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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

BENEFIS HOSPITALS INC

Doing Business As

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

1101 26TH STREET SOUTH

Room/suite

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

GREAT FALLS, MT 59405

F Name and address of principal officer

LAURA GOLDHAHN  
1101 26TH STREET SOUTH  
GREAT FALLS, MT 59405

H(a) Is this a group return for affiliates?

☐ Yes ☒ No

H(b) Are all affiliates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

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

J Website:

WWW BENEFIS ORG

K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation 1897

M State of legal domicile MT

Part I	Summary
Activities & Governance	<div>1 Briefly describe the organization's mission or most significant activities</div> <div>BENEFIS HOSPITALS, INC IS A 513 BED HOSPITAL, PROVIDING INPATIENT AND OUTPATIENT SERVICES</div>
	<div>2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div> <div>3 Number of voting members of the governing body (Part VI, line 1a) . . . . .</div> <div>4 Number of independent voting members of the governing body (Part VI, line 1b) . . . . .</div> <div>5 Total number of individuals employed in calendar year 2011 (Part V, line 2a) . . . . .</div> <div>6 Total number of volunteers (estimate if necessary) . . . . .</div> <div>7a Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .</div> <div>7b Net unrelated business taxable income from Form 990-T, line 34 . . . . .</div>
Revenue	<div>8 Contributions and grants (Part VIII, line 1h) . . . . .</div> <div>9 Program service revenue (Part VIII, line 2g) . . . . .</div> <div>10 Investment income (Part VIII, column (A), lines 3, 4, and 7d ) . . . . .</div> <div>11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</div> <div>12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .</div>
Expenses	<div>13 Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) . . . . .</div> <div>14 Benefits paid to or for members (Part IX, column (A), line 4) . . . . .</div> <div>15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)</div> <div>16a Professional fundraising fees (Part IX, column (A), line 11e) . . . . .</div> <div>16b Total fundraising expenses (Part IX, column (D), line 25) <input type="text" value="0"/></div> <div>17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) . . . . .</div> <div>18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)</div> <div>19 Revenue less expenses Subtract line 18 from line 12 . . . . .</div>
Net Assets or Fund Balances	<div>20 Total assets (Part X, line 16) . . . . .</div> <div>21 Total liabilities (Part X, line 26) . . . . .</div> <div>22 Net assets or fund balances Subtract line 21 from line 20 . . . . .</div>

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

2012-04-30

Date

LAURA GOLDHAHN PRESIDENT

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

WENDY CAMPOS

Date

Check if self-employed

☐

Preparer's taxpayer identification number (see instructions)

P00448102

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

MOSS ADAMS LLP  
805 SW BROADWAY SUITE 1200  
PORTLAND, OR 97205

EIN

91-0189318

Phone no

(503) 242-1447

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

WE PROVIDE EXCELLENT CARE FOR ALL, HEALING BODY, MIND AND SPIRIT

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

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?

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 \$ 224,901,898 including grants of \$ ) (Revenue \$ 275,572,554 )

BENEFIS HOSPITALS, INC OPERATES A 513 BED, TWO-CAMPUS FACILITY PROVIDING ACUTE CARE, REHABILITATION SERVICES, AND PSYCHIATRIC HEALTH SERVICES TO THE PUBLIC REGARDLESS OF ABILITY TO PAY

4b

(Code ) (Expenses \$ 149,934,599 including grants of \$ ) (Revenue \$ 189,269,724 )

BENEFIS HOSPITALS, INC PROVIDES OUTPATIENT MEDICAL AND SURGICAL SERVICES TO THE PUBLIC REGARDLESS OF ABILITY TO PAY

4c

(Code ) (Expenses \$ 58,436,173 including grants of \$ ) (Revenue \$ 62,229,321 )

BENEFIS HOSPITALS, INC PROVIDES HOSPICE, DIALYSIS, AND SKILLED NURSING SERVICES TO THE PUBLIC REGARDLESS OF ABILITY TO PAY

4d

Other program services (Describe in Schedule O )

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

4e

Total program service expenses \$ 433,272,670

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

<div>Part V</div> <div>Statements Regarding Other IRS Filings and Tax Compliance</div>			
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	171
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	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return. .	2a	2,308
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a	No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10 Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11 Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a	
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the aggregate amount of reserves on hand.	13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

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

Section B. Policies

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	No
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official	15a	Yes
b	Other officers or key employees of the organization	15b	Yes
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	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. DALE BIMLER 1101 26TH STREET SOUTH GREAT FALLS, MT 59405 (406) 455-2565

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) COLONEL LESLIE L DIXON DIRECTOR	3.00	X						0	0	0
(2) CHRIS EBELING DIRECTOR	3.00	X						0	0	0
(3) BILL FERRIN DIRECTOR	3.00	X						0	0	0
(4) LAURA GOLDHAHN DIRECTOR	56.00	X						0	383,185	79,882
(5) SUSAN HUMBLE DIRECTOR	3.00	X						0	0	0
(6) JEFF JARACZESKI DIRECTOR	3.00	X						0	0	0
(7) KEVIN A MCCAFFERTY MD DIRECTOR	3.00	X						0	0	0
(8) DALE MORTENSON MD DIRECTOR	3.00	X						0	0	0
(9) LYLE J ONSTAD MD DIRECTOR	3.00	X						0	0	0
(10) SUSAN RAPH CHAIR	6.00	X		X				0	0	0
(11) COLONEL BRUCE ROEHM DIRECTOR	3.00	X						0	0	0
(12) DAVID A ROHRER MD DIRECTOR	3.00	X						0	0	0
(13) MARILYN K ROSE VICE CHAIR	3.00	X		X				0	0	0
(14) JERRY W SPEER MD DIRECTOR	3.00	X						0	300,365	43,717
(15) GREGORY S TIERNEY MD DIRECTOR	3.00	X						0	0	0
(16) BILL WEBER DIRECTOR	3.00	X						0	0	0
(17) DAVID WILSEY DIRECTOR	3.00	X						0	0	0



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>	<b>▼</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	<b>▼</b>			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	<b>▼</b>	1,457,150	710,284	324,342

**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. **45**

		Yes	No
3	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	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
PRECYSE SOLUTIONS LLC PO BOX 11407 BIRMINGHAM, AL 352461736	CONSULTING	3,242,052
ANESTHESIA ASSOCIATES OF GREAT FALLS 401 15TH AVENUE SOUTH GREAT FALLS, MT 59405	ANESTHESIA SERVICES	3,088,956
ARAMARK HEALTHCARE FOOD 25271 NETWORK PLACE CHICAGO, IL 606731252	FOOD SERVICES	3,064,612
METRO AVIATION INC PO BOX 7008 SHREVEPORT, LA 71137	AIR AMBULANCE	2,897,630
AMERICAN RED CROSS PO BOX 73013 CHICAGO, IL 606737013	BLOOD SERVICES	1,702,048

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 40

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a				
	b	Membership dues . . . . .	1b				
	c	Fundraising events . . . . .	1c				
	d	Related organizations . . . .	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f . . . . .					
Program Service Revenue			Business Code				
	2a	PATIENT SERVICES	621990	520,255,374	520,255,374		
	b	OTHER OPERATIONS	621990	6,815,132	6,815,132		
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f . . . . .			527,070,506		
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .			441,827		441,827
	4	Income from investment of tax-exempt bond proceeds . .					
	5	Royalties . . . . .					
			(i) Real	(ii) Personal			
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss) . . . . .					
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory		855			
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)		855			
	d	Net gain or (loss) . . . . .			855		855
	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	664,955				
	b	Less cost of goods sold . . . . .	b	635,789			
	c	Net income or (loss) from sales of inventory . .			29,166		29,166
	Miscellaneous Revenue		Business Code				
	11a	CAFETERIA	722210		1,656,740		1,656,740
b	JOINT VENTURES	621110		1,093	1,093		
c							
d	All other revenue . . . . .						
e	Total. Add lines 11a-11d . . . . .			1,657,833			
12	Total revenue. See Instructions . . . . .			529,200,187	527,071,599	0	2,128,588

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				
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 . . . . .	872,069	764,089	107,980	
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	80,658,845	70,671,598	9,987,247	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .				
9	Other employee benefits . . . . .	10,335,789	9,056,003	1,279,786	
10	Payroll taxes . . . . .	5,741,215	5,030,333	710,882	
11	Fees for services (non-employees)				
a	Management . . . . .	29,822,025		29,822,025	
b	Legal . . . . .				
c	Accounting . . . . .				
d	Lobbying . . . . .				
e	Professional fundraising See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .				
g	Other . . . . .				
12	Advertising and promotion . . . . .				
13	Office expenses . . . . .	50,697,090	49,239,550	1,457,540	
14	Information technology . . . . .				
15	Royalties . . . . .				
16	Occupancy . . . . .	11,398,940	4,499,114	6,899,826	
17	Travel . . . . .	476,629	378,316	98,313	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .				
20	Interest . . . . .	5,778,618	318	5,778,300	
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	8,837,770	7,157,551	1,680,219	
23	Insurance . . . . .	16,254	15,809	445	
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	CONTRACTUAL ADJ/CHARITY	252,868,041	252,868,041		
b	OTHER EXPENSES	29,356,987	19,376,677	9,980,310	
c	BAD DEBT EXPENSE	14,215,271	14,215,271		
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	501,075,543	433,272,670	67,802,873	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 . . . . .			23,198,521	1	3,967,690
	2	Savings and temporary cash investments . . . . .				2	
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			41,563,391	4	106,820,419
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L . . . . .				6	
	7	Notes and loans receivable, net . . . . .				7	
	8	Inventories for sale or use . . . . .			7,642,738	8	7,303,703
	9	Prepaid expenses and deferred charges . . . . .			822,048	9	841,872
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D . . . . .	10a	137,954,978			
	b	Less: accumulated depreciation . . . . .	10b	84,307,515	42,076,234	10c	53,647,463
	11	Investments—publicly traded securities . . . . .				11	
	12	Investments—other securities. See Part IV, line 11 . . . . .			14,550,138	12	15,179,579
	13	Investments—program-related. See Part IV, line 11 . . . . .				13	
	14	Intangible assets . . . . .				14	
	15	Other assets. See Part IV, line 11 . . . . .			2,914,877	15	2,719,598
	16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .			132,767,947	16	190,480,324
Liabilities	17	Accounts payable and accrued expenses . . . . .			26,653,080	17	64,818,489
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .				19	
	20	Tax-exempt bond liabilities . . . . .			123,059,068	20	120,088,990
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .				22	
	23	Secured mortgages and notes payable to unrelated third parties . . . . .				23	
	24	Unsecured notes and loans payable to unrelated third parties . . . . .				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D . . . . .			2,287,722	25	4,710,666
	26	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .			151,999,870	26	189,618,145
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>						
	27	Unrestricted net assets . . . . .			-19,231,923	27	862,179
	28	Temporarily restricted net assets . . . . .				28	
	29	Permanently restricted net assets . . . . .				29	
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>						
	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	<b>Total net assets or fund balances</b> . . . . .			-19,231,923	33	862,179
	34	<b>Total liabilities and net assets/fund balances</b> . . . . .			132,767,947	34	190,480,324

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	529,200,187
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	501,075,543
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	28,124,644
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	-19,231,923
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>5</b>	-8,030,542
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	<b>6</b>	862,179

**Part XII Financial Statements and Reporting**

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

		Yes	No
<b>1</b>	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		
<b>2a</b>	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
<b>b</b>	Were the organization's financial statements audited by an independent accountant?	Yes	
<b>c</b>	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	
<b>d</b>	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		
<b>3a</b>	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	Yes	
<b>b</b>	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization BENEFIS HOSPITALS INC	Employer identification number 81-0232122
---	--

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	(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	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV ) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions )

12

13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))

14

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

15

16a 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization

b 33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization

17a 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

b 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions

Part 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

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 81-0232122  
**Name:** BENEFIS HOSPITALS INC

**Form 990, Special Condition Description:**

<b>Special Condition Description</b>
--------------------------------------

SCHEDULE D  
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

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.

Name of the organization BENEFIS HOSPITALS INC	Employer identification number 81-0232122
---	--

Part I

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

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

Part II

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

	Held at the End of the Year
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

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☒ Yes

☐ No

b

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

	Amount
1c	7,818
1d	9,720
1e	
1f	17,538

2a

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

☐ Yes

☒ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations . . . . .

(ii)

related organizations . . . . .

b

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

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

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .				
b Buildings . . . . .				
c Leasehold improvements . . . . .				
d Equipment . . . . .		137,954,978	84,307,515	53,647,463
e Other . . . . .				
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				53,647,463



Part XI

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
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 XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV

Supplemental Information

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

Identifier	Return Reference	Explanation
	PART IV, LINE 1B	THE ORGANIZATION MAINTAINS TRUST ACCOUNTS FOR PATIENTS LIVING IN THE ONSITE NURSING HOME
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE ORGANIZATION IS A NOT-FOR-PROFIT CORPORATION AND HAS BEEN RECOGNIZED AS TAX EXEMPT PURSUANT TO SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE (IRC). THE ORGANIZATION IS EXEMPT FROM FEDERAL INCOME TAX UNDER SECTION 501(C)(3) OF THE IRC EXCEPT TO THE EXTENT OF UNRELATED BUSINESS TAXABLE INCOME AS DEFINED UNDER IRC SECTIONS 511 THROUGH 515. EFFECTIVE JANUARY 1, 2009, THE ORGANIZATION ADOPTED ACCOUNTING FOR UNCERTAIN TAX POSITIONS. THE ACCOUNTING STANDARD PRESCRIBES A RECOGNITION THRESHOLD AND MEASUREMENT PROCESS FOR UNCERTAIN TAX POSITIONS. THE ORGANIZATION HAD NO UNCERTAIN TAX POSITIONS AS OF DECEMBER 31, 2011 OR 2010.

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  
BENEFIS HOSPITALS INC

Employer identification number  
81-0232122

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  <input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals  <input type="checkbox"/> Applied uniformly to most hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year  a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>180.000000000000 %</u>  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 . . . . .  <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other <u>220.000000000000 %</u>  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	
		3b	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		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5c		
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 Charnty care at cost (from Worksheet 1) . . . . .		5,538	8,391,932		8,391,932	1 670 %
b Medicaid (from Worksheet 3, column a) . . . . .						
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .			345,144		345,144	0 070 %
d Total Charity Care and Means-Tested Government Programs . . . . .		5,538	8,737,076		8,737,076	1 740 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .		3,872	252,120		252,120	0 050 %
f Health professions education (from Worksheet 5) . . . . .		24	163,425		163,425	0 030 %
g Subsidized health services (from Worksheet 6) . . . . .			9,376,992		9,376,992	1 870 %
h Research (from Worksheet 7) . . . . .			301,279		301,279	0 060 %
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			1,184,492		1,184,492	0 240 %
j Total Other Benefits . . . . .		3,896	11,278,308		11,278,308	2 250 %
k Total. Add lines 7d and 7j . . . . .		9,434	20,015,384		20,015,384	3 990 %

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						
3Community support			14,093		14,093	0 %
4Environmental improvements						
5Leadership development and training for community members			15,100		15,100	0 %
6Coalition building			14,100		14,100	0 %
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			43,293		43,293	

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1Yes	
2	Enter the amount of the organization's bad debt expense	214,215,271	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	30	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5111,076,800	
6	Enter Medicare allowable costs of care relating to payments on line 5	6143,529,241	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7-32,452,441	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

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

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 1 TREASURE STATE	PREFERRED PROVIDER			
2 2 HEALTHCARE NETWORK	ORGANIZATION SERVING	50.000 %	0 %	50.000 %
3 3	GREAT FALLS AND			
4 4	SURROUNDING AREAS			
5				
6				
7				
8				
9				
10				
11				
12				
13				



## Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 2

## Name and address

[illegible]

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

BENEFIS HOSPITALS INC

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) 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)	1	No
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) 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)	5	
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 180 0000000000000% 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>220 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 type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11		No
12	Explained the method for applying for financial assistance? . . . . .	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" 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 checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input 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		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input 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		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		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? 1

