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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

BOZEMAN DEACONESS HEALTH SERVICES

Doing Business As

Number and street (or P O box if mail is not delivered to street address)

915 HIGHLAND BOULEVARD

Room/suite

City or town, state or country, and ZIP + 4

BOZEMAN, MT 59715

F Name and address of principal officer

JOHN NORDWICK

915 HIGHLAND BOULEVARD

BOZEMAN,MT 59715

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

D Employer identification number

81-0232121

E Telephone number

(406) 585-5000

G Gross receipts \$ 217,192,431

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () ☐ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website:

WWW.BOZEMANDEACONESS.ORG

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1911

M State of legal domicile

MT

Part I	Summary																																																																							
Activities & Governance	<div><div>1</div><div>Briefly describe the organization's mission or most significant activities</div><div>TO IMPROVE COMMUNITY HEALTH AND QUALITY OF LIFE FOR RESIDENTS AND VISITORS OF THE BOZEMAN, MT AREA</div></div>																																																																							
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Part II

Signature Block

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

Sign Here

Signature of officer

2012-11-08

Date

GORDON DAVIDSON CFO/VP OF FINANCE

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

KIM C HUNWARDSEN

Date

2012-11-08

Check if self-employed

☐

Preparer's taxpayer identification number (see instructions)

P00484560

Firm's name (or yours if self-employed), address, and ZIP + 4

EIDE BAILLY LLP
800 NICOLLET MALL STE 1300
MINNEAPOLIS, MN 554027033

EIN

45-0250958

Phone no

(612) 253-6500

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

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

TO IMPROVE COMMUNITY HEALTH AND QUALITY OF LIFE

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 \$ 42,618,809 including grants of \$) (Revenue \$ 39,456,604)

BOZEMAN DEACONESS HEALTH GROUP IS OUR DEPARTMENT THAT PROVIDES PHYSICIAN SERVICES TO OUTPATIENTS THE NUMBER OF MEDICARE AND MEDICAID PATIENTS SEEN IN 2011 INCREASED FROM 2010 BY 21% ON EXISTING SERVICE LINES AND 52% IN TOTAL AFTER TAKING INTO ACCOUNT THE ADDITION OF NEW PROVIDERS REVENUE FOR THESE PATIENTS AND UNINSURED PATIENTS TOTALED 51% (\$30,214,234) OF THE \$58,850,935 TOTAL GROSS CLINIC REVENUE WRITE-OFFS OF \$19,394,331 ALONG WITH OPERATING EXPENSES OF \$42,618,809 RESULTED IN A LOSS OF \$3,162,205 THIS LOSS IS REFLECTIVE OF OUR COMMITMENT TO PROVIDE ACCESS TO ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY

4b

(Code) (Expenses \$ 18,513,313 including grants of \$) (Revenue \$ 29,979,902)

BOZEMAN DEACONESS SURGICAL SERVICES STRIVES TO OFFER A WIDE ARRAY OF SURGICAL SERVICES USING STATE OF THE ART TECHNOLOGY APPROXIMATELY ONE THIRD OF THE 5,345 INPATIENT AND OUTPATIENT SURGERIES PERFORMED IN 2011 WERE PROVIDED TO PATIENTS COVERED BY MEDICARE AND MEDICAID, WHICH COMPRISED 39% (\$17,205,963) OF TOTAL REVENUE FROM THESE SERVICES (\$44,413,398) OVER HALF OF THE MEDICARE/MEDICAID REVENUES (\$9,607,235) WERE UNREIMBURSED AND WRITTEN OFF, ALONG WITH ANOTHER \$4,826,261 FROM OTHER PAYORS OUR OPERATING ROOM ALSO RECORDED \$18,513,313 IN COMBINED DIRECT AND INDIRECT OPERATING EXPENSES

4c

(Code) (Expenses \$ 7,415,089 including grants of \$) (Revenue \$ 8,107,710)

THE EMERGENCY ROOM AT BOZEMAN DEACONESS HOSPITAL IS ONE OF THE BUSIEST DEPARTMENTS IN OUR ORGANIZATION, WITH JUST UNDER 23,000 VISITS IN 2011 APPROXIMATELY 31% OF THE PATIENTS SEEN IN THE DEPARTMENT WERE COVERED BY MEDICARE AND MEDICAID THE GROSS REVENUE FOR THOSE SERVICES ACCOUNTED FOR \$5,033,367 OF THE \$14,793,014 TOTAL GROSS REVENUE OVER HALF OF THE MEDICARE/MEDICAID REVENUE IS UNREIMBURSED (56%) AND WRITTEN OFF, ALONG WITH ALMOST 40% OF THE REMAINING REVENUE (TOTAL WRITE-OFFS OF \$6,685,304) DIRECT AND INDIRECT EXPENSES INCURRED IN SUPPORTING THESE EMERGENCY OPERATIONS ACCUMULATED TO \$7,415,089

(Code) (Expenses \$ 74,291,009 including grants of \$ 916,074) (Revenue \$ 106,683,263)

BOZEMAN DEACONESS HEALTH SERVICES OPERATES AN 86 BED HOSPITAL FACILITY (HOSPITAL), ALONG WITH A 43 UNIT ASSISTED LIVING HOME AND A 115 UNIT INDEPENDENT LIVING HOME (HILLCREST SENIOR LIVING OR HSL) ALL PATIENT AND RESIDENT SERVICE REVENUE IS USED TO PROVIDE HEALTH CARE SERVICES, HEALTH CARE PROMOTION, AND HEALTH CARE EDUCATION TO BOZEMAN AND THE SURROUNDING COMMUNITIES

4d

Other program services (Describe in Schedule O)





















(Expenses \$ 74,291,009 including grants of \$ 916,074) (Revenue \$ 106,683,263)

4e

Total program service expenses \$ 142,838,220

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer 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	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance						
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>						
		Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	163			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes			
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	1,674			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes			
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a				No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a				No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b				No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c				
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a				No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b				
7	Organizations that may receive deductible contributions under section 170(c).					
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a				No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b				
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c				No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e				No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f				No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g				
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h				
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8				
9	Sponsoring organizations maintaining donor advised funds.					
a	Did the organization make any taxable distributions under section 4966?	9a				
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b				
10	Section 501(c)(7) organizations. Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b				
11	Section 501(c)(12) organizations. Enter					
a	Gross income from members or shareholders.	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b				
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a				
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b				
13	Section 501(c)(29) qualified nonprofit health insurance issuers.					
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a				
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b				
c	Enter the aggregate amount of reserves on hand.	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a				No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b				

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

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

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. GORDON DAVIDSON 915 HIGHLAND BLVD BOZEMAN, MT 59715 (406) 585-1036

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) TERRY CUNNINGHAM 1ST VICE CHAIR / CHAIR	1 00	X		X				0	0	0
(2) JULIE JACKSON 2ND VICE CHAIR / 1ST VICE CHAIR	1 00	X		X				0	0	0
(3) KIRK MILLER TRUSTEE / 2ND VICE CHAIR	1 00	X		X				0	0	0
(4) JOHN MURDOCH SECRETARY	1 00	X		X				0	0	0
(5) JOHN ROBBINS MD TRUSTEE / TREASURER, DOCTOR	50 00	X		X				151,978	0	40,543
(6) TOM MILESON TRUSTEE	1 00	X						0	0	0
(7) REV DAVE MCCONNELL TRUSTEE	1 00	X						0	0	0
(8) BRIAN BROWN TRUSTEE	1 00	X						0	0	0
(9) JAYNEE GROSETH TRUSTEE	1 00	X						0	0	0
(10) LEN LUTZ TRUSTEE (07/11-06/12)	1 00	X						0	0	0
(11) KERRY PETITT TRUSTEE	1 00	X						0	0	0
(12) JOHN NORDWICK CEO/PRESIDENT	50 00			X				667,863	0	45,525
(13) STAN MOSER CAO	50 00			X				288,784	0	29,811
(14) GORDON DAVIDSON CFO/VP FINANCE	50 00			X				350,870	0	49,579
(15) ELIZABETH LEWIS SENIOR VP OPERATIONS/LEGAL	50 00				X			330,730	0	51,458
(16) ANNE CASTILLO MD DOCTOR	50 00					X		660,276	0	14,700
(17) JACK HENSOLD MD DOCTOR	50 00					X		545,821	0	48,075

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	4,476,355	0	376,516

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 90

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
MC BUILDERS JV 1203 S CHURCH BOZEMAN, MT 59715	CONSTRUCTION	6,203,086
ABSAROKA EMERGENCY PHYSICIANS 1184 N 15TH STREET SUITE 1 BOZEMAN, MT 59715	ER PHYSICIANS FEE	3,380,766
ARBOR MEDIC PO BOX 10305 BOZEMAN, MT 59715	LANDSCAPING/LAWN/SNOW REMOVAL	973,912
MAYO COLLABORATIVE SERVICES PO BOX 9146 MINNEAPOLIS, MN 554809146	REFERENCE LAB	578,528
GALLATIN VALLEY ANESTHESIA 10150 S CENTENNIAL PKWY SUITE 230 SANDY, UT 84070	ANESTHESIOLOGY	563,128

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶35

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d	1,506,716				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		1,506,716				
Program Service Revenue			Business Code					
	2a	PATIENT SERVICE REVENU	622110	166,488,821	166,218,858	269,963		
	b	RESIDENT SERVICE REVEN	623000	5,621,071	5,621,071			
	c	INCOME FROM SUBSIDIARI	900099	4,823,387	4,823,387			
	d	PHARMACY REVENUE	446110	3,203,986	635,502	2,568,484		
	e	SUPPORTING REVENUE	900099	1,880,433	1,508,059	372,374		
	f	All other program service revenue		2,209,781	1,608,339	601,442		
	g	Total. Add lines 2a-2f		184,227,479				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		2,230,466			2,230,466	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	Gross rents	(i) Real	(ii) Personal				
			1,307,463					
			2,194,667					
			-887,204					
	d	Net rental income or (loss)		-887,204			-887,204	
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			25,572,773	2,347,534				
			24,391,167	2,052,869				
			1,181,606	294,665				
	d	Net gain or (loss)		1,476,271		1,672	1,474,599	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from fundraising events . .						
	9a	Gross income from gaming activities See Part IV, line 19	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from gaming activities . .						
	10a	Gross sales of inventory, less returns and allowances	a					
	b	Less cost of goods sold	b					
	c	Net income or (loss) from sales of inventory . .						
Miscellaneous Revenue		Business Code						
11a								
b								
c								
d	All other revenue							
e	Total. Add lines 11a-11d							
12	Total revenue. See Instructions		188,553,728	180,415,216	3,813,935	2,817,861		

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	916,074	916,074		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	2,043,993	193,154	1,850,839	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	64,422,892	54,964,154	9,458,738	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	3,200,571	2,740,283	460,288	
9	Other employee benefits	6,340,240	5,303,418	1,036,822	
10	Payroll taxes	4,720,986	3,908,190	812,796	
11	Fees for services (non-employees)				
a	Management				
b	Legal	220,146		220,146	
c	Accounting	85,854		85,854	
d	Lobbying	49,945		49,945	
e	Professional fundraising See Part IV, line 17				
f	Investment management fees	385,096		385,096	
g	Other	13,784,007	7,334,331	6,449,676	
12	Advertising and promotion	946,853	212,797	734,056	
13	Office expenses	3,369,355	2,691,231	678,124	
14	Information technology				
15	Royalties				
16	Occupancy	1,716,840	489,314	1,227,526	
17	Travel	413,659	241,432	172,227	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	275,773	160,955	114,818	
20	Interest	1,766,906	1,766,906		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	12,566,643	12,566,643		
23	Insurance	2,114,934	842,855	1,272,079	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL SUPPLIES	32,181,071	32,082,279	98,792	
b	PROVISION FOR BAD DEBTS	11,759,382	11,759,382		
c	EQUIPMENT RENT & MAINTENANCE	6,259,387	4,174,191	2,085,196	
d	TAXES & LICENSES	1,292,657	193,375	1,099,282	
e					
f	All other expenses	630,535	297,256	333,279	
25	Total functional expenses. Add lines 1 through 24f	171,463,799	142,838,220	28,625,579	0
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	
	2	Savings and temporary cash investments			32,758,275	2	25,543,416
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			19,695,581	4	20,584,585
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net			393,600	7	406,123
	8	Inventories for sale or use			4,955,740	8	5,227,112
	9	Prepaid expenses and deferred charges			1,555,426	9	2,064,705
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	220,943,740			
	b	Less: accumulated depreciation	10b	103,021,079	113,413,177	10c	117,922,661
	11	Investments—publicly traded securities			46,045,379	11	48,051,003
	12	Investments—other securities. See Part IV, line 11			18,168,044	12	44,678,793
	13	Investments—program-related. See Part IV, line 11			16,338,434	13	17,671,871
	14	Intangible assets			8,721,359	14	9,678,992
	15	Other assets. See Part IV, line 11			14,572,001	15	17,456,353
16	Total assets. Add lines 1 through 15 (must equal line 34)			276,617,016	16	309,285,614	
Liabilities	17	Accounts payable and accrued expenses			16,032,568	17	19,066,668
	18	Grants payable				18	
	19	Deferred revenue			795,670	19	628,404
	20	Tax-exempt bond liabilities			31,766,186	20	51,463,674
	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			8,005,388	23	7,044,537
	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			12,113,154	25	10,654,166
	26	Total liabilities. Add lines 17 through 25			68,712,966	26	88,857,449
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			197,960,821	27	210,501,099
	28	Temporarily restricted net assets			8,352,216	28	8,334,508
	29	Permanently restricted net assets			1,591,013	29	1,592,558
	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			207,904,050	33	220,428,165
	34	Total liabilities and net assets/fund balances			276,617,016	34	309,285,614

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	188,553,728
2	Total expenses (must equal Part IX, column (A), line 25)	2	171,463,799
3	Revenue less expenses Subtract line 2 from line 1	3	17,089,929
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	207,904,050
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-4,565,814
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	220,428,165

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization BOZEMAN DEACONESS HEALTH SERVICES	Employer identification number 81-0232121
---	--

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 Se**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 IIIPart III

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

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

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

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17		
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization			
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization			
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions			

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

Facts And Circumstances Test

Explanation

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization BOZEMAN DEACONESS HEALTH SERVICES	Employer identification number 81-0232121
---	--

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

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check
- ☐
- if the filing organization checked box A and "limited control" provisions apply

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?	Yes		7,952
	g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		0
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		42,000
	j Total lines 1c through 1i			49,952
	2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
	b If "Yes," enter the amount of any tax incurred under section 4912			
	c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
	d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	Hired consultant to provide lobbying services in connection with governmental affairs representation to ensure hospital, community, and employee interests and needs are represented

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number
81-0232121

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

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

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)☐ Preservation of an historically importantly land area
☐ Protection of natural habitat☐ Preservation of a certified historic structure
☐ Preservation of open space

2

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	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?

