



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



Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

FALLON MEDICAL COMPLEX INC

Doing Business As

SEE SCHEDULE O

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

202 S 4TH ST W

Room/suite

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

BAKER, MT 59313

F Name and address of principal officer

DAVID ESPELAND

202 S 4TH ST W

BAKER, MT 59313

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 FALLONMEDICAL ORG

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

L Year of formation 1991

M State of legal domicile MT

Part I	Summary																																																				
Activities & Governance	<div><div>1</div><div>Briefly describe the organization's mission or most significant activities</div><div>PROVIDING HEALTHCARE SERVICES</div></div>																																																				
	<div><div>2</div><div>Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div></div>																																																				
Revenue	<table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>7</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>7</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2011 (Part V, line 2a)</td><td>163</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>72</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>0</td></tr><tr><td>7b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td>0</td></tr></table>	3	Number of voting members of the governing body (Part VI, line 1a)	7	4	Number of independent voting members of the governing body (Part VI, line 1b)	7	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	163	6	Total number of volunteers (estimate if necessary)	72	7a	Total unrelated business revenue from Part VIII, column (C), line 12	0	7b	Net unrelated business taxable income from Form 990-T, line 34	0																																		
3	Number of voting members of the governing body (Part VI, line 1a)	7																																																			
4	Number of independent voting members of the governing body (Part VI, line 1b)	7																																																			
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	163																																																			
6	Total number of volunteers (estimate if necessary)	72																																																			
7a	Total unrelated business revenue from Part VIII, column (C), line 12	0																																																			
7b	Net unrelated business taxable income from Form 990-T, line 34	0																																																			
Expenses	<table><tr><td>8</td><td>Contributions and grants (Part VIII, line 1h)</td><td>1,365,189</td><td>1,331,908</td></tr><tr><td>9</td><td>Program service revenue (Part VIII, line 2g)</td><td>7,233,535</td><td>7,367,454</td></tr><tr><td>10</td><td>Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td><td>-1,594</td><td>1,483</td></tr><tr><td>11</td><td>Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td><td>6,266</td><td>32,205</td></tr><tr><td>12</td><td>Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td><td>8,603,396</td><td>8,733,050</td></tr><tr><td>13</td><td>Grants and similar amounts paid (Part IX, column (A), lines 1–3)</td><td>20,554</td><td>21,516</td></tr><tr><td>14</td><td>Benefits paid to or for members (Part IX, column (A), line 4)</td><td>0</td><td>0</td></tr><tr><td>15</td><td>Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)</td><td>4,475,977</td><td>4,586,200</td></tr><tr><td>16a</td><td>Professional fundraising fees (Part IX, column (A), line 11e)</td><td>0</td><td>0</td></tr><tr><td>b</td><td>Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0</td><td></td><td></td></tr><tr><td>17</td><td>Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)</td><td>3,200,609</td><td>3,669,752</td></tr><tr><td>18</td><td>Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)</td><td>7,697,140</td><td>8,277,468</td></tr><tr><td>19</td><td>Revenue less expenses Subtract line 18 from line 12</td><td>906,256</td><td>455,582</td></tr></table>	8	Contributions and grants (Part VIII, line 1h)	1,365,189	1,331,908	9	Program service revenue (Part VIII, line 2g)	7,233,535	7,367,454	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-1,594	1,483	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	6,266	32,205	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	8,603,396	8,733,050	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	20,554	21,516	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	4,475,977	4,586,200	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0	b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0			17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	3,200,609	3,669,752	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	7,697,140	8,277,468	19	Revenue less expenses Subtract line 18 from line 12	906,256	455,582
8	Contributions and grants (Part VIII, line 1h)	1,365,189	1,331,908																																																		
9	Program service revenue (Part VIII, line 2g)	7,233,535	7,367,454																																																		
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-1,594	1,483																																																		
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	6,266	32,205																																																		
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	8,603,396	8,733,050																																																		
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	20,554	21,516																																																		
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0																																																		
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	4,475,977	4,586,200																																																		
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0																																																		
b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0																																																				
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	3,200,609	3,669,752																																																		
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	7,697,140	8,277,468																																																		
19	Revenue less expenses Subtract line 18 from line 12	906,256	455,582																																																		
Net Assets or Fund Balances	<table><tr><td></td><td>Beginning of Current Year</td><td>End of Year</td></tr><tr><td>20</td><td>Total assets (Part X, line 16)</td><td>11,494,377</td><td>11,906,164</td></tr><tr><td>21</td><td>Total liabilities (Part X, line 26)</td><td>1,455,773</td><td>1,366,316</td></tr><tr><td>22</td><td>Net assets or fund balances Subtract line 21 from line 20</td><td>10,038,604</td><td>10,539,848</td></tr></table>		Beginning of Current Year	End of Year	20	Total assets (Part X, line 16)	11,494,377	11,906,164	21	Total liabilities (Part X, line 26)	1,455,773	1,366,316	22	Net assets or fund balances Subtract line 21 from line 20	10,038,604	10,539,848																																					
	Beginning of Current Year	End of Year																																																			
20	Total assets (Part X, line 16)	11,494,377	11,906,164																																																		
21	Total liabilities (Part X, line 26)	1,455,773	1,366,316																																																		
22	Net assets or fund balances Subtract line 21 from line 20	10,038,604	10,539,848																																																		

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

DAVID ESPELAND CEO

Type or print name and title

2013-05-07

Date

Paid Preparer's Use Only

Preparer's signature

KIM C HUNWARDSEN

Date

2013-05-07

Check if self-employed

☐

Preparer's taxpayer identification number (see instructions)

P00279985

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

EIDE BAILLY LLP

800 NICOLLET MALL STE 1300

MINNEAPOLIS, MN 554027033

EIN

45-0250958

Phone no

(406) 896-2400

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

FALLON MEDICAL COMPLEX, IN ITS INNOVATIVE PURSUIT OF FRIENDS HEALING FRIENDS, PROVIDES COMFORT, COMPASSION, AND EXCELLENCE IN THE PROMOTION OF QUALITY OF LIFE TO ALL INDIVIDUALS

