011</u>	<u>2010</u>
<u>Montana Facility Finance Authority - Original principal of \$11,150 payable in monthly installments of \$207 through March 1, 2011. Interest accrues at the rate of 4.48% per annum. The loan is secured by equipment.</u>	\$ ---	\$ 413
<u>Series 2009A Term Bonds - Interest payable semi-annual at 5.45% until bond maturity in November 2038 secured by a Loan Note Guaranty issued by the USDA and collateralized by real and personal property</u>	7,675,000	7,775,000
<u>Series 2009A Term Bonds - Interest payable semi-annual at 5.79% until bond maturity in November 2038 secured by a Loan Note Guaranty issued by the USDA and collateralized by real and personal property</u>	4,554,000	4,620,000
<u>Series 2009B Term Bonds - Interest payable semi-annual at 6.18% until bond maturity in November 2038 secured by a Loan Note Guaranty issued by the USDA and collateralized by real and personal property</u>	1,364,000	1,380,000

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 9 - Long-Term Debt (continued)

USDA Rural Development Note - Interest payable monthly at 3.75% per annum until December 2012 whereupon the note will require principal and interest payments until 2052, whereupon the remaining principal and interest is due

	3,587,994	6,004,020
Total notes payable	17,180,994	19,779,433
Less: current maturities	(193,000)	(182,413)
	<u>\$ 16,987,994</u>	<u>\$ 19,597,020</u>

On December 31, 2011 annual principal reductions on the long-term debt over the next five years are as follows:

2012	\$	193,000
2013		365,243
2014		382,394
2015		399,781
2016		419,411
Thereafter		15,421,165
		<u>\$ 17,180,994</u>

Under the terms of the revenue bond indentures, the Hospital is required to maintain certain deposits in a bond reserve fund. The Fund is required to be maintained at an amount equal to the maximum annual debt service due on the bonds, funded on a net basis. It is anticipated that interest expected to be accumulated over time can be added to the existing account balance when determining the adequacy of the holdings. It is estimated that the annual debt service of the bonds is \$990,412. Debt services reserves held at the period end are \$784,799 which, when amortized at a reasonable rate is sufficient to satisfy the reserve fund requirement. Such deposits are included with assets limited as to use. The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding.

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 10 - Capital Lease Obligations

For the years ended December 31, 2011 and 2010 the Hospital had the following capital lease obligations:

	2011	2010
<u>TCF Equipment Finance Inc.</u> - Original lease value of \$134,817 payable in monthly installments of \$2,640 through October 2015. Interest accrues at the rate of 6.48% per annum. The capital lease is secured by equipment.	\$ 109,214	\$ 132,911
<u>Siemens Finance</u> - Original lease value of \$134,817 payable in monthly installments of \$1,495 through April 2015. Interest accrues at the rate of 0% per annum. The capital lease is secured by equipment.	58,305	77,740
Total capital lease obligations	167,519	210,651
Less: current maturities	(43,232)	(41,637)
	\$ 124,287	\$ 169,014

On December 31, 2011 annual principal reductions on the capital lease obligations over the next five years are as follows:

2012	\$	43,232
2013		44,935
2014		46,753
2015		32,599
2016		---
Thereafter		---
	\$	167,519

Note 11 - Accrued Expenses

Accrued expenses at December 31, 2011 and 2010 include the following:

	2011	2010
Payroll expense	\$ 287,072	\$ 311,953
Payroll tax liability	43,915	22,245
Pension match payable	93,091	15,094
Bed tax payable	---	22,850
Unearned revenues	---	---
	\$ 424,078	\$ 372,142

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 12 - Restricted Net Assets

Temporarily restricted net assets were available for the following purposes or periods as of December 31, 2011 and 2010:

	2011	2010
Medical campus construction	\$ 915,363	\$ 977,528
Scholarships/programs	15,839	14,744
Donor restricted land use	24,500	24,500
Equipment acquisitions	---	---
	\$ 955,702	\$ 1,016,772

Donor restricted land use for the purpose of the Daycare relocation provides for the title transfer on September 15, 2025 upon continuous use for the stated purpose.