☐ Yes ☐ No

6

Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ► _____

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$ _____

(ii) Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2011

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

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

- a** ☐ Public exhibition
- d** ☐ Loan or exchange programs
- b** ☐ Scholarly research
- e** ☐ Other
- c** ☐ Preservation for future generations

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

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

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

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

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

	Amount
1c	
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	9,735,942	8,337,197	7,225,497	9,844,389	
b Contributions	398,579	383,010	36,288	75,363	
c Investment earnings or losses	-284,159	1,071,551	1,087,324	-1,797,068	
d Grants or scholarships					
e Other expenditures for facilities and programs	84,676	55,816	11,912	897,187	
f Administrative expenses					
g End of year balance	9,765,686	9,735,942	8,337,197	7,225,497	

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

- a** Board designated or quasi-endowment ▶ 74 750 %
- b** Permanent endowment ▶ 20 780 %
- c** Term endowment ▶ 4 470 %

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

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

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	7,104,910	2,502,319		9,607,229
b Buildings		142,205,090	59,949,194	82,255,896
c Leasehold improvements				
d Equipment		69,131,421	43,071,885	26,059,536
e Other				
Total. Add lines 1a-1e <i>(Column (d) should equal Form 990, Part X, column (B), line 10(c).)</i> ▶				117,922,661

Part XIReconciliation of Change in Net Assets from Form 990 to Financial Statements			
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

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

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

Part XIVSupplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	EACH ENDOWMENT FUND IS PRIVY TO A SEPARATE AGREEMENT. DONATIONS MADE FOR EACH PURPOSE SHALL BE RECEIVED, HELD, AND INVESTED BY THE BOZEMAN DEACONESS FOUNDATION ACCORDING TO ESTABLISHED POLICIES GOVERNING GIFT ACCEPTANCE, INVESTMENT, AND DISTRIBUTION. THE PRINCIPAL OF THE FUND SHALL BE RETAINED IN PERPETUITY. THE INTEREST INCOME IS UTILIZED FOR THE GREATEST NEEDS OF THE DESIGNATED DEPARTMENT. POLICY SAYS THE ORGANIZATION CAN USE A PORTION OF INTEREST FOR OPERATIONS. THE ENDOWMENT FUNDS REPORTED INCLUDE ALL ENDOWMENT FUNDS HELD BY BOZEMAN DEACONESS FOUNDATION. WITH THE EXCEPTION OF THE EMPLOYEE EMERGENCY FUND AND THE BOZEMAN DEACONESS FOUNDATION GENERAL FUND, ALL ENDOWMENT FUNDS HELD BY THE FOUNDATION ARE FOR USE BY BOZEMAN DEACONESS HEALTH SERVICES.
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE ORGANIZATION CONSISTS OF MONTANA NONPROFIT CORPORATIONS AND HAS BEEN RECOGNIZED BY THE INTERNAL REVENUE SERVICE (IRS) AS EXEMPT FROM FEDERAL INCOME TAXES UNDER INTERNAL REVENUE CODE SECTION 501(C)(3). THE FOUNDATION OPERATES PURSUANT TO SECTION 509 (A)(1) AND 170(B)(L)(A)(VI) OF THE INTERNAL REVENUE CODE. THE ORGANIZATION AND THE FOUNDATION ARE ANNUALLY REQUIRED TO FILE A RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX (FORM 990) WITH THE IRS. IN ADDITION, THE ORGANIZATION IS SUBJECT TO INCOME TAX ON NET INCOME THAT IS DERIVED FROM BUSINESS ACTIVITIES THAT ARE UNRELATED TO ITS EXEMPT PURPOSE. THE ORGANIZATION FILES AN EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURN (FORM 990T) WITH THE IRS TO REPORT ITS UNRELATED BUSINESS TAXABLE INCOME. THE ORGANIZATION BELIEVES THAT IT HAS APPROPRIATE SUPPORT FOR ANY TAX POSITIONS TAKEN AFFECTING ITS ANNUAL FILING REQUIREMENTS, AND AS SUCH, DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT ARE MATERIAL TO THE FINANCIAL STATEMENTS. THE ORGANIZATION WOULD RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AND LIABILITIES IN INCOME TAX EXPENSE IF SUCH INTEREST AND PENALTIES ARE INCURRED. THE ORGANIZATION'S FEDERAL FORM 990T FILINGS ARE NO LONGER SUBJECT TO FEDERAL TAX EXAMINATIONS BY TAX AUTHORITIES FOR YEARS BEFORE 2008.

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number
81-0232121

Part I

Charity Care and Certain Other Community Benefits at Cost

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

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			6,375,061	425,248	5,949,813	3 730 %
b Medicaid (from Worksheet 3, column a)			8,622,944	6,087,137	2,535,807	1 590 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			442,640	642,151	-199,511	0 %
d Total Charity Care and Means-Tested Government Programs			15,440,645	7,154,536	8,286,109	5 320 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			581,767	185,556	396,211	0 250 %
f Health professions education (from Worksheet 5)			166,204	0	166,204	0 100 %
g Subsidized health services (from Worksheet 6)			28,881,846	21,893,460	6,988,386	4 380 %
h Research (from Worksheet 7)			0	0		
i Cash and in-kind contributions for community benefit (from Worksheet 8)			532,346	0	532,346	0 330 %
j Total Other Benefits			30,162,163	22,079,016	8,083,147	5 060 %
k Total. Add lines 7d and 7j			45,602,808	29,233,552	16,369,256	10 380 %

Part IICommunity 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
1Physical improvements and housing						
2Economic development			11,003		11,003	0.010 %
3Community support			625		625	0 %
4Environmental improvements						
5Leadership development and training for community members			9,429		9,429	0.010 %
6Coalition building			1,787		1,787	0 %
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			22,844		22,844	0.020 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1		No
2Enter the amount of the organization's bad debt expense	2	11,973,781	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	1,693,351	
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	30,007,151	
6Enter Medicare allowable costs of care relating to payments on line 5	6	33,661,401	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	-3,654,250	
8Describe 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

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "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		No

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

[illegible]

Section B. Facility Policies and Practices.

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

BOZEMAN DEACONESS HOSPITAL

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	
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	
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)			
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			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>150 00000000000000%</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>250 000000000000%</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 checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
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 type="checkbox"/> The policy was available upon request g <input checked="" 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 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 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 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 checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input checked="" 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

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

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> 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	20	No
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	21	No

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? 6

Name and address		Type of Facility (Describe)
1	DEACONESS INTERCITY IMAGING LLC 915 HIGHLAND BLVD BOZEMAN, MT 59715	OUTPATIENT IMAGING CENTER
2	ROCKY MOUNTAIN SURGERY CENTER LLC 1450 ELLIS ST SUITE 101 BOZEMAN, MT 59715	OUTPATIENT SURGICAL CENTER
3	BOZEMAN DIALYSIS CENTER 931 HIGHLAND BLVD SUITE 3105 BOZEMAN, MT 59715	OUTPATIENT DIALYSIS CENTER
4	HILLCREST SENIOR LIVING 1201 HIGHLAND BLVD BOZEMAN, MT 59715	INDEPENDENT AND ASSISTED LIVING FACILITY
5	HOSPICE OF SOUTHWEST MONTANA LLC 1600 ELLIS STREET SUITE 3A BOZEMAN, MT 59715	HOSPICE SERVICES
6	FAMILY DOCTORS URGENT CARE LLC 120 N 18TH AVENUE BOZEMAN, MT 59715	OUTPATIENT HEALTH CARE
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 I, LINE 3C ANY INDIVIDUAL AND THEIR DEPENDENTS WHO ARE AT 150% OF THE FEDERAL POVERTY INCOME LEVEL OR BELOW WILL BE ELIGIBLE TO RECEIVE A 100% WRITE-OFF OF THE SELF-PAY PORTION OF INCURRED CHARGES, UPON COMPLETION OF AN APPLICATION ANY UNINSURED INDIVIDUAL WITH INCOME UNDER 250% OF THE FEDERAL POVERTY GUIDELINES (FPG) WILL BE ELIGIBLE TO RECEIVE A DISCOUNT FROM CHARGES BASED ON CERTAIN GUIDELINES COMPLETION OF THE FINANCIAL ASSISTANCE APPLICATION WILL BE REQUIRED IN SOME CASES, FULL OR PARTIAL ASSISTANCE MAY BE PROVIDED TO INSURED INDIVIDUALS WITH GROSS FAMILY INCOMES ABOVE 250% OF THE FPG ADJUSTED FOR FAMILY SIZE CATASTROPHIC FINANCIAL ASSISTANCE IS AVAILABLE TO INDIVIDUALS WHO HAVE A LARGE BALANCE REMAINING AFTER ALL THIRD PARTY PAYMENTS HAVE BEEN TAKEN INTO ACCOUNT THE BALANCE UNDER CONSIDERATION IS THAT AMOUNT WHICH IS DEEMED TO BE THE PATIENT'S FINANCIAL RESPONSIBILITY IF SUCH RESPONSIBILITY IS GREATER THAN 50% OF THE FAMILY'S ANNUAL HOUSEHOLD INCOME, THE EXCESS AMOUNT WILL BE TREATED AS CATASTROPHIC FINANCIAL ASSISTANCE AND WRITTEN OFF OF THE PATIENT'S ACCOUNT THIS ASSISTANCE IS AVAILABLE WITHOUT RESPECT TO THE FPG, BUT THEY MUST FOLLOW THE SAME PROCESS AS ALL OTHER PATIENTS SEEKING FINANCIAL ASSISTANCE BASED UPON FPG ASSET TESTS ARE NOT USED FOR DETERMINING ANY LEVEL OF FINANCIAL ASSISTANCE ALL DECISIONS REGARDING FINANCIAL ASSISTANCE ARE IN THE SOLE DISCRETION OF BDH PRIOR TO PROVIDING SERVICES, BDH WILL MAKE AN EFFORT TO NOTIFY THE PATIENT REGARDING THEIR ELIGIBILITY FOR FINANCIAL ASSISTANCE

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE COST TO CHARGE RATIO FROM WORKSHEET 2 WAS USED TO OBTAIN THE COSTS RELATED TO CHARITY CARE, MEDICAID, AND OTHER MEANS-TESTED PROGRAMS ALL OTHER BENEFITS WERE CALCULATED USING OUR INTERNAL COSTING SYSTEM THIS SYSTEM ASSIGNS ALL DIRECT EXPENSES TO SEPARATE COST CENTERS (DEPARTMENTS) AND ACCOUNTS INDIRECT COSTS ARE THEN ALLOCATED TO APPLICABLE DEPARTMENTS BASED ON APPROPRIATE STATISTICS FOR EXAMPLE, ENGINEERING AND ENVIRONMENTAL SERVICES WOULD BE ALLOCATED BASED ON SQUARE FOOTAGE WHEREAS INFORMATION SYSTEMS AND BENEFITS ARE ALLOCATED BASED ON AN ACCUMULATED COST PERCENTAGE AS DETERMINED BY THE MEDICARE COST REPORT OUR INTERNAL SYSTEM DOES RECORD PATIENT REVENUES BASED ON TYPE (INPATIENT VS OUTPATIENT VS EMERGENCY) AND PAYOR (MEDICAID, MEDICARE, COMMERCIAL, SELF-PAY, ETC) RELATED COSTS ARE THEN DETERMINED BASED ON THE PRO-RATED SHARE AS A PERCENTAGE OF THE TOTAL FOR EXAMPLE, IF MEDICAID COMPRISES 7% OF A DEPARTMENTS REVENUE, MEDICAID EXPENSES ARE CALCULATED AT 7% OF THE TOTAL AS WELL

Identifier	ReturnReference	Explanation
		PART I, LINE 7G AMOUNT OF COST ATTRIBUTABLE TO A PHYSICIAN CLINIC IS \$27,582,718 ALL COSTS ASSOCIATED WITH A PROVIDER-BASED CLINIC OPERATIONAL DEPARTMENT WERE CONSIDERED PART OF THIS TOTAL

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE AMOUNT OF BAD DEBT EXPENSE REMOVED FROM THE DENOMINATOR IS \$11,759,382

Identifier	ReturnReference	Explanation
		PART II BOZEMAN DEACONESS HEALTH SERVICES PROVIDED LEADERSHIP DEVELOPMENT TO ASPIRING HEALTHCARE PROFESSIONALS THROUGH THE JUNIOR ACHIEVEMENT PROGRAM BDHS EMPLOYEES SPOKE WITH HIGH SCHOOL STUDENTS ABOUT A CAREER AS A NURSE AND PROVIDED THEM WITH REAL LIFE EXAMPLES OF WHAT THE PROFESSION ENTAILS THESE ACTIVITIES PROMOTE HEALTHCARE BECAUSE THE INDIVIDUALS ARE DIRECTED TOWARD LEARNING ABOUT HEALTH CARE PROFESSIONS AND WILL HOPEFULLY ENCOURAGE FUTURE INTEREST IN THESE TYPES OF POSITIONS THAT PROMOTE HEALTHCARE ONE OF OUR ADMINISTRATORS PARTICIPATED IN ECONOMIC AND BUSINESS DEVELOPMENT THROUGH INVOLVEMENT IN SEVERAL ADVISORY BOARDS AND TASK FORCE PROJECTS AND INITIATIVES THE INVOLVEMENT IN THESE COMMUNITY INITIATIVES PROVIDES AWARENESS OF HEALTH ISSUES AND EDUCATION ON HOW TO ACCESS HEALTH SERVICES