Name and address		Type of Facility (Describe)
1	BENEFIS SLETTEN HI-LINE CANCER CENTER 40 13TH STREET WEST HAVRE, MT 59501	CANCER TREATMENT CENTER
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 6A AS REQUIRED BY MONTANA LAW, THE ORGANIZATION ANNUALLY SUBMITS A COMMUNITY BENEFIT REPORT TO THE MONTANA ATTORNEY GENERAL'S OFFICE, WHICH OVERSEES NONPROFIT CORPORATIONS IN THE STATE IN 2011, THE ATTORNEY GENERAL'S OFFICE RELEASED TO THE PUBLIC ITS FOURTH ANNUAL REPORT ON THE CHARITABLE ACTIVITIES OF MONTANA HOSPITALS, INCLUDING THE TEN LARGEST HOSPITALS IN THE STATE (WITH THE ORGANIZATION AMONG THEM) THE ORGANIZATION ITSELF ALSO ANNUALLY PREPARES A SUMMARY COMMUNITY BENEFIT REPORT FOR PURPOSES OF EXPLANATION TO THE LOCAL PUBLIC, WHICH IS PUBLISHED IN THE FORM OF A POSTING IN THE LOCAL NEWSPAPER PART I, LINE 7G THE ORGANIZATION AS PART OF ITS COMMUNITY BENEFIT INCLUDES THE COST OF SUBSIDIZED HEALTH SERVICES ATTRIBUTABLE TO SERVICES IT OFFERS THAT ARE SOLE COMMUNITY RESOURCES AND IF ABSENT WOULD NOT BE OFFERED IN THE SERVICE AREA THE ORGANIZATION ONLY REPORTS THE SERVICES IF THEY ARE SUBSIDIZED

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 3 THE ORGANIZATION ESTIMATES THE AMOUNT OF BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER ITS CHARITY CARE POLICY BY ANALYZING PAST ACTIVITY FOR ACCOUNTS CLASSIFIED AS BAD DEBT THAT SUBSEQUENTLY QUALIFIED FOR CHARITY CARE WHEN ADDITIONAL ELIGIBILITY INFORMATION WAS OBTAINED ALL PATIENTS ARE PRESENTED WITH A COPY OF THE CHARITY CARE POLICY AND ENCOURAGED TO APPLY REGARDLESS OF ABILITY TO PAY BY INCLUDING A PORTION OF BAD DEBT EXPENSE AS A COMMUNITY BENEFIT, THE ORGANIZATION CAN DIRECTLY ASSOCIATE THE DOLLAR VALUE OF FREE MEDICAL CARE AS PROVIDED TO THE RESIDENTS OF THE COMMUNITY OUR MISSION IS TO PROVIDE EXCELLENT CARE FOR ALL, HEALING, BODY, MIND AND SPIRIT PART III, LINE 4 THE ORGANIZATION'S FINANCIAL STATEMENTS INCLUDE THE FOLLOWING NOTE REGARDING BAD DEBT EXPENSE "THE CARRYING AMOUNT OF PATIENT AND RESIDENT RECEIVABLES IS REDUCED BY A VALUATION ALLOWANCE THAT REFLECTS MANAGEMENT'S 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 OR RESIDENTS DUE TO BAD DEBTS AND CHARITY CARE MANAGEMENT CONSIDERS HISTORICAL WRITE-OFF AND RECOVERY INFORMATION IN DETERMINING THE ESTIMATED BAD DEBT PROVISION " THE COSTING METHODOLOGY UTILIZED TO CALCULATE THE COST OF THE ORGANIZATION'S BAD DEBT EXPENSE IS A COST TO CHARGE RATIO PART III, LINE 8 THE ORGANIZATION DOES NOT BELIEVE THAT ANY SHORTFALL REPORTED IN LINE 7 SHOULD BE TREATED AS COMMUNITY BENEFIT THE ORGANIZATION USED ITS COST TO CHARGE RATIO TO OBTAIN THE MEDICARE ALLOWABLE COST REPORTED IN PART III, SECTION B THE ORGANIZATION HAS A CONSIDERABLE POPULATION OF MEDICARE PATIENTS, AND IS PAID SUBSTANTIALLY LESS THAN ITS COSTS DUE TO THE REIMBURSEMENT METHODOLOGY USED BY MEDICARE</p>

Identifier	ReturnReference	Explanation
		PART V, SECTION B, LINE 19D THE AMOUNT CHARGED TO FAP-ELIGIBLE INDIVIDUALS FOR CARE IS BASED ON 100% OF TOTAL PATIENT CHARGES BEFORE ANY ADJUSTMENTS OR WRITE-OFFS



Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 BENEFIS HOSPITALS, INC HISTORICALLY HAS ASSESSED THE HEALTH NEEDS OF THE COMMUNITIES WITHIN ITS SERVICE AREA THROUGH DIRECT OBSERVATION AND EXPERIENCE, AS WELL AS THROUGH THE USE OF CERTAIN SECONDARY DATA COMPILED BY INDEPENDENT SOURCES THE HOSPITAL IS CURRENTLY ASSEMBLING A TEAM OF HEALTH CARE PROVIDERS, COMMUNITY AGENCIES, CLINICS, LOCAL HEALTH DEPARTMENTS, AND OTHER PUBLIC HEALTH PROFESSIONALS WHO WILL CONDUCT A COMMUNITY NEEDS ASSESSMENT IN THE FUTURE, AS CONTEMPLATED BY NEWLY ENACTED IRC SECTION 501(R) PART VI, LINE 3 THE ORGANIZATION HAS POSTED IN REGISTRATION AREAS, EMERGENCY ROOMS, AND FINANCIAL ASSISTANCE AREAS A SUMMARY OF ITS FINANCIAL ASSISTANCE POLICY ALONG WITH BROCHURES THAT DEFINE THE POLICY THE POLICY AND APPLICATION IS AVAILABLE ONLINE AND IS MAILED TO EACH PATIENT ALONG WITH THEIR BILLING STATEMENT PART VI, LINE 4 THE ORGANIZATION'S SERVICE AREA IS APPROXIMATELY 45,000 SQUARE MILES AND HAS A POPULATION OF APPROXIMATELY 225,000 PEOPLE THE SERVICE AREA IS APPROXIMATELY 49.5% FEMALE AND 50.5% MALE APPROXIMATELY 6.6% OF THE POPULATION IS UNDER 5 YEARS OF AGE, APPROXIMATELY 74% BETWEEN THE AGE OF 18 AND 65 YEARS OF AGE, AND APPROXIMATELY 14% OF THE POPULATION IS OVER THE AGE OF 65 THE SERVICE AREA IS 90.7% WHITE WITH THE NEXT LARGEST COMBINED POPULATION APPROXIMATELY 5.8% NATIVE AMERICAN AND THE REMAINDER AFRICAN-AMERICAN OR MULTIPLE RACES</p>

Identifier	ReturnReference	Explanation
		THE AVERAGE HOUSHOLD SIZE IS 2 4 PEOPLE, WITH APPROXIMATELY 92 4% OF ALL HOUSING UNITS BEING OWNER OCCUPIED THE AVERAGE PER CAPITA INCOME IS \$17,566 WITH THE MEDIAN HOUSEHOLD INCOME BEING \$32,971 (US CENSUS BUREAU, 2000 DEMOGRAPHIC PROFILE)PART VI, LINE 5 THE ORGANIZATION HELPS DEVELOP THE COMMUNITY THROUGH PARTICIPATION IN COMMUNITY LEADERSHIP ACTIVITIES, IMPROVED HEALTH ADVOCACY WITH COMMUNITY CLINICS, HEALTH FAIRS AND SUPPORT OF GENERAL HEALTH CLINICS THE ORGANIZATION PROVIDES SUPPORT TO INDIAN HEALTH FACILITY CLINICS AND PROVIDES ECONOMIC FUNDING FOR COMMUNITY HEALTH CLINICS TO PROVIDE LOCUM DOCTORS TO COME DURING PLANNED AND UNPLANNED ABSENCES BENEFIS HOSPITALS, INC PROMOTES THE HEALTH OF PERSONS RESIDING THROUGHOUT ITS SERVICE AREA THE HOSPITAL OPERATES AN EMERGENCY ROOM OPEN TO ALL PERSONS, WITHOUT REGARD TO ABILITY TO PAY, AND PARTICIPATES IN GOVERNMENT SPONSORED HEALTHCARE PAYMENT PROGRAMS THE HOSPITAL USES ANY SURPLUS FUNDS TO IMPROVE THE QUALITY OF PATIENT CARE, EXPAND OR IMPROVE ITS FACILITIES, AND ADVANCE ITS MEDICAL TRAINING, EDUCATION, AND RESEARCH PROGRAMS, THE HOSPITAL'S BOARD OF DIRECTORS (AND THAT OF BENEFIS HEALTH SYSTEM, ITS SOLE CORPORATE MEMBER) CONSISTS PRIMARILY OF INDIVIDUALS REPRESENTING THE COMMUNITY THE HOSPITAL MAINTAINS AN OPEN MEDICAL STAFF, WITH MEMBERSHIP AND PRIVILEGES AVAILABLE TO ALL QUALIFIED PHYSICIANS AND HEALTHCARE PROFESSIONALS, AS SET FORTH IN THE MEDICAL STAFF BYLAWS, RULES, AND REGULATIONS IN THESE AND OTHER RESPECTS, THE HOSPITAL IS ORGANIZED AND OPERATED IN A MANNER THAT PROMOTES THE HEALTH OF THE COMMUNITY AND THEREFORE FULFILLS CHARITABLE PRUPOSES WITHIN THE MEANING OF INTERNAL REVENUE CODE SECTION 501(C)(3)

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 THE ORGANIZATION IS PART OF AN INTEGRATED HEALTHCARE DELIVERY SYSTEM AND AS SUCH COORDINATES EFFORTS BETWEEN ALL SYSTEM ENTITIES TO REDUCE DUPLICATION AND PROMOTE THE BROADEST OFFERING OF SERVICES PART VI, LINE 7, LIST OF STATES RECEIVING COMMUNITY BENEFIT REPORT MT

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  
BENEFIS HOSPITALS INC

Employer identification number  
81-0232122

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div> <div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input checked="" type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain		No
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?	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"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div> <div><div><input type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment?		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?		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?		No
b	Any related organization?		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?		No
b	Any related organization?		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	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		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		

**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) LAURA GOLDHAHN	(i)	0	0	0	0	0	0	0
	(ii)	303,153	71,185	8,847	75,653	4,229	463,067	0
(2) JERRY W SPEER MD	(i)	0	0	0	0	0	0	0
	(ii)	260,323	40,042	0	38,376	5,341	344,082	0
(3) PAUL DOLAN MD	(i)	262,034	69,952	7,370	57,867	5,728	402,951	0
	(ii)	0	0	0	0	0	0	0
(4) JULIE HICKETHIER	(i)	233,670	57,219	3,578	55,181	4,183	353,831	0
	(ii)	0	0	0	0	0	0	0
(5) PETER GRAY	(i)	104,615	24,186	0	17,450	7,420	153,671	0
	(ii)	26,734	0	0	0	0	26,734	0
(6) KATHY HILL	(i)	130,273	23,719	80	8,212	6,303	168,587	0
	(ii)	0	0	0	0	0	0	0
(7) JOE LODUCA	(i)	128,883	22,992	80	6,781	6,303	165,039	0
	(ii)	0	0	0	0	0	0	0
(8) FRANK SOLTYS	(i)	126,180	19,421	80	0	7,417	153,098	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							
	(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	THE HEALTH CLUB WHERE OFFICERS ARE MEMBERS IS A SUBSIDIARY OF BENEFIS HEALTH SYSTEM, INC. (BHS) THROUGH APRIL 2011, HEALTH CLUB DUES THAT BHS PAID FOR ITS OFFICERS WERE TREATED AS TAXABLE INCOME TO THE INDIVIDUAL ACCORDINGLY. OFFICERS AND DEPARTMENT HEADS WERE ELIGIBLE FOR HEALTH CLUB DUES. SUBSTANTIATION WAS REQUIRED BEFORE ANY REIMBURSEMENTS WERE PAID. SUBSEQUENT TO APRIL 2011, DISCOUNTS ONLY ARE OFFERED TO ALL EMPLOYEES OF BENEFIS.
	PART I, LINE 4B	THE ORGANIZATION PROVIDES A SECTION 457 NONQUALIFIED DEFERRED COMPENSATION PLAN FOR CERTAIN EMPLOYEES.
	PART I, LINE 7	BENEFIS HEALTH SYSTEM, INC. AND ITS AFFILIATES (INCLUDING THE ORGANIZATION) MAINTAIN AN INCENTIVE COMPENSATION PLAN THAT INCORPORATES BOTH SHARED AND INDIVIDUAL GOALS FOR MEMBERS OF THE EXECUTIVE LEADERSHIP TEAM (INCLUDING MS. GOLDHAHN, MS. HICKETHIER, AND DR. DOLAN), AND IS SUBJECT TO A PRECONDITION THAT THE SYSTEM MUST ACHIEVE BUDGETED OPERATING PERFORMANCE. IN 2010, THE SYSTEM ADOPTED SHARED PERFORMANCE OBJECTIVES INCLUDING SYSTEM GROWTH AS WELL AS MEASURES TIED TO WORKFORCE, PATIENT EXPERIENCE, PATIENT SAFETY, CLINICAL QUALITY, FINANCE/OPERATIONS, AND COMMUNITY BENEFIT. THE INDIVIDUAL PERFORMANCE OBJECTIVES ADOPTED IN 2010 ARE BASED ON AN ARRAY OF QUALITY, FINANCIAL, OPERATIONAL AND STRATEGIC INITIATIVES. INCENTIVE OPPORTUNITY LEVELS ARE CALCULATED BASED ON PREDETERMINED PERCENTAGES OF EACH EXECUTIVE'S BASE SALARY, AND VARY BASED ON THE ACHIEVEMENT OF THRESHOLD, TARGET OR STRETCH LEVELS AS TO EACH PERFORMANCE OBJECTIVE. THE SYSTEM ALSO MAINTAINS A LONG-TERM INCENTIVE PLAN DIRECTED AT RECRUITING AND RETAINING EXECUTIVE LEADERSHIP. PAYMENTS UNDER THE LONG-TERM PLAN ARE CONDITIONED ON AN EXECUTIVE REMAINING EMPLOYED BY THE SYSTEM AND MAINTAINING SATISFACTORY INDIVIDUAL PERFORMANCE. IN ADDITION, THE SYSTEM MUST HAVE MAINTAINED SATISFACTORY OVERALL PERFORMANCE, BASED ON BOTH FINANCIAL CRITERIA AND SATISFACTION OF EMPLOYEES, PATIENTS AND PHYSICIANS. INCENTIVE OPPORTUNITIES UNDER THE LONG-TERM PLAN ARE APPROVED IN ADVANCE BY THE BENEFIS HEALTH SYSTEM, INC. COMPENSATION COMMITTEE, WITH LATER PAYOUTS APPROVED BY THE COMMITTEE BASED ON ACTUAL PERFORMANCE RESULTS.