Permanently restricted net assets at December 31, 2011 and 2010 are restricted to:

Investments to be held in perpetuity, the income from which is expendable for operational purposes	\$ 215,292	\$ 168,623
--	------------	------------

Note 13 - Day Care Facilities

During the year ended December 31, 1995, the Hospital entered into an agreement to purchase the assets of the Red Lodge Day Care Center, Inc. for a nominal amount. The Hospital assumed operation of the day care center on January 1, 1997.

Day care revenues and expenses are included in other operating revenue as follows:

	2011	2010
Revenue	\$ 179,661	\$ 159,194
Personnel services	(133,246)	(124,588)
Supplies and other expenses	(102,835)	(93,932)
	\$ (56,420)	\$ (59,326)

The 2011 Hospital contributions/grants include \$36,718 in grants provided to the Day care. As such, the Day Care Center, inclusive of grant revenues, results of operations is (\$19,702).

Note 14 - Medical Malpractice Claims

The Hospital purchased professional and general liability insurance to cover medical malpractice claims. There are no known claims or incidents that could result in the assertion of claims arising from services provided to patients for the years ended December 31, 2011 and 2010.

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 15 - Profit Sharing Plan

During the year ended December 31, 1995, the Hospital adopted a 403(b) group annuity retirement plan. The Hospital elected to contribute to the plans of participating employees in 2010 and 2009. The total estimated amount contributed is \$104,541 and \$39,919 for the years ended December 31, 2011 and 2010, respectively.

Note 16 - Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. The Hospital leases various pieces of equipment and real estate under operating leases. For the period ended December 31, 2011 and 2010, the Hospital had no material operating lease obligations and immaterial future payment requirements.

Note 17 - Concentration of Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Hospital and Foundation deposits held at individual institutions in excess of the federally insured limit of \$250,000 may not be returned to it. The Hospital does not have a policy for custodial credit risk, however the financial institutions which have been utilized by the Hospital are considered high in quality and do not pose any known risk of loss.

As of December 31, 2011, \$863,978 of the Hospital's bank balance of \$1,113,978 was exposed to custodial credit risk as follows:

Unsecured and uncollateralized	\$ 863,978
Collateralized with securities held by the pledging financial institution	<u>---</u>
	<u>\$ 863,978</u>

The FDIC also provides for a temporary ruling that offers unlimited coverage for noninterest-bearing transaction accounts. The temporary coverage applies to noninterest-bearing accounts regardless of the account balance and the ownership capacity of the funds. The ruling is in effect for the period December 31, 2010 to December 31, 2012. However, money market deposit accounts and NOW accounts are not eligible for the extended coverage, regardless of the interest rate, even if no interest is paid. As a result of this temporary coverage, the Hospital has realized \$0 of additional deposit coverage as of December 31, 2011.

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 17 - Concentration of Credit Risk (continued)

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third party payer agreements. Medicare, Medicaid, patient, and third party insurance carriers make up the major portion of the Hospital's receivables as follows:

Patients, self-pay	\$ 1,163,475
Medicare	620,766
Medicaid	89,902
Blue Cross of Montana	241,968
Other third-party payers	<u>721,320</u>
	<u>\$ 2,837,431</u>

Note 18 - Commitments and Contingencies

The Hospital entered into a management agreement with Beartooth Health Management, LLC (note7) whereby Beartooth Health Management, LLC will have all authority and responsibility necessary to conduct, supervise, operate and manage day-to-day operations of the Hospital, its departments, employees, and financial administration. Beartooth Health Management, LLC will lease to the Hospital a qualified Chief Executive Officer (CEO) who shall perform the functions required by the agreement. The contract commits the Hospital to pay to Beartooth Health Management, LLC the cost of the CEO salary and benefits, CEO professional development expenses, and management fees. The total obligation under the contract is cancelable by either party with 180 days notice.

The agreement further requires that, commencing on January 1, 2002, the net operating income, if any, as defined by the agreement for the calendar year shall be due and payable to Beartooth Health Management, LLC as directed by Beartooth Health Management, LLC. The net operating loss, if any, as defined by the agreement for the calendar year shall be accumulated by the Hospital, but Beartooth Health Management, LLC may, in its sole discretion, pay the Hospital the amount of such losses at such time and pursuant to such terms as are agreed to between the parties.