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE ORGANIZATION USES WORKSHEET 2 TO CALCULATE BAD DEBT EXPENSE AT CHARGES BAD DEBT IS REPORTED BASED UPON ACTUAL BAD DEBT EXPENSE NET OF DISCOUNTS AND CONTRACTUAL ADJUSTMENTS, LESS RECOVERIES IN DETERMINING THE AMOUNT OF BAD DEBT ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER OUR CHARITY CARE POLICY, WE OBTAINED STATISTICAL INFORMATION DIRECTLY FROM OUR CREDIT AGENCIES FROM THIS INFORMATION WE WERE ABLE TO CALCULATE AN AVERAGE PERCENTAGE (14.4%) OF ACCOUNTS TURNED OVER FOR COLLECTIONS THAT WOULD HAVE BEEN SUBSEQUENTLY DEEMED UNCOLLECTIBLE OR RETURNED FOR CHARITY THIS PERCENTAGE WAS APPLIED TO BAD DEBT EXPENSE AT CHARGES TO DETERMINE THE ESTIMATE NONE OF THE BAD DEBT IS INCLUDED AS COMMUNITY BENEFIT NOTE IN AUDITED FINANCIAL STATEMENTS THE CARRYING AMOUNT OF PATIENT AND RESIDENT RECEIVABLES IS REDUCED BY A VALUATION ALLOWANCE THAT REFLECTS MANAGEMENT'S BEST ESTIMATE OF AMOUNTS THAT WILL NOT BE COLLECTED FROM PATIENTS, RESIDENTS AND THIRD-PARTY PAYORS MANAGEMENT REVIEWS PATIENT AND RESIDENT RECEIVABLES BY PAYOR CLASS AND APPLIES PERCENTAGES TO DETERMINE ESTIMATED AMOUNTS THAT WILL NOT BE COLLECTED FROM THIRD PARTIES UNDER CONTRACTUAL AGREEMENTS AND AMOUNTS THAT WILL NOT BE COLLECTED FROM PATIENTS AND RESIDENTS DUE TO BAD DEBTS MANAGEMENT CONSIDERS HISTORICAL WRITE OFF AND RECOVERY INFORMATION IN DETERMINING THE ESTIMATED BAD DEBT PROVISION

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE ENTIRE AMOUNT OF SHORTFALL SHOULD BE CONSIDERED A COMMUNITY BENEFIT THE MEDICARE SHORTFALL REPRESENTS A COST ABSORBED BY THE HOSPITAL AS A RESULT OF PROVIDING CARE TO MEDICARE PATIENTS THE CONTRACT DRIVING THIS LOSS IS A NONDISCRETIONARY CONTRACT, AS IS PROVIDING THE SERVICES TO THIS POPULATION OF INDIVIDUALS THE COST OF PROVIDING THIS BENEFIT TO THE COMMUNITY SHOULD BE REPORTABLE AS SUCH MEDICARE ALLOWABLE COSTS OF CARE ARE BASED ON THE MEDICARE COST REPORT THE MEDICARE COST REPORT IS COMPLETED BASED ON THE RULES AND REGULATIONS SET FORTH BY CMS FOR THE JOINT VENTURES, NET MEDICARE REVENUE WAS USED AS THE REVENUE RECEIVED, AND THAT % OF TOTAL REVENUES WAS APPLIED AGAINST OPERATING EXPENSES TO DETERMINE RELATED COSTS THE JOINT VENTURE PORTION OF THE SHORTFALL IS \$767,517

Identifier	ReturnReference	Explanation
		PART III, LINE 9B THE COLLECTION POLICY DOES NOT SPECIFICALLY ADDRESS THE COLLECTION PRACTICES TO BE FOLLOWED FOR PATIENTS WHO ARE KNOWN TO QUALIFY FOR CHARITY CARE OR FINANCIAL ASSISTANCE

Identifier	ReturnReference	Explanation
BOZEMAN DEACONESS HOSPITAL		PART V, SECTION B, LINE 13G A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY IS POSTED ON THE HOSPITAL FACILITY WEBSITE, ATTACHED TO BILLING INVOICES, PROVIDED TO PATIENTS ON ADMISSION TO THE HOSPITAL FACILITY AND IS AVAILABLE UPON REQUEST INFORMATION ABOUT FINANCIAL ASSISTANCE IS ALSO INCLUDED IN OUR PATIENT FINANCIAL SERVICES BROCHURE

Identifier	ReturnReference	Explanation
BOZEMAN DEACONESS HOSPITAL		PART V, SECTION B, LINE 19D FOR ALL SELF-PAY PATIENTS, AN AUTOMATIC 5% DISCOUNT IS APPLIED TO CHARGES UPON BILLING THIS IS COMPARABLE TO WHAT OUR MOST FAVORABLE INSURANCE CONTRACT RATE WOULD BE

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 IN ADDITION TO CONDUCTING A FOLLOW-UP TO OUR INDEPENDENTLY CONDUCTED COMMUNITY HEALTH NEEDS ASSESSMENT, BDHS PARTNERED WITH GALLATIN CITY-COUNTY HEALTH DEPARTMENT (GCCHD) TO CONDUCT A LARGER AND COMPREHENSIVE GRANT-FUNDED COMMUNITY HEALTH ASSESSMENT AND HEALTH IMPROVEMENT PLAN FOCUSING ON GALLATIN COUNTY CALLED THE "HEALTHY GALLATIN" INITIATIVE THE HEALTHY GALLATIN INITIATIVE IS A RESULT OF COLLABORATION BETWEEN GCCHD, CHP, MONTANA STATE UNIVERSITY'S LOCAL GOVERNMENT CENTER AND MANY OTHER ORGANIZATIONS, ALL OF WHOM SHARE THE COMMITMENT TO HAVE A ROLE IN THE COMMUNITY'S HEALTH AND OVERALL WELL-BEING THIS INITIATIVE CALLS FOR CONDUCTING 4 ASSESSMENTS AND IS INTENDED TO RESULT IN THE DEVELOPMENT OF A COMMUNITY-WIDE STRATEGIC PLAN FOR COMMUNITY HEALTH IMPROVEMENT TOGETHER, THESE 4 ASSESSMENTS CALL FOR COMMUNITY INVOLVEMENT WHICH HELPS ENSURE APPROPRIATE COMMUNITY OWNERSHIP OF THE HEALTHY GALLATIN INITIATIVE 1 COMMUNITY HEALTH STATUS ASSESSMENT (CHSA) IDENTIFIED PRIORITY COMMUNITY HEALTH AND QUALITY OF LIFE ISSUES THROUGH THE 3-COUNTY JOINT CHNA CONDUCTED VIA TELEPHONE SURVEY IN THE SUMMER OF 2011 (SEE PREVIOUS SECTION FOR MORE DETAILS)2 COMMUNITY THEMES AND STRENGTHS ASSESSMENT (CTSA) PROVIDES A DEEP UNDERSTANDING OF THE ISSUES RESIDENTS FEEL ARE IMPORTANT THIS IS BEING CONDUCTED THROUGH A SERIES OF IN-DEPTH COMMUNITY CONVERSATIONS CALLED "STUDY CIRCLES" IN SEVEN DIFFERENT COMMUNITIES THROUGHOUT GALLATIN COUNTY THESE FACILITATED SMALL GROUP, DEMOCRATIC, HIGHLY PARTICIPATORY CONVERSATIONS/DISCUSSIONS OCCUR ONCE A WEEK OVER A PERIOD OF THREE WEEKS THESE CONVERSATIONS ARE MEANT TO EMPOWER PEOPLE NOT ONLY TO FIGURE OUT THE MOST IMPORTANT HEALTH ISSUES, BUT TO ALSO PRODUCE IDEAS AND IDENTIFY SOLUTIONS THAT WILL WORK BEST FOR THEIR INDIVIDUAL COMMUNITY, AND GALLATIN COUNTY AS A WHOLE 3 LOCAL PUBLIC HEALTH SYSTEM ASSESSMENT (LPHSA) FOCUSES ON THE LOCAL PUBLIC HEALTH SYSTEM - ALL OF THE ORGANIZATIONS AND ENTITIES, WHETHER PUBLIC, PRIVATE, OR VOLUNTARY, THAT CONTRIBUTES TO THE DELIVERY OF PUBLIC HEALTH SERVICES WITHIN A COMMUNITY THE PURPOSE OF THE ASSESSMENT WAS TO EVALUATE THE ACTIVITIES, COMPONENTS AND CAPACITIES OF OUR LOCAL PUBLIC HEALTH SYSTEM IN PROVIDING THE ESSENTIAL PUBLIC HEALTH SERVICES IN GALLATIN COUNTY THE DIALOGUE THAT OCCURS IN ANSWERING THESE QUESTIONS HELPED IDENTIFY AREAS OF STRENGTH AND WEAKNESS AND DETERMINE OPPORTUNITIES FOR IMPROVEMENT THE ASSESSMENT INSTRUMENT USED WAS DEVELOPED BY THE NATIONAL PUBLIC HEALTH PERFORMANCE STANDARDS PROGRAM WHICH IS A COLLABORATIVE EFFORT OF SEVEN NATIONAL PARTNERS, WHICH INCLUDES CDC AND THE AMERICAN PUBLIC HEALTH ASSOCIATION 4 FORCES OF CHANGE ASSESSMENT (FCA) IS AIMED AT IDENTIFYING FORCES - SUCH AS TRENDS, FACTORS, OR EVENTS - THAT ARE OR WILL BE INFLUENCING THE HEALTH AND QUALITY OF LIFE OF THE COMMUNITY AND THE WORK OF THE LOCAL PUBLIC HEALTH SYSTEM THIS ASSESSMENT IS BEING PLANNED FOR JULY</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 BOZEMAN DEACONESS HOSPITAL IS DEEPLY COMMITTED TO PROVIDING FINANCIAL ASSISTANCE TO PATIENTS NEEDING, BUT UNABLE TO AFFORD, MEDICALLY NECESSARY HEALTH CARE SERVICES BDH POSTS NOTICE OF ITS FINANCIAL ASSISTANCE POLICY IN ALL ADMITTING AREAS, AS WELL AS ON THE WEBSITE AT THE EARLIEST FEASIBLE TIME, BDH WILL ATTEMPT TO DETERMINE WHETHER A PATIENT HAS THIRD PARTY COVERAGE FOR ANY PART OF THE HOSPITAL SERVICES PROVIDED IF A PATIENT DOES NOT HAVE THIRD PARTY COVERAGE, A PATIENT ADVOCATE FROM THE MASH PROGRAM WILL SCREEN ALL INPATIENT CASES AND ANY OUTPATIENT CASES EXCEEDING \$1,000 IN TOTAL CHARGES TO DETERMINE IF THE PATIENT QUALIFIES FOR THIRD PARTY FUNDING IF NOT, THE PATIENT ADVOCATE WILL EXPLAIN THE FINANCIAL ASSISTANCE POLICY AND GIVE THE PATIENT AN APPLICATION IF DESIRED IN CIRCUMSTANCES WHERE PAYMENT IN FULL WILL CAUSE FINANCIAL HARDSHIP THAT WILL SIGNIFICANTLY HARM THE PATIENT OR PATIENT'S FAMILY, THE APPLICANT MAY BE ASKED TO VISIT WITH CONSUMER CREDIT COUNSELING SERVICES TO FURTHER REVIEW THEIR FINANCIAL SITUATIONS UPON REQUEST, PATIENTS MAY BE ASKED TO COMPLETE AN APPLICATION FOR MEDICAID PARTICIPATION OR FOR COVERAGE BY OTHER GOVERNMENTAL PAYMENT PROGRAMS PATIENT BILLS ALSO CONTAIN BILLING INFORMATION EXPLAINING FINANCIAL OPTIONS AND PROVIDE CONTACT INFORMATION TO THE APPROPRIATE RESOURCES ADDITIONALLY BDHS HAS AN UNWRITTEN POLICY WHEREBY SPECIFIC OUTPATIENT PROCEDURES ALLOW PATIENTS OF COMMUNITY HEALTH PARTNERS (CHP) TO FOLLOW THE FINANCIAL ASSISTANCE POLICY ESTABLISHED BY CHP