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Name of the organization  
BENEFIS HOSPITALS INC

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Employer identification number  
81-0232122

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 BENEFIS HOSPITALS INC	81-0232122	61204KGH8	04-01-2007	2,455,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
B BENEFIS HOSPITALS INC	81-0232122	61204KGJ4	04-01-2007	350,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
C BENEFIS HOSPITALS INC	81-0232122	61204KGK1	04-01-2007	1,035,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
D BENEFIS HOSPITALS INC	81-0232122	61204KGL9	04-01-2007	1,880,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	2,455,000		350,000					
2	Amount of bonds defeased								
3	Total proceeds of issue	2,516,108		358,712		1,060,763		1,926,796	
4	Gross proceeds in reserve funds	169,567		24,175		71,488		129,852	
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	372,123		53,052		156,883		284,966	
7	Issuance costs from proceeds	77,737		11,083		32,773		59,530	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds	619,428		88,310		261,144		474,348	
10	Capital expenditures from proceeds	1,896,680		270,402		799,619		1,452,448	
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2009		2009		2009		2009	
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		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		X

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X		X		X		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?	X		X		X		X	
c	Are there any research agreements that may result in private business use of bond-financed property?		X		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 %		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 %		0 %	
6	Total of lines 4 and 5	0 %		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			X

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		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	BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK	
c	Term of GIC	2 500000000000		2 500000000000		2 500000000000		2 500000000000	
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X		X		X	
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 V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
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Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Name of the organization  
BENEFIS HOSPITALS INC

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Employer identification number  
81-0232122

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 BENEFIS HOSPITALS INC	81-0232122	61204KGM7	04-01-2007	415,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
B BENEFIS HOSPITALS INC	81-0232122	61204KGN5	04-01-2007	2,635,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
C BENEFIS HOSPITALS INC	81-0232122	61204KGP0	04-01-2007	155,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
D BENEFIS HOSPITALS INC	81-0232122	61204KGQ8	04-01-2007	3,045,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	425,330		2,700,589		158,858		3,120,794	
4	Gross proceeds in reserve funds	28,664		182,000		10,706		210,319	
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	62,905		399,407		23,495		461,554	
7	Issuance costs from proceeds	13,141		83,437		4,908		96,420	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds	104,710		664,844		39,108		768,293	
10	Capital expenditures from proceeds	320,620		203,574		119,750		2,352,502	
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2009		2009		2009		2009	
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		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		X

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X		X		X		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?	X		X		X		X	
c	Are there any research agreements that may result in private business use of bond-financed property?		X		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 <div>▶</div>	0 %		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 <div>▶</div>	0 %		0 %		0 %		0 %	
6	Total of lines 4 and 5	0 %		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		X	

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		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	BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK	
c	Term of GIC	2 500000000000		2 500000000000		2 500000000000		2 500000000000	
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X		X		X	
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 V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
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Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Name of the organization  
BENEFIS HOSPITALS INC

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public  
Inspection

Employer identification number  
81-0232122

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 BENEFIS HOSPITALS INC	81-0232122	61204KGR6	04-01-2007	940,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
B BENEFIS HOSPITALS INC	81-0232122	61204KGS4	04-01-2007	2,415,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
C BENEFIS HOSPITALS INC	81-0232122	61204KGT2	04-01-2007	1,100,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
D BENEFIS HOSPITALS INC	81-0232122	61204KGU9	04-01-2007	2,420,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	963,398		2,475,113		1,127,381		2,480,237	
4	Gross proceeds in reserve funds	64,926		166,804		75,977		167,150	
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	142,483		366,060		166,736		366,818	
7	Issuance costs from proceeds	29,765		76,471		34,831		76,629	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds	237,174		609,336		277,544		610,597	
10	Capital expenditures from proceeds	726,224		1,865,777		849,836		1,869,640	
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2009		2009		2009		2009	
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		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		X

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X		X		X		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?	X		X		X		X	
c	Are there any research agreements that may result in private business use of bond-financed property?		X		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 %		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 %		0 %	
6	Total of lines 4 and 5	0 %		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		X	

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		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	BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK	
c	Term of GIC	2 500000000000		2 500000000000		2 500000000000		2 500000000000	
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X		X		X	
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 V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
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Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
BENEFIS HOSPITALS INC

Employer identification number  
81-0232122

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	BENEFIS HOSPITALS INC	81-0232122	61204KGV7	04-01-2007	1,365,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
B	BENEFIS HOSPITALS INC	81-0232122	61204KGW5	04-01-2007	2,320,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
C	BENEFIS HOSPITALS INC	81-0232122	61204KGX3	04-01-2007	3,850,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
D	BENEFIS HOSPITALS INC	81-0232122	61204KGY1	04-01-2007	4,045,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	1,398,977		2,377,748		3,945,832		4,145,686	
4	Gross proceeds in reserve funds	24,281		160,243		265,920		279,389	
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	206,904		351,660		583,574		613,132	
7	Issuance costs from proceeds	43,223		73,463		121,910		128,085	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds	344,407		585,366		971,405		1,020,606	
10	Capital expenditures from proceeds	1,054,570		1,792,382		2,974,427		3,125,080	
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2009		2009		2009		2009	
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		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		X

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X		X		X		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?	X		X		X		X	
c	Are there any research agreements that may result in private business use of bond-financed property?		X		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 <div></div>	0 %		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 <div></div>	0 %		0 %		0 %		0 %	
6	Total of lines 4 and 5	0 %		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		X	

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		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	BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK	
c	Term of GIC	2 500000000000		2 500000000000		2 500000000000		2 500000000000	
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X		X		X	
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 V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
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Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Name of the organization  
BENEFIS HOSPITALS INC

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Employer identification number  
81-0232122

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	BENEFIS HOSPITALS INC	81-0232122	61204KGZ8	04-01-2007	4,245,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
B	BENEFIS HOSPITALS INC	81-0232122	61204KHA2	04-01-2007	4,460,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
C	BENEFIS HOSPITALS INC	81-0232122	61204KHB0	04-01-2007	4,680,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
D	BENEFIS HOSPITALS INC	81-0232122	61204KHC8	04-01-2007	4,920,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	4,350,664		4,571,016		4,796,492		5,042,466	
4	Gross proceeds in reserve funds	293,203		308,053		323,248		339,825	
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	643,448		676,037		709,384		745,763	
7	Issuance costs from proceeds	134,418		141,226		148,192		155,792	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds	1,071,068		1,125,315		1,180,824		1,241,379	
10	Capital expenditures from proceeds	3,279,596		3,445,700		3,615,668		3,801,086	
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2009		2009		2009		2009	
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		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		X

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X		X		X		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?	X		X		X		X	
c	Are there any research agreements that may result in private business use of bond-financed property?		X		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 <div>▶</div>	0 %		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 <div>▶</div>	0 %		0 %		0 %		0 %	
6	Total of lines 4 and 5	0 %		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		X	

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		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	BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK	
c	Term of GIC	2 500000000000		2 500000000000		2 500000000000		2 500000000000	
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X		X		X	
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 V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
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Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
BENEFIS HOSPITALS INC

Employer identification number  
81-0232122

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 BENEFIS HOSPITALS INC	81-0232122	61204KHD6	04-01-2007	5,160,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
B BENEFIS HOSPITALS INC	81-0232122	61204KHE4	04-01-2007	5,410,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
C BENEFIS HOSPITALS INC	81-0232122	61204KHF1	04-01-2007	7,985,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X
D BENEFIS HOSPITALS INC	81-0232122	61204KHG9	04-01-2007	43,310,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	5,288,440		5,544,662		10,248,914		44,388,047	
4	Gross proceeds in reserve funds	356,402		373,669		690,702		2,991,428	
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	782,141		820,036		1,515,778		6,564,833	
7	Issuance costs from proceeds	163,391		820,036		316,649		1,371,409	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds	1,301,934				2,523,129		10,927,671	
10	Capital expenditures from proceeds	3,986,505		4,179,650		7,725,785		33,460,377	
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2009		2009		2009		2009	
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		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		X

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X		X		X		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?	X		X		X		X	
c	Are there any research agreements that may result in private business use of bond-financed property?		X		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 %		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 %		0 %	
6	Total of lines 4 and 5	0 %		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		X	

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		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	BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK		BAYERISCHE LANDESBANK	
c	Term of GIC	2 500000000000		2 500000000000		2 500000000000		2 500000000000	
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X		X		X	
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 V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

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

Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ 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).</div> <div>▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2011
		Open to Public Inspection

Department of the Treasury Internal Revenue Service	Name of the organization BENEFIS HOSPITALS INC	Employer identification number 81-0232122
--	---	--

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 BENEFIS HOSPITALS INC	81-0232122	61204KHH7	04-01-2007	10,000,000	CONSTRUCTION OF NEW MEDICAL FACILITIES		X		X		X

Part II Proceeds									
		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	10,248,914							
4	Gross proceeds in reserve funds	690,702							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	1,515,778							
7	Issuance costs from proceeds	316,649							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	2,523,129							
11	Other spent proceeds	7,725,785							
12	Other unspent proceeds								
13	Year of substantial completion	2009							
		Yes	No						
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?		X						
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?		X						

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?	X							
b	Name of provider	BAYERISCHE LANDESBANK							
c	Term of GIC	2 500000000000							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?		X						

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

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

efile GRAPHIC print - DO NOT PROCESS		As Filed Data -		DLN: 93493125007852	
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 BENEFIS HOSPITALS INC				Employer identification number  81-0232122	

Identifier	Return Reference	Explanation
CHANGES IN PROGRAM SERVICES	FORM 990, PART III, LINE 3	IN LATTER 2011, BENEFIS HOSPITALS BEGAN OPERATING PROVIDER BASED BILLING DEPARTMENTS IN THE NEW BENEFIS MEDICAL GROUP PROFESSIONAL CENTER LOCATED AT 1401 25TH ST S, GREAT FALLS, MT THE PROFESSIONAL CENTER IS PART OF OUR MAIN EAST CAMPUS AND CONNECTED TO THE MAIN HOSPITAL'S SOUTH TOWER VIA A SKYWALK
	FORM 990, PART VI, SECTION A, LINE 2	CERTAIN OF THE OFFICERS AND DIRECTORS LISTED IN PART VII ALSO HOLD OFFICER AND/OR DIRECTOR POSITIONS IN RELATION TO THE ORGANIZATION'S AFFILIATES (AS IDENTIFIED IN SCHEDULE R) AND, IN THAT REGARD, MAY BE CONSIDERED TO HAVE BUSINESS RELATIONSHIPS WITH EACH OTHER
	FORM 990, PART VI, SECTION A, LINE 3	PURSUANT TO A CONTRACTUAL ARRANGEMENT, THE ORGANIZATION OBTAINS CERTAIN MANAGEMENT AND ADMINISTRATIVE SERVICES FROM ITS PARENT ENTITY, BENEFIS HEALTH SYSTEM, INC (BHS) BHS PROVIDES THESE SERVICES TO ITS SUBSIDIARY TAX EXEMPT OPERATING ENTITIES ON A CENTRALIZED BASIS
	FORM 990, PART VI, SECTION A, LINE 6	THE SOLE CORPORATE MEMBER OF THE ORGANIZATION IS BENEFIS HEALTH SYSTEM, INC , A MONTANA NON-PROFIT PUBLIC BENEFIT CORPORATION THAT HAS BEEN RECOGNIZED BY THE IRS AS DESCRIBED IN IRC SECTION 501(C)(3)
	FORM 990, PART VI, SECTION A, LINE 7A	THE BOARD OF DIRECTORS OF THE ORGANIZATION IS ELECTED BY BENEFIS HEALTH SYSTEM, INC AS THE ORGANIZATION'S SOLE CORPORATE MEMBER
	FORM 990, PART VI, SECTION A, LINE 7B	AS THE SOLE CORPORATE MEMBER OF THE ORGANIZATION, BENEFIS HEALTH SYSTEM, INC RETAINS CERTAIN RESERVED POWERS WITH RESPECT TO THE ORGANIZATION, INCLUDING AUTHORITY OVER MATTERS SUCH AS (WITHOUT LIMITATION) THE ORGANIZATION'S MISSION AND VISION STATEMENTS, STRATEGIC AND LONG-TERM PLANS, ELECTION OF ITS DIRECTORS AND OFFICERS, ANNUAL CAPITAL AND OPERATING BUDGETS, CHARITY CARE AND COMMUNITY BENEFIT POLICIES, AND ANY AMENDMENTS TO ITS ARTICLES OF INCORPORATION AND BYLAWS
	FORM 990, PART VI, SECTION B, LINE 11	THIS FORM 990 WAS PREPARED BY THE FINANCE DEPARTMENT PERSONNEL OF BENEFIS HEALTH SYSTEM, INC IN COLLABORATION WITH ITS OUTSTANDING ACCOUNTING FIRM PRIOR TO FILING, A COPY OF THIS FORM 990 WAS DISTRIBUTED TO ALL MEMBERS OF THE ORGANIZATION'S BOARD OF DIRECTORS, WITH A PRESENTATION TO SUCH BOARD BY THE CHIEF FINANCIAL OFFICER OF BENEFIS HEALTH SYSTEM, INC
	FORM 990, PART VI, SECTION B, LINE 12C	BOARD MEMBERS ANNUALLY COMPLETE A FORM TO DISCLOSE INTERESTS THAT COULD GIVE RISE TO CONFLICTS IN ADDITION, AT THE START OF EACH BOARD MEETING, MEMBERS ARE ASKED TO INDICATE WHETHER THEY HAVE A CONFLICT OF INTEREST WITH RESPECT TO ANY ITEMS ON THE AGENDA FOR THE MEETING CONSISTENT WITH THE ORGANIZATION'S CONFLICTS OF INTEREST POLICY, BOARD MEMBERS ARE PROHIBITED FROM PARTICIPATING ON ANY MATTERS AS TO WHICH THEY HAVE A CONFLICT
	FORM 990, PART VI, SECTION B, LINE 15	THE COMPENSATION OF THE PRESIDENT, THE COO, AND THE CMQO WAS SET BY THE INDEPENDENT COMPENSATION COMMITTEE OF BENEFIS HEALTH SYSTEM, INC , WHICH IS CHARGED WITH ADMINISTERING THE SYSTEM'S EXECUTIVE COMPENSATION PHILOSOPHY, POLICIES AND PROGRAMS IN THE MANNER SET FORTH IN THE COMMITTEE'S WRITTEN CHARTER THE COMMITTEE'S RESPONSIBILITIES INCLUDE (I) DETERMINING APPROPRIATE COMPENSATION FOR ALL EXECUTIVES AND OTHER KEY EMPLOYEES, (II) EVALUATING AND ADOPTING EXECUTIVE COMPENSATION PLANS, POLICIES AND PROGRAMS, (III) REVIEWING AND APPROVING EXECUTIVE BENEFIT PLANS, AND (IV) VERIFYING THAT COMPENSATION IS APPROPRIATELY AND FULLY DISCLOSED AND REPORTED THE COMMITTEE HAS ENGAGED AN INDEPENDENT COMPENSATION CONSULTING FIRM TO ASSIST IN ENSURING THAT AMOUNTS PAID TO THE SYSTEM'S EXECUTIVES ARE CONSISTENT WITH REASONABLE, FAIR MARKET LEVELS THE PROCESS FOLLOWED BY THE COMMITTEE, INCLUDING THE DATA RELIED UPON AND THE COMMITTEE'S DECISIONS, WAS THOROUGHLY AND TIMELY DOCUMENTED THE COMPENSATION OF THE ORGANIZATION'S KEY EMPLOYEES WAS SET BY THEIR RESPECTIVE SUPERVISORY EXECUTIVES IN CONSULTATION WITH BENEFIS HEALTH SYSTEM'S HUMAN RESOURCES DEPARTMENT AND EXECUTIVE LEADERSHIP, BASED ON A REVIEW OF INDEPENDENT DATA AS TO AMOUNTS PAID BY SIMILARLY-SITUATED ORGANIZATIONS FOR PERSONS PERFORMING COMPARABLE SERVICES
	FORM 990, PART VI, SECTION C, LINE 19	BENEFIS HOSPITALS, INC PROVIDES COPIES OF GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICIES, AND FINANCIAL STATEMENTS TO THE PUBLIC UPON REQUEST DURING NORMAL BUSINESS HOURS
AVERAGE HOURS PER WEEK DEVOTED TO RELATED ORGANIZATIONS	FORM 990, PART VII, SECTION A, COLUMN B	PAUL DOLAN - 1 HOUR CHRIS EBELING - 4 HOURS LAURA GOLDHAHN - 4 HOURS JERRY SPEER - 57 HOURS
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 325,938 INTERAFFILIATE TRANSFERS -8,366,485 BOOK/TAX DIFFERENCE IN SUBSIDIARY AND JOINT VENTURE INCOME 10,005 TOTAL TO FORM 990, PART XI, LINE 5 -8,030,542
	FORM 990, PART XII, LINE 2C	THE ORGANIZATION'S FINANCIAL RESULTS ARE REPORTED AS PART OF THE CONSOLIDATED FINANCIAL STATEMENTS OF BENEFIS HEALTH SYSTEM, INC AND AFFILIATES THE AUDIT COMMITTEE OF BENEFIS HEALTH SYSTEM, INC IS RESPONSIBLE FOR SELECTION OF THE INDEPENDENT AUDIT FIRM AND OVERSEEING THE AUDIT

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
BENEFIS HOSPITALS INC

Employer identification number  
81-0232122

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) BENEFIS SLETTEN HI-LINE CANCER CENTER LLC 1101 26TH STREET SOUTH GREAT FALLS, MT 59405 26-3144419	MEDICAL CARE	MT			BENEFIS HEALTH SYSTEM INC
(2) BENEFIS CASCADE RIDGE LLC 1101 26TH STREET SOUTH GREAT FALLS, MT 59405 27-4602798	REAL ESTATE	MT			BENEFIS HEALTH SYSTEM INC
(3) BENEFIS HEALTH SYSTEM FOUNDATION PROPERTIES LLC PO BOX 7008 GREAT FALLS, MT 59406 27-2514629	HOLDS REAL PROPERTY DONATED TO FOUNDATION	MT			BENEFIS HEALTH SYSTEM FOUNDATION INC

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) BENEFIS MEDICAL GROUP INC  1401 25TH STREET SOUTH  GREAT FALLS, MT 59405 26-3538192	PHYSICIAN SERVICES	MT	501(C)(3)	SCHEDULE A, LINE 3	BENEFIS HEALTH SYSTEM INC		No
(2) BENEFIS SPECTRUM MEDICAL INC  1101 26TH STREET SOUTH  GREAT FALLS, MT 59405 81-0431871	HOME HEALTH AND RELATED PRODUCTS	MT	501(C)(3)	SCHEDULE A, LINE 9	BENEFIS HEALTH SYSTEM INC		No
(3) BENEFIS HEALTH SYSTEM INC  1101 26TH STREET SOUTH  GREAT FALLS, MT 59405 26-3538104	MANAGEMENT AND SUPPORT SERVICES	MT	501(C)(3)	SCHEDULE A, LINE 11	N/A		No
(4) BENEFIS HEALTHCARE EES HEALTH PLAN AND TRUST  1101 26TH STREET SOUTH  GREAT FALLS, MT 59405 36-3386166	BENEFIT PLAN	MT	501(C)(9)		BENEFIS HEALTH SYSTEM INC		No
(5) BENEFIS HEALTH SYSTEM FOUNDATION INC  PO BOX 7008  GREAT FALLS, MT 59406 81-0480587	FOUNDATION	MT	501(C)(3)	SCHEDULE A, LINE 7	BENEFIS HEALTH SYSTEM INC		No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) SPECTRUM HOME SOLUTIONS  2509 7TH AVE SOUTH GREAT FALLS, MT 59405 81-0431871	IV THERAPY	MT	N/A	N/A				No			No	
(2) BBB LLC  1101 26TH STREET SOUTH GREAT FALLS, MT 59405 26-3652926	MEDICAL BUILDING	MT	N/A	N/A				No			No	
(3) GREAT FALLS ATHLETIC CLUB LLC  1800 BENEFIS COURT GREAT FALLS, MT 59405 91-2081505	FITNESS CLUB	MT	N/A	N/A				No			No	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) BENEFIS HEALTHCARE PRACTITIONERS PC 1101 26TH STREET SOUTH GREAT FALLS, MT 59405 20-1383362	HEALTHCARE SERVICES	MT	N/A	C			

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

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

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

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

Schedule R (Form 990) 2011



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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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Report of Independent Auditors  
and Consolidated Financial Statements  
with Supplementary Consolidating Schedules for

**Benefis Health System, Inc.  
and Affiliates**

December 31, 2011 and 2010

**MOSS ADAMS** LLP

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Benefis Health System, Inc. and Affiliates

We have audited the accompanying consolidated balance sheets of Benefis Health System, Inc. and Affiliates 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 financial statements are the responsibility of Benefis Health System, Inc. and Affiliates' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Benefis Health System Foundation, a subsidiary, the statements of which reflect total assets of \$21,120,652 as of December 31, 2011. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for Benefis Health System Foundation, is based solely on the report of other auditors.