The aforementioned agreement was terminated by mutual consent of all parties effective December 31, 2010.

The Hospital entered into an Information Systems and Support agreement whereby the contractor provides system access and support for certain software and interfaces that assist the Hospital in delivering an integrated electronic healthcare system. As consideration for the software and maintenance provided, the Hospital agrees to pay capital, executory, and ongoing costs as follows:

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 18 - Commitments and Contingencies (continued)

Capital Costs - Beginning March 2010, the Hospital shall pay an initial payment of \$60,625 and monthly payments of \$10,105 for a period of 18 months where the total payments shall not exceed \$242,500. The Hospital completed payment of the capital cost requirement in September 2010.

Support Operating Costs - Beginning March 2010 for a period of 12 months, the Hospital shall pay monthly payments of \$6,064. Payments will continue for a period of 60 months whereby the payments will escalate by 8% at the beginning of each subsequent 12-month period.

During the period, and subsequent to the Hospital operating the Physician's Clinic within the new facility, the Hospital entered into a contract whereby the staff of the Physician's Clinic would be provided under a lease agreement from the Billings Clinic. The agreement provides for the Hospital to pay all direct expenses of recruiting and employing the staff, in addition to the costs incurred or associated with advertising and placement. Compensation and benefits of the leased staff will be commensurate to that amount which would be provided to a similar employee of Billings Clinic serving in a similar capacity. The agreement does not provide for a minimum or maximum cost provision and an estimated cost cannot be provided for based on the terms of the agreement.

Note 19 - Charity Care

During the years ended December 31, 2011 and 2010, the amount of charges attributable to the Hospital's charity care policy totaled \$181,297 and \$85,316, respectively.

Note 20 - Related Party Transactions

The Hospital has entered into a management agreement with Beartooth Health Management, LLC (note 7) whereby Beartooth Health Management, LLC will have all authority and responsibility necessary to conduct, supervise, operate and manage day-to-day operations of the Hospital, its departments, employees, and financial administration. The Hospital has a 50% ownership interest in Beartooth Health Management, LLC. The net profits and net losses of Beartooth Health Management, LLC, which are directly affected by the operating profits and operating losses of the Hospital, are allocated at the end of each fiscal year among the members in proportion to their respective membership interest. The agreement was terminated by mutual consent of all parties as of December 31, 2010.

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 21 - Functional Expenses

The Hospital and Foundation provide general health care services to residents within its geographic area. Expenses related to providing these services are as follows:

	<u>2011</u>	<u>2010</u>
Health care service	\$ 9,426,444	\$ 6,282,194
Other program expenses	6,000	11,794
General/administration	<u>1,379,729</u>	<u>1,226,663</u>
	<u>\$ 10,812,173</u>	<u>\$ 7,520,651</u>

Included in general and administrative expenses are fundraising expenses of \$33,428 and \$55,366, respectively. To the extent the Foundation provided support to the Hospital during the period, such support is not reflected as either income to the Hospital or an expense to the Foundation on the combined financial statements. Therefore, program expenses represent only the Foundation program expenses provided to unrelated third parties.

The Foundation provided support to the Hospital in the amount of \$119,056 and \$577,350 for the years ended December 31, 2011 and 2010, respectively.

Note 22 - Subsequent Events

The Organization has not had any subsequent events through March 15, 2011, which is the date the financial statements were available to be issued, for type I events requiring recording or disclosure in the financial statements for the year ended December 31, 2011.

**BEARTOOTH BILLINGS CLINIC
SUPPLEMENTAL SCHEDULE
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 886,680	\$ (19,461)
Operating investments	349,548	563,813
Patient accounts receivable, net of allowance for doubtful accounts of \$609,561 and \$303,674 in 2011 and 2010, respectively)	2,227,870	1,527,742
Miscellaneous other receivables	227,871	787,687
Inventories	174,550	177,463
Prepaid expenses	73,736	61,022
Total current assets	3,940,255	3,098,266
Asset limited as to use:		
Board restricted for specific purposes	44,696	47,564
Bond related cash reserves	945,585	1,047,611
Internally designated for capital acquisitions	1,973	4,574,391
	992,254	5,669,566
Property, plant and equipment, net	18,546,718	18,934,208
Other assets:		
Goodwill (less amortization of \$0 and \$70,409, respectively)	---	---
Investments in LLC	---	128,354
	---	128,354
 Total assets	 \$ 23,479,227	 \$ 27,830,394