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 4 BEING THE ONLY HOSPITAL FACILITY IN GALLATIN COUNTY, BDHS SERVES PRIMARILY THE 89,500 (PER CENSUS 2010) RESIDENTS OF GALLATIN COUNTY WHILE PARK AND MADISON COUNTIES EACH HAVE A CRITICAL ACCESS HOSPITAL, ROUGHLY 8% OF BDHS' INPATIENT POPULATION STILL COME FROM THESE OUTLYING COMMUNITIES GALLATIN COUNTY INCLUDES 2 INCORPORATED PLACES - BOZEMAN, A CITY OF 37,000 RESIDENTS AND BELGRADE, A CITY OF 7,400 RESIDENTS AND A NUMBER OF SMALL TOWNS/COMMUNITIES WHERE 13,000 RESIDENTS LIVE (FOUR CORNERS, THREE FORKS, MANHATTAN, CHURCHILL, AMSTERDAM, KING ARTHUR'S, BIG SKY, WILLOW CREEK, AND WEST YELLOWSTONE) ALL TOGETHER THESE RESIDENTS REPRESENT 65% OF GALLATIN COUNTY'S POPULATION, THE REST (31,800) LIVE OUTSIDE THESE TOWN/CITY BOUNDRIES AND IN MORE RURAL AREAS OVER THE PAST DECADE, GALLATIN COUNTY GREW AT A RATE 3 TIMES THAT OF MONTANA OR THE UNITED STATES, GROWING 32% FROM 67,831 IN 2000 TO 89,513 IN 2010, AND ADDING ABOUT 22,000 RESIDENTS IN THE VALLEY THE MEDIAN HOUSEHOLD INCOME (HHI) HAS ALSO CHANGED DRAMATICALLY OVER THE PAST DECADE FROM \$38,000 TO \$50,000, AN INCREASE OF ABOUT 32% HOWEVER, THE PROPORTION OF PERSONS LIVING BELOW POVERTY HAS NOT CHANGED AND REMAINED AROUND 12.9% THIS RATE JUMPS TO 30% IF PERSONS LIVING BETWEEN 100% TO 199% OF FEDERAL POVERTY LEVEL (FPL) ARE INCLUDED TOGETHER, THESE RESIDENTS BELOW 200% OF FPL COMPRISE THE LOW-INCOME SEGMENT OF THE POPULATION</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 AS A SOLE COMMUNITY HOSPITAL, BOZEMAN DEACONESS HEALTH SERVICES IS COMMITTED TO PROVIDING QUALITY CARE AND PROMOTING HEALTH TO THE VERY COMMUNITY THAT SUPPORTS US. OUR GOVERNING BODY IS REPRESENTED BY INDIVIDUALS OF OUR COMMUNITY, WITH ALL BUT ONE BEING INDEPENDENT TO OUR ORGANIZATION. TO ENSURE IMMEDIATE ACCESS TO CARE, BDHS HAS AN OPEN MEDICAL STAFF AND REQUIRES EACH MEDICAL STAFF MEMBER TO CARE FOR ANYONE PRESENTING A NEED FOR CARE IN THE EMERGENCY DEPARTMENT. WE ALSO DEVOTE A SIGNIFICANT AMOUNT OF SURPLUS FUNDS TO MAINTAINING A HIGH LEVEL OF PATIENT CARE THROUGH QUALITY INITIATIVES AND TECHNOLOGY INVESTMENTS. BDHS GIVES BACK TO ITS COMMUNITY THROUGH COMMUNITY BENEFIT OPPORTUNITIES, WHICH AT OVER \$16 MILLION COMPRISED 10% OF OUR TOTAL OPERATING EXPENSES (EXCLUDING BAD DEBT) IN 2011. VARIOUS EMPLOYEES, PHYSICIANS, ADMINISTRATORS, AND BOARD MEMBERS OF THE HOSPITAL ARE ACTIVELY INVOLVED IN VOLUNTEER ROLES INCLUDING COMMUNITY BOARD POSITIONS IN NUMEROUS OTHER ACTIVITIES, GROUPS, AND ORGANIZATIONS THAT ACTIVELY PROMOTE THE HEALTH OF THE COMMUNITY.

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 BOZEMAN DEACONESS HEALTH SERVICES OWNS A MAJORITY INTEREST IN ADVANCED MEDICAL IMAGING, ROCKY MOUNTAIN SURGERY CENTER, AND BOZEMAN DIALYSIS CENTER ALL THREE OF THESE ORGANIZATIONS HOLD SIMILAR POLICIES REGARDING PROVIDING CARE TO ALL MEMBERS OF THE COMMUNITY AND OFFERING FINANCIAL ASSISTANCE AS DETERMINED BY ABILITY TO PAY

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number
81-0232121

Part I

General Information on Grants and Assistance

- 1

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

☒ Yes ☐ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) GREATER GALLATIN UNITED WAY945 TECHNOLOGY BLVD 101F BOZEMAN,MT 59718	81-0384820	501(C)(3)	100,000				SUPPORT COMMUNITY HEALTH PROGRAMS WITHIN OUR SERVICE AREA
(2) CANCER SUPPORT COMMUNITY MONTANA 102 S 11TH AVE BOZEMAN,MT 59715	81-0542266	501(C)(3)	49,500				SUPPORT COMMUNITY HEALTH PROGRAMS WITHIN OUR SERVICE AREA
(3) WESTERN MONTANA MENTAL HEALTH CENTER BLDG T-9 FORT MISSOULA RD MISSOULA,MT 59804	81-0307814	501(C)(3)	169,500				SUPPORT COMMUNITY HEALTH CRISIS PROGRAMS WITHIN OUR SERVICE AREA
(4) BOZEMAN DEACONESS FOUNDATION931 HIGHLAND BLVD SUITE 3200 BOZEMAN,MT 59715	81-1407943	501(C)(3)	500,000				FUND ENDOWMENTS
(5) COMMUNITY HEALTH PARTNERS126 S MAIN STREET LIVINGSTON,MT 59047	84-1420492	501(C)(3)	54,000				SUPPORT COMMUNITY HEALTH PROGRAMS WITHIN OUR SERVICE AREA

2

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

5

3

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

0

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 RECIPIENTS OF GRANTS AND ASSISTANCE PREPARE INFORMATIONAL REPORTS SUBSTANTIATING THE USE OF THE FUNDS THAT WERE EARMARKED TO SUPPORT COMMUNITY HEALTH PROGRAMS INVOLVEMENT OF BOZEMAN DEACONESS HEALTH SERVICES STAFF AND/OR ADMINISTRATION AS VOLUNTEERS IN THE ACTIVITIES BEING SUPPORTED ALSO ENSURES PROPER USAGE OF FUNDS

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number
81-0232121

Part I

Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) JOHN ROBBINS MD	(i)	136,826	14,688	464	28,435	12,741	193,154	0
	(ii)	0	0	0	0	0	0	0
(2) JOHN NORDWICK	(i)	329,027	326,632	12,204	31,404	16,084	715,351	251,693
	(ii)	0	0	0	0	0	0	0
(3) STAN MOSER	(i)	267,566	20,000	1,218	16,612	15,153	320,549	0
	(ii)	0	0	0	0	0	0	0
(4) GORDON DAVIDSON	(i)	208,105	125,012	17,753	34,879	16,718	402,467	0
	(ii)	0	0	0	0	0	0	0
(5) ELIZABETH LEWIS	(i)	203,238	121,701	5,791	32,634	20,839	384,203	0
	(ii)	0	0	0	0	0	0	0
(6) ANNE CASTILLO MD	(i)	626,018	3,333	30,925	14,700	1,133	676,109	0
	(ii)	0	0	0	0	0	0	0
(7) JACK HENSOLD MD	(i)	517,351	0	28,470	32,415	16,777	595,013	0
	(ii)	0	0	0	0	0	0	0
(8) J BRUCE ROBERTSON MD	(i)	397,704	32,982	1,548	32,640	19,599	484,473	0
	(ii)	0	0	0	0	0	0	0
(9) BLAIR ERB MD	(i)	504,904	0	828	0	16,988	522,720	0
	(ii)	0	0	0	0	0	0	0
(10) DANE SOBEK MD	(i)	491,207	50,500	360	14,662	16,088	572,817	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

Part III

Supplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	PER JOHN NORDWICK'S CONTRACT, HE IS REIMBURSED FOR TWO BUSINESS TRIPS PER YEAR WHERE HIS WIFE ACCOMPANIES HIM. THESE ARE REPORTED AS TAXABLE COMPENSATION.
	PART I, LINE 6	A PHYSICIAN LISTED IN PART VII, SECTION A, RECEIVES INCENTIVE COMPENSATION BASED ON ACTUAL RELATIVE VALUE UNIT'S (RVU'S) PRODUCED IN EXCESS OF TARGETS. THE TOTAL OF THE INCENTIVE IS CALCULATED BY TAKING THE EXCESS RVU'S TIMES A RVU CONVERTER. THE RVU CONVERTER IS BASED UPON NET EARNINGS FROM SERVICES PROVIDED BY THE PHYSICIAN.
	PART I, LINE 7	THE BOARD ESTABLISHES GOALS EACH YEAR AND IF MET, THERE IS COMPENSATION TIED TO THEM. ALL SUCH COMPENSATION IS REVIEWED BY THE INDEPENDENT COMPENSATION SPECIALISTS. INCENTIVE COMPENSATION IS DETERMINED BY ACHIEVING FINANCIAL PERFORMANCE IN EXCESS OF BUDGETED PERFORMANCE, AND ACHIEVING PRE-DETERMINED GOALS DEALING WITH PATIENT QUALITY, PATIENT SATISFACTION AND EMPLOYEE SATISFACTION. THIS APPLIES TO ALL SENIOR ADMINISTRATION AND ALL PHYSICIANS (WITH ONE EXCEPTION DESCRIBED IN SCHEDULE J, PART I LINE 6A) THAT RECEIVES COMPENSATION AND INCLUDES INCENTIVE COMPENSATION REFLECTED IN PART II, COLUMN B(II).

Schedule K (Form 990)	Supplemental Information on Tax Exempt Bonds ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.										OMB No 1545-0047		
											2011		
	Department of the Treasury Internal Revenue Service											Open to Public Inspection	
Name of the organization BOZEMAN DEACONESS HEALTH SERVICES										Employer identification number 81-0232121			

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 MONTANA FACILITY FINANCE AUTHORITY	81-0302402	61204JAW4	03-04-2004	12,591,558	TO FUND NEW MEDICAL OFFICE BUILDING AND TO REFUND BONDS ISSUED 6/10/93		X		X		X
B MONTANA FACILITY FINANCE AUTHORITY	81-0302402	621043CZ0	09-21-2005	28,001,371	TO FUND ADDITION OF HILLCREST & ADVANCE REFUND REVENUE BONDS ISSUED 3/28/00		X		X		X
C MONTANA FACILITY FINANCE AUTHORITY	36-4615155	61204EAH8	04-22-2010	6,645,000	REFINANCING OF 1998 BOND DEBT		X		X		X
D MONTANA FACILITY FINANCE AUTHORITY	81-0302402	61204MAS6	09-28-2011	20,680,164	TO FUND NEWER & ACQUIRE LEGACY CONDOS & RENOVATE EXISTING FACILITY		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	5,905,000		3,970,000		775,000			
2	Amount of bonds defeased								
3	Total proceeds of issue	12,591,558		28,001,371		6,645,000		20,680,164	
4	Gross proceeds in reserve funds	835,776		408,114					
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	251,831		459,960		132,900		401,295	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	6,985,411		8,526,661				20,278,809	
11	Other spent proceeds	4,518,540		18,606,636		6,512,100			
12	Other unspent proceeds								
13	Year of substantial completion	2005		2006		2010		2011	
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X			X	X			X
15	Were the bonds issued as part of an advance refunding issue?		X	X			X		X
16	Has the final allocation of proceeds been made?	X		X		X			X
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III

Private Business Use

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

Part IIIPrivate Business Use (Continued)

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

Part IVArbitrage

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

Part VProcedures 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 VISupplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE K, PART II, LINE 11, COLUMN A		THE AMOUNT REPORTED ON PART I, LINE 11 IS THE AMOUNT OF BOND PROCEEDS USED TO REFUND THE BONDS ISSUED IN 1993
SCHEDULE K, PART II, LINE 11, COLUMN B		THE AMOUNT REPORTED ON PART I, LINE 11 IS THE AMOUNT OF BOND PROCEEDS USED TO REFUND THE BONDS ISSUED IN 2000
SCHEDULE K, PART II, LINE 11, COLUMN C		THE AMOUNT REPORTED ON PART I, LINE 11 IS THE AMOUNT OF BOND PROCEEDS USED TO CURRENTLY REFUND THE 1998 BONDS

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
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number
81-0232121