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 consolidated 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 Benefis Health System, Inc. and Affiliates' internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 Benefis Health System, Inc. and Affiliates as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise Benefis Health System, Inc. and Affiliate's financial statements. The supplementary consolidating schedules are presented for purposes of additional analysis and 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 supplementary consolidating schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other 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 supplementary consolidating schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in dark ink, appearing to read "Moss Adams LLP", is located below the main body of text.

Everett, Washington  
April 13, 2012

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

	December 31,	
	2011	2010
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 21,056,635	\$ 32,159,256
Current portion of assets limited as to use	10,284,146	7,778,028
Receivables		
Patient and resident, net of estimated uncollectibles of \$31,801,000 and \$22,732,000 in 2011 and 2010, respectively	54,191,869	46,576,153
Other	5,319,353	3,567,763
Supplies	9,165,612	9,349,171
Other	1,249,464	1,161,712
Total current assets	101,267,079	100,592,083
<b>ASSETS LIMITED AS TO USE, net of current portion</b>		
By board	72,648,557	62,155,692
Held by trustees	34,168,334	8,830,733
Restricted	25,079,173	9,085,434
Total assets limited as to use, net of current portion	131,896,064	80,071,859
<b>PROPERTY AND EQUIPMENT</b>	305,213,464	295,124,414
<b>OTHER ASSETS</b>	14,052,470	13,288,066
Total assets	<u>\$ 552,429,077</u>	<u>\$ 489,076,422</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 13,116,199	\$ 18,060,989
Accrued compensation and benefits	9,039,869	8,747,675
Estimated third-party payor settlements	4,710,666	2,287,722
Other accrued liabilities	8,279,646	12,103,101
Current portion of long-term debt	5,889,687	4,633,789
Total current liabilities	41,036,067	45,833,276
<b>LONG-TERM DEBT, net of current portion</b>	219,044,122	176,539,815
<b>OTHER LONG-TERM LIABILITIES</b>	17,983,008	10,395,951
Total liabilities	278,063,197	232,769,042
<b>NET ASSETS</b>		
Unrestricted		
Benefis Health System	258,011,501	246,552,080
Noncontrolling interests in subsidiaries	(511,587)	370,448
Total unrestricted net assets	257,499,914	246,922,528
Temporarily restricted	3,274,065	2,273,578
Permanently restricted	13,591,901	7,111,274
Total net assets	274,365,880	256,307,380
Total liabilities and net assets	<u>\$ 552,429,077</u>	<u>\$ 489,076,422</u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Years Ended December 31,	
	2011	2010
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT		
Net patient and resident service revenue	\$ 319,958,733	\$ 295,938,110
Other operating revenue	18,364,289	17,592,978
Total revenues, gains, and other support	338,323,022	313,531,088
OPERATING EXPENSES		
Salaries and wages	126,177,252	122,178,902
Employee benefits	27,317,994	22,933,327
Professional fees	22,733,576	20,658,286
Supplies	63,141,460	56,294,682
Purchased services	19,908,285	15,807,321
Depreciation	24,869,850	22,224,264
Interest	8,659,032	7,411,360
Provision for bad debts	15,730,000	16,397,413
Other	17,152,974	18,871,786
Total operating expenses	325,690,423	302,777,341
OPERATING INCOME	12,632,599	10,753,747
OTHER INCOME	2,364,690	1,698,904
EXCESS OF REVENUES OVER EXPENSES	14,997,289	12,452,651
CONTRIBUTIONS AND GRANTS	217,310	722,098
CONTRIBUTIONS RECEIVED IN DONATION OF BENEFIS HEALTH SYSTEM FOUNDATION	3,948,598	-
CHANGE IN UNREALIZED GAINS AND LOSSES ON INVESTMENTS	(2,186,421)	4,212,337
LOSS ON INTEREST RATE SWAP AGREEMENT	(5,262,250)	(1,099,500)
CONTRIBUTIONS FROM NONCONTROLLING MEMBERS	10,000	85,000
DISTRIBUTIONS TO NONCONTROLLING MEMBERS	(1,147,140)	(536,500)
INCREASE IN UNRESTRICTED NET ASSETS	\$ 10,577,386	\$ 15,836,086

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
BALANCE, December 31, 2009	<u>\$ 231,086,442</u>	<u>\$ 2,422,346</u>	<u>\$ 6,226,430</u>	<u>\$ 239,735,218</u>
Excess of revenues over expenses	12,452,651	-	-	12,452,651
Contributions and grants	722,098	-	-	722,098
Change in unrealized gains and losses on investments	4,212,337	-	-	4,212,337
Loss on interest rate swap agreement	(1,099,500)	-	-	(1,099,500)
Change in beneficial interest in Benefis Health System Foundation	-	(148,768)	884,844	736,076
Contributions from noncontrolling members	85,000	-	-	85,000
Distributions to noncontrolling members	<u>(536,500)</u>	<u>-</u>	<u>-</u>	<u>(536,500)</u>
Increase (decrease) in net assets	<u>15,836,086</u>	<u>(148,768)</u>	<u>884,844</u>	<u>16,572,162</u>
BALANCE, December 31, 2010	<u>246,922,528</u>	<u>2,273,578</u>	<u>7,111,274</u>	<u>256,307,380</u>
Excess of revenues over expenses	14,997,289	-	-	14,997,289
Contributions and grants	217,310	-	-	217,310
Contribution received in donation of Benefis Health System Foundation	3,948,598	541,844	6,379,194	10,869,636
Change in unrealized gains and losses on investments	(2,186,421)	-	-	(2,186,421)
Loss on interest rate swap agreement	(5,262,250)	-	-	(5,262,250)
Change in beneficial interest in Benefis Health System Foundation	-	458,643	101,433	560,076
Contributions from noncontrolling members	10,000	-	-	10,000
Distributions to noncontrolling members	<u>(1,147,140)</u>	<u>-</u>	<u>-</u>	<u>(1,147,140)</u>
Increase in net assets	<u>10,577,386</u>	<u>1,000,487</u>	<u>6,480,627</u>	<u>18,058,500</u>
BALANCE, December 31, 2011	<u><u>\$ 257,499,914</u></u>	<u><u>\$ 3,274,065</u></u>	<u><u>\$ 13,591,901</u></u>	<u><u>\$ 274,365,880</u></u>



# BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 18,058,500	\$ 16,572,162
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	24,869,850	22,224,264
Amortization of deferred financing costs	289,619	203,197
Amortization of bond premium	(135,709)	(169,008)
Provision for bad debts	15,730,000	16,397,413
Loss on disposal of property and equipment	92,991	44,874
Net realized and unrealized (gains) losses on investments	1,152,550	(4,927,378)
Loss on interest rate swap agreement	5,262,250	1,099,500
Undistributed portion of change in interest in net assets of Benefis Health System Foundation	-	(736,076)
(Gain) loss on investment recognized on the equity method	(1,560,260)	102,219
Contribution received in donation of Benefis Health System Foundation	(10,869,636)	-
Contributions from noncontrolling interest	(10,000)	(85,000)
Distributions to noncontrolling interest	1,147,140	536,500
Changes in certain current assets and liabilities	(32,477,744)	(4,992,294)
Decrease (increase) in other long-term assets	(4,592,917)	1,814,582
Increase (decrease) in other long-term liabilities	2,051,726	(2,215,296)
Net cash from operating activities	19,008,360	45,869,659
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments limited as to use	8,117,286	7,392,196
Purchase of investments limited as to use	(43,719,646)	(8,328,381)
Purchase and construction of property and equipment	(35,757,381)	(61,840,422)
Distributions from joint ventures	200,000	115,000
Contributions to joint ventures	-	(131,292)
Cash received in donation of Benefis Health System Foundation	175,812	-
Net cash from investing activities	(70,983,929)	(62,792,899)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of long-term debt	80,082,413	36,847,927
Cash paid for issuance of long-term debt	(1,885,826)	(20,321)
Repayment of long-term debt	(36,186,499)	(5,605,589)
Contributions from noncontrolling interest	10,000	85,000
Distributions to noncontrolling interest	(1,147,140)	(536,500)
Net cash from financing activities	40,872,948	30,770,517
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(11,102,621)	13,847,277
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	32,159,256	18,311,979
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 21,056,635</u>	<u>\$ 32,159,256</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest, net of amounts capitalized of \$1,655,039 in 2011 and \$333,832 in 2010	<u>\$ 5,668,813</u>	<u>\$ 7,022,391</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Decrease in property and equipment included in accounts payable	<u>\$ (705,490)</u>	<u>\$ (4,237,826)</u>
In conjunction with the acquisition of Benefis Health System Foundation, liabilities were assumed and a contribution was received as follows		
Assets acquired	\$ 21,120,652	\$ -
Liabilities assumed	(306,088)	-
Balance of beneficial interest in Benefis Health System Foundation at acquisition	(9,944,928)	-
Contribution received in donation of Benefis Health System Foundation	<u>\$ 10,869,636</u>	<u>\$ -</u>

## **BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **Note 1 - Organization and Principles of Consolidation**

Benefis Health System, Inc. (Benefis) was organized August 1, 2008, to help facilitate diversification of services. Benefis is organized as a Montana nonprofit organization and is operated in a manner that is fully consistent with federal tax exempt status, pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC).

In July 2008, Benefis Healthcare System amended its articles of incorporation and changed its name to Benefis Hospitals, Inc. Benefis Hospitals, Inc. (formerly known as Benefis Healthcare System) is a 513-bed facility consisting of a 355-bed acute care hospital; a 146-bed long-term care facility; and a 12-bed hospice located in Great Falls, Montana, which provides health care and other related services, including long-term care, cancer services, cardiac services, and women and children's services. Benefis' service area covers 44,814 square miles in north central Montana. Benefis Hospitals, Inc. is organized as a Montana nonprofit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and its sole member is Benefis.

Benefis Spectrum Medical, Inc. (formerly known as Spectrum Medical, Inc.) (Spectrum) provides home oxygen and home care services, rents and sells durable medical equipment, and sells medical supplies and pharmaceuticals. Spectrum also provides medical services for detention facilities, consulting, and transportation services. Spectrum was incorporated under the laws of Montana and is wholly owned by Benefis. As of January 1, 2007, Spectrum was reorganized as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the IRC and its sole member is Benefis.

Benefis Health System Employee Health Plan Trust (The Health Trust) provides health benefits for certain incurred medical and dental expenses of Benefis employees. It is subject to the provision of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Health Trust is exempt for tax purposes under IRC Section 501(c)(9).

Great Falls Athletic Club, LLC, dba The Peak Health & Wellness Center (The Peak) operates a health club facility in Great Falls, Montana. The Peak is organized as a Montana limited liability company of which 51% is owned by Benefis. For tax purposes, any income or loss is passed through to Benefis.

Benefis Medical Group (formerly known as Benefis Physician Associates, Inc. and Benefis Healthcare Practitioners, Inc.) (BMG) is a professional services corporation that provides physician income security by facilitating employment of physicians and/or providing income guarantees. BMG also provides some administrative and business services to physicians in the Great Falls community who desire to outsource those services associated with their practices. The sole member of BMG is Benefis.

Benefis Sletten Hi-Line Cancer Center, LLC (BSHCC) provides radiation and chemotherapy treatment for cancer patients through an outpatient facility located in Havre, Montana. BSHCC is organized as a Montana single-member limited liability company whose sole member owner is Benefis. For tax purposes, any income or loss is passed through to Benefis.

Orthopedic Center of Montana, LLC (OCM) is organized as a Montana limited liability company of which Benefis owns 50%. The purpose of the company is to develop, manage, and coordinate operations of OCM. For tax purposes, any income or loss is passed through to Benefis.

# **BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 1 - Organization and Principles of Consolidation (continued)**

BBB, LLC (BBB) is organized as a Montana limited liability company of which Benefis owns 60%. The purpose of BBB is to develop, own, manage, lease, and operate the building in which a center for the provision of medical and surgical orthopedic services to patients operates. For tax purposes, any income or loss is passed through to Benefis.

Orthopedic Center of Montana Ambulatory Surgery Center, LLC (ASC) is organized as a Montana limited liability company of which Benefis owns 50%. The purposes of the company are to establish, own, manage, lease, and operate an ambulatory surgery center dedicated to the provision of orthopedic surgical services, pain management services, and other services as determined by the board of managers. For tax purposes, any income or loss is passed through to Benefis.

Benefits Health System Foundation (the Foundation) was organized in 1998 as a not-for-profit organization for the charitable purpose of enabling the provision of healthcare services to the community by raising funds for and on behalf of Benefis, other healthcare related not-for-profit organizations, and individuals in need. On December 13, 2011, the Foundation amended their Articles of Incorporation, appointing Benefis as the sole member and giving full control of the Foundation to Benefis (Note 18).

The consolidated financial statements include the accounts of Benefis and its affiliates, Benefis Hospitals, Inc., Spectrum, The Health Trust, The Peak, BMG, BSHCC, OCM, BBB, ASC, and the Foundation (collectively referred to as the Organization). All significant intercompany balances and transactions have been eliminated.

On June 21, 2006, the Organization, represented by Benefis, entered into a Disaffiliation Agreement (Agreement) with Providence Health, a former affiliate. The Agreement provided that as of September 30, 2006, Benefis would no longer be affiliated with or sponsored by Providence Health. The Agreement required Benefis to comply with certain conditions and restrictions. The Organization must remain a faith-based health care organization as demonstrated by certain covenants for at least the next 10 years.

### **Note 2 - Significant Accounting Policies**

**Use of estimates** - The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents** - Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use. At times, deposits exceed Federal Deposit Insurance Corporation (FDIC) insured limits.

# BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Note 2 - Significant Accounting Policies (continued)

**Patient and resident receivables** - Patient and resident receivables are uncollateralized patient, resident, customer, and third-party payor obligations. 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 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 or residents due to bad debts and charity care. Management considers historical write-off and recovery information in determining the estimated bad debt provision.

**Supplies** - Supplies, consisting principally of surgical, medical, and pharmaceutical supplies, are stated at lower of cost (first in, first out) or market.