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

**BEARTOOTH BILLINGS CLINIC
SUPPLEMENTAL SCHEDULE
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable - trade	\$ 284,806	\$ 1,222,778
Accrued expenses	424,078	372,142
Due to LLC	---	140,948
Interest payable	132,846	138,050
Current maturities of capital lease obligations	43,232	41,637
Current maturities of long-term debt	<u>193,000</u>	<u>182,413</u>
Total current liabilities	1,077,962	2,097,968
Long-term liabilities:		
Long-term capital lease obligations, net	124,287	169,014
Long-term debt, net	<u>16,987,994</u>	<u>19,597,020</u>
	<u>17,112,281</u>	<u>19,766,034</u>
Total liabilities	<u>18,190,243</u>	<u>21,864,002</u>
Net assets:		
Unrestricted	5,264,484	5,941,892
Temporarily restricted	<u>24,500</u>	<u>24,500</u>
Total net assets	<u>5,288,984</u>	<u>5,966,392</u>
Total liabilities and net assets	<u>\$ 23,479,227</u>	<u>\$ 27,830,394</u>

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

**BEARTOOTH BILLINGS CLINIC
SUPPLEMENTAL SCHEDULE
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Unrestricted Net Assets:		
Unrestricted Revenues, Gains and Other Support:		
Patient services revenue	\$ 10,384,898	\$ 7,572,395
Allowances	<u>(617,967)</u>	<u>(395,711)</u>
Net patient service revenue	9,766,931	7,176,684
Other operating revenue (loss), net	<u>59,834</u>	<u>85,722</u>
Total unrestricted revenues, gains and other support	<u>9,826,765</u>	<u>7,262,406</u>
Expenses:		
Operating expenses:		
Nursing services	1,811,798	2,015,081
Other professional services	2,976,297	2,164,936
General services	593,466	455,943
Fiscal and administrative services	2,266,464	1,802,381
Depreciation	1,363,288	398,769
Amortization	---	5,954
Interest	903,606	99,459
Provision for charity care	181,297	85,314
Provision for bad debts	<u>585,648</u>	<u>321,905</u>
Total expenses	<u>10,681,864</u>	<u>7,349,742</u>
Operating loss	<u>(855,099)</u>	<u>(87,336)</u>
Other Revenue, Gains and Support:		
Contributions/Grants	142,567	1,172,267
Investment income	<u>35,124</u>	<u>(178,854)</u>
	<u>177,691</u>	<u>993,413</u>
Excess of expenses over revenues, gains and other support	<u>(677,408)</u>	<u>906,077</u>

Continued...

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

**BEARTOOTH BILLINGS CLINIC
SUPPLEMENTAL SCHEDULE
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Other Income (Expense):		
Contract loss	\$ ---	\$ (140,948)
Gain on contract investment	---	70,474
	<u>---</u>	<u>(70,474)</u>
Net assets released from restrictions	<u>---</u>	<u>---</u>
(Decrease) Increase in unrestricted net assets	<u>(677,408)</u>	<u>835,603</u>
Temporarily Restricted Net Assets:		
Contributions	---	---
Net assets released from restriction for capital asset acquisition	<u>---</u>	<u>---</u>
Increase in temporarily restricted net assets	<u>---</u>	<u>---</u>
Permanently Restricted Net Assets:		
Endowment contributions	<u>---</u>	<u>---</u>
Increase in permanently restricted net assets	<u>---</u>	<u>---</u>
(Decrease) Increase in Net Assets	(677,408)	835,603
Net Assets at Beginning of Year	<u>5,966,392</u>	<u>5,130,789</u>
Net Assets at End of Year	<u>\$ 5,288,984</u>	<u>\$ 5,966,392</u>