Identifier	Return Reference	Explanation
NEW PROGRAM SERVICES	FORM 990, PART III, LINE 2	EFFECTIVE 2/1/2011, BOZEMAN DEACONESS HEALTH SERVICES ADDED CARDIOLOGY, EAR, NOSE, & THROAT, AUDIOLOGY, AND COSMETIC SURGERY SERVICES TO OUR OPERATIONS
	FORM 990, PART VI, SECTION A, LINE 7A	THE YELLOWSTONE CONFERENCE OF THE METHODIST CHURCH CONFIRMS THE BOARD MEMBERS AND HAS AUTHORITY TO APPOINT THE CLERGY MEMBER OF THE BOARD
	FORM 990, PART VI, SECTION A, LINE 7B	CHANGING THE ARTICLES OF INCORPORATION IN RELATIONSHIP TO THE PROCESS OF SELECTING BOARD MEMBERSHIP MUST BE APPROVED BY THE YELLOWSTONE CONFERENCE OF THE UNITED METHODIST CHURCH
	FORM 990, PART VI, SECTION B, LINE 11	THE FINANCE COMMITTEE WILL REVIEW FORM 990 IN DETAIL AND WILL MAKE A RECOMMENDATION TO THE FULL BOARD FOR APPROVAL BEFORE FILING OF THE FORM 990 THE CFO REVIEWS THE FORM 990 AT A HIGHER LEVEL WITH THE BOARD BEFORE APPROVAL IS GRANTED
	FORM 990, PART VI, SECTION B, LINE 12C	IN-HOUSE COUNSEL IDENTIFIES POTENTIAL CONFLICTS FROM ANNUAL DISCLOSURES AND INFORMS THE BOARD CHAIR THE BOARD CHAIR DISCUSSES THE CONFLICT AND DECIDES WHETHER THE CONFLICT IS OF SUCH A NATURE TO EXCLUDE THE CONFLICTED PARTY FROM DISCUSSION AND/OR VOTE THIS POLICY COVERS ALL BOARD MEMBERS, OFFICERS, SENIOR ADMINISTRATION, AND KEY EMPLOYEES
	FORM 990, PART VI, SECTION B, LINE 15	THE EXECUTIVE COMMITTEE RECEIVES A FORMAL PRESENTATION BY AN INDEPENDENT COMPENSATION CONSULTANT (AS SELECTED BY THE BOARD) QUALIFIED TO PERFORM COMPENSATION REVIEWS INCLUDING USAGE OF COMPARABILITY DATA THIS PERSON PRESENTS RECOMMENDATIONS TO THE COMPENSATION COMMITTEE OF THE BOARD THE COMPENSATION COMMITTEE MAKES RECOMMENDATIONS TO THE FULL BOARD ON AN ANNUAL BASIS FOR OFFICERS AND SENIOR ADMINISTRATION THIS ANNUAL PROCESS WAS PERFORMED DURING 2011
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND ALL TAX RELATED INFORMATION REQUIRED TO BE AVAILABLE FOR PUBLIC INSPECTION ARE AVAILABLE VIA WALK-IN, TELEPHONE CALL, E-MAIL, AND/OR MAIL-IN REQUEST THE AUDITED FINANCIAL STATEMENTS ARE REQUIRED TO BE ATTACHED TO THE FORM 990 AND PROVIDED TO THE MUNICIPAL SECURITIES RULEMAKING BOARD, WHICH IS OUR TAX-EXEMPT BONDS TRUSTEE, VIA AN ON-LINE, CENTRAL FILING LOCATION CALLED ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) THE FINANCIAL STATEMENTS CAN BE OBTAINED BY THE GENERAL PUBLIC AT THE EMMA WEBSITE
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -3,682,221 TRANSFERS TO RELATED PARTIES - 883,593 TOTAL TO FORM 990, PART XI, LINE 5 -4,565,814
LISTING OF ALL CUSIP#S ASSOCIATED WITH BOND ISSUANCE	SCHEDULE K, PART I, BOND A, CUSIP#S FOR SERIES 2004 BOND	\$ 1,255,000 61204J AA 2 1,275,000 61204J AB 0 1,300,000 61204J AC 8 1,335,000 61204J AD 6 240,000 61204J AE 4 245,000 61204J AF 1 255,000 61204J AG 9 260,000 61204J AH 7 270,000 61204J AJ 3 280,000 61204J AK 0 290,000 61204J AL 8 305,000 61204J AM 6 315,000 61204J AN 4 330,000 61204J AP 9 340,000 61204J AQ 7 1,955,000 61204J AV 6 2,445,000 61204J AW 4
LISTING OF ALL CUSIP#S ASSOCIATED WITH BOND ISSUANCE	SCHEDULE K, PART I, BOND B, CUSIP#S FOR SERIES 2005 BOND	\$ 455,000 612043 CE 7 655,000 612043 CF 4 675,000 612043 CG 2 700,000 612043 CH 0 730,000 612043 CJ 6 755,000 612043 CK 3 785,000 612043 CL 1 820,000 612043 CM 9 845,000 612043 CN 7 885,000 612043 CP 2 920,000 612043 CQ 0 960,000 612043 CR 8 1,000,000 612043 CS 6 1,040,000 612043 CT 4 1,085,000 612043 CU 1 1,125,000 612043 CV 9 1,175,000 612043 CW 7 1,220,000 612043 CX 5 1,270,000 612043 CY 3 1,325,000 612043 CZ 0 7,555,000 612043 DA 4 2,565,000 612043 DB 2
LISTING OF ALL CUSIP#S ASSOCIATED WITH BOND ISSUANCE	SCHEDULE K, PART I, BOND B, CUSIP#S FOR SERIES 2011 BOND	\$ 635,000 61204M AB 3 780,000 61204M AC 1 795,000 61204M AD 9 815,000 61204M AE 7 840,000 61204M AF 4 865,000 61204M AG 2 890,000 61204M AH 0 915,000 61204M AJ 6 945,000 61204M AK 3 980,000 61204M AL 1 1,010,000 61204M AM 9 1,050,000 61204M AN 7 1,090,000 61204M AP 2 1,135,000 61204M AQ 0 1,180,000 61204M AR 8 6,775,000 61204M AS 6

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number
81-0232121

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) HILLCREST SENIOR LIVING LIMITED LIABILITY COMPANY 1201 HIGHLAND BLVD BOZEMAN, MT 59715 81-0232121	INDEPENDENT AND ASSISTED LIVING HOME	MT	6,166,718	35,939,890	N/A

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) BOZEMAN DEACONESS FOUNDATION 931 HIGHLAND BLVD SUITE 3200 BOZEMAN, MT 59715 84-1407943	RAISE FUNDS TO SUPPORT BOZEMAN DEACONESS HEALTH SERVICES	MT	501(C)(3)	7	N/A	Yes	

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(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) DEACONESS INTERCITY IMAGING LLC 915 HIGHLAND BLVD BOZEMAN, MT 59715 81-0666871	HEALTHCARE - IMAGING SERVICES	MT	N/A	RELATED	1,778,443	2,919,089		No		Yes		77 500 %
(2) ROCKY MOUNTAIN SURGICAL CENTER LLC 1450 ELLIS ST SUITE 101 BOZEMAN, MT 59715 36-4462300	HEALTHCARE - SURGICAL SERVICES	MT	N/A	RELATED	2,626,470	2,814,441	Yes				No	51 010 %
(3) BOZEMAN DIALYSIS CENTER PO BOX 37000 BILLINGS, MT 59107 81-0519879	HEALTHCARE - DIALYSIS SERVICES	MT	N/A	RELATED	-16,705	-125,090		No		Yes		60 000 %

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
(1) BOZEMAN DEACONESS REAL ESTATE DEVELOPMENT CORP PO BOX 10490 BOZEMAN, MT 59719 20-5496567	SALE OF REAL ESTATE PROPERTY AND RESIDENCES TO SENIORS	MT	N/A	C	537,503	9,135,364	100 000 %

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

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

Yes

Yes

No

No

No

No

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

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) See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

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

[illegible]

Part VII

Supplemental Information

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

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

Software ID:
Software Version:
EIN: 81-0232121
Name: BOZEMAN DEACONESS HEALTH SERVICES

Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved (\$)	(d) Method of determining amount involved
(1) DEACONESS INTERCITY IMAGING LLC	I	296,520	GENERAL LEDGER AND CORP RECORDS
(2) DEACONESS INTERCITY IMAGING LLC	K	131,644	GENERAL LEDGER AND CORP RECORDS
(3) DEACONESS INTERCITY IMAGING LLC	P	2,089,690	GENERAL LEDGER AND CORP RECORDS
(4) DEACONESS INTERCITY IMAGING LLC	R	2,152,175	GENERAL LEDGER AND CORP RECORDS
(5) BOZEMAN DEACONESS REAL ESTATE DEVELOPMENT CORP	B	600,000	GENERAL LEDGER AND CORP RECORDS
(6) BOZEMAN DEACONESS REAL ESTATE DEVELOPMENT CORP	P	103,367	GENERAL LEDGER AND CORP RECORDS
(7) BOZEMAN DEACONESS FOUNDATION	B	500,000	GENERAL LEDGER AND CORP RECORDS
(8) BOZEMAN DEACONESS FOUNDATION	C	1,506,716	GENERAL LEDGER AND CORP RECORDS
(9) BOZEMAN DEACONESS FOUNDATION	K	57,806	GENERAL LEDGER AND CORP RECORDS
(10) BOZEMAN DEACONESS FOUNDATION	Q	600,000	GENERAL LEDGER AND CORP RECORDS
(11) ROCKY MOUNTAIN SURGICAL CENTER LLC	R	2,458,995	GENERAL LEDGER AND CORP RECORDS
(12) DEACONESS INTERCITY IMAGING LLC	L	140,981	GENERAL LEDGER AND CORP RECORDS
(13) BOZEMAN DIALYSIS CENTER	P	160,931	GENERAL LEDGER AND CORP RECORDS



Consolidated Financial Statements
December 31, 2011 and 2010

Bozeman Deaconess Health Services

Bozeman Deaconess Health Services

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Independent Auditor's Report

The Board of Trustees
Bozeman Deaconess Health Services
Bozeman, Montana

We have audited the accompanying consolidated balance sheets of Bozeman Deaconess Health Services as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Billings, Montana
April 17, 2012

www.eidebailly.com

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 30,640,450	\$ 37,893,587
Investments	37,492,060	27,594,782
Receivables		
Patient, net of estimated uncollectible accounts of \$22,796,000 in 2011 and \$21,113,000 in 2010	23,162,139	22,412,348
Resident, net of estimated uncollectible accounts of \$10,000 in 2011 and 2010	179,080	284,852
Pledges, net of estimated uncollectible accounts	538,317	1,560,880
Other	4,280,922	1,634,729
Assets limited as to use	1,984,278	1,124,819
Supplies	5,590,965	5,329,043
Prepaid expenses and other	2,180,769	1,695,351
Total current assets	106,048,980	99,530,391
Assets Limited as to Use		
By Board for capital improvements	25,089,071	25,395,704
Under bond indenture agreements	23,285,972	3,595,391
	48,375,043	28,991,095
Less current portion	(1,984,278)	(1,124,819)
	46,390,765	27,866,276
Property and Equipment, Net	121,920,367	117,544,973
Land and Homes for Sale	5,495,450	5,754,935
Other Assets		
Long-term investments	23,103,031	22,338,327
Investment in joint ventures	3,507,839	2,370,327
Pledges receivable, net of estimated uncollectible accounts	1,135,315	1,252,085
Goodwill	9,718,401	8,721,359
Note receivable	406,123	393,600
Deferred financing costs, net of accumulated amortization of \$275,828 in 2011 and \$235,929 in 2010	971,399	603,628
Other assets	234,978	233,847
Total other assets	39,077,086	35,913,173
	<u>\$ 318,932,648</u>	<u>\$ 286,609,748</u>

See Notes to Consolidated Financial Statements

Bozeman Deaconess Health Services
Consolidated Balance Sheets
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 3,116,924	\$ 2,413,221
Accounts payable		
Trade	7,451,645	6,929,573
Estimated third-party payor settlements	220,000	80,000
Refundable deposits	10,434,166	12,033,154
Current portion of deferred revenue	88,528	116,321
Accrued expenses	12,503,243	10,208,269
Current estimated liability to beneficiaries	30,971	33,751
	<u>33,845,477</u>	<u>31,814,289</u>
Total current liabilities		
Long-Term Liabilities		
Long-term debt, less current maturities	55,910,731	38,251,951
Deferred revenue from entrance fees	539,876	679,349
Estimated liability to beneficiaries	221,035	231,585
	<u>90,517,119</u>	<u>70,977,174</u>
Total liabilities		
Net Assets		
Unrestricted	214,775,236	201,896,829
Noncontrolling interest-unrestricted	3,200,479	3,215,931
Temporarily restricted	8,410,274	8,495,251
Permanently restricted	2,029,540	2,024,563
	<u>228,415,529</u>	<u>215,632,574</u>
Total net assets		
Total liabilities and net assets	<u><u>\$ 318,932,648</u></u>	<u><u>\$ 286,609,748</u></u>

Bozeman Deaconess Health Services
Consolidated Statements of Operations
Years Ended December 31, 2011 and 2010

	2011	2010
Unrestricted Revenues, Gains, and Other Support		
Net patient service revenue	\$ 185,717,554	\$ 168,966,315
Net resident service revenue	5,621,071	5,632,191
Other revenue	9,722,872	7,695,344
Unrestricted contributions	99,122	292,459
Net assets released from restrictions for operations	446,128	670,495
	<u>201,606,747</u>	<u>183,256,804</u>
Total unrestricted revenues, gains, and other support		
Expenses		
Professional care of patients	106,172,180	96,350,723
Personal care of residents	706,039	709,159
Dietary	3,062,812	2,970,887
Housekeeping, laundry and linen	2,140,103	2,068,917
General and administrative	39,134,267	35,884,305
Property and equipment maintenance and operations	6,820,444	6,273,620
Fundraising expenses	308,275	549,164
Depreciation and amortization	14,124,172	14,001,643
Interest	1,806,715	2,790,247
Provision for bad debts	12,118,578	11,187,230
	<u>186,393,585</u>	<u>172,785,895</u>
Total expenses		
Operating Income	<u>15,213,162</u>	<u>10,470,909</u>
Other Income		
Investment income from investments	1,432,870	1,649,341
Realized gains on sale of investments	807,792	645,166
Investment income from assets limited as to use	648,014	606,934
Realized gains on sale of assets limited as to use	683,274	561,748
Gain on disposition of property and equipment	286,060	701,039
Other, net	55,857	51,080
	<u>3,913,867</u>	<u>4,215,308</u>
Total other income		
Revenues in Excess of Expenses	19,127,029	14,686,217
Less Change in Net Assets Attributable to Noncontrolling Interest	(2,813,444)	(2,825,515)
Net Unrealized Gains (Losses) on Investments	(4,336,056)	2,793,617
Net Assets Released from Restrictions for Capital	<u>900,878</u>	<u>-</u>
Change in Unrestricted Net Assets Attributable to Bozeman Deaconess Health Services	<u>\$ 12,878,407</u>	<u>\$ 14,654,319</u>

Bozeman Deaconess Health Services
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted Net Assets		
Revenues in excess of expenses	\$ 19,127,029	\$ 14,686,217
Net unrealized gains (losses) on investments	(4,336,056)	2,793,617
Net assets released from restrictions for capital	900,878	-
	<u>15,691,851</u>	<u>17,479,834</u>
Change in unrestricted net assets	15,691,851	17,479,834
Change in unrestricted net assets attributable to noncontrolling interest	<u>(2,813,444)</u>	<u>(2,825,515)</u>
Change in unrestricted net assets attributable to Bozeman Deaconess Health Services	<u>12,878,407</u>	<u>14,654,319</u>
Temporarily Restricted Net Assets		
Contributions and investment income	1,262,029	3,076,112
Net assets released from donor restrictions	<u>(1,347,006)</u>	<u>(670,495)</u>
Change in temporarily restricted net assets	<u>(84,977)</u>	<u>2,405,617</u>
Permanently Restricted Net Assets		
Contributions	48,579	58,010
Increase (decrease) in value of split-interest agreements	<u>(43,602)</u>	<u>27,841</u>
Change in permanently restricted net assets	<u>4,977</u>	<u>85,851</u>
Noncontrolling Interest		
Increase in unrestricted net assets attributable to noncontrolling interest	2,813,444	2,825,515
Distributions to noncontrolling interest	<u>(2,828,896)</u>	<u>(2,815,515)</u>
Change in noncontrolling Interest	<u>(15,452)</u>	<u>10,000</u>
Change in Net Assets	12,782,955	17,155,787
Net Assets, Beginning of Year	<u>215,632,574</u>	<u>198,476,787</u>
Net Assets, End of Year	<u><u>\$ 228,415,529</u></u>	<u><u>\$ 215,632,574</u></u>