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 \$ 4,605,902 including grants of \$ 21,516) (Revenue \$ 5,589,020)
	FALLON MEDICAL COMPLEX PROVIDES QUALITY HEALTH CARE REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, AGE, OR ABILITY TO PAY ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE OPERATION OF THE COMPLEX, IT IS RECOGNIZED THAT NOT ALL INDIVIDUALS POSSESS THE ABILITY TO PURCHASE THESE ESSENTIAL SERVICES IT IS THE COMPLEX'S MISSION TO SERVE THE SURROUNDING AREA BY PROVIDING HEALTH CARE SERVICES TO ALL COMMUNITY MEMBERS THE COMPLEX PROVIDES MEDICAL SERVICES TO INDIVIDUALS WHO ARE DETERMINED UNABLE TO PURCHASE SUCH SERVICES UNDER THE COMPLEX'S CHARITY CARE POLICY AND GUIDELINES IN ADDITION TO FREE CARE AND/OR SUBSIDIZED CARE, CARE IS ALSO PROVIDED AT BELOW COST RATES TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS RECOGNIZING ITS MISSION TO THE COMMUNITY, SERVICES ARE PROVIDED TO BOTH MEDICARE AND MEDICAID PATIENTS THE UNREIMBURSED VALUE OF PROVIDING CARE TO THESE PATIENTS, BASED ON ESTABLISHED RATES IS \$591,488 FOR THE YEAR ENDED JUNE 30, 2012 THE CRITICAL ACCESS HOSPITAL PROVIDES 24 HOUR X 7 DAYS A WEEK EMERGENCY ROOM SERVICES, OBSERVATION, ACUTE CARE, SWING BED SERVICES AND ONSITE ANCILLARY LAB AND DIAGNOSTIC IMAGING SERVICES DURING FISCAL YEAR ENDED JUNE 30, 2012, THE COMPLEX PROVIDED OVER 455 DAYS OF HOSPITAL SERVICES, 6,561 DAYS OF SWING BED CARE, 1,000 ER VISITS, AND OVER 7,800 OUTPATIENT VISITS ONE OF FALLON MEDICAL COMPLEX'S (FMC) OPERATING PHILOSOPHIES STATES THAT EDUCATION PROGRAMS ARE NECESSARY TO ENHANCE THE COMPETENCE OF PERSONNEL IN THE HEALTHCARE SYSTEM AS WELL AS TO ASSIST IN THE ATTAINMENT OF BOTH PERSONAL AND ORGANIZATIONAL GOALS TO THIS END, NOT ONLY DOES THE ORGANIZATION ROUTINELY BUDGET \$25,000 OR MORE IN CONTINUING EDUCATION FOR ITS EMPLOYEES, IT ALSO PROVIDES JOB SHADOWING TO AREA STUDENTS (TYPICALLY 3-5 STUDENTS PER YEAR) WHO MAY BE INTERESTED IN A HEALTHCARE CAREER, IN ADDITION TO OFFERING ROUTINE CERTIFIED NURSING ASSISTANT TRAINING PROGRAMS (TO ABOUT 10-15 PROSPECTIVE AIDES PER YEAR) FMC ALSO HOSTS NUMEROUS COLLEGE STUDENTS SEEKING CAREERS AS DOCTORS (2-3 PER YEAR), PHYSICIAN ASSISTANTS (3-5 PER YEAR), AND RADIOLOGY TECHNICIANS (3- 5 PER YEAR) FMC FURTHER BELIEVES THAT IT IS ITS RESPONSIBILITY TO TAKE A LEADERSHIP ROLE IN INFORMING THE PUBLIC ABOUT HEALTHCARE SUBJECTS OF RELEVANCE OR INTEREST THROUGH COMMUNITY EDUCATION THIS OBJECTIVE IS SUPPORTED THROUGH A NUMBER OF CHANNELS, WHICH INCLUDES ROUTINE "LUNCH AND LEARN" SESSIONS PROVIDED BY MEDICAL PROFESSIONALS (ABOUT 6 TIMES PER YEAR), WEEKLY PUBLIC SERVICE ANNOUNCEMENTS ON THE LOCAL RADIO STATION, AND ITS ANNUAL HEALTH FAIR WHICH IS ATTENDED BY PEOPLE FROM ALL OVER THE SERVICE AREA LASTLY, FMC COLLABORATES WITH A NEIGHBORING HOSPITAL TO PROVIDE A WEIGHT LOSS AND NUTRITIONAL PROGRAM CALLED "HEALTHY LIFESTYLES" OVER A TELECONFERENCING SYSTEM THIS PROGRAM, WHICH TYPICALLY HOSTS 15-25 PEOPLE PER SESSION AND HAS A WAITING LIST, LASTS A NUMBER OF MONTHS AND PROVIDES INTERACTIVE GOAL SETTING AND MONITORING OF THE PARTICIPANTS' HEALTH STATUS AND PHYSICAL WELL-BEING
4b	(Code) (Expenses \$ 1,338,506 including grants of \$) (Revenue \$ 902,910)
	FMC ALSO CONSISTS OF A 15 BED SKILLED NURSING FACILITY/LONG TERM CARE UNIT THAT NOT ONLY PROVIDES CARE FOR THE LONG TERM BUT ALSO OFFERS RESPITE CARE FOR THOSE WHO ARE CARING FOR A LOVED ONE IN THEIR HOME THE FMC SNF UNIT PROVIDED 5,343 DAYS OF CARE TO THE ELDERLY IN OUR COMMUNITY
4c	(Code) (Expenses \$ 1,375,055 including grants of \$) (Revenue \$ 875,524)
	FMC COMMUNITY CLINIC (RURAL HEALTH CLINIC) OPERATES UNDER THE SAME MISSION AS FMC BY PROVIDING FAMILY HEALTH CARE IN THE FORM OF OVER 10,000 PATIENT VISITS PER YEAR THE FOUR PROVIDERS (TWO PHYSICIANS AND TO MID LEVELS) ALSO PROVIDE ER COVERAGE 24 HOURS, 7 DAYS A WEEK
4d	Other program services (Describe in Schedule O) (Expenses \$ including grants of \$) (Revenue \$)
4e	Total program service expenses \$ 7,319,463