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

**BEARTOOTH BILLINGS CLINIC
SUPPLEMENTAL SCHEDULE
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (677,408)	\$ 835,603
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,379,135	413,713
Amortization	---	5,954
Provision for bad debts	766,945	407,219
Loss on disposal of capital assets	(2,000)	277,897
Donation of capital assets	---	(2,800)
Loss/(Gain) from pass-through entity	---	70,474
Unrealized gains on investments	4,451	(3,850)
Realized gains on investments	(17,741)	(11,434)
(Increase) Decrease in:		
Operating investments	227,555	(198,735)
Patient accounts receivable (net)	(1,467,073)	(802,137)
Inventories	2,913	(15,872)
Prepaid expenses	(12,714)	(33,452)
Miscellaneous other receivables	559,816	(232,538)
Due to/from LLC	(140,948)	25,115
Increase (Decrease) in:		
Accounts payable - trade	(937,972)	330,043
Accrued expenses	51,936	(139,912)
Interest payable	(5,204)	138,050
Net cash (used in) provided by operating activities	<u>(268,309)</u>	<u>1,063,338</u>
Cash Flows from Investing Activities:		
Investments in pass-through entities	128,354	(82,201)
Decrease (Increase) in limited use assets	4,677,312	2,039,029
Proceeds from sale of capital assets	2,000	64,573
Capital expenditures	(991,645)	(9,436,688)
Net cash provided by (used in) investing activities	<u>3,816,021</u>	<u>(7,415,287)</u>

Continued...

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

**BEARTOOTH BILLINGS CLINIC
SUPPLEMENTAL SCHEDULE
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows from Financing Activities:		
Proceeds from long-term borrowing	\$ --	\$ 6,227,042
Payments on long-term debt	<u>(2,641,571)</u>	<u>(14,787)</u>
Net cash (used in) provided by financing activities	<u>(2,641,571)</u>	<u>6,212,255</u>
Net Increase (Decrease) in Cash	906,141	(139,694)
Cash and Cash Equivalents at Beginning of Year	<u>(19,461)</u>	<u>120,233</u>
Cash and Cash Equivalents at End of Year	<u>\$ 886,680</u>	<u>\$ (19,461)</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW AND NON-CASH INVESTING ACTIVITIES:

Cash Flow Information:		
Interest paid	<u>\$ 908,810</u>	<u>\$ 866,693</u>
Income taxes paid	<u>\$ ---</u>	<u>\$ ---</u>

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

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
SUPPLEMENTAL SCHEDULES TO STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

PATIENT SERVICE REVENUE

	<u>2011</u>	<u>2010</u>
Daily Patient Services:		
Medical and surgical	\$ 570,473	\$ 537,161
Coronary care	---	20,201
Home health services	309,431	381,834
Public health	152,873	193,432
Swing bed	876,083	1,033,797
Private duty nursing	21,306	26,307
Hospice	<u>392,207</u>	<u>407,531</u>
	<u>2,322,373</u>	<u>2,600,263</u>
Other Nursing Services:		
Operating room	21,283	2,128
Intravenous therapy	159,783	79,650
Emergency room	1,085,381	642,576
Central supply	<u>158,231</u>	<u>154,054</u>
	<u>1,424,678</u>	<u>878,408</u>
Other Professional Services:		
Clinic	1,609,309	192,502
Laboratory	1,056,913	908,424
Electro cardiology	39,818	31,402
Radiology	457,395	254,911
CT	1,107,247	998,464
Pharmacy	711,461	544,559
Anesthesiology	108	2,338
Physical therapy	821,013	631,155
Ultrasound	240,882	131,987
Mammography	135,552	90,903
Endoscopy	244,991	101,788
Cardiac rehab	91,926	92,144
Speech therapy	32,901	42,949
Dietary	9,700	5,932
Occupational therapy	<u>78,631</u>	<u>64,266</u>
	<u>6,637,847</u>	<u>4,093,724</u>
Total Patient Service Revenue	<u>\$ 10,384,898</u>	<u>\$ 7,572,395</u>

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
SUPPLEMENTAL SCHEDULES TO STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