Bozeman Deaconess Health Services

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

	2011	2010
Operating Activities		
Change in net assets	\$ 12,782,955	\$ 17,155,787
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	14,044,893	13,429,352
Amortization of deferred financing costs	53,413	480,402
Amortization of bond discount	27,324	326,433
Impairment of goodwill	25,866	91,889
Provision for bad debts	12,118,578	11,187,230
Gain on disposition of property and equipment	(286,060)	(701,039)
Net unrealized (gains) losses on investments	4,676,363	(2,995,711)
Realized gains on sale of investments	(1,656,639)	(1,250,870)
Equity in income of joint ventures	(1,158,832)	(264,215)
Distributions to noncontrolling interest	2,828,896	2,815,515
Contributions and investment income restricted by donors	(1,310,608)	(3,134,122)
Changes in assets and liabilities		
(Increase) decrease in:		
Receivables	(14,269,457)	(7,941,628)
Supplies	(261,922)	(273,102)
Prepaid expenses and other	(486,549)	(208,144)
Land and homes held for sale	259,485	(270,265)
Increase (decrease) in:		
Accounts payable	662,072	560,891
Deferred revenue	(167,266)	(87,987)
Accrued expenses	2,294,974	1,140,417
Estimated liability to beneficiaries	(13,330)	(74,958)
Net Cash from Operating Activities	<u>30,164,156</u>	<u>29,985,875</u>
Investing Activities		
Purchases of investments	(38,517,585)	(24,129,209)
Proceeds from sales and maturities of investments	25,711,276	21,663,636
Purchases of investments-assets limited to use	(34,030,560)	(12,163,317)
Proceeds from sales of investments-assets limited to use	13,771,215	28,234,128
Purchase of property and equipment	(18,433,937)	(8,528,558)
Proceeds from disposition of property and equipment	434,519	1,158,964
Advances on note receivable	(150,000)	(450,000)
Payments received on note receivable	137,477	56,400
Purchase of goodwill	(1,022,908)	-
Purchase of investment in joint ventures	-	(379,267)
Distributions from joint ventures	21,320	17,996
Net Cash from (used for) Investing Activities	<u>(52,079,183)</u>	<u>5,480,773</u>
Financing Activities		
Proceeds from long-term debt borrowings	20,680,164	6,645,000
Repayment of long-term debt	(2,479,814)	(27,637,509)
Payment for deferred financing costs	(421,184)	(137,088)
Distributions to noncontrolling interest	(2,828,896)	(2,815,515)
Contributions and investment income restricted by donors	1,310,608	3,134,122
Increase (decrease) in refundable deposits	(1,598,988)	735,696
Net Cash from (used for) Financing Activities	<u>14,661,890</u>	<u>(20,075,294)</u>
Net Change in Cash and Cash Equivalents	(7,253,137)	15,391,354
Cash and Cash Equivalents, Beginning of Year	<u>37,893,587</u>	<u>22,502,233</u>
Cash and Cash Equivalents, End of Year	<u>\$ 30,640,450</u>	<u>\$ 37,893,587</u>

See Notes to Consolidated Financial Statements

Bozeman Deaconess Health Services
Consolidated Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 1,591,743</u>	<u>\$ 2,583,981</u>
Supplemental Disclosure of Non-Cash Transactions		
Property and equipment acquired through long-term debt	<u>\$ 134,809</u>	<u>1,506,580</u>

Note 1 - Organization and Significant Accounting Policies

Organization

Bozeman Deaconess Health Services (Organization) is a non-profit corporation located in Bozeman, Montana, which provides health care, housing and other related services by operating an 86 bed hospital facility and physician clinics (Hospital), 115 independent living apartments and 43 assisted living units (Hillcrest Senior Living). Hillcrest Senior Living's sole member is Bozeman Deaconess Health Services. Bozeman Deaconess Foundation performs fund-raising activities for the Hospital and Hillcrest Senior Living and supports health care activities throughout the community.

The consolidated financial statements include the accounts of Bozeman Deaconess Health Services (Organization) and its affiliates, Hillcrest Senior Living Limited Liability Company (Hillcrest Senior Living), and Bozeman Deaconess Foundation (Foundation). Noncontrolling interest represents minority LLC members' proportionate share of the equity in Deaconess Intercity Imaging Center, LLC and Rocky Mountain Surgical Center, LLC.

All significant inter-entity balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use.

Patient and Resident Receivables and Credit Policy

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations. The Organization does not charge interest on past due accounts. Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim. The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients, residents and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from revenues in excess of expenses unless the investments are trading securities. Gains or losses on the sale of securities are determined using the specific-identification method.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes; and assets held by trustees under indenture agreements. Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets.

Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Property and Equipment

Property and equipment acquisitions greater than \$1,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Buildings and improvements	5-40 years
Furniture, fixtures and equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from revenues in excess of 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 net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

Land and Homes for Sale

Land and homes for sale consist of developed lots and homes available for sale.

Deferred Financing Costs

Deferred financing costs are amortized over the period the related obligation is outstanding using the straight-line method, which does not differ materially from results that would be produced under the interest method. The estimated annual amortization of deferred financing costs is approximately \$72,000 for each of the years 2012 through 2016.

Goodwill

Goodwill consists of costs in excess of the net assets acquired from the purchase of a 51 percent interest in Rocky Mountain Surgical Center, LLC, and goodwill from purchases of various physician clinics. The Organization evaluates the recoverability of the goodwill annually. The book values of the reporting units are compared to the respective estimated fair values. Impairment loss on goodwill of approximately \$26,000 and \$92,000 has been recorded in 2011 and 2010, respectively, and has been included in depreciation and amortization expense.

Note Receivable

Note receivable consists of a 4.75% revolving loan to Madison Valley Medical Center, Ennis Montana. Principal and interest payments are required in January and July of each year and the loan is due in July 2014. The loan is secured by a portion of Madison County, Montana mill levy revenues.

Deposits and Entrance Fees

Security deposits are refunded to the residents when their unit is vacated, less any amounts for necessary cleaning or damage. Entrance fees that are non-refundable to the resident are amortized to revenue using the straight-line method over the estimated remaining life expectancy of the resident as determined by an actuarial report. The remaining life expectancy is re-evaluated annually and amortization periods adjusted accordingly. Entrance fees that are refundable in accordance with the residency agreement are recorded as a liability and not amortized to revenue.

Estimated Liability to Beneficiaries

The Organization is party to a number of charitable gift annuities in which a donor has contributed assets to the Organization in exchange for a promise by the Organization to pay a fixed amount for a specified period of time to the donor or to individuals or organizations designated by the donor. The liability to beneficiaries is determined using actuarial assumptions prescribed by the Internal Revenue Service.

Professional Liability Claims

The Organization has adopted the Financial Accounting Standards Board ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, as of January 1, 2011. ASU 2010-24 requires the Organization to evaluate its exposure to losses arising from claims and recognize a liability and at the same time recognize an insurance receivable for anticipated insurance recoveries, measured on the same basis as the related liability.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization 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 Organization in perpetuity.

Revenues in Excess of Expenses

Revenues in excess of expenses excludes unrealized gains and losses on investments other than trading securities, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors.

Net Patient and Resident Service Revenue

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

Resident service revenue from apartment rent, assisted living care and food services are recognized when the services are provided.

Charity Care

The Organization provides health care services to patients and residents who meet certain criteria under its Charity Care Policy without charge or at amounts less than established rates. Since the Organization does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was \$6,811,000 and \$5,489,000 for the years ended December 31, 2011 and 2010, calculated by multiplying the ratio of cost to gross charges for the Organization by the gross uncompensated charges associated with providing charity care to its patients.

Promises to Give

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Conditional promises to give are not reported until the condition is met. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are not reported until the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred. The Organization incurred approximately \$926,000 and \$704,000 for advertising costs in 2011 and 2010, respectively.

Income Taxes

The Organization consists of Montana nonprofit corporations and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation operates pursuant to Section 509 (a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. The Organization and the Foundation are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income.

Bozeman Deaconess Real Estate Development Corp., a wholly owned affiliate of the Hospital Division, is a for profit entity for which income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. There was no taxable income in 2011 and 2010.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Organization's federal Form 990T filings are no longer subject to federal tax examinations by tax authorities for years before 2008.

Subsequent Events

The Organization has evaluated subsequent events through April 17, 2012, the date which the consolidated financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2010 consolidated financial statements to conform with the 2011 presentation. These reclassifications had no effect on the change in net assets.

Note 2 - Community Benefit Expense (Unaudited)

The following is a summary of a portion of the Organization's community service, based upon charges, provided to the indigent and benefits for the broader community for the years ended December 31:

	2011	2010
Benefits for the indigent:		
Traditional charity care at charges	\$ 11,428,913	\$ 9,344,928
Unpaid amounts of Medicaid program	7,921,233	7,722,718
	19,350,146	17,067,646
Benefits for the broader community:		
Unpaid amounts of Medicare programs	53,113,406	54,021,942
	<u>\$ 72,463,552</u>	<u>\$ 71,089,588</u>

Benefits for the indigent include services provided to persons who cannot afford health care because of inadequate resources or who are uninsured. This includes traditional charity care and the unpaid amounts for treating Medicaid beneficiaries at charges which exceed the related government payments.

Benefits for the broader community are unpaid amounts for treating Medicare beneficiaries at charges which exceed the related government payments. The Organization estimates it provided community benefit of approximately \$15,900,000 and \$15,800,000, in 2011 and 2010, respectively, which includes, but is not limited to financial assistance, cash donations, subsidized services and community health education.

Note 3 - Net Patient Service Revenue

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

Medicare: (Approximately 38 percent and 39 percent of gross patient service revenues for the years ended December 31, 2011 and 2010, respectively). Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Physician fees are paid according to a fee schedule. The majority of Medicare outpatient services are paid under a prospective payment methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare fiscal intermediary. The Organization's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended December 31, 2007.

Bozeman Deaconess Health Services

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Medicaid: (Approximately 6 percent of gross patient service revenues for the years ended December 31, 2011 and 2010, respectively). Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and settlements thereof by the Medicaid fiscal intermediary. The Organization's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through December 31, 2007.

Other: The Organization has also entered into payment agreements with certain commercial insurance carriers and other organizations which include discounts from established charges.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue in 2011 increased by approximately \$1,200,000 as the result of settlements less than the estimated liability and in 2010 decreased by approximately \$525,000, respectively, as the result of settlements in excess of the estimated liability.

The Centers for Medicare and Medicaid Services (CMS) has implemented a Recovery Audit Contractor (RAC) program under which claims subsequent to October 1, 2007 are reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential overpayments, some being significant. The potential exists that the Organization may incur a liability for a claims overpayment at a future date.

A summary of patient service revenue and contractual adjustments for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Total patient service revenue	\$ 269,197,433	\$ 251,564,335
Contractual adjustments	(83,479,879)	(82,598,020)
Net patient service revenue	<u>\$ 185,717,554</u>	<u>\$ 168,966,315</u>

Note 4 - Pledges Receivable

Pledges receivable consist of:

	2011	2010
Unconditional promises expected to be collected in:		
Less than one year	\$ 547,905	\$ 1,571,195
One to five years	1,271,938	1,399,734
	<u>1,819,843</u>	<u>2,970,929</u>
Less allowance for uncollectible pledges receivable	(51,000)	(51,000)
Less discount to net present value	(95,211)	(106,964)
	<u>1,673,632</u>	<u>2,812,965</u>
Less current portion of pledges receivable	<u>(538,317)</u>	<u>(1,560,880)</u>
	<u><u>\$ 1,135,315</u></u>	<u><u>\$ 1,252,085</u></u>

Pledges receivable due after one year are measured at their estimated fair value, which is determined using present value of cash flow techniques with a discount rate of 3 percent for the years ended December 31, 2011 and 2010. Initial measurement of the fair value of pledges receivable are classified within Level 3 of the fair value hierarchy. The accretion of the discount in subsequent years is reported as additional contribution in the net asset class in which the original promise was made.

The following schedule sets forth the expected future collections on pledge receivables as of December 31, 2011:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 547,905
2013	405,282
2014	272,300
2015	201,095
2016	184,930
Thereafter	<u>208,331</u>
	<u><u>\$ 1,819,843</u></u>

In 2011, the Organization received a conditional promise to give in the amount of \$300,000. This promise to give is contingent upon the Organization raising the remaining balance of funds required to complete the Emergency Department expansion by December 31, 2012. As of December 31, 2011, the contingency has not been met and is not included in the accompanying financial statements.

Note 5 - Investments

The composition of assets limited as to use and investments at December 31, 2011 and 2010, is shown in the following table. Cash, certificates of deposit and accrued interest are stated at historical cost and all other investments are stated at fair value.