**Assets limited as to use** - Assets limited as to use include assets set aside for future capital improvements, over which the board of directors retain control and may at their discretion subsequently use for other purposes, and assets held by trustees under indenture and other agreements. Also included in assets limited as to use are the funds held for long-term purposes to be used for certain self-insurance programs for the employees' health trust and workers' compensation trust and donor-restricted purposes. Certificates of deposit, common stocks, government obligations, marketable debt securities, and mutual funds are carried at fair value. Other assets limited as to use are carried at cost, which approximates fair value. Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets.

**Property and equipment** - Property and equipment acquisitions equal to or greater than \$2,000 are capitalized and recorded at cost. The cost of property and equipment, and the related accumulated depreciation, are removed from the accounts when sold or retired, and the resulting gain or loss is recognized. 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:

Land improvements	10-40 years
Buildings and improvements	15-40 years
Equipment	3-30 years

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Investment income earned or investment losses incurred on borrowed funds during the period of construction of capital assets are recorded as an offset to the costs of acquiring those assets.

# **BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 2 - Significant Accounting Policies (continued)**

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets and are excluded from excess of revenues over expenses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted 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.

The Organization assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the carrying value of the assets unlikely.

**Deferred financing costs** - Deferred financing costs are amortized over the outstanding period of the related obligation using the interest method.

**Equity investments** - Investments in jointly owned companies in which Benefis has a 20% to 50% interest or otherwise exercises significant influence are accounted for on the equity method and are carried at cost, adjusted for Benefis' proportionate share of its undistributed earnings or losses.

**Beneficial interest in Benefis Health System Foundation** - Prior to acquiring control of the Foundation (Note 1), Benefis was a specified beneficiary of certain assets of the Foundation. In accordance with accounting standards, Benefis recognized a beneficial interest in those assets as receivable and temporarily and permanently restricted net assets through December 13, 2011.

**Self-insurance reserves** - The provisions for the reserves in the self-insured employee health and welfare trust and the workers' compensation trust include estimates of the ultimate costs for both the reported claims and the claims incurred but not reported.

**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.

**Net patient and resident service revenue and payable to contractual agencies** - 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, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services provided, 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 provided and adjusted in future periods as final settlements are determined. Estimates of final settlements to or from third-party payors are included in estimated third-party payor settlements in the accompanying consolidated balance sheets.

Permanently restricted endowment net assets are stipulated by the donor as such and consist of the original principal to be held in perpetuity. Generally, net appreciation, realized and unrealized, unless restricted by the donor, is available for appropriation by the Organization for the uses and purposes for which the endowment fund is intended.

## BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### **Note 2 - Significant Accounting Policies (continued)**

**Charity care** - The Organization provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue. The costs the Organization incurred to provide charity care were approximately \$8,400,000 and \$8,900,000 for the years ended December 31, 2011 and 2010, respectively. The Organization has estimated these costs by multiplying its ratio of costs to gross charges to the gross uncompensated charges associated with providing charity care.

**Other operating revenue** - Other operating revenue primarily includes revenues generated from cafeteria, rentals, vendor rebates, other ancillary services, and joint venture gains and losses.

**Other operating expenses** - Other operating expenses primarily include expenses related to insurance, taxes, repairs and maintenance, temporary staffing, travel, education, professional dues, subscriptions, recruiting, and licenses.

**Excess of revenues over expenses** - Excess of revenues over 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 that were restricted by donors.

**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 reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When 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 consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the consolidated statement of operations.

**Investment income** - Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from excess of revenues over expenses unless the investments are trading securities. Gains and losses on the sale of securities are determined using the specific-identification method.

**Derivative instruments** - The Organization has five interest rate swaps, which qualify as cash flow hedges. The details of each swap are as follows:

The first swap expires March 2017 and fixes the interest rate paid on the BBB note payable at 6.62%. The outstanding balance of the BBB note payable was \$15,734,629 and the variable rate was 5.00% as of December 31, 2011.

The second swap expires May 2019 and fixes the interest rate paid on one of The Peak's notes payable at 5.97%. The outstanding balance of this note payable was \$3,858,438 and the variable rate was 5.00% as of December 31, 2011.

# **BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 2 - Significant Accounting Policies (continued)**

The third swap expires January 2021 and fixes the interest rate paid on the other of The Peak's notes payable at 7.17%. The outstanding balance of this note payable was \$3,278,495 and the variable rate was 5.00% as of December 31, 2011.

The fourth swap expires June 2030 and fixes the interest rate paid on one of the Series 2011B Revenue Bonds at 3.71%. The outstanding balance of this note payable was \$17,605,000 and the variable rate was 1.32% as of December 31, 2011.

The fifth swap expires May 2025 and fixes the interest rate paid on the Benefis note payable at 3.48%. The outstanding balance of this note payable was \$17,395,000 and the variable rate was 1.80% as of December 31, 2011.

The derivative financial instrument is reported at fair market value on the consolidated balance sheets. Changes in the fair market value of the derivative are recorded each period on the consolidated statements of operations below excess of revenues over expenses.

**Montana State Hospital Utilization Fee** - During 2003, the Montana State Legislature passed an act imposing a utilization fee on hospital facilities for inpatient bed days, and authorized the Department of Revenue to collect and deposit fees in a state special revenue account for funding increases in Medicaid payments to Montana hospitals (Montana State Hospital Utilization Fee). The state special revenue account received an appropriation from a federal special revenue fund to match the state special revenue collected through the utilization fee, thereby providing increased Medicaid reimbursement for Montana hospitals in the state fiscal years ending June 30, 2004, through June 30, 2011. See Note 4 and Note 8 for information on the associated account balances as of December 31, 2011 and 2010.

**Federal income tax** - The Organization is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(3) of the IRC. The Organization is exempt from federal income tax under Section 501(c)(3) of the IRC except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. Effective January 1, 2009, the Organization adopted accounting for uncertain tax positions. The accounting standard prescribes a recognition threshold and measurement process for uncertain tax positions. The Organization had no uncertain tax positions as of December 31, 2011 or 2010.

**Fair value measurements** - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The Organization classified its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value (Note 16). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy under the standard are described below:

**Level 1:** Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2:** Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.

## BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 2 - Significant Accounting Policies (continued)

**Level 3:** Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**Change in accounting principles** - During the year ended December 31, 2011, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*, and FASB ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*. In accordance with FASB ASU 2010-23, charity care has been disclosed in Note 2 at the cost of providing the related services for the years ended December 31, 2011 and 2010. In accordance with FASB ASU 2010-24, the amount for unpaid professional liability claims has been recorded in the consolidated balance sheets and disclosed in Notes 10 and 17 based on the gross estimated liability and not net of anticipated insurance recoveries, which are recorded in the consolidated balance sheets and disclosed in Note 7 at December 31, 2011. FASB ASU 2010-24 does not require retroactive application and the estimated liability for unpaid professional liability claims, which are recorded net of anticipated insurance recoveries at December 31, 2010, in the consolidated balance sheets and in Notes 10 and 17. These changes in accounting principles did not change any component of the consolidated statements of operations or changes in net assets for the years ended December 31, 2011 or 2010.

**Subsequent events** - Subsequent events are events or transactions that occur after the consolidated balance sheet date but before consolidated financial statements are available to be issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheets, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheets but arose after the consolidated balance sheet date and before the consolidated financial statements are available to be issued.

The Organization has evaluated subsequent events through April 13, 2012, which is the date the consolidated financial statements were issued, and concluded that there were no events or transactions that need to be disclosed.

**Reclassifications** - Certain amounts reported in the 2010 consolidated financial statements have been reclassified to conform to the 2011 financial statement presentation.



## **BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **Note 3 - Net Patient and Resident Service Revenue**

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

**Medicare** - (Approximately 49% and 45% of gross patient service revenues for the years ended December 31, 2011 and 2010, respectively.) Inpatient acute care services provided to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. As a sole community hospital, the Organization is paid the higher of their updated sole community payment, adjusted for patient acuity, or the combined total of Federal Operating DRG payments, indirect medical education, and disproportionate share. Inpatient capital is paid on a prospectively determined rate and added to the inpatient operating reimbursement. Inpatient non-acute services, certain outpatient services, and graduate medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The majority of Medicare outpatient services are reimbursed under a prospective payment methodology (Ambulatory Payment Classification System). Benefis Hospitals, Inc.'s Medicare cost reports have been settled by the Medicare fiscal intermediary through December 31, 2006. Benefis Hospitals, Inc.'s classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with Benefis Hospitals, Inc.

**Medicaid** - (Approximately 11% and 12% of gross patient service revenues for the years ended December 31, 2011 and 2010, respectively.) Inpatient acute care services provided 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 reimbursed under a cost reimbursement methodology. Through December 31, 2008, the Organization was reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and settlements thereof by the Medicaid fiscal intermediary. Benefis Hospitals, Inc.'s Medicaid cost reports have been processed through the year ended December 31, 2006. Beginning with the year ended December 31, 2009, there are no cost report filing requirements or settlements.

**Blue Cross** - Inpatient and outpatient services rendered to Blue Cross subscribers are paid at a percentage of charges. The prospectively determined discount is not subject to retroactive adjustment.

**Resident services** - The Organization is reimbursed for resident services at prospective per diem rates that are determined on an inflation-adjusted basis subject to certain limitations as prescribed by the Montana Department of Health and Human Services regulations. Under the Medicare program, payment for resident services is made on a prospectively determined per diem rate, which varies based on a case-mix adjusted patient classification system.

**Other** - The Organization has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term.

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 3 - Net Patient and Resident Service Revenue (continued)**

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

	<u>2011</u>	<u>2010</u>
Total patient and resident service revenue	<u>\$ 606,979,867</u>	<u>\$ 567,570,770</u>
Contractual adjustments		
Medicare	(184,363,927)	(174,748,873)
Medicaid	(31,693,640)	(29,186,247)
Charity	(17,468,793)	(18,793,338)
Other	<u>(53,494,774)</u>	<u>(48,904,202)</u>
Total contractual adjustments	<u>(287,021,134)</u>	<u>(271,632,660)</u>
Net patient and resident service revenue	<u><u>\$ 319,958,733</u></u>	<u><u>\$ 295,938,110</u></u>

**Note 4 - Other Receivables**

Other receivables consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Beneficial interest in Benefis Health System Foundation	\$ -	\$ 2,273,578
Montana State Hospital Utilization Fee receivable	4,113,481	-
Other	<u>1,205,872</u>	<u>1,294,185</u>
	<u><u>\$ 5,319,353</u></u>	<u><u>\$ 3,567,763</u></u>

**Note 5 - Assets Limited as to Use**

The composition of assets limited as to use at December 31, 2011 and 2010, is shown in the following table. Investments are stated at fair value.

	<u>2011</u>	<u>2010</u>
By board		
For Foundation board-designated endowment fund		
Cash and cash equivalents	\$ 99,987	\$ -
Certificate of deposit	22,287	-
Mutual funds	302,570	-
Common stocks	947,959	-
Government obligations	328,866	-
Corporate bonds	<u>519,172</u>	<u>-</u>
	<u><u>2,220,841</u></u>	<u><u>-</u></u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 5 - Assets Limited as to Use (continued)**

	2011	2010
For capital improvements		
Cash and cash equivalents	\$ 11,652,773	\$ 18,127,342
Mutual funds	23,703,059	23,457,513
Common stocks	14,314,839	15,676,224
Government obligations	17,643,529	3,044,713
Corporate bonds	3,884,765	2,994,523
	<u>71,198,965</u>	<u>63,300,315</u>
	73,419,806	63,300,315
Less current portion	<u>(771,249)</u>	<u>(1,144,623)</u>
	<u><u>\$ 72,648,557</u></u>	<u><u>\$ 62,155,692</u></u>
Held by trustees		
For bond service		
Cash and cash equivalents	\$ 19,963,030	\$ 5,793,062
Certificate of deposit	1,088,588	-
Government obligations	21,404,249	8,757,076
	42,455,867	14,550,138
Less current portion	<u>(8,287,533)</u>	<u>(5,719,405)</u>
	<u><u>\$ 34,168,334</u></u>	<u><u>\$ 8,830,733</u></u>
Restricted		
For employee health trust		
Certificates of deposit	\$ 3,875,184	\$ 5,284,633
For workers' compensation trust		
Cash and cash equivalents	8,283	4,298
Certificates of deposit	3,068,901	3,078,536
	<u>3,077,184</u>	<u>3,082,834</u>
By donor		
Cash and cash equivalents	795,075	-
Certificate of deposit	177,219	-
Mutual funds	2,405,976	-
Common stocks	7,537,975	-
Government obligations	2,615,077	-
Corporate bonds	4,128,350	-
	<u>17,659,672</u>	<u>-</u>
For loan collateral		
Cash and cash equivalents	16,426	-
Mutual funds	1,199,063	1,156,192
Corporate bonds	477,008	475,775
	<u>1,692,497</u>	<u>1,631,967</u>
	26,304,537	9,999,434
Less current portion	<u>(1,225,364)</u>	<u>(914,000)</u>
	<u><u>\$ 25,079,173</u></u>	<u><u>\$ 9,085,434</u></u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 5 - Assets Limited as to Use (continued)**

**Investment income** - Investment income and gains and losses on assets limited as to use, cash equivalents, and other investments consist of the following for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Other operating revenue		
Investment income	<u>\$ 583,677</u>	<u>\$ 703,898</u>
Other income		
Interest and dividends	\$ 1,348,688	\$ 964,487
Realized gains on investments	<u>1,033,871</u>	<u>715,041</u>
	<u>\$ 2,382,559</u>	<u>\$ 1,679,528</u>
Other changes in unrestricted and temporarily and permanently restricted net assets		
Change in unrealized gains and losses on investments	<u>\$ (2,186,421)</u>	<u>\$ 4,212,337</u>

**Note 6 - Property and Equipment**

A summary of property and equipment at December 31 follows:

	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 16,119,497	\$ 15,156,153
Buildings and improvements	335,233,896	316,035,211
Fixed, major movable, and minor equipment	170,909,366	163,040,842
Construction in progress	<u>11,001,466</u>	<u>4,562,280</u>
	533,264,225	498,794,486
Less accumulated depreciation	<u>(228,050,761)</u>	<u>(203,670,072)</u>
Net property and equipment	<u>\$ 305,213,464</u>	<u>\$ 295,124,414</u>

The Organization capitalized \$1,655,039 and \$333,832 of interest costs related to construction in progress for the years ended December 31, 2011 and 2010, respectively. The Organization also capitalized \$54,678 and \$0 of interest income, an offset to the interest costs, related to funds held for construction in progress for the years ended December 31, 2011 and 2010, respectively.