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	19
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	163
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	7		
b	Enter the number of voting members included in line 1a, above, who are independent		
1b	7		
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	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	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	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	No
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	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official	15a	Yes
b	Other officers or key employees of the organization	15b	Yes
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed ▶ _____
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 ▶ SELENA NELSON PO BOX 820 BAKER, MT 593130820 (406) 778-5103

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) BETTY MUELLER PRESIDENT, TRUSTEE	50	X		X				0	0	0
(2) EUGENE VENNES VICE PRESIDENT, TRUSTEE	50	X		X				0	0	0
(3) RICHARD MENDER SECRETARY, TRUSTEE	50	X		X				0	0	0
(4) GLORIA BOGGS TRUSTEE	50	X						0	0	0
(5) MERRI BURNS TRUSTEE	50	X						0	0	0
(6) STEVEN LUND TRUSTEE	50	X						0	0	0
(7) KEVIN JUNSO TRUSTEE	50	X						0	0	0
(8) DAVID ESPELAND CHIEF EXECUTIVE OFFICER	40 00			X				96,784	0	17,457
(9) SELINA NELSON CHIEF FINANCIAL OFFICER	40 00			X				78,396	0	9,820
(10) DARRYL ESPELAND DO, CHIEF OF STAFF	40 00				X			211,381	0	22,586
(11) DOMINICK TRIVISONNO MD	40 00					X		201,584	0	17,105
(12) AMI SCHILLINGER PA-C	40 00					X		118,670	0	12,749

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	706,815	0	79,717

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	3
---	---	---

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
MT HEALTH NETWORK INC 11 SOUTH 7TH STREET SUITE 241 MILES CITY, MT 59301	CONTRACT NURSING SERVICES	287,038
PRAIRIE TRAVELERS INC 130 3RD STREET S 2 GLASGOW, MT 59230	CONTRACT NURSING SERVICES	167,283
ABT ELECTRIC 1807 N STREVELL MILES CITY, MT 59301	CONSTRUCTION	141,464
MONDAK IMAGING 11 SOUTH 7TH STREET SUITE 241 MILES CITY, MT 59301	MRI SERVICES	129,324

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 ▶4

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	31,041			
	e	Government grants (contributions)	1e	1,227,702			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	73,165			
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f		1,331,908			
Program Service Revenue	2a	NET PATIENT SERVICE RE	Business Code 622110	7,281,057	7,281,057		
	b	MEALS ON WHEELS	722212	58,908	58,908		
	c	CAFETERIA	722212	25,834	25,834		
	d	MISCELLANEOUS	900099	1,655	1,655		
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		7,367,454			
	Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		1,108		
4		Income from investment of tax-exempt bond proceeds . .					
5		Royalties					
6a		Gross rents	(i) Real 32,205	(ii) Personal			
b		Less rental expenses	0				
c		Rental income or (loss)	32,205				
d		Net rental income or (loss)		32,205			32,205
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other 375			
b		Less cost or other basis and sales expenses		0			
c		Gain or (loss)		375			
d		Net gain or (loss)		375			375
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
b		Less direct expenses	b				
c		Net income or (loss) from fundraising events . .					
9a		Gross income from gaming activities See Part IV, line 19	a				
b		Less direct expenses	b				
c		Net income or (loss) from gaming activities . .					
10a		Gross sales of inventory, less returns and allowances	a				
b		Less cost of goods sold	b				
c		Net income or (loss) from sales of inventory . .					
Miscellaneous Revenue		Business Code					
11a							
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d						
12	Total revenue. See Instructions		8,733,050	7,367,454	0	33,688	

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	21,516	21,516		
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	445,186	238,597	206,589	
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	3,438,888	3,065,315	373,573	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	40,380	37,470	2,910	
9	Other employee benefits	396,335	332,236	64,099	
10	Payroll taxes	265,411	219,669	45,742	
11	Fees for services (non-employees)				
a	Management				
b	Legal	4,857		4,857	
c	Accounting	55,613		55,613	
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	915,083	915,083		
12	Advertising and promotion	15,563	11,398	4,165	
13	Office expenses	869,393	805,392	64,001	
14	Information technology				
15	Royalties				
16	Occupancy	169,388	120,189	49,199	
17	Travel	5,129	4,703	426	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	21,310	18,161	3,149	
20	Interest	36,272		36,272	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	726,123	689,817	36,306	
23	Insurance	40,552	40,552		
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL SUPPLIES	500,407	500,407		
b	BAD DEBT	213,643	213,643		
c	TAXES & LICENSES	77,867	76,197	1,670	
d	DUES & SUBSCRIPTIONS	18,021	8,587	9,434	
e					
f	All other expenses	531	531		
25	Total functional expenses. Add lines 1 through 24f	8,277,468	7,319,463	958,005	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			971,197	1	1,328,910
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			1,271,436	4	1,299,189
	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			197,179	8	187,050
	9	Prepaid expenses and deferred charges				9	47,779
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	14,120,357			
	b	Less: accumulated depreciation	10b	6,436,547	7,833,591	10c	7,683,810
	11	Investments—publicly traded securities			75,187	11	79,533
	12	Investments—other securities. See Part IV, line 11				12	
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			1,145,787	15	1,279,893
16	Total assets. Add lines 1 through 15 (must equal line 34)			11,494,377	16	11,906,164	
Liabilities	17	Accounts payable and accrued expenses			755,603	17	825,293
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities				20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			3,529	21	4,307
	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			696,641	23	536,716
	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				25	
	26	Total liabilities. Add lines 17 through 25			1,455,773	26	1,366,316
	Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
27		Unrestricted net assets			9,929,588	27	10,408,908
28		Temporarily restricted net assets			15,967	28	17,891
29		Permanently restricted net assets			93,049	29	113,049
Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.							
30		Capital stock or trust principal, or current funds				30	
31		Paid-in or capital surplus, or land, building or equipment fund				31	
32		Retained earnings, endowment, accumulated income, or other funds				32	
33		Total net assets or fund balances			10,038,604	33	10,539,848
34	Total liabilities and net assets/fund balances			11,494,377	34	11,906,164	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	8,733,050
2	Total expenses (must equal Part IX, column (A), line 25)	2	8,277,468
3	Revenue less expenses Subtract line 2 from line 1	3	455,582
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	10,038,604
5	Other changes in net assets or fund balances (explain in Schedule O)	5	45,662
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	10,539,848