Assets Limited as to Use

	2011	2010
By Board for capital improvements		
Cash and cash equivalents	\$ 795,010	\$ 1,244,460
Certificates of deposit	1,596,000	1,426,000
U.S.Treasury obligations and other government bonds	3,243,176	4,510,303
Corporate bonds	6,477,913	5,884,426
Common stock	11,320,110	10,866,873
Alternative investments	1,553,549	1,349,125
Accrued interest receivable	103,313	114,517
	<u>\$ 25,089,071</u>	<u>\$ 25,395,704</u>
Under bond indenture agreement - held by trustee		
Cash and short-term investments	\$ 21,233,664	\$ 1,570,822
U.S.Treasury obligations and other government bonds	2,052,308	2,024,569
	<u>\$ 23,285,972</u>	<u>\$ 3,595,391</u>

Investments

	2011	2010
U.S. Treasury obligations and other government bonds	\$ 5,497,503	\$ 5,566,897
Common stock	23,942,306	18,107,111
Alternative investments	2,236,297	1,347,726
Corporate bonds and other	9,697,233	7,272,083
Certificates of deposit	19,221,752	17,639,292
Total investments	<u>60,595,091</u>	<u>49,933,109</u>
Less current portion	<u>(37,492,060)</u>	<u>(27,594,782)</u>
	<u>\$ 23,103,031</u>	<u>\$ 22,338,327</u>

Fair Value Measurement

The following table sets forth by level, within the fair value hierarchy, the fair values of assets limited as to use and investments as of December 31, 2011 and 2010:

	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)	Total
2011:				
U.S. Treasury obligations and other government bonds	\$ -	\$ 10,792,987	\$ -	\$ 10,792,987
Corporate bonds and other	-	16,175,146	-	16,175,146
Alternative investments	-	3,789,846	-	3,789,846
Common stock				
Growth equity	12,707,817	-	-	12,707,817
Value equity	9,097,543	-	-	9,097,543
International	8,460,113	-	-	8,460,113
Small market capitalization	3,607,598	-	-	3,607,598
Mid-market capitalization	1,050,827	-	-	1,050,827
Alternative investments	-	201,298	-	201,298
Emerging Markets	137,220	-	-	137,220
	<u>\$ 35,061,118</u>	<u>\$ 30,959,277</u>	<u>\$ -</u>	<u>\$ 66,020,395</u>
2010:				
U.S. Treasury obligations and other government bonds	\$ -	\$ 12,101,769	\$ -	\$ 12,101,769
Corporate bonds and other	-	13,156,509	-	13,156,509
Alternative investments	-	2,696,851	-	2,696,851
Common stock				
Growth equity	10,941,116	-	-	10,941,116
Value equity	8,563,783	-	-	8,563,783
International	4,745,168	-	-	4,745,168
Small market capitalization	3,067,139	-	-	3,067,139
Mid-market capitalization	1,656,778	-	-	1,656,778
	<u>\$ 28,973,984</u>	<u>\$ 27,955,129</u>	<u>\$ -</u>	<u>\$ 56,929,113</u>

Investments in an Unrealized Loss Position

The fair values and gross unrealized losses of investments and assets limited as to use for individual securities that have been in a continuous unrealized loss position as of December 31, 2011 and 2010 are as follows:

2011:	Less Than Twelve Months		More Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury obligations and other government bonds	\$ 118,135	\$ 3,644,420	\$ 197,837	\$ 360,708
Corporate bonds and other	59,927	1,324,888	68,219	200,528
Alternative investments	55,572	790,421	131,668	1,052,102
Common stock	2,540,804	13,420,846	1,120,024	2,394,344
	<u>\$ 2,774,438</u>	<u>\$ 19,180,575</u>	<u>\$ 1,517,748</u>	<u>\$ 4,007,682</u>
2010:	Less Than Twelve Months		More Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury obligations and other government bonds	\$ 18,692	\$ 2,167,726	\$ 149,344	\$ 532,840
Corporate bonds and other	4,257	95,331	6,523	210,774
Alternative investments	-	-	90,606	515,596
Common stock	300,681	3,137,357	769,242	2,049,240
	<u>\$ 323,630</u>	<u>\$ 5,400,414</u>	<u>\$ 1,015,715</u>	<u>\$ 3,308,450</u>

The gross unrealized losses on these investments were primarily due to interest rate fluctuations and market-price movements consistent with the cyclical nature of the financial markets. The Organization has a diversified portfolio. Based on its evaluation and the Organization's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, management does not consider these investments to be other-than-temporarily impaired at December 31, 2011 and 2010.

As of December 31, 2011 and 2010, the fair value of investments and assets limited as to use exceeded cost by \$1,228,204 and \$5,904,567 respectively.

Note 6 - Investment in Joint Ventures

The Organization owns interests in various joint ventures. The Organization is a Class B member and accounts for its investment in New West Health Services, Inc. (New West) using the cost method. The Organization purchased its health insurance benefits from New West in 2011 and 2010. The Organization uses the equity method for all other investments whereby the Organization's proportionate share of the net income (loss) of the joint ventures is included in other revenue. The Organization purchases a portion of its malpractice insurance coverage from VHA Mountain States Risk Retention Group. The investments in joint ventures are as follows:

	2011	2010
VHA Mountain States Risk Retention Group-7% ownership	\$ 2,927,591	\$ 1,733,228
Hospice of Southwest Montana, LLC- 50% ownership	242,442	262,847
New West Health Services, Inc.- 1% ownership	290,000	290,000
Other	47,806	84,252
	<u>\$ 3,507,839</u>	<u>\$ 2,370,327</u>

Total net income from the joint ventures, included in other revenue, is \$1,158,832 and \$264,215 for the years ended December 31, 2011 and 2010, respectively.

Note 7 - Property and Equipment

	2011		2010	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 610,686	\$ -	\$ 610,686	\$ -
Land improvements	1,891,633	-	1,883,253	-
Buildings and improvements	134,090,619	61,264,376	129,714,156	55,439,458
Furniture, fixtures and equipment	77,767,599	48,476,466	75,107,893	43,331,351
Land held for expansion and investment	6,781,512	-	6,781,250	-
Construction in progress	10,519,160	-	2,218,544	-
	<u>\$ 231,661,209</u>	<u>\$ 109,740,842</u>	<u>\$ 216,315,782</u>	<u>\$ 98,770,809</u>
Net property and equipment		<u>\$ 121,920,367</u>		<u>\$ 117,544,973</u>

Construction in progress at December 31, 2011, consists of various projects throughout the facility, principally improvements to medical office buildings, land improvements and software upgrades. In addition, in 2011 the Organization entered in to a guaranteed maximum price contract with a general contractor for the construction of a new emergency department. The total contract, plus furniture, fixtures and equipment for the new emergency department is estimated at approximately \$15.3 million. The estimated cost to complete this project is approximately \$8.3 million.

Note 8 - Leases

The Organization leases certain equipment under short-term and long-term operating lease agreements. Total lease expense for the years ended December 31, 2011 and 2010 for all operating leases was approximately \$1,768,000 and \$1,965,000, respectively.

The minimum lease commitments at December 31, 2011 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 948,778
2013	664,512
2014	107,185
2015	78,336
2016	66,018
	<u>\$ 1,864,829</u>

In addition, the Organization, as lessor, leases medical office space to physicians operating private practices under operating leases, all with annual renewals. The net book value of the buildings, portions of which are leased to physicians, was approximately \$31,770,000 and \$33,404,000 at December 31, 2011 and 2010, respectively. The Organization recorded approximately \$1,011,000 and \$1,200,000 of rental income during the years ended December 31, 2011 and 2010, respectively, which is included in other revenue on the consolidated statements of operations and changes in net assets.

Note 9 - Accrued Expenses

	<u>2011</u>	<u>2010</u>
Payroll and benefits	\$ 5,514,779	\$ 4,548,577
Vacation	4,348,549	4,240,365
Professional and malpractice liability	1,065,000	125,000
Retirement plan	410,708	349,068
Payroll taxes	298,654	179,511
Workers' compensation liability	285,000	330,000
Interest	317,529	129,881
Other	263,024	305,867
	<u>\$ 12,503,243</u>	<u>\$ 10,208,269</u>

Note 10 - Notes Payable and Long-Term Debt

Long-term debt consists of the following:

	2011	2010
\$28,545,000 Montana Facility Finance Authority Health Facilities Revenue Bonds, Series 2005, net of unamortized discount of \$518,380, (\$540,284 in 2010), due in annual principal installments through June 2035, at increasing principal installments of \$470,000 to \$1,650,000, interest due in semi-annual installments at interest rates ranging from 3.375% to 4.5%, secured by substantially all assets of Hillcrest Senior Living	\$ 24,056,620	\$ 24,789,716
\$20,700,000 Montana Facility Finance Authority loan, supporting 2011 Hospital Facilities Revenue Bonds, net of an unamortized discount of \$19,588 at December 31, 2011, due in annual principal installments through June 1, 2031, at varying principal amounts of \$635,000 to \$1,485,000 interest is due in semi-annual installments at interest rates ranging from 2.00% to 4.63%	20,680,412	-
\$12,695,000 Montana Facility Finance Authority loan, supporting 2004 Hospital Facilities Revenue Bonds, net of an unamortized discount of \$63,358 (\$68,530 in 2010) due in annual principal installments through June 1, 2029, at varying principal amounts of \$260,000 to \$535,000 interest is due in semi-annual installments at interest rates ranging from 3.45% to 4.65%	6,726,642	6,976,470
\$6,645,000 Montana Facility Finance Authority loan, supporting 2010 Health Facilities Revenue Notes, due in annual principal installments through June 1, 2018, at varying principal amounts of \$785,000 to \$910,000 interest is due in semi-annual installments at interest rates ranging from 1.35% to 3.55%	5,870,000	6,645,000
Various contracts payable, due in total monthly installments of \$29,389, including interest, with varying maturity dates from October 2014 through April 2016 bearing interest rates ranging from 0% to 4.84%, secured by equipment	1,174,537	1,360,387
5% note payable to bank, due in monthly installments of \$20,546, including interest, to August 2013, secured by real estate and guaranteed by members of Rocky Mountain Surgical Center, LLC	399,794	623,533
5.15%-7.08% contracts payable, due in monthly installments of \$5,745 including interest, to May 2013, secured by equipment	80,053	139,557
6.7% contract payable, due in monthly installments of \$762 including interest, to May 2014, secured by equipment	20,353	-

Bozeman Deaconess Health Services
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
4.5% note payable, due in monthly installments of \$5,784 including interest, to March 2012, secured by equipment	17,600	84,293
5.8% contract payable, due in monthly installments of \$187 including interest, to September 2012, secured by equipment	1,644	3,730
5.8% contract payable	<u>-</u>	<u>42,486</u>
	59,027,655	40,665,172
Less current maturities	<u>(3,116,924)</u>	<u>(2,413,221)</u>
Long-term debt, less current maturities	<u>\$ 55,910,731</u>	<u>\$ 38,251,951</u>

For the year ended December 31, 2010, deferred financing costs of approximately \$408,000 were written off and are included in depreciation and amortization expense, related to the early payment of two Montana Facility Finance Authority loans.

The Montana Facility Finance Authority (MFFA) has assigned all rights of its security interests granted by the Organization in gross receivables, all constructed real estate relating to the Hospital Division and Hillcrest Senior Living, equipment, machinery, fixtures and all other tangible personal property to Wells Fargo Bank, as trustee. Under the mortgages and indentures of trust between the MFFA and the trustee and the loan agreements between the MFFA and the Organization, the Organization is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the financial statements. The Organization is also required to maintain certain income available for debt service and maintain certain debt service ratios. The loan agreement also places limits on the incurrence of additional borrowings, leases and amount of asset additions and dispositions. All of these requirements were complied with as of December 31, 2011 and 2010.

Long-term debt maturities are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 3,116,924
2013	3,196,724
2014	3,079,792
2015	2,963,644
2016	2,941,897
Thereafter	<u>44,330,000</u>
	59,628,981
Less discount on bonds, net of amortization	<u>(601,326)</u>
	<u>\$ 59,027,655</u>

Line of Credit

Rocky Mountain Surgical Center, LLC has a \$200,000 line of credit with interest at bank's prime rate which expires on October 15, 2012. The line of credit is secured by assets of Rocky Mountain Surgical Center, LLC and guaranteed by the members of the LLC. There were no outstanding balances as of December 31, 2011 and 2010.

Note 11 - Benefit Plans

The Organization has a defined contribution pension plan covering substantially all employees. Employer contributions of approximately 6 percent of eligible employees' annual compensation are deposited with the plan trustee who invests the plan assets. Total pension plan expense for the years ended December 31, 2011 and 2010, was approximately \$3,236,000 and \$2,633,000, respectively.

The Organization also has a deferred compensation plan for certain employees. The deferred amounts are invested by the Organization in investments designated by the employees. At December 31, 2011 and 2010, the deferred compensation, included in accrued expenses, and the related assets, included in investments, were approximately \$1,659,000 and \$1,624,000, respectively.

Note 12 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2011 and 2010:

	2011	2010
Capital Campaign	\$ 5,055,598	\$ 4,830,599
Long-term pledges-Capital Campaign	1,135,315	1,252,085
BDHS Greatest Need	915,523	915,343
Cancer Treatment Center	378,974	286,084
Hospice	338,740	420,291
Cardiac Services	129,229	261,052
Mammography	61,786	60,428
Health Information Center	48,076	59,103
Emergency Preparedness	39,192	38,983
Palliative	27,501	25,728
Care Boutique	21,826	21,826
Other	258,514	323,729
	<u>\$ 8,410,274</u>	<u>\$ 8,495,251</u>

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

	2011	2010
Heck Cancer Services	\$ 597,620	\$ 597,620
Health Information Center	264,982	264,982
Cardiac Services	224,193	224,193
Hillcrest Senior Living	160,805	122,988
Erlimbush Health and Wellness	112,322	112,322
Edith Sanks Education	107,218	107,218
Hospice	106,029	106,029
Webster Spiritual Care	79,891	79,891
Charity Care	77,530	76,985
Other	298,950	332,335
	<u>\$ 2,029,540</u>	<u>\$ 2,024,563</u>

Note 13 - Endowment

The Organization's endowment consists of individual funds established for a variety of purposes. Endowment assets include those assets of donor-restricted funds the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Organization 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 Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization 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 purposes of the Organization 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) Other resources of the Organization
- 7) The investment policies of the Organization.