OPERATING EXPENSES

	2011		2010	
	Personnel Services	Supplies and Other Expenses	Personnel Services	Supplies and Other Expenses
Nursing Services:				
Medical and surgical	\$ 408,387	\$ 53,338	\$ 377,063	\$ 61,302
Coronary care	---	---	1,046	---
Home health services	302,991	54,283	327,614	60,885
Public health	127,728	42,013	103,509	50,107
Private duty	17,138	2,026	13,878	2,261
Hospice	111,151	66,040	91,909	102,966
Swing bed	211,709	6,774	496,920	18,097
Nursing home	---	---	---	43
Operating room	1,593	2,541	3,185	2,577
Intravenous therapy	---	16,293	---	13,926
Emergency room	192,646	97,678	163,953	32,965
Central supply	43,943	53,526	44,873	46,002
	<u>\$ 1,417,286</u>	<u>\$ 394,512</u>	<u>\$ 1,623,950</u>	<u>\$ 391,131</u>
Other Professional Services:				
Clinic	\$ 828,642	\$ 103,748	\$ 77,044	\$ 18,209
Laboratory	188,774	213,342	190,511	202,217
Electro cardiology	---	550	---	1,445
Radiology	97,100	60,303	96,542	28,137
CT	65,791	113,968	80,109	121,797
Pharmacy	4,473	157,029	2,003	117,513
Anesthesiology	834	7,598	1,518	6,612
Respiratory therapy	---	23	---	108
Physical therapy	357,247	129,029	370,479	92,865
Ultrasound	13,208	25,759	12,773	25,624
Mammography	24,010	44,709	20,895	32,672
Cardiac rehab	44,915	5,547	42,748	4,587
Speech therapy	45,766	1,375	42,315	621
Activities	---	58	---	40
Wellness	---	5,121	44	4,286

Continued...

**BEARTOOTH BILLINGS CLINIC AND
BEARTOOTH BILLINGS CLINIC FOUNDATION
SUPPLEMENTAL SCHEDULES TO STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

OPERATING EXPENSES

	<u>2011</u>		<u>2010</u>	
	<u>Personnel Services</u>	<u>Supplies and Other Expenses</u>	<u>Personnel Services</u>	<u>Supplies and Other Expenses</u>
Other Professional Services (continued):				
Social services	\$ 6,720	\$ 199	\$ 27,932	\$ 188
Sports medicine	20,626	18,243	35,293	4,042
Nursing administration	99,855	13,428	104,666	18,248
Public relations	81,238	95,981	81,331	216,970
Endoscopy	18,262	9,963	11,446	4,427
Infection control	12,932	1,600	13,847	3,430
Occupational therapy	48,693	9,638	46,279	3,123
	<u>\$ 1,959,086</u>	<u>\$ 1,017,211</u>	<u>\$ 1,257,775</u>	<u>\$ 907,161</u>
General Services:				
Dietary	\$ 50,206	\$ 54,754	\$ 64,270	\$ 31,952
Plant and maintenance	156,496	221,735	128,222	149,585
Housekeeping	70,317	8,385	44,163	12,187
Laundry and linen	7,920	23,653	18,766	6,798
	<u>\$ 284,939</u>	<u>\$ 308,527</u>	<u>\$ 255,421</u>	<u>\$ 200,522</u>
Fiscal & Administrative Services:				
Administration	\$ 362,008	\$ 935,931	\$ 322,319	\$ 684,173
Foundation, net	---	24,347	---	28,441
Personnel	40,748	85,535	36,499	38,722
Payroll taxes	---	360,427	---	353,896
Employee benefits	---	457,468	---	338,331
	<u>\$ 402,756</u>	<u>\$ 1,863,708</u>	<u>\$ 358,818</u>	<u>\$ 1,443,563</u>

**MEMORIAL HOSPITAL ASSOCIATION
d/b/a BEARTOOTH BILLINGS CLINIC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Identifying Number</u>	<u>Federal CFDA Number</u>	
Major Program:			
<u>Department of Agriculture Rural Services</u>			
USDA Rural Development Loan Guarantee Notes secured by Real property and anticipated Revenues	Guaranteed/ Insured loan	10.766	\$ 3,587,994
USDA Rural Development Series A 5.45% and 5.79% Term Bonds secured by real property and anticipated revenues	Guaranteed/ Insured loan	10.766	\$ 12,229,000
USDA Rural Development Series B 6.18% Term Bonds secured by real property and anticipated revenues	Unguaranteed/ Insured loan	10.766	<u>\$ 1,364,000</u>
Federal funds borrowings summary			<u>\$ 17,180,994</u>

**MEMORIAL HOSPITAL ASSOCIATION
d/b/a BEARTOOTH BILLINGS CLINIC
NOTES TO SUPPLEMENTAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes loans and loan guarantees for the proceeds of which were received and expended in prior years. Pursuant to such loans and loan guarantees compliance requirements exist within the regulatory agreements of the loans.