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization FALLON MEDICAL COMPLEX INC	Employer identification number 36-3808993
--	--

Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

- 1

☐

A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box

g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year	(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

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization FALLON MEDICAL COMPLEX INC	Employer identification number 36-3808993
--	--

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

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

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

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

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

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

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

Part II-A

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

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

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

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

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

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		414
	j Total lines 1c through 1i			414
	2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
	b If "Yes," enter the amount of any tax incurred under section 4912			
	c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
	d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	FALLON MEDICAL COMPLEX REIMBURSES CERTAIN PROFESSIONAL MEMBERSHIP DUES OF EMPLOYEES. A PORTION OF SUCH MEMBERSHIP DUES ARE USED BY THE PROFESSIONAL ASSOCIATION FOR LOBBYING ACTIVITIES.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
FALLON MEDICAL COMPLEX INC

Employer identification number
36-3808993

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

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

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

1

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

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

2

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

3

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

4

Number of states where property subject to conservation easement is located ► _____

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$ _____

(ii) Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2011

Part III

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

3

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

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☒ No

b

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

	Amount
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

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

3a(i)

☐

☐

(ii)

related organizations

3a(ii)

☐

☐

b

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

3b

☐

☐

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		96,522		96,522
b Buildings		11,655,600	5,417,254	6,238,346
c Leasehold improvements				
d Equipment		2,025,077	920,227	1,104,850
e Other		343,158	99,066	244,092
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				7,683,810

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 2B	THE COMPLEX ACTS AS A CUSTODIAN FOR THE FUNDS OF SOME RESIDENTS
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE COMPLEX UNDERGOES AN ANNUAL ANALYSIS OF ITS VARIOUS TAX POSITIONS, ASSESSING THE LIKELIHOOD OF THOSE POSITIONS BEING UPHELD UPON EXAMINATION WITH RELEVANT TAX AUTHORITIES. AS OF JUNE 30, 2011 AND 2010, THE UNRECOGNIZED TAX BENEFIT OR LIABILITY ACCRUAL IS ZERO. THE COMPLEX WILL RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO TAX BENEFITS OR LIABILITIES IN INCOME TAX EXPENSE, IF INCURRED. THE COMPLEX IS NO LONGER SUBJECT TO FEDERAL OR STATE TAX EXAMINATIONS BY TAX AUTHORITIES FOR THE YEARS BEFORE JUNE 30, 2009.

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
FALLON MEDICAL COMPLEX INC

Employer identification number
36-3808993

Part I

Charity Care and Certain Other Community Benefits at Cost

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

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)		17	70,075	40,485	29,590	0 370 %
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)		114	15,740	13,187	2,553	0 030 %
d Total Charity Care and Means-Tested Government Programs		131	85,815	53,672	32,143	0 400 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		17	83,615	28,871	54,744	0 680 %
f Health professions education (from Worksheet 5)		4	21,908		21,908	0 270 %
g Subsidized health services (from Worksheet 6)			1,770,939	1,311,991	458,948	5 690 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)		9	6,468		6,468	0 080 %
j Total Other Benefits		30	1,882,930	1,340,862	542,068	6 720 %
k Total. Add lines 7d and 7j		161	1,968,745	1,394,534	574,211	7 120 %

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	2		511		511	0.010 %
2Economic development	2		900		900	0.010 %
3Community support	2		1,171		1,171	0.010 %
4Environmental improvements						
5Leadership development and training for community members	2		1,279		1,279	0.020 %
6Coalition building	1		879		879	0.010 %
7Community health improvement advocacy						
8Workforce development	2		2,375		2,375	0.030 %
9Other	1	21	106,717	58,908	47,809	0.590 %
10Total	12	21	113,832	58,908	54,924	0.680 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1		No
2Enter the amount of the organization's bad debt expense	2	213,643	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	18,160	
4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5Enter total revenue received from Medicare (including DSH and IME)	5	2,333,377	
6Enter Medicare allowable costs of care relating to payments on line 5	6	2,310,275	
7Subtract line 6 from line 5. This is the surplus or (shortfall)	7	23,102	
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other			

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

[illegible]

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)

FALLON MEMORIAL HOSPITAL

Name of Hospital Facility:_____

Line Number of Hospital Facility (from Schedule H, Part V, Section A):_____1_____

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) 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 <u>150 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>250 0000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input checked="" 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 checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		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 checked="" 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 checked="" 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? 3

Name and address		Type of Facility (Describe)
1	MEMORIAL NURSING HOME 202 SOUTH 4TH STREET WEST BAKER, MT 59313	NURSING HOME - 15 BED SNF
2	COMMUNITY CLINIC 202 SOUTH 4TH STREET WEST BAKER, MT 59313	OUTPATIENT CLINIC
3	WIBAUX CLINIC 710 DRAKE STREET WIBAUX, MT 59353	OUTPATIENT CLINIC
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 3C WE DO INCLUDE AN ASSET & LIABILITY TEST ANYONE AT OR BELOW 150% QUALIFIES FOR FREE CARE ANYONE WHO DOES NOT QUALIFY FOR FREE CARE, WITH INCOME BETWEEN 151% AND 250% QUALIFIES FOR DISCOUNTED CARE BECAUSE THE TEST OF DISCOUNTED CARE CONSIDERS NET ASSETS AND THE PATIENT'S MEDICAL BILLS ARE INCLUDED IN LIABILITIES, A MEDICALLY INDIGENT COULD QUALIFY FOR DISCOUNTED CARE UNDER THIS PROGRAM

Identifier	ReturnReference	Explanation
		PART I, LINE 7 CHARITY CARE WAS CONVERTED TO COST USING THE COST-TO-CHARGE RATIO DERIVED FROM WORKSHEET 2 COMMUNITY HEALTH IMPROVEMENT SERVICES AND COMMUNITY BENEFIT OPERATIONS, HEALTH PROFESSIONS EDUCATION AND CASH AND IN-KIND CONTRIBUTIONS TO COMMUNITY GROUPS ARE BASED ON COSTS RECORDED IN THE GENERAL LEDGER AND ESTIMATED COSTS SUBSIDIZED HEALTH SERVICES ARE DETERMINED AT COST BASED ON THE COST TO CHARGE RATIO DERIVED FROM THE MEDICARE COST REPORT FOR THE SPECIFIC PROGRAMS