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

At December 31, 2011:				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 436,311	\$ 2,029,540	\$ 2,465,851
Board-designated funds	7,299,835	-	-	7,299,835
	<u>\$ 7,299,835</u>	<u>\$ 436,311</u>	<u>\$ 2,029,540</u>	<u>\$ 9,765,686</u>
At December 31, 2010:				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 520,506	\$ 2,024,563	\$ 2,545,069
Board-designated funds	7,190,873	-	-	7,190,873
	<u>\$ 7,190,873</u>	<u>\$ 520,506</u>	<u>\$ 2,024,563</u>	<u>\$ 9,735,942</u>

Bozeman Deaconess Health Services

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Changes in endowments net assets for the years ended December 31, 2011 and 2010, respectively, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2011				
Beginning of year	\$ 7,190,873	\$ 520,506	\$ 2,024,563	\$ 9,735,942
Investment return:				
Interest and dividends	18,935	200,717	-	219,652
Net appreciation (realized and unrealized)	(218,899)	(284,912)	-	(503,811)
Contributions	350,000	-	48,579	398,579
Other changes	(41,074)	-	(43,602)	(84,676)
End of year	<u>\$ 7,299,835</u>	<u>\$ 436,311</u>	<u>\$ 2,029,540</u>	<u>\$ 9,765,686</u>
2010				
Beginning of year	\$ 6,202,316	\$ 196,169	\$ 1,938,712	\$ 8,337,197
Investment return:				
Interest and dividends	127,357	55,063	-	182,420
Net appreciation (realized and unrealized)	619,857	269,274	-	889,131
Contributions	325,000	-	58,010	383,010
Other changes	(83,657)	-	27,841	(55,816)
End of year	<u>\$ 7,190,873</u>	<u>\$ 520,506</u>	<u>\$ 2,024,563</u>	<u>\$ 9,735,942</u>

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Organization to maintain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. As of December 31, 2011 and 2010 there were no such deficiencies.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs of the Organization. The endowment assets are invested in a manner that is intended to provide both a reasonably predictable income stream and principal appreciation that exceeds inflation. The Organization expects its endowment funds, over time, to provide a level of return higher than the "market" as represented by a benchmark index or mix of indices reflective of the fund's asset mixture.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Investment income, net of investment expense, is currently added to unrestricted and temporarily restricted net assets and appropriated by the Board periodically.

The Organization has a policy that allows it to collect an annual 1% administrative fee on endowment assets and is based upon the endowment's yearend balance. The fee is paid from either prior or current year's adjustments to fund principal, and shall not invade the original principal. The fee eligible for collection was approximately \$94,000 in 2011 and \$93,400 in 2010. The Organization has elected to not collect the administrative fee in either of those years. Adjustments to fund principal are defined as:

- 1) Gains from the sale, exchange, redemption or other distribution of any investments
- 2) Stock dividends and interest income
- 3) Capital gains dividends of regulated investment companies
- 4) Liquidated distributions

Note 14 - Concentrations of Credit Risk

Patient Receivables

The Organization grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients and residents at December 31, 2011 and 2010 was as follows:

	2011	2010
Medicare	23%	18%
Medicaid	3%	3%
Commercial insurance and other third-party payors	40%	42%
Patients	34%	37%
	<u>100%</u>	<u>100%</u>

Cash Balances

The Organization's cash balances are maintained in various bank deposit accounts. At December 31, 2011, none of the balances were in excess of federally insured limits or pledged collateral.

Note 15 - Fair Value of Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Financial Assets: Due to the liquid nature of the instruments, the carrying value of cash and cash equivalents and certificates of deposit approximates fair value. For all investments and assets limited as to use, the fair value is based upon quoted market prices or other observable market comparisons. The fair value of trade receivables, accrued interest and other receivables approximates book value since Organization expects receipt in the near-term.

Financial Liabilities: The fair value of accounts payable, accrued expenses and estimated settlements with third party payors approximates book value due to expected payment in the near term. The estimated liability to beneficiaries approximates book value since the interest rates used in the actuarial assumptions for computing the estimated liability approximates the Organization's current long-term borrowing rate. The estimated fair value of long-term debt reported in the balance sheets is approximately \$1,918,000 more than book value of the related debt at December 31, 2011 and \$1,106,000 less than the book value of the related debt at December 31, 2010.

Note 16 - Contingencies

Professional Liability

The Organization has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$5 million per claim and \$15 million annual aggregate limit. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

In accordance with Financial Accounting Standards Board ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, the Organization has recorded a liability, as of December 31, 2011 of \$1,065,000 for an estimate to be paid on outstanding claims. In addition, the Organization has recorded a receivable, as of December 31, 2011, of \$790,000 for estimated insurance proceeds on the outstanding claims for which a liability has been recorded.

Litigations, Claims, and Disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

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



Consolidating Information
December 31, 2011

Bozeman Deaconess Health Services



Independent Auditor's Report on Consolidating Information

The Board of Trustees
Bozeman Deaconess Health Services
Bozeman, Montana

We have audited the consolidated financial statements of Bozeman Deaconess Health Services as of and for the years ended December 31, 2011 and 2010, and our report thereon dated April 17, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements, rather than to present financial position, results of operations, and cash flows of the individual entities, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Billings, Montana
April 17, 2012

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Bozeman Deaconess Health Services
Schedule of Consolidating Information - Assets
December 31, 2011

	Hospital Division	Hillcrest Senior Living	Foundation	Eliminations	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	\$ 26,190,585	\$ 1,372,372	\$ 3,077,493	\$ -	\$ 30,640,450
Investments	21,761,275	5,127,000	10,603,785	-	37,492,060
Receivables					
Patient, net	23,162,139	-	-	-	23,162,139
Resident, net	-	179,080	-	-	179,080
Pledges, net	-	-	538,317	-	538,317
Accrued interest and other	4,176,745	43,348	60,829	-	4,280,922
Due from affiliates	261,818	-	-	(261,818)	-
Assets limited as to use	1,111,509	872,769	-	-	1,984,278
Supplies	5,560,042	30,923	-	-	5,590,965
Prepaid expenses and other	2,167,256	3,203	10,310	-	2,180,769
Total current assets	<u>84,391,369</u>	<u>7,628,695</u>	<u>14,290,734</u>	<u>(261,818)</u>	<u>106,048,980</u>
Assets Limited as to Use					
By Board for capital improvements	23,914,114	1,174,957	-	-	25,089,071
Under bond indenture agreements	20,551,341	2,734,631	-	-	23,285,972
	<u>44,465,455</u>	<u>3,909,588</u>	<u>-</u>	<u>-</u>	<u>48,375,043</u>
Less current portion	<u>(1,111,509)</u>	<u>(872,769)</u>	<u>-</u>	<u>-</u>	<u>(1,984,278)</u>
	<u>43,353,946</u>	<u>3,036,819</u>	<u>-</u>	<u>-</u>	<u>46,390,765</u>
Property and Equipment, Net	<u>103,411,720</u>	<u>18,468,190</u>	<u>40,457</u>	<u>-</u>	<u>121,920,367</u>
Land and Homes for Sale	<u>8,508,993</u>	<u>-</u>	<u>-</u>	<u>(3,013,543)</u>	<u>5,495,450</u>
Other Assets					
Long-term investments	11,728,880	6,532,608	4,841,543	-	23,103,031
Interest in net assets of Foundation	11,833,180	-	-	(11,833,180)	-
Investment in joint ventures	3,507,839	-	-	-	3,507,839
Pledges receivable, net	-	-	1,135,315	-	1,135,315
Goodwill	9,718,401	-	-	-	9,718,401
Note receivable	406,123	-	-	-	406,123
Deferred financing costs, net	697,821	273,578	-	-	971,399
Other assets	<u>234,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,978</u>
Total other assets	<u>38,127,222</u>	<u>6,806,186</u>	<u>5,976,858</u>	<u>(11,833,180)</u>	<u>39,077,086</u>
Total assets	<u>\$ 277,793,250</u>	<u>\$ 35,939,890</u>	<u>\$ 20,308,049</u>	<u>\$ (15,108,541)</u>	<u>\$ 318,932,648</u>

Bozeman Deaconess Health Services
Schedule of Consolidating Information - Liabilities and Net Assets
December 31, 2011

	Hospital Division	Hillcrest Senior Living	Foundation	Eliminations	Consolidated
Liabilities and Net Assets					
Current Liabilities					
Current maturities of long-term debt	\$ 2,331,924	\$ 785,000	\$ -	\$ -	\$ 3,116,924
Accounts payable					
Trade	7,307,418	119,725	24,502	-	7,451,645
Due to affiliates	-	244,195	17,623	(261,818)	-
Estimated third-party payor settlements	220,000	-	-	-	220,000
Refundable deposits	-	10,434,166	-	-	10,434,166
Current portion of deferred revenue	-	88,528	-	-	88,528
Accrued expenses	12,358,562	87,769	56,912	-	12,503,243
Current estimated liability to beneficiaries	-	-	30,971	-	30,971
Total current liabilities	22,217,904	11,759,383	130,008	(261,818)	33,845,477
Long-Term Liabilities					
Long-term debt, less current maturities	32,639,111	23,271,620	-	-	55,910,731
Deferred revenue from entrance fees	-	539,876	-	-	539,876
Estimated liability to beneficiaries	-	-	221,035	-	221,035
Total liabilities	54,857,015	35,570,879	351,043	(261,818)	90,517,119
Net Assets					
Unrestricted	209,808,690	369,011	9,517,192	(4,919,657)	214,775,236
Noncontrolling interest-unrestricted	3,200,479	-	-	-	3,200,479
Temporarily restricted	8,334,508	-	8,410,274	(8,334,508)	8,410,274
Permanently restricted	1,592,558	-	2,029,540	(1,592,558)	2,029,540
Total net assets	222,936,235	369,011	19,957,006	(14,846,723)	228,415,529
Total liabilities and net assets	\$ 277,793,250	\$ 35,939,890	\$ 20,308,049	\$ (15,108,541)	\$ 318,932,648

Bozeman Deaconess Health Services
Schedule of Consolidating Information - Operations
Year Ended December 31, 2011

	Hospital Division	Hillcrest Senior Living	Foundation	Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support					
Net patient service revenue	\$ 185,717,554	\$ -	\$ -	\$ -	\$ 185,717,554
Net resident service revenue	-	5,621,071	-	-	5,621,071
Other revenue	9,585,619	137,253	-	-	9,722,872
Unrestricted contributions	-	-	99,122	-	99,122
Net assets released from restrictions	429,519	-	1,347,006	(1,330,397)	446,128
Total unrestricted revenues, gains, and other support	195,732,692	5,758,324	1,446,128	(1,330,397)	201,606,747
Expenses					
Professional care of patients	106,172,180	-	-	-	106,172,180
Personal care of residents	-	706,039	-	-	706,039
Dietary	1,729,440	1,333,372	-	-	3,062,812
Housekeeping, laundry and linen	1,843,353	296,750	-	-	2,140,103
General and administrative	37,636,183	1,100,599	256,751	140,734	39,134,267
Property and equipment maintenance and operations	6,311,218	509,226	-	-	6,820,444
Fundraising expenses	-	-	308,275	-	308,275
Support to affiliates	-	-	1,562,234	(1,562,234)	-
Depreciation and amortization	12,818,616	1,291,085	14,471	-	14,124,172
Interest	720,969	1,085,746	-	-	1,806,715
Provision for bad debts	12,118,578	-	-	-	12,118,578
Total expenses	179,350,537	6,322,817	2,141,731	(1,421,500)	186,393,585
Operating Income (Loss)	16,382,155	(564,493)	(695,603)	91,103	15,213,162
Other Income (Expense)					
Investment income from investments	893,329	352,537	187,004	-	1,432,870
Realized gains on sale of investments	498,332	-	309,460	-	807,792
Investment income from assets limited as to use	648,014	-	-	-	648,014
Realized gains on sale of assets limited as to use	683,274	-	-	-	683,274
Gain on disposition of property and equipment	286,060	-	-	-	286,060
Other, net	-	55,857	-	-	55,857
Total other income	3,009,009	408,394	496,464	-	3,913,867
Revenues in Excess of (Less Than) Expenses	19,391,164	(156,099)	(199,139)	91,103	19,127,029
Less Change in Net Assets Attributable to Noncontrolling Interest	(2,813,444)	-	-	-	(2,813,444)
Net Unrealized Gains (Losses) on Investments	(3,707,897)	25,676	(653,835)	-	(4,336,056)
Net Assets Released from Restrictions for Capital	900,878	-	-	-	900,878
Transfers from (to) Related Parties	(1,100,000)	-	1,100,000	-	-
Change in Unrestricted Net Assets Attributable to Bozeman Deaconess Hospital	\$ 12,670,701	\$ (130,423)	\$ 247,026	\$ 91,103	\$ 12,878,407

Additional Data

Software ID:
Software Version:
EIN: 81-0232121
Name: BOZEMAN DEACONESS HEALTH SERVICES

Form 990, Special Condition Description:

Special Condition Description

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

4d. Other program services
(Code) (Expenses \$ 74,291,009 including grants of \$ 916,074) (Revenue \$ 106,683,263) BOZEMAN DEACONESS HEALTH SERVICES OPERATES AN 86 BED HOSPITAL FACILITY (HOSPITAL), ALONG WITH A 43 UNIT ASSISTED LIVING HOME AND A 115 UNIT INDEPENDENT LIVING HOME (HILLCREST SENIOR LIVING OR HSL) ALL PATIENT AND RESIDENT SERVICE REVENUE IS USED TO PROVIDE HEALTH CARE SERVICES, HEALTH CARE PROMOTION, AND HEALTH CARE EDUCATION TO BOZEMAN AND THE SURROUNDING COMMUNITIES