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*. Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

Note 2 - Summary of Significant Accounting Policies

Expenditures and loan proceeds reported on the Schedule are reported on the accrual basis of accounting. Such expenditures and loan proceeds are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Insurance/Bond Covenants

The Memorial Hospital Association maintains insurance coverage that provides for replacement of all capital assets purchased with federal funds. Furthermore, the Hospital has maintained certain deposits in a bond reserve fund. The Fund is required to be maintained at an amount equal to the maximum annual debt service of the bonds. The Hospital has also maintained certain measures of financial performance during the period as required by the indenture.

**MEMORIAL HOSPITAL ASSOCIATION
d/b/a BEARTOOTH BILLINGS CLINIC
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS - MAJOR PROGRAM

2010-01 Grant No. C76HF16106 - Year ended December 31, 2010

Condition and Criteria: Equipment provided for in a federal reimbursable style grant was purchased using federal funds and submitted for reimbursement in accordance with the grant.

Upon receipt of the federal reimbursement, the funds were added to operations rather than reimbursed to the federal funds restricted account.

Auditor's Recommendation: Management should be reminded of the appropriate administration of federal funds as it relates to monitoring multiple complimentary grants.

Current Status: The recommendation was adopted in February 2011. No similar findings were noted in the 2011 audit.



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**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***

Memorial Hospital Association

We have audited the financial statements of Memorial Hospital Association d/b/a Beartooth Billings Clinic and Beartooth Billings Clinic Foundation as of and for the year ended December 31, 2011, and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Memorial Hospital Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 controls 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 control deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the organization'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 Memorial Hospital Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 management, the Board of Directors, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mrachek Popp & Associates, P.C.
Billings, Montana
March 15, 2012



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Memorial Hospital Association

Compliance

We have audited the compliance of Memorial Hospital Association d/b/a Beartooth Billings Clinic and Beartooth Billings Clinic Foundation's compliance with the types of compliance requirements described in the (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Memorial Hospital Association d/b/a Beartooth Billings Clinic and Beartooth Billings Clinic Foundation's major federal programs for the year ended December 31, 2011. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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

In our opinion, the Organization complied, in all material respects, with the compliance 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

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with 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 and 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 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 control deficiencies, 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 would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Memorial Hospital Association d/b/a Beartooth Billings Clinic and Beartooth Billings Clinic Foundation's responses to the findings identified, if any, in our audit are described in the accompanying schedule of finds and questioned costs. We did not audit Memorial Hospital Association d/b/a Beartooth Billings Clinic and Beartooth Billings Clinic Foundation's responses, if any, and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Organization's board of directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mrachek Popp & Associates, P.C.
Billings, Montana
March 15, 2012

**MEMORIAL HOSPITAL ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2011**

SUMMARY OF AUDIT RESULTS

- 1. The auditor's report expresses an unqualified opinion on the financial statements of the Memorial Hospital Association d/b/a Beartooth Billings Clinic and Beartooth Billings Clinic Foundation.**
- 2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors Report or other supplementary documents.**
- 3. No instances of noncompliance material to the financial statements of Memorial Hospital Association were disclosed during the audit.**
- 4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.**
- 5. The auditor's report on compliance for the major federal award programs for Memorial Hospital Association expresses an unqualified opinion.**
- 6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.**
- 7. The program tested as a major program was:
10.766 Guaranteed/insured loan program and related expenditures**
- 8. The threshold for distinguishing Types A and B programs was \$300,000.**
- 9. Memorial Hospital Association qualifies as a low-risk auditee.**

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR PROGRAM

None