Identifier	ReturnReference	Explanation
		PART I, LINE 7G SUBSIDIZED HEALTH SERVICES INCLUDES TWO CLINICS, A PROVIDER BASED RURAL HEALTH CLINIC AND A SATELLITE CLINIC

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE AMOUNT OF BAD DEBT EXPENSE REMOVED FROM THE DENOMINATOR OF THE CALCULATION WAS \$213,643

Identifier	ReturnReference	Explanation
		<p>PART II FMC PARTICIPATES IN A NUMBER OF BUILDING ACTIVITIES TO IMPROVE THE COMMUNITY FOR INSTANCE, FOR THE PAST FEW YEARS WE HAVE BEEN CLEANING UP A ONE MILE STRETCH OF STATE HIGHWAY 12 THAT RUNS EAST/WEST THROUGH BAKER THIS EFFORT IS COORDINATED THROUGH THE MONTANA DEPARTMENT OF TRANSPORTATION ADOPT A HIGHWAY PROGRAM IN ADDITION, OUR CFO HAS BEEN A MEMBER OF THE LOCAL HOUSING BOARD, SEARCHING FOR WAYS TO ADDRESS OUR CHRONIC HOUSING SHORTAGE BY FACILITATING THE CONSTRUCTION OF NEW HOUSING AND THE RENOVATION OF EXISTING HOUSING FROM AN ECONOMIC DEVELOPMENT STANDPOINT, OUR CFO HAS ALSO BEEN A BOARD MEMBER OF OUR LOCAL SOUTHEASTERN MONTANA REVITALIZATION TEAM, WHICH IS DEDICATED TO REVITALIZING THE ECONOMIC CLIMATE IN THE AREA THEY ARE FOCUSED ON BUILDING INFRASTRUCTURE, AS WELL AS ATTRACTING NEW BUSINESSES AND FINDING WAYS OF PROVIDING HOUSING FOR INCOMING WORKERS AND THEIR FAMILIES IN ADDITION, IN AN EFFORT TO HELP KEEP LOCAL COMMERCE ALIVE, OUR FOUNDATION COORDINATOR REGULARLY PARTICIPATES IN BAKER CHAMBER OF COMMERCE MEETINGS AND EVENTS TO FURTHER SUPPORT THE COMMUNITY, A NUMBER OF FMC EMPLOYEES FREQUENTLY PARTICIPATE IN DISASTER PREPAREDNESS MEETINGS AND EVENTS THROUGH THE FALLON COUNTY LOCAL EMERGENCY PREPAREDNESS COMMITTEE (LEPC) THIS GROUP MEETS REGULARLY TO DISCUSS DISASTER PREPAREDNESS ACTIVITIES, TO REVIEW THE RESPONSE OF SIMILAR GROUPS TO DISASTERS ACROSS THE NATION, TO DETERMINE WAYS TO ENHANCE THE EFFECTIVENESS OF DISASTER RESPONSE IN OUR AREA, AND TO CONDUCT TABLE TOP EXERCISES THAT SIMULATE POTENTIAL LOCAL DISASTERS WE HAVE ALSO DEDICATED STAFF TIME AND RESOURCES TO ACQUIRING KNOWLEDGE IN THE HOSPITAL EMERGENCY INCIDENT COMMAND SYSTEM (HEICS), A NATIONALLY RECOGNIZED AND PRACTICED PROGRAM IN INCIDENT MANAGEMENT PARTICIPATION IN BOTH LEPC AND HEICS ALSO REPRESENTS OUR COLLABORATIVE EFFORTS TO ADDRESS HEALTH AND SAFETY ISSUES IT ASSISTS IN COALITION BUILDING WITH OTHER HEALTHCARE ENTITIES AND EMERGENCY SERVICE PROVIDERS TO FURTHER PROVIDE CONTINUITY ACROSS OUR SERVICE AREA, OUR CHIEF OF THE MEDICAL STAFF IS THE COUNTY HEALTH OFFICER FOR CARTER, FALLON, AND WIBAUX COUNTIES DURING THE YEAR, FMC PROVIDED MEALS ON WHEELS TO MEMBERS OF THE COMMUNITY THIS FURTHERS THE PROMOTION OF HEALTH BY PROVIDING NUTRITIOUS MEALS TO PERSONS WHO OTHERWISE WOULD NOT RECEIVE THEM, ESPECIALLY THOSE WHO ARE HOME-BOUND THE CEO AND EMPLOYEES OF FMC SERVE ON TWO EASTERN MONTANA HEALTH RELATED SCHOLARSHIP COMMITTEES THE PARTICIPATION ON THESE COMMITTEES PROMOTE SCHOLARSHIPS TO STUDENTS WANTING TO STUDY IN THE AREA OF HEALTHCARE</p>

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 BAD DEBT EXPENSE IS REPORTED AT CHARGES AS RECORDED BY THE ORGANIZATION THE ESTIMATED AMOUNT OF BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY IS 8.5% (BASED UPON US CENSUS BUREAU QUICKFACTS FOR PERCENT OF CITIZENS BELOW THE POVERTY LEVEL IN FALLON COUNTY) FALLON MEDICAL COMPLEX IS ESTIMATING THE AMOUNT OF BAD DEBT TO BE CHARITY CARE BASED ON THE PERCENTAGE OF DEMOGRAPHICS BELOW CHARITY CARE INCOME/ASSET LEVELS. THIS IDENTIFIES A REASONABLE PERCENTAGE OF INDIVIDUALS WHO POTENTIALLY QUALIFY FOR CHARITY CARE BUT MAY NOT HAVE APPLIED AND THEREFORE WERE WRITTEN OFF TO BAD DEBT. BAD DEBTS ARE EXPENSED WHEN ACCOUNTS ARE DETERMINED UNCOLLECTIBLE (CHARGES LESS ANY PAYMENTS OR INSURER DISCOUNTS) AND ANY PAYMENTS TOWARD BAD DEBT ARE BOOKED AS BAD DEBT RECOVERY. FOOTNOTE FROM FINANCIAL STATEMENTS: THE CARRYING AMOUNT OF RECEIVABLES IS REDUCED BY A VALUATION ALLOWANCE THAT REFLECTS MANAGEMENT'S BEST ESTIMATE OF THE AMOUNTS THAT WILL NOT BE COLLECTED. 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. MANAGEMENT CONSIDERS HISTORICAL WRITE OFF AND RECOVERY INFORMATION IN DETERMINING THE ESTIMATED BAD DEBT PROVISION.</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 8 MEDICARE ALLOWABLE COSTS OF CARE ARE BASED ON THE MEDICARE COST REPORT THE MEDICARE COST REPORT IS COMPLETED BASED ON THE RULES AND REGULATIONS SET FORTH BY CMS