# **BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 7 - Other Assets**

Other assets consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Beneficial interest in Benefis Health System Foundation	\$ -	\$ 7,111,274
Deferred financing costs, net of accumulated amortization of \$1,060,591 in 2011 and \$770,972 in 2010	4,558,913	2,962,706
Investment in joint ventures	2,868,220	1,507,960
Deferred compensation plan assets	1,257,047	1,056,900
Estimated insurance recoveries	3,741,531	-
Fair value of interest rate swap	-	30,828
Other	1,626,759	618,398
	<u>\$ 14,052,470</u>	<u>\$ 13,288,066</u>

### **Note 8 - Other Accrued Liabilities**

Other current liabilities consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Accrued interest payable	\$ 4,230,392	\$ 3,049,122
Estimated liability for unpaid claims under The Health Trust	1,225,364	914,000
Estimated liability for unpaid professional liability claims	343,169	200,000
State of Montana Hospital Utilization Fee payable and other	2,480,721	7,939,979
	<u>\$ 8,279,646</u>	<u>\$ 12,103,101</u>

### **Note 9 - Long-Term Debt**

Long-term debt consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Montana Facility Finance Authority Revenue Bonds, Series 2007, plus unamortized premium of \$2,298,990 and \$2,464,068 with interest rates varying from 4.00% to 5.00%, with annual principal payments increasing from \$2,915,000 to \$6,550,000 through January 1, 2037, secured by facilities, payable by BMG, Benefis Hospitals, Inc., and Benefis Health System Administration	\$ 120,088,990	\$ 123,059,068
Montana Facility Finance Authority Revenue Bonds, Series 2011A, net of unamortized discount of \$678,910 with interest rates varying from 2.00% to 5.75%, with annual principal payments increasing from \$65,000 to \$5,360,000 through January 1, 2025, with a lump-sum payment of \$27,840,000 due January 2031, secured by accounts receivable, facilities, and gross revenues, payable by BMG, Benefis Hospitals, Inc., and Benefis Health System Administration	41,406,090	-

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 9 - Long-Term Debt (continued)**

	<u>2011</u>	<u>2010</u>
Montana Facility Finance Authority Revenue Bonds, Series 2011B, with interest rates at 74% of LIBOR plus 1 11% (1 42% at December 31, 2011), with annual principal payments increasing from \$605,000 to \$1,295,000 through June 1, 2030, secured by facilities, payable by BMG, Benefis Hospitals, Inc , and Benefis Health System Administration	17,605,000	-
Note payable to bank, due in annual principal payments from \$515,255 to \$1,470,712 plus quarterly interest payments at LIBOR plus 1 50% (1 93% as of December 31, 2011) through June 1, 2030, secured by facilities, payable by BMG, Benefis Hospitals, Inc , and Benefis Health System Administration	17,395,000	-
Line of credit payable to a bank, paid off in 2011	-	31,655,000
Note payable to bank, due in quarterly principal payments from \$44,474 to \$65,675 plus interest at LIBOR plus 2 75% with a floor of 5 00% (5 00% at December 31, 2011) through March 2017, with a lump-sum payment of \$14,630,949 due in March 2017, secured by buildings and a collateral account, payable by BBB	15,734,629	15,959,984
Variable rate note payable to Providence Health (4 25% at December 31, 2011), due in annual installments of \$800,000 plus interest, through October 2016, unsecured, payable by Benefis Hospitals, Inc	4,000,000	4,800,000
Note payable to bank, due in monthly principal payments from \$11,785 to \$18,868 plus interest at LIBOR plus 3 25% with a floor of 5 00% (5 00% at December 31, 2011) through May 2019, with a lump-sum payment of \$2,499,424 due in May 2019, secured by building, payable by The Peak	3,858,438	3,995,262
Note payable to bank, due in monthly principal payments from \$11,171 to \$19,917 plus interest at the bank's prime rate plus 0 50% with a floor of 5 00% (5 00% at December 31, 2011) through January 2021, with a lump-sum payment of \$1,678,661 due in January 2021, secured by building, payable by The Peak	3,278,495	-
Note payable to bank, due in monthly principal payments of \$32,617, including interest at 3 76%, through September 2015, secured by equipment, payable by ASC	1,366,965	1,700,150
Other debt for The Peak	<u>200,202</u>	<u>4,140</u>
	224,933,809	181,173,604
Less current portion	<u>(5,889,687)</u>	<u>(4,633,789)</u>
Long-term debt, net of current portion	<u>\$ 219,044,122</u>	<u>\$ 176,539,815</u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 9 - Long-Term Debt (continued)**

Long-term debt maturities are as follows:

2012	\$ 5,889,687
2013	6,025,252
2014	6,317,148
2015	6,530,829
2016	6,616,984
Thereafter	<u>191,933,829</u>
	223,313,729
Unamortized bond premium and discount	<u>1,620,080</u>
	<u><u>\$ 224,933,809</u></u>

**Note 10 - Other Long-Term Liabilities**

Other long-term liabilities consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Estimated liability for unpaid workers' compensation claims	\$ 4,672,783	\$ 6,096,867
Deferred compensation plan liability	1,015,286	864,396
Estimated liability for unpaid professional liability claims	5,945,473	2,477,384
Fair value of interest rate swap	6,388,726	1,157,304
Gift annuities payable	<u>303,909</u>	<u>-</u>
	18,326,177	10,595,951
Less amounts shown as other current liabilities	<u>(343,169)</u>	<u>(200,000)</u>
	<u><u>\$ 17,983,008</u></u>	<u><u>\$ 10,395,951</u></u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 11 - Net Assets**

The changes in consolidated unrestricted net assets attributable to the Organization and transfers to and from noncontrolling interest are as follows for the years ended December 31:

	Total	Controlling Interest	Noncontrolling Interest
Balance, December 31, 2009	\$ 231,086,442	\$ 230,715,590	\$ 370,852
Excess of revenues over expenses	12,452,651	11,553,739	898,912
Contributions and grants	722,098	722,098	-
Change in unrealized gains and losses on investments	4,212,337	4,212,337	-
Loss on interest rate swap agreement	(1,099,500)	(651,684)	(447,816)
Contributions from noncontrolling members	85,000	-	85,000
Distributions to noncontrolling members	(536,500)	-	(536,500)
Increase (decrease) in net assets	15,836,086	15,836,490	(404)
Balance, December 31, 2010	246,922,528	246,552,080	370,448
Excess of revenues over expenses	14,997,289	14,036,904	960,385
Contributions and grants	217,310	217,310	-
Contribution received in donation of Benefis Health System Foundation	3,948,598	3,948,598	-
Change in unrealized gains and losses on investments	(2,186,421)	(2,186,421)	-
Loss on interest rate swap agreement	(5,262,250)	(4,556,970)	(705,280)
Contributions from noncontrolling members	10,000	-	10,000
Distributions to noncontrolling members	(1,147,140)	-	(1,147,140)
Increase (decrease) in net assets	10,577,386	11,459,421	(882,035)
Balance, December 31, 2011	\$ 257,499,914	\$ 258,011,501	\$ (511,587)

Temporarily restricted net assets of \$3,274,065 and \$2,273,578 are available for health care services and other various program purposes at December 31, 2011 and 2010, respectively.

Permanently restricted net assets of \$13,591,901 and \$7,111,274 at December 31, 2011 and 2010, respectively, are restricted to investments to be held in perpetuity, the income from which is expendable to support various services (Note 12).



# **BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 12 - Endowment**

The Organization has an endowment as a result of the acquisition of the Foundation by the Organization (Note 18). The Foundation's endowment consists of four separate investment pools established for a variety of purposes. This endowment includes both donor-restricted endowment funds and funds designated by the Foundation's board of directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of relevant law** - The board of directors of the Foundation is in the process of determining its policy under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) regarding the need to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors when making a determination to appropriate or accumulate donor-restricted endowment funds:

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

**Endowment spending policy** - It is the goal of the Foundation to provide annual distributions to support the programs it has identified within its various missions. This goal needs to be balanced with an equally important goal of growing the principal of the pools in real terms. The finance committee of the Foundation's board of directors has taken into consideration the impact cash withdrawals play upon the volatility of a portfolio over time. Taking this into account, the finance committee of the Foundation's board of directors has set annual withdrawal policy limits for each pool.

**Investment return objective** - The investment pools of the Foundation are maintained to provide total return through capital appreciation, dividends, and interest income. They are to be invested using sound practices that emphasize long-term investment fundamentals since the Foundation has a time horizon sufficiently long that performance is to be measured over multiple market cycles. It is hoped that through careful management of these assets, the total return will be sufficient to both support the annual distribution needs of the Foundation's programs and continually grow the overall principal of the pools in real terms, while also taking into account the rate of inflation.

# BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Note 12 - Endowment (continued)

**Risk tolerance** - It is the goal of the Foundation to maximize the return of its investment pools with a reasonable and prudent level of risk. The Foundation's finance committee recognizes and acknowledges that there is a relationship between the level of risk assumed and the level of return that can be expected in an investment account. In establishing risk tolerances for each pool, the finance committee has considered both the financial ability to withstand this risk and the willingness to accept this volatility.

**Asset allocation** - The Foundation recognizes that the strategic allocation of assets across broadly defined financial, asset, and specific investment classes is critical in reducing the volatility of the portfolio and in achieving its long-term performance objectives. Taking into account the Foundation's return objectives and risk tolerance, the Foundation's finance committee has set the general asset allocation rules that detail the asset mix between equity and fixed income for each pool.

**Strategies** - The investment objective and risk-level strategies defined below are ranked in descending order from most aggressive to most conservative:

**Aggressive growth strategy** - Primary goal is to build significant wealth over time. This strategy is characterized by a willingness to accept a high level of risk in pursuit of above-average returns.

**Growth strategy** - Primary goal is capital appreciation through investing in assets that are expected to grow at an above-average rate compared to its industry or the overall market. This strategy has a moderate to high risk.

**Growth and income strategy** - Primary goal is to preserve the real value of the capital while achieving at least a moderate income stream. This strategy requires assuming at least a moderate risk.

**Income and growth strategy** - Primary goal is a relatively stable income stream with a secondary goal of growth and rising income potential. This strategy has a lower to moderate risk.

**Income strategy** - Primary goal is preservation of capital. This strategy is conservative and may provide some current income and little or no opportunity for growth.

**Funds with deficiencies** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions. There were no such deficiencies as of December 31, 2011.

The endowment net asset composition by type of fund at December 31, 2011, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	\$ -	\$ 185,821	\$ 13,591,901	\$ 13,777,722
Board-designated endowment fund	2,220,841	-	-	2,220,841
	<u>\$ 2,220,841</u>	<u>\$ 185,821</u>	<u>\$ 13,591,901</u>	<u>\$ 15,998,563</u>

# **BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 13 - Benefit Plans**

**Qualified pension plans** - Benefis Hospitals, Inc., Spectrum, BMG, and Benefis Health System Administration have a defined contribution pension plan under Internal Revenue Code Section 403(b) covering all employees upon employment. Upon completion of one year of service, with at least 1,040 hours, for those employees with a contribution percentage of at least 2.5%, Benefis Hospitals, Inc., Spectrum, BMG, and Benefis Health System Administration contribute a matching percentage, which increases from 5% to 7% depending on the number of years of service.

The Peak has a defined contribution pension plan qualified under the Internal Revenue Code as a Savings Incentive Match Plan for Employees (SIMPLE) that provides benefits to employees who have earned at least \$5,000 during the previous two years. Under the SIMPLE, The Peak provides a matching contribution of up to 2% of the employee's wages.

BMG also had a defined contribution plan (401(k)) available to the employees until June 24, 2010. BMG matched 200% of the employee's contribution up to a maximum of 6% of the employee's compensation.

**Nonqualified deferred compensation plan** - Benefis provides a Section 457 nonqualified deferred compensation plan for certain employees.

Pension expense under the plans totaled \$3,971,954 and \$4,600,401 for the years ended December 31, 2011 and 2010, respectively.

### **Note 14 - Concentrations of Credit Risk**

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

	<u>2011</u>	<u>2010</u>
Medicare	29%	32%
Medicaid	10%	12%
Self-pay patients and residents	35%	28%
Other third-party payors	9%	8%
Commercial insurance	11%	12%
Blue Cross	<u>6%</u>	<u>8%</u>
	<u><u>100%</u></u>	<u><u>100%</u></u>

Certain of the Organization's cash and cash equivalents are in deposit accounts at various financial institutions. The amount on deposit fluctuates and, at times, exceeds the limit insured by the FDIC, which potentially subjects the Organization to credit risk in the event the financial institutions become insolvent.

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 15 - Functional Expenses**

The Organization provides health care, education, and social services to patients and residents within its geographic location. Expenses related to providing these services by functional class for the years ended December 31 are as follows:

	2011	2010
Patient health care and other program services	\$ 213,679,699	\$ 187,344,597
General and administrative	112,010,724	115,432,744
	<u>\$ 325,690,423</u>	<u>\$ 302,777,341</u>

**Note 16 - Fair Value of Financial Instruments**

Under accounting principles, a financial instrument is defined as cash, evidence of an ownership in an entity, or a contract between two entities to deliver cash or another financial instrument or to exchange other instruments. The disclosure requirements exclude leases, affiliate investments, pension and benefit obligations, insurance contracts, and all nonfinancial instruments. The estimated fair value of certain financial instruments is reflected in the accompanying consolidated balance sheets in the following manner. The carrying amount of cash and cash equivalents, accounts payable and accrued expenses, and net payables to contractual agencies approximates the fair value of these instruments. Fair values of investments and assets limited as to use are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. The fair value of long-term debt is estimated using either quoted market prices or discounted cash flows based on borrowing rates currently available to the Organization. The estimated fair value of long-term debt reported in the consolidated balance sheets is approximately \$278,040,000 and \$176,000,000 at December 31, 2011 and 2010, respectively.

The following table discloses by level the fair value hierarchy discussed in Note 2:

	Total	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2011</b>				
Other assets				
Interest rate swap	\$ -	\$ -	\$ -	\$ -
Assets whose use is limited				
Cash and cash equivalents	\$ 32,535,574	\$ 32,535,574	\$ -	\$ -
Certificates of deposit	8,232,179	-	8,232,179	-
Mutual funds				
Equity securities - large cap	15,832,991	15,832,991	-	-
Equity securities - small/mid cap	2,832,180	2,832,180	-	-
Equity securities - international	2,848,040	2,848,040	-	-
Fixed income	6,097,457	6,097,457	-	-
Common stock				
Equity securities - large cap	17,216,674	17,216,674	-	-
Equity securities - small/mid cap	3,499,575	3,499,575	-	-
Equity securities - international	2,084,524	2,084,524	-	-
Government obligations	41,991,721	-	41,991,721	-
Corporate bonds	9,009,295	-	9,009,295	-
	<u>\$142,180,210</u>	<u>\$ 82,947,015</u>	<u>\$ 59,233,195</u>	<u>\$ -</u>
Other long-term liabilities				
Interest rate swaps	\$ 6,388,726	\$ -	\$ 6,388,726	\$ -

# BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 16 - Fair Value of Financial Instruments (continued)

2010	Total	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other assets				
Interest rate swap	\$ 30,828	\$ -	\$ 30,828	\$ -
Assets whose use is limited				
Cash and cash equivalents	\$ 23,924,702	\$ 23,924,702	\$ -	\$ -
Certificates of deposit	8,363,169	-	8,363,169	-
Mutual funds				
Equity securities - large cap	13,376,849	13,376,849	-	-
Equity securities - small/mid cap	2,697,664	2,697,664	-	-
Equity securities - international	2,746,074	2,746,074	-	-
Fixed income	5,793,118	5,793,118	-	-
Common stock				
Equity securities - large cap	8,582,272	8,582,272	-	-
Equity securities - small/mid cap	4,865,750	4,865,750	-	-
Equity securities - international	2,228,202	2,228,202	-	-
Government obligations	11,801,789	-	11,801,789	-
Corporate bonds	3,470,298	-	3,470,298	-
	<u>\$ 87,849,887</u>	<u>\$ 64,214,631</u>	<u>\$ 23,635,256</u>	<u>\$ -</u>
Other long-term liabilities				
Interest rate swaps	\$ 1,157,304	\$ -	\$ 1,157,304	\$ -

### Note 17 - Commitments and Contingencies

**Operating leases** - The Organization leases certain equipment under noncancelable long-term operating lease agreements. Total lease expense for the years ended December 31, 2011 and 2010, for all operating leases was \$3,562,000 and \$5,392,000, respectively.

Minimum future lease payments for the operating leases are as follows:

2012	\$ 206,000
2013	205,000
2014	190,000
2015	<u>126,000</u>
	<u>\$ 727,000</u>

**Professional liability** - Professional liability claims have been asserted against Benefis by certain claimants and are in various stages of investigation and litigation. Benefis is insured through a captive insurance company that provides coverage on a claims-made basis subject to a limit of \$1,000,000 per claim with an annual aggregate limit of \$3,000,000. Benefis has purchased excess liability coverage that provides coverage for claims in excess of the \$3,000,000 annual aggregate limit.

## BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### **Note 17 - Commitments and Contingencies (continued)**

Benefis has recorded a liability of \$5,945,473 and \$2,477,384 at December 31, 2011 and 2010, respectively. The balance is included in other current and long-term liabilities in the accompanying consolidated balance sheets for an estimated liability related to the deductibles and other expenses associated with reported and unreported professional liability claims.

**Workers' compensation** - Benefis maintains a self-insurance program for workers' compensation. Insurance policies through commercial insurance carriers are in force to provide coverage for claims in excess of self-insurance limits. Benefis has recorded a liability for the estimated future costs of claims for which payments will be made. At December 31, 2011 and 2010, the estimated liability for future claims costs totaled \$4,672,783 and \$6,096,867, respectively. These amounts are included in other long-term liabilities in the accompanying consolidated balance sheets. The calculation for the 2011 liability included a discount of 1%.

**Employee Health and Welfare Trust** - Benefis has a self-insured plan (The Health Trust) for its group health and dental insurance whose estimated liabilities of \$1,225,364 and \$914,000 at December 31, 2011 and 2010, respectively, are included in other current liabilities in the accompanying consolidated balance sheets. Insurance policies through commercial insurance companies are in force to provide coverage for certain claims in excess of self-insurance limits.

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

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with those laws and regulations, specifically those relating to 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. Management believes that the Organization is in substantial compliance with current laws and regulations.

**Guarantees** - Benefis is a guarantor of all the debt for The Peak, which is included in the consolidated financial statements. Benefis is also the guarantor for 60% of the BBB debt and 50% of the ASC debt.

**Commitments** - The Organization has signed contracts that have committed it to construction costs of approximately \$24,800,000.