Identifier	ReturnReference	Explanation
		PART III, LINE 9B ALL PATIENTS ARE PROVIDED WITH COMMUNICATIONS AT ADMISSION (NOTICES REQUIRING THEIR SIGNATURE, POSTERS, AND/OR VERBAL COMMUNICATION) REGARDING OUR COLLECTIONS POLICIES AND OUR FINANCIAL ASSISTANCE POLICY ALL PAST DUE ACCOUNTS RECEIVE COMMUNICATIONS (A FLYER) REGARDING OUR FINANCIAL ASSISTANCE POLICY WITH THEIR STATEMENTS BEFORE ACCOUNTS ARE TURNED TO BAD DEBT, WE SEND LETTERS AND/OR MAKE TELEPHONE CALLS TO GUARANTORS WITH DETAILS OF THE FINANCIAL ASSISTANCE PROGRAM, INCLUDING CONTACT INFORMATION AND/OR APPLICATIONS OUR COLLECTION PRACTICE IS TO REFRAIN FROM COLLECTION EFFORTS UNTIL FINANCIAL ASSISTANCE IS DETERMINED NORMAL COLLECTION EFFORTS WOULD RESUME IF THE APPLICATION IS NOT RETURNED TIMELY OR AFTER THE WRITE-OFF IS COMPLETE AND THE PATIENT OWES A BALANCE OUR POLICY WILL NOTE OUR CURRENT PROCEDURES FOR THE YEAR ENDING 6/30/12

Identifier	ReturnReference	Explanation
FALLON MEMORIAL HOSPITAL		PART V, SECTION B, LINE 13G FMC PROVIDES A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY TO PATIENTS UPON ADMISSION

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 WE HAVE TRADITIONALLY RECEIVED INPUT ABOUT UNMET COMMUNITY HEALTH CARE NEEDS FROM A NUMBER OF SOURCES A) CITIZENS, BOARD MEMBERS, PATIENTS, AND RESIDENTS EXPRESSING AN IDEA OR A CONCERN, B) SUGGESTIONS FROM CONSULTANTS WHO WERE HIRED TO PROVIDE A STUDY OF OUR OPERATIONS, C) THE COUNTY OR STATE HEALTH DEPARTMENT PROVIDING OBSERVATIONS OR DATA REGARDING THE HEALTH STATUS OF OUR SPECIFIC POPULATION, D) STAFF MEMBERS GLEANING INFORMATION FROM AN EDUCATION PROGRAM OR FROM REVIEWING PROFESSIONAL JOURNALS AND PERIODICALS REGARDING THE LATEST EQUIPMENT OR TRENDS IN PATIENT AND RESIDENT CARE, E) SUGGESTIONS FROM THE PUBLIC POSTED ON OUR WEBSITE, ETC WE ALSO STARTED A FORMAL COMMUNITY HEALTH SERVICES DEVELOPMENT ASSESSMENT THROUGH MONTANA STATE UNIVERSITY, THE RESULT OF WHICH WILL BE AVAILABLE NEXT FISCAL YEAR INFORMATION FROM ALL OF THESE SOURCES IS ANALYZED ON A CASE BY CASE BASIS BY THE DEPARTMENT MANAGER WHO WOULD BE RESPONSIBLE FOR IMPLEMENTING THE PROGRAM THE MANAGER DETERMINES THE PROGRAM'S MERIT RELATIVE TO OUR STATED MISSION AS WELL AS WHAT RESOURCES WOULD BE NECESSARY TO IMPLEMENT THE PROGRAM THE MANAGER SUBMITS THE ANALYSIS TO OUR INTERNAL OPERATIONAL REVIEW COMMITTEE, WHICH LOOKS AT ITS IMPACT FACILITY-WIDE AND ITS FEASIBILITY IF IT PROGRESSES PAST THIS COMMITTEE, IT IS THEN EVALUATED BY OUR MANAGEMENT TEAM, WHO ANALYZES THE FINER DETAILS ULTIMATELY, IT IS DISCUSSED AT THE BOARD OF TRUSTEES LEVEL TO SEEK THEIR INPUT AND APPROVAL, IF NECESSARY

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 WE NOTIFY OUR PATIENTS OF OUR FINANCIAL ASSISTANCE PROGRAM THROUGH A NUMBER OF METHODS, (1) WE POST THE CHARITY CARE POLICY, OR A SUMMARY THEREOF, AND FINANCIAL ASSISTANCE CONTACT INFORMATION IN ADMISSIONS AREAS, EMERGENCY ROOMS, AND OTHER AREAS OF OUR FACILITY IN WHICH ELIGIBLE PATIENTS ARE LIKELY TO BE PRESENT, (2) WE MAKE AVAILABLE A COPY OF THE POLICY, OR A SUMMARY THEREOF, AND FINANCIAL ASSISTANCE CONTACT INFORMATION TO PATIENTS AS PART OF THE INTAKE PROCESS, (3) WE PROVIDE A COPY OF THE POLICY, OR A SUMMARY THEREOF, AND FINANCIAL ASSISTANCE CONTACT INFORMATION TO PATIENTS WITH DISCHARGE MATERIALS, (4) WE INCLUDE THE POLICY, OR A SUMMARY THEREOF, ALONG WITH FINANCIAL ASSISTANCE CONTACT INFORMATION, IN PATIENT BILLS, AND/OR (5) WE DISCUSS WITH THE PATIENT THE AVAILABILITY OF VARIOUS GOVERNMENT BENEFITS, SUCH AS MEDICAID OR STATE PROGRAMS, AND ASSIST THE PATIENT WITH QUALIFICATION FOR SUCH PROGRAMS, WHERE APPLICABLE