# **BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 18 - Acquisition of Benefis Health System Foundation**

The Foundation was established in 1998 with the merger of the Montana Gift of Life Foundation and Montana Deaconess Foundation as a new Montana nonprofit corporation and it obtained federal tax exemption pursuant to Section 501(3) of the IRC and public charity status pursuant to IRC Section 170(b)(1)(A)(vi). From its establishment, the Foundation's primary mission has been to raise funds to support Benefis and improve and enhance health care services for people throughout north central Montana. As a result, Benefis had certain representation on the Foundation board and approval rights regarding certain issues. Times have certainly changed since 1998 and today's health care realities call for more integration among all parts of the health care delivery system. To facilitate that integration and to enhance collaboration, coordination, and cost effectiveness, the board of the Foundation, on December 13, 2011, approved changes to its Articles of Incorporation and Bylaws that made Benefis the sole and controlling member of the Foundation and modified its name to the Benefis Health System Foundation. As the sole member of the Foundation, Benefis elects the board of the Foundation and has reserve powers over certain fundamental issues affecting the Foundation's governance and operation. This amendment also provided Benefis with absolute control over all aspects of the Foundation, including the sole voting interest. In accordance with applicable accounting standards, this has been treated as an acquisition on the date that Benefis acquired the control of the Foundation. In the acquisition of the Foundation, Benefis acquired the following assets and assumed the following liabilities:

Assets acquired	
Cash and cash equivalents	\$ 175,812
Other receivables	215,767
Assets limited as to use	19,880,513
Other assets	<u>848,560</u>
	<u><u>\$ 21,120,652</u></u>
Liabilities assumed	
Accounts payable	<u><u>\$ 306,088</u></u>

Prior to the acquisition of control of the Foundation, Benefis recorded a beneficial interest in the assets of the Foundation (Note 2). The balance of the beneficial interest was \$9,384,852 at December 31, 2010. At December 13, 2011, the date of acquisition, the balance of the beneficial interest was \$9,944,928. The difference between the acquired net assets of the Foundation and the beneficial interest at the date of acquisition was recorded as an inherent contribution in the following amounts:

Inherent contribution received	
Unrestricted	\$ 3,948,598
Temporarily restricted	541,844
Permanently restricted	<u>6,379,194</u>
	<u><u>\$ 10,869,636</u></u>

**SUPPLEMENTARY CONSOLIDATING SCHEDULES**

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**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2011**

ASSETS					
	Benefis Hospitals, Inc.	Benefis Spectrum Medical, Inc.	Great Falls Athletic Club	Employee Health Plan Trust	Benefis Medical Group
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 3,967,690	\$ (19,866)	\$ 159,186	\$ 237,581	\$ (54,808)
Assets limited as to use	5,771,555	-	-	1,225,364	-
Receivables					
Patient and resident, net	41,094,909	1,188,932	41,218	-	10,379,496
Affiliates	60,964,087	2,701,977	-	-	5,798,492
Other	4,761,423	(874)	-	10,420	313,771
Supplies	7,303,703	420,078	39,889	-	1,071,585
Other	841,872	212,750	-	-	(135,846)
Total current assets	124,705,239	4,502,997	240,293	1,473,365	17,372,690
<b>ASSETS LIMITED AS TO USE</b>					
By board	-	-	-	-	-
Held by trustees	9,396,927	-	-	-	-
Restricted	-	-	-	2,649,820	-
Total assets limited as to use, net	9,396,927	-	-	2,649,820	-
<b>PROPERTY AND EQUIPMENT</b>	53,647,463	4,245,815	7,771,439	-	2,878,031
<b>OTHER ASSETS</b>	2,719,598	294,467	65,899	-	-
Total assets	\$ 190,469,227	\$ 9,043,279	\$ 8,077,631	\$ 4,123,185	\$ 20,250,721
LIABILITIES AND NET ASSETS					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 6,702,628	\$ 225,922	\$ 296,302	\$ 133,633	\$ 1,550,251
Payable to affiliates	47,112,371	1,640,701	-	-	17,504,957
Accrued compensation and benefits	6,325,029	564,679	68,867	-	1,173,714
Estimated third-party payor settlements	4,710,666	-	-	-	-
Other accrued liabilities	4,436,111	428,002	-	1,244,370	46,011
Current portion of long-term debt	2,915,000	-	320,256	-	-
Total current liabilities	72,201,805	2,859,304	685,425	1,378,003	20,274,933
<b>LONG-TERM DEBT, net of current portion</b>	117,173,990	-	7,016,879	-	-
<b>OTHER LONG-TERM LIABILITIES</b>	242,350	-	781,045	-	-
Total liabilities	189,618,145	2,859,304	8,483,349	1,378,003	20,274,933
<b>NET ASSETS</b>					
Unrestricted					
Benefis Health System, Inc	851,082	6,183,975	(405,718)	2,745,182	(24,212)
Noncontrolling interest	-	-	-	-	-
Temporarily restricted	-	-	-	-	-
Permanently restricted	-	-	-	-	-
Total net assets	851,082	6,183,975	(405,718)	2,745,182	(24,212)
Total liabilities and net assets	\$ 190,469,227	\$ 9,043,279	\$ 8,077,631	\$ 4,123,185	\$ 20,250,721

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2011**

Benefis Sletten Hi-Line Cancer Center, LLC	Orthopedic Center of Montana	BBB, LLC	Ambulatory Surgery Center, LLC	Benefis Health System Foundation	Benefis Health System Administration	Eliminations	Consolidated Total
\$ 49,211	\$ 8,087	\$ 447,765	\$ 32,562	\$ 175,812	\$ 16,053,415	\$ -	\$ 21,056,635
-	-	-	-	-	3,287,227	-	10,284,146
309,116	-	-	918,685	-	259,513	-	54,191,869
116,606	-	7,352	-	-	61,174,665	(130,763,179)	-
-	-	-	-	215,767	18,846	-	5,319,353
-	-	-	330,357	-	-	-	9,165,612
(369)	-	-	-	32,795	298,262	-	1,249,464
<u>474,564</u>	<u>8,087</u>	<u>455,117</u>	<u>1,281,604</u>	<u>424,374</u>	<u>81,091,928</u>	<u>(130,763,179)</u>	<u>101,267,079</u>
-	-	-	-	2,220,841	70,427,716	-	72,648,557
-	-	-	-	-	24,771,407	-	34,168,334
-	-	-	-	17,659,672	4,769,681	-	25,079,173
-	-	-	-	19,880,513	99,968,804	-	131,896,064
<u>1,200,890</u>	<u>-</u>	<u>14,553,367</u>	<u>1,461,957</u>	<u>-</u>	<u>219,714,695</u>	<u>(260,193)</u>	<u>305,213,464</u>
-	-	604,173	-	815,765	19,200,313	(9,647,745)	14,052,470
<u>\$ 1,675,454</u>	<u>\$ 8,087</u>	<u>\$ 15,612,657</u>	<u>\$ 2,743,561</u>	<u>\$ 21,120,652</u>	<u>\$ 419,975,740</u>	<u>\$ (140,671,117)</u>	<u>\$ 552,429,077</u>
\$ 61,935	\$ 396	\$ 39,273	\$ 108,093	\$ 2,179	\$ 3,995,587	\$ -	\$ 13,116,199
253,876	275	12,321	9,630	-	64,229,048	(130,763,179)	-
-	-	-	-	-	907,580	-	9,039,869
-	-	-	-	-	-	-	4,710,666
-	-	131,820	-	-	1,993,332	-	8,279,646
-	-	193,022	391,409	-	2,070,000	-	5,889,687
<u>315,811</u>	<u>671</u>	<u>376,436</u>	<u>509,132</u>	<u>2,179</u>	<u>73,195,547</u>	<u>(130,763,179)</u>	<u>41,036,067</u>
-	-	15,541,607	975,556	-	78,336,090	-	219,044,122
-	-	1,925,959	146,782	303,909	14,972,095	(389,132)	17,983,008
<u>315,811</u>	<u>671</u>	<u>17,844,002</u>	<u>1,631,470</u>	<u>306,088</u>	<u>166,503,732</u>	<u>(131,152,311)</u>	<u>278,063,197</u>
1,359,643	7,416	(2,231,345)	1,112,091	3,948,598	253,472,008	(9,007,219)	258,011,501
-	-	-	-	-	-	(511,587)	(511,587)
-	-	-	-	3,274,065	-	-	3,274,065
-	-	-	-	13,591,901	-	-	13,591,901
<u>1,359,643</u>	<u>7,416</u>	<u>(2,231,345)</u>	<u>1,112,091</u>	<u>20,814,564</u>	<u>253,472,008</u>	<u>(9,518,806)</u>	<u>274,365,880</u>
<u>\$ 1,675,454</u>	<u>\$ 8,087</u>	<u>\$ 15,612,657</u>	<u>\$ 2,743,561</u>	<u>\$ 21,120,652</u>	<u>\$ 419,975,740</u>	<u>\$ (140,671,117)</u>	<u>\$ 552,429,077</u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2011**

	Benefis Hospitals, Inc	Benefis Spectrum Medical, Inc	Great Falls Athletic Club	Employee Health Plan Trust	Benefis Medical Group
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT					
Net patient and resident service revenue	\$ 267,002,934	\$ 7,893,949	\$ -	\$ -	\$ 39,514,798
Other operating revenue	9,963,908	3,987,974	3,229,377	11,175,851	814,320
Total revenues, gains, and other support	276,966,842	11,881,923	3,229,377	11,175,851	40,329,118
OPERATING EXPENSES					
Salaries and wages	81,405,564	6,381,879	1,202,448	-	28,743,359
Employee benefits	16,201,997	1,438,961	200,771	11,848,093	3,147,551
Professional fees	42,809,671	634,070	117,725	731,788	7,826,075
Supplies	50,858,291	1,636,661	259,099	-	13,768,025
Purchased services	15,616,807	115,645	206,813	36,424	1,552,572
Depreciation	8,837,770	231,080	245,370	-	567,729
Interest	5,778,618	-	242,206	-	9
Provision for bad debts	14,215,271	87,625	21,698	-	1,268,005
Other	13,119,301	649,427	370,861	-	(279,726)
Total operating expenses	248,843,290	11,175,348	2,866,991	12,616,305	56,593,599
OPERATING INCOME (LOSS)	28,123,552	706,575	362,386	(1,440,454)	(16,264,481)
OTHER INCOME (EXPENSE)	-	(17,869)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	28,123,552	688,706	362,386	(1,440,454)	(16,264,481)
CONTRIBUTIONS AND GRANTS	-	-	-	-	-
CONTRIBUTION RECEIVED IN DONATION OF BENEFIS HEALTH SYSTEM FOUNDATION	-	-	-	-	-
CHANGE IN UNREALIZED GAINS AND LOSSES ON INVESTMENTS	325,938	-	-	(21,981)	-
LOSS ON INTEREST RATE SWAP AGREEMENT	-	-	(811,873)	-	-
INTERAFFILIATE TRANSFERS	(8,366,485)	115,501	(196,860)	-	9,050,000
CONTRIBUTIONS FROM NONCONTROLLING MEMBERS	-	-	-	-	-
DISTRIBUTIONS TO NONCONTROLLING MEMBERS	-	-	(189,140)	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 20,083,005</u>	<u>\$ 804,207</u>	<u>\$ (835,487)</u>	<u>\$ (1,462,435)</u>	<u>\$ (7,214,481)</u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2011**

<u>Benefis Sletten Hi-Line Cancer Center, LLC</u>	<u>Orthopedic Center of Montana</u>	<u>BBB, LLC</u>	<u>Ambulatory Surgery Center, LLC</u>	<u>Benefis Health System Foundation</u>	<u>Benefis Health System Administration</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
\$ 427,560	\$ -	\$ -	\$ 5,119,492	\$ -	\$ -	\$ -	\$ 319,958,733
41,268	-	2,310,618	-	-	24,210,779	(37,369,806)	18,364,289
<u>468,828</u>	<u>-</u>	<u>2,310,618</u>	<u>5,119,492</u>	<u>-</u>	<u>24,210,779</u>	<u>(37,369,806)</u>	<u>338,323,022</u>
-	-	-	777,656	-	7,666,346	-	126,177,252
1,914	-	-	123,054	-	2,534,326	(8,178,673)	27,317,994
66,335	15,402	47,236	6,409	-	5,895,998	(35,417,133)	22,733,576
5,345	2,701	3,261	969,806	-	578,723	(4,940,452)	63,141,460
52,722	713	395,200	470,854	-	3,894,346	(2,433,811)	19,908,285
334,836	-	775,602	272,708	-	13,604,755	-	24,869,850
-	-	1,087,580	60,056	-	1,490,563	-	8,659,032
16,039	-	-	121,362	-	-	-	15,730,000
472,949	-	181,636	589,217	-	4,997,062	(2,947,753)	17,152,974
<u>950,140</u>	<u>18,816</u>	<u>2,490,515</u>	<u>3,391,122</u>	<u>-</u>	<u>40,662,119</u>	<u>(53,917,822)</u>	<u>325,690,423</u>
(481,312)	(18,816)	(179,897)	1,728,370	-	(16,451,340)	16,548,016	12,632,599
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,364,690</u>	<u>17,869</u>	<u>2,364,690</u>
(481,312)	(18,816)	(179,897)	1,728,370	-	(14,086,650)	16,565,885	14,997,289
-	-	-	-	-	217,310	-	217,310
-	-	-	-	3,948,598	-	-	3,948,598
-	-	-	-	-	(2,512,360)	21,982	(2,186,421)
-	-	(768,655)	-	-	(4,556,970)	875,248	(5,262,250)
-	10,000	(117,000)	(880,000)	-	8,366,485	(7,981,641)	-
-	10,000	-	-	-	-	-	10,000
<u>-</u>	<u>-</u>	<u>(78,000)</u>	<u>(880,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,147,140)</u>
<u>\$ (481,312)</u>	<u>\$ 1,184</u>	<u>\$ (1,143,552)</u>	<u>\$ (31,630)</u>	<u>\$ 3,948,598</u>	<u>\$ (12,572,185)</u>	<u>\$ 9,481,474</u>	<u>\$ 10,577,386</u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2011**

	Benefis Hospitals, Inc	Benefis Spectrum Medical, Inc	Great Falls Athletic Club	Employee Health Plan Trust	Benefis Medical Group
UNRESTRICTED, beginning of year	<u>\$ (19,231,923)</u>	<u>\$ 5,379,768</u>	<u>\$ 429,769</u>	<u>\$ 4,207,617</u>	<u>\$ 7,190,269</u>
Excess (deficiency) of revenues over expenses	28,123,552	688,706	362,386	(1,440,454)	(16,264,481)
Contributions and grants	-	-	-	-	-
Contribution received in donation of Benefis Health System Foundation	-	-	-	-	-
Change in unrealized gains and losses on investments	325,938	-	-	(21,981)	-
Loss on interest rate swap agreement	-	-	(811,873)	-	-
Interaffiliate transfers	(8,366,485)	115,501	(196,860)	-	9,050,000
Contributions from noncontrolling members	-	-	-	-	-
Distributions to noncontrolling members	-	-	(189,140)	-	-
	<u>20,083,005</u>	<u>804,207</u>	<u>(835,487)</u>	<u>(1,462,435)</u>	<u>(7,214,481)</u>
UNRESTRICTED, end of year	<u><u>\$ 851,082</u></u>	<u><u>\$ 6,183,975</u></u>	<u><u>\$ (405,718)</u></u>	<u><u>\$ 2,745,182</u></u>	<u><u>\$ (24,212)</u></u>
TEMPORARILY RESTRICTED, beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in beneficial interest in Benefis Health System Foundation	-	-	-	-	-
Contribution received in donation of Benefis Health System Foundation	-	-	-	-	-
Interaffiliate transfers	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in temporarily restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TEMPORARILY RESTRICTED, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
PERMANENTLY RESTRICTED, beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in beneficial interest in Benefis Health System Foundation	-	-	-	-	-
Contribution received in donation of Benefis Health System Foundation	-	-	-	-	-
Interaffiliate transfers	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in permanently restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
PERMANENTLY RESTRICTED, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2011**