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 4 FALLON MEDICAL COMPLEX (FMC) IS A SOLE COMMUNITY HEALTH CARE PROVIDER FOR A RURAL POPULATION IN EXCESS OF 7,200 PEOPLE SPREAD OVER SEVEN COUNTIES IN ADDITION TO SERVING FALLON COUNTY, LOCATED IN SOUTHEASTERN MONTANA, FMC ALSO PROVIDES HEALTH CARE FOR THREE BORDERING MONTANA COUNTIES (CARTER, WIBAUX, AND PART OF CUSTER) AND THREE ADJACENT NORTH DAKOTA COUNTIES (SLOPE, GOLDEN VALLEY, AND PART OF BOWMAN) CONSIDERED "FRONTIER" BY THE MONTANA DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES, THIS REGION BOASTS LESS THAN TWO RESIDENTS PER SQUARE MILE ALTHOUGH CARTER COUNTY OPERATES A CRITICAL ACCESS HOSPITAL AND A RURAL HEALTH CLINIC IN EKALAKA, MT (35 MILES TO THE SOUTH), FACILITIES OFFERING THE NEXT HIGHEST LEVEL OF CARE ARE OVER 80 MILES FROM BAKER, NECESSITATING A DRIVE OF NEARLY TWO HOURS IN INCLEMENT WEATHER TWO PRIMARY CARE PHYSICIANS AND TWO PHYSICIAN ASSISTANTS PRACTICE FULL TIME IN BAKER IN ADDITION, FMC'S PHYSICIANS SUPERVISE PHYSICIAN ASSISTANTS IN EKALAKA, MT AND IN WIBAUX, MT GIVEN THE SMALL SIZE OF ITS MEDICAL STAFF AND THE BROAD DISPERSION OF ITS SERVICE AREA, FMC IS FEDERALLY DESIGNATED AS A HEALTH PROFESSIONAL SHORTAGE AREA AND A MEDICALLY UNDERSERVED AREA THE MAJORITY OF PATIENTS IN FMC'S SERVICE AREA ARE CAUCASIAN (98%), OLDER THAN AGE 45 (52%) AND HAVE GRADUATED FROM HIGH SCHOOL (82%) THE PER CAPITA INCOME IS ABOUT \$30,000 PER YEAR (COMPARED TO \$33,000 FOR ALL OF MONTANA) AND THE UNEMPLOYMENT RATE IS 2.8% (COMPARED TO 4.5%) ABOUT 15% OF THE POPULATION IS BELOW THE FEDERAL POVERTY LEVEL AND ROUGHLY 29% OF THE POPULATION DOES NOT HAVE HEALTH INSURANCE OF THOSE WITH HEALTH INSURANCE, 22% ARE COVERED BY MEDICARE, AND 6% ARE COVERED BY MEDICAID OF THOSE PEOPLE ON MEDICAID, 21% RECEIVE MENTAL HEALTH SERVICES LIKE MOST RURAL MONTANA AREAS, FMC'S SERVICE AREA ECONOMY IS LARGELY BASED ON AGRICULTURE WHEAT AND BARLEY ARE MAJOR FARM CROPS AND CATTLE AND SHEEP DOMINATE THE LOCAL LIVESTOCK PRODUCTION THE OTHER MAJOR CONTRIBUTOR TOWARDS THE LOCAL ECONOMY IS OIL AND GAS EXPLORATION AND EXTRACTION MANY RESIDENTS ARE EMPLOYED BY LARGE ENERGY EXPLORATION AND DRILLING COMPANIES OR SMALLER ENERGY-RELATED SERVICE COMPANIES THE AREA RECENTLY ENTERED THE ALTERNATIVE ENERGY ARENA WHEN WIND FARMS BEGAN CROPPING UP ACROSS THE WIND-SWEPT PRAIRIE</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 5 FMC'S GOVERNING BOARD OF TRUSTEES IS FULLY COMPRISED OF PEOPLE WHO RESIDE IN ITS SERVICE AREA THEY ARE NOT COMPENSATED FOR THEIR PARTICIPATION ON THE BOARD AND THEY ARE NEITHER EMPLOYEES, FAMILY MEMBERS OF EMPLOYEES, NOR CONTRACTORS OF FMC THEY MUST BE INTERESTED IN, AND WILLING TO WORK TOWARDS, THE BEST INTERESTS OF HEALTH CARE IN FMC'S SERVICE AREA ONE OF THE BOARD'S RESPONSIBILITIES IS TO MAINTAIN AND OVERSEE FMC'S MEDICAL STAFF AS SUCH, THEY ARE RESPONSIBLE FOR GRANTING PRIVILEGES TO QUALIFIED PHYSICIANS AND MID-LEVELS BASED ON EDUCATION AND SKILLS CONFIRMED THROUGH A STRUCTURED CREDENTIALING PROCESS ALL PROVIDERS IN OUR SERVICE AREA ARE WELCOME TO APPLY FOR PRIVILEGES TO TREAT PATIENTS AND TO ADMIT PATIENTS TO OUR MEDICAL FACILITIES THE BOARD IS ALSO CHARGED WITH CONTROLLING AND MANAGING ALL OF THE PROPERTY, AFFAIRS, AND FUNDS OF FMC SINCE OUR SINGULAR PURPOSE IS TO DELIVER QUALITY HEALTHCARE TO OUR PATIENTS AND RESIDENTS, ALL SURPLUS FUNDS ARE USED TO MAKE IMPROVEMENTS IN OUR DELIVERY OF PATIENT CARE, EITHER THROUGH THE PURCHASE OF NEW EQUIPMENT, THE FURTHER EDUCATION OF OUR STAFF, THE DEVELOPMENT OF NEW SERVICES, OR THE RENOVATION OF OUR FACILITY ADDITIONALLY, FMC OPERATES A FOUNDATION THAT EXISTS SOLELY TO ATTRACT AND MANAGE FUNDS FROM DONORS WHO WOULD LIKE TO PROVIDE FINANCIAL SUPPORT THIS SEPARATE NON-PROFIT ENTITY IS GOVERNED BY ITS OWN BOARD OF DIRECTORS, WHICH RAISES THE FUNDS, MANAGES THE INVESTMENTS, AND DETERMINES HOW THE FUNDS SHOULD BE SPENT ONE OF THEIR MOST ACTIVELY MANAGED EFFORTS IS THE AWARDING OF SCHOLARSHIPS TO STUDENTS SEEKING HEALTHCARE CAREERS IN ADDITION TO SERVING ON ONE OF THE TWO BOARDS DESCRIBED ABOVE, VOLUNTEERS ALSO HAVE MANY OTHER OPPORTUNITIES TO CONTRIBUTE TO THE WELL-BEING OF OUR PATIENTS AND RESIDENTS THEY CAN CHOOSE TO BE A MEMBER OF OUR ORGANIZED HOSPITAL HELPERS AUXILIARY, PARTICIPATING IN DAILY ACTIVITIES AND/OR PERIODIC COMMUNITY EVENTS THEY CAN ALSO WORK IN THE AUXILIARY'S HOSPITAL GIFT SHOP, WHICH DONATES ALL SURPLUS FUNDS TO FMC FOR THE PURCHASE OF NEW PATIENT CARE EQUIPMENT OR DEVELOPMENT OF NEW SERVICES OR THEY CAN OFFER THEIR VOLUNTEER SERVICES INDEPENDENTLY TO OUR PATIENTS AND RESIDENTS ALL IN ALL, THESE INDIVIDUALS ALL CONTRIBUTE TOWARDS FMC'S MISSION, WHICH INCLUDES PROVIDING COMFORT, COMPASSION, AND EXCELLENCE IN THE PROMOTION OF QUALITY OF LIFE TO ALL INDIVIDUALS WE DO NOT HAVE THE RESOURCES TO OFFER SPECIALIZED SERVICES OR TO CONDUCT MEDICAL RESEARCH BUT AS A SOLE COMMUNITY PROVIDER, WE ARE COMMITTED TO OFFERING 24/7 EMERGENCY CARE REGARDLESS OF A PATIENT'S ABILITY TO PAY, OFFERING HOSPITAL INPATIENT AND OUTPATIENT SERVICES, OFFERING PHYSICIAN SERVICES THROUGH OUR RURAL HEALTH CLINIC & SATELLITE CLINIC, OFFERING LONG TERM ALTERNATIVES, AND OFFERING CARE IN OUR PATIENT'S HOMES</p>

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization
FALLON MEDICAL COMPLEX INC

Employer identification number
36-3808993

Part I

General Information on Grants and Assistance

- 1

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

☒ Yes ☐ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) FRIENDS OF FMC FOUNDATION INC202 S 4TH STREET WEST BAKER,MT 59313	43-1975486	501(C)(3)	21,516				TO SUPPORT MISSION OF FRIENDS OF FMC FOUNDATION, INC

2

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

1

3

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

0

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 ORGANIZATION PROVIDES GRANTS TO RELATED TAX-EXEMPT ORGANIZATION TO FURTHER THEIR TAX EXEMPT PURPOSE

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
FALLON MEDICAL COMPLEX INC

Employer identification number
36-3808993

Part I

Questions Regarding Compensation

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

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.

[illegible]

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
------------	------------------	-------------

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
FALLON MEDICAL COMPLEX INC

Employer identification number

36-3808993

Part I

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

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

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

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

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

Part II

Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c)Original principal amount	(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g)Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total ► \$										

Part III

Grants or Assistance Benefitting Interested Persons.

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

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

Part IV

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) DARRYL ESPELAND DO	EMPLOYEE AND BROTHER OF CEO	216,848	WAGES AND BENEFITS		No
(2) DAVID ESPELAND CEO	EMPLOYEE AND BROTHER OF CHIEF OF STAFF	108,400	WAGES AND BENEFITS		No

Part V

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

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

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
FALLON MEDICAL COMPLEX INC

Employer identification number
36-3808993

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 2	DAVID ESPELAND AND DARRYL ESPELAND HAVE A FAMILY RELATIONSHIP
	FORM 990, PART VI, SECTION A, LINE 6	ALL PERSONS PRESENTLY RESIDING IN FALLON COUNTY AND ALL OUTLYING AREAS OF FALLON MEDICAL COMPLEX WHO HAVE CONTRIBUTED THE SUM OF \$100 OR MORE SHALL BE LIFETIME MEMBERS OF THE CORPORATION THERE ARE NO CLASSES OF MEMBERSHIP AND NO STOCK IS ISSUED MEMBERS HAVE NO CLAIMS TO CORPORATE INCOME AND ASSETS AND THEIR ONLY DEFINED RIGHT IS TO VOTE FOR MEMBERS OF THE BOARD
	FORM 990, PART VI, SECTION A, LINE 7A	ALL MEMBERS OF THE CORPORATION SHALL BE ENTITLED TO VOTE FOR VACANT POSITIONS ON THE CORPORATION BOARD OF TRUSTEES
	FORM 990, PART VI, SECTION A, LINE 8B	THE ORGANIZATION DOES NOT HAVE A COMMITTEE THAT ACTS ON BEHALF OF THE GOVERNING BOARD
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS EMAILED TO THE BOARD OF TRUSTEES FOR THEIR REVIEW AND THEY ARE ALLOWED TO COMMENT PRIOR TO FILING
	FORM 990, PART VI, SECTION B, LINE 12C	THE ORGANIZATION'S POLICY REQUIRES A DUTY TO DISCLOSE ANY CONFLICTS ANNUALLY AS WELL AS DURING DISCUSSIONS THE CONFLICT OF INTEREST POLICY COVERS ALL MEMBERS OF THE BOARD, OFFICERS AND EMPLOYEES BOARD MEMBERS, OFFICERS AND EMPLOYEES COMPLETE A QUESTIONNAIRE ANNUALLY ADDRESSING POTENTIAL AREAS OF CONFLICTS CONFLICTS ARE DETERMINED BY EACH INDIVIDUAL IF A CONFLICT ARISES