Benefis Sletten Hi-Line Cancer Center, LLC	Orthopedic Center of Montana	BBB, LLC	Ambulatory Surgery Center, LLC	Benefis Health System Foundation	Benefis Health System Administration	Eliminations	Consolidated Total
\$ 1,840,955	\$ 6,232	\$ (1,087,793)	\$ 1,143,721	\$ -	\$ 266,044,193	\$ (19,000,280)	\$ 246,922,528
(481,312)	(18,816)	(179,897)	1,728,370	-	(14,086,650)	16,565,885	14,997,289
-	-	-	-	-	217,310	-	217,310
-	-	-	-	3,948,598	-	-	3,948,598
-	-	-	-	-	(2,512,360)	21,982	(2,186,421)
-	-	(768,655)	-	-	(4,556,970)	875,248	(5,262,250)
-	10,000	(117,000)	(880,000)	-	8,366,485	(7,981,641)	-
-	10,000	-	-	-	-	-	10,000
-	-	(78,000)	(880,000)	-	-	-	(1,147,140)
(481,312)	1,184	(1,143,552)	(31,630)	3,948,598	(12,572,185)	9,481,474	10,577,386
\$ 1,359,643	\$ 7,416	\$ (2,231,345)	\$ 1,112,091	\$ 3,948,598	\$ 253,472,008	\$ (9,518,806)	\$ 257,499,914
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,273,578	\$ -	\$ 2,273,578
-	-	-	-	-	458,643	-	458,643
-	-	-	-	541,844	-	-	541,844
-	-	-	-	2,732,221	(2,732,221)	-	-
-	-	-	-	3,274,065	(2,273,578)	-	1,000,487
\$ -	\$ -	\$ -	\$ -	\$ 3,274,065	\$ -	\$ -	\$ 3,274,065
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,111,274	\$ -	\$ 7,111,274
-	-	-	-	-	101,433	-	101,433
-	-	-	-	6,379,194	-	-	6,379,194
-	-	-	-	7,212,707	(7,212,707)	-	-
-	-	-	-	13,591,901	(7,111,274)	-	6,480,627
\$ -	\$ -	\$ -	\$ -	\$ 13,591,901	\$ -	\$ -	\$ 13,591,901

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2010**

	ASSETS				
	Benefis Hospitals, Inc.	Benefis Spectrum Medical, Inc.	Great Falls Athletic Club	Employee Health Plan Trust	Benefis Medical Group
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 23,198,521	\$ 93,194	\$ 110,304	\$ 263,876	\$ 36,117
Assets limited as to use	5,719,405	-	-	914,000	-
Receivables					
Patient and resident, net	36,840,854	793,959	33,089	-	7,677,463
Affiliates	4,400,140	359,108	-	-	641,193
Other	322,397	518	-	50,524	491,088
Supplies	7,642,738	564,761	33,357	-	843,380
Other	822,048	6,620	-	-	(6,296)
Total current assets	78,946,103	1,818,160	176,750	1,228,400	9,682,945
<b>ASSETS LIMITED AS TO USE</b>					
By board	-	-	-	-	-
Held by trustees	8,830,733	-	-	-	-
Restricted	-	-	-	4,370,633	-
Total assets limited as to use, net	8,830,733	-	-	4,370,633	-
<b>PROPERTY AND EQUIPMENT</b>	42,076,234	4,317,822	4,624,270	-	1,556,085
<b>OTHER ASSETS</b>	2,914,877	257,488	58,336	-	-
Total assets	<u>\$ 132,767,947</u>	<u>\$ 6,393,470</u>	<u>\$ 4,859,356</u>	<u>\$ 5,599,033</u>	<u>\$ 11,239,030</u>
	LIABILITIES AND NET ASSETS				
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 9,692,199	\$ 219,780	\$ 189,896	\$ 458,966	\$ 2,790,523
Payable to affiliates	498,767	26,585	150,771	2,023	382,704
Accrued compensation and benefits	6,081,492	580,166	75,091	-	848,669
Estimated third-party payor settlements	2,287,722	-	-	-	-
Other accrued liabilities	10,290,684	187,171	14,427	930,427	-
Current portion of long-term debt	2,805,000	-	15,849	-	-
Total current liabilities	31,655,864	1,013,702	446,034	1,391,416	4,021,896
<b>LONG-TERM DEBT, net of current portion</b>	120,254,068	-	3,983,553	-	-
<b>OTHER LONG-TERM LIABILITIES</b>	89,938	-	-	-	26,865
Total liabilities	151,999,870	1,013,702	4,429,587	1,391,416	4,048,761
<b>NET ASSETS</b>					
Unrestricted					
Benefis Health System, Inc	(19,231,923)	5,379,768	429,769	4,207,617	7,190,269
Noncontrolling interest	-	-	-	-	-
Temporarily restricted	-	-	-	-	-
Permanently restricted	-	-	-	-	-
Total net assets	(19,231,923)	5,379,768	429,769	4,207,617	7,190,269
Total liabilities and net assets	<u>\$ 132,767,947</u>	<u>\$ 6,393,470</u>	<u>\$ 4,859,356</u>	<u>\$ 5,599,033</u>	<u>\$ 11,239,030</u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2010**

Benefis Sletten Hi-Line Cancer Center, LLC	Orthopedic Center of Montana	BBB, LLC	Ambulatory Surgery Center, LLC	Benefis Health System Administration	Eliminations	Consolidated Total
\$ 12,869	\$ 7,051	\$ 595,890	\$ 166,879	\$ 7,674,555	\$ -	\$ 32,159,256
-	-	-	-	1,144,623	-	7,778,028
328,499	-	-	871,927	30,362	-	46,576,153
7,922	-	-	-	163,024	(5,571,387)	-
-	-	-	19,754	2,683,482	-	3,567,763
-	-	-	264,935	-	-	9,349,171
2,899	-	-	-	336,441	-	1,161,712
<u>352,189</u>	<u>7,051</u>	<u>595,890</u>	<u>1,323,495</u>	<u>12,032,487</u>	<u>(5,571,387)</u>	<u>100,592,083</u>
-	-	-	-	62,155,692	-	62,155,692
-	-	-	-	-	-	8,830,733
-	-	-	-	4,714,801	-	9,085,434
-	-	-	-	66,870,493	-	80,071,859
<u>1,535,726</u>	<u>-</u>	<u>15,298,919</u>	<u>1,663,662</u>	<u>224,311,889</u>	<u>(260,193)</u>	<u>295,124,414</u>
-	-	291,228	-	28,693,779	(18,927,642)	13,288,066
<u>\$ 1,887,915</u>	<u>\$ 7,051</u>	<u>\$ 16,186,037</u>	<u>\$ 2,987,157</u>	<u>\$ 331,908,648</u>	<u>\$ (24,759,222)</u>	<u>\$ 489,076,422</u>
\$ 27,659	\$ 594	\$ 12,556	\$ 56,955	\$ 4,611,861	\$ -	\$ 18,060,989
19,301	225	36,832	15,579	4,438,600	(5,571,387)	-
-	-	-	-	1,162,257	-	8,747,675
-	-	-	-	-	-	2,287,722
-	-	107,154	-	573,238	-	12,103,101
-	-	225,355	333,185	1,254,400	-	4,633,789
<u>46,960</u>	<u>819</u>	<u>381,897</u>	<u>405,719</u>	<u>12,040,356</u>	<u>(5,571,387)</u>	<u>45,833,276</u>
-	-	15,734,629	1,366,965	35,200,600	-	176,539,815
-	-	1,157,304	70,752	9,238,647	(187,555)	10,395,951
<u>46,960</u>	<u>819</u>	<u>17,273,830</u>	<u>1,843,436</u>	<u>56,479,603</u>	<u>(5,758,942)</u>	<u>232,769,042</u>
1,840,955	6,232	(1,087,793)	1,143,721	266,044,193	(19,370,728)	246,552,080
-	-	-	-	-	370,448	370,448
-	-	-	-	2,273,578	-	2,273,578
-	-	-	-	7,111,274	-	7,111,274
<u>1,840,955</u>	<u>6,232</u>	<u>(1,087,793)</u>	<u>1,143,721</u>	<u>275,429,045</u>	<u>(19,000,280)</u>	<u>256,307,380</u>
<u>\$ 1,887,915</u>	<u>\$ 7,051</u>	<u>\$ 16,186,037</u>	<u>\$ 2,987,157</u>	<u>\$ 331,908,648</u>	<u>\$ (24,759,222)</u>	<u>\$ 489,076,422</u>



**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2010**

	Benefis Hospitals, Inc	Benefis Spectrum Medical, Inc	Great Falls Athletic Club	Employee Health Plan Trust	Benefis Medical Group
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT					
Net patient and resident service revenue	\$ 252,265,555	\$ 8,577,911	\$ -	\$ -	\$ 30,658,949
Other operating revenue	8,361,028	4,660,152	3,053,773	10,850,976	456,810
Total revenues, gains, and other support	260,626,583	13,238,063	3,053,773	10,850,976	31,115,759
OPERATING EXPENSES					
Salaries and wages	80,828,347	6,604,856	1,039,209	-	22,970,049
Employee benefits	14,865,578	1,243,288	161,935	10,963,163	2,206,433
Professional fees	43,628,573	980,682	99,891	613,899	6,229,879
Supplies	47,688,641	2,563,747	246,040	4,885	8,143,806
Purchased services	12,735,271	170,613	202,164	-	821,380
Depreciation	7,936,069	232,614	(32,665)	-	318,852
Interest	5,922,439	51,547	229,594	-	-
Provision for bad debts	14,356,925	44,297	14,680	-	1,888,131
Other	10,571,603	595,338	435,950	63,140	1,962,650
Total operating expenses	238,533,446	12,486,982	2,396,798	11,645,087	44,541,180
OPERATING INCOME (LOSS)	22,093,137	751,081	656,975	(794,111)	(13,425,421)
OTHER INCOME (EXPENSE)	-	304,103	-	-	(112)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	22,093,137	1,055,184	656,975	(794,111)	(13,425,533)
CONTRIBUTIONS AND GRANTS	-	-	-	-	-
CHANGE IN UNREALIZED GAINS AND LOSSES ON INVESTMENTS	237,494	(13,280)	-	(7,876)	-
GAIN (LOSS) ON INTEREST RATE SWAP AGREEMENT	-	-	30,828	-	-
INTERAFFILIATE TRANSFERS	(272,007,831)	(1,789,387)	(178,500)	-	16,850,000
CONTRIBUTIONS FROM NONCONTROLLING MEMBERS	-	-	-	-	-
DISTRIBUTIONS TO NONCONTROLLING MEMBERS	-	-	(171,500)	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (249,677,200)</u>	<u>\$ (747,483)</u>	<u>\$ 337,803</u>	<u>\$ (801,987)</u>	<u>\$ 3,424,467</u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2010**

<u>Benefis Sletten Hi-Line Cancer Center, LLC</u>	<u>Orthopedic Center of Montana</u>	<u>BBB, LLC</u>	<u>Ambulatory Surgery Center, LLC</u>	<u>Benefis Health System Administration</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
\$ 552,827	\$ -	\$ -	\$ 3,882,868	\$ -	\$ -	\$ 295,938,110
40,246	-	1,884,896	-	27,627,062	(39,341,965)	17,592,978
<u>593,073</u>	<u>-</u>	<u>1,884,896</u>	<u>3,882,868</u>	<u>27,627,062</u>	<u>(39,341,965)</u>	<u>313,531,088</u>
-	-	-	752,834	9,983,607	-	122,178,902
-	-	-	86,875	1,504,929	(8,098,874)	22,933,327
44,825	28,416	10,349	190,340	4,289,608	(35,458,176)	20,658,286
5,796	268	3,978	839,161	690,789	(3,892,429)	56,294,682
57,147	1,037	274,874	55,957	3,596,653	(2,107,775)	15,807,321
334,836	-	637,654	202,487	12,594,417	-	22,224,264
-	-	800,679	60,475	346,626	-	7,411,360
74,024	-	-	19,356	-	-	16,397,413
<u>368,028</u>	<u>1,116</u>	<u>148,971</u>	<u>497,273</u>	<u>6,858,916</u>	<u>(2,631,199)</u>	<u>18,871,786</u>
<u>884,656</u>	<u>30,837</u>	<u>1,876,505</u>	<u>2,704,758</u>	<u>39,865,545</u>	<u>(52,188,453)</u>	<u>302,777,341</u>
(291,583)	(30,837)	8,391	1,178,110	(12,238,483)	12,846,488	10,753,747
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,699,016</u>	<u>(304,103)</u>	<u>1,698,904</u>
(291,583)	(30,837)	8,391	1,178,110	(10,539,467)	12,542,385	12,452,651
-	-	-	-	722,098	-	722,098
-	-	-	-	3,974,844	21,155	4,212,337
-	-	(1,130,328)	-	(651,685)	651,685	(1,099,500)
293,566	15,000	(15,000)	(315,000)	272,007,831	(14,860,679)	-
-	15,000	70,000	-	-	-	85,000
<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(315,000)</u>	<u>-</u>	<u>-</u>	<u>(536,500)</u>
<u>\$ 1,983</u>	<u>\$ (837)</u>	<u>\$ (1,116,937)</u>	<u>\$ 548,110</u>	<u>\$ 265,513,621</u>	<u>\$ (1,645,454)</u>	<u>\$ 15,836,086</u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2010**

	Benefis Hospitals, Inc	Benefis Spectrum Medical, Inc	Great Falls Athletic Club	Employee Health Plan Trust	Benefis Medical Group
UNRESTRICTED, beginning of year	<u>\$ 230,445,277</u>	<u>\$ 6,127,251</u>	<u>\$ 91,966</u>	<u>\$ 5,009,604</u>	<u>\$ 3,765,802</u>
Excess (deficiency) of revenues over expenses	22,093,137	1,055,184	656,975	(794,111)	(13,425,533)
Contributions and grants	-	-	-	-	-
Change in unrealized gains and losses on investments	237,494	(13,280)	-	(7,876)	-
Loss on interest rate swap agreement	-	-	30,828	-	-
Interaffiliate transfers	(272,007,831)	(1,789,387)	(178,500)	-	16,850,000
Contributions from noncontrolling members	-	-	-	-	-
Distributions to noncontrolling members	<u>-</u>	<u>-</u>	<u>(171,500)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in unrestricted net assets	<u>(249,677,200)</u>	<u>(747,483)</u>	<u>337,803</u>	<u>(801,987)</u>	<u>3,424,467</u>
UNRESTRICTED, end of year	<u><u>\$ (19,231,923)</u></u>	<u><u>\$ 5,379,768</u></u>	<u><u>\$ 429,769</u></u>	<u><u>\$ 4,207,617</u></u>	<u><u>\$ 7,190,269</u></u>
TEMPORARILY RESTRICTED, beginning of year	<u>\$ 2,422,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in beneficial interest in Benefis Health System Foundation	-	-	-	-	-
Interaffiliate transfers	<u>(2,422,346)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in temporarily restricted net assets	<u>(2,422,346)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TEMPORARILY RESTRICTED, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
PERMANENTLY RESTRICTED, beginning of year	<u>\$ 6,226,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in beneficial interest in Benefis Health System Foundation	-	-	-	-	-
Interaffiliate transfers	<u>(6,226,430)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in permanently restricted net assets	<u>(6,226,430)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
PERMANENTLY RESTRICTED, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2010**

Benefis Sletten Hi-Line Cancer Center, LLC	Orthopedic Center of Montana	BBB, LLC	Ambulatory Surgery Center, LLC	Benefis Health System Administration	Eliminations	Consolidated Total
<u>\$ 1,838,972</u>	<u>\$ 7,069</u>	<u>\$ 29,144</u>	<u>\$ 595,611</u>	<u>\$ 530,572</u>	<u>\$ (17,354,826)</u>	<u>\$ 231,086,442</u>
(291,583)	(30,837)	8,391	1,178,110	(10,539,467)	12,542,385	12,452,651
-	-	-	-	722,098	-	722,098
-	-	-	-	3,974,844	21,155	4,212,337
-	-	(1,130,328)	-	(651,685)	651,685	(1,099,500)
293,566	15,000	(15,000)	(315,000)	272,007,831	(14,860,679)	-
-	15,000	70,000	-	-	-	85,000
-	-	(50,000)	(315,000)	-	-	(536,500)
<u>1,983</u>	<u>(837)</u>	<u>(1,116,937)</u>	<u>548,110</u>	<u>265,513,621</u>	<u>(1,645,454)</u>	<u>15,836,086</u>
<u>\$ 1,840,955</u>	<u>\$ 6,232</u>	<u>\$ (1,087,793)</u>	<u>\$ 1,143,721</u>	<u>\$ 266,044,193</u>	<u>\$ (19,000,280)</u>	<u>\$ 246,922,528</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,422,346</u>
-	-	-	-	(148,768)	-	(148,768)
-	-	-	-	2,422,346	-	-
-	-	-	-	2,273,578	-	(148,768)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,273,578</u>	<u>\$ -</u>	<u>\$ 2,273,578</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,226,430</u>
-	-	-	-	884,844	-	884,844
-	-	-	-	6,226,430	-	-
-	-	-	-	7,111,274	-	884,844
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,111,274</u>	<u>\$ -</u>	<u>\$ 7,111,274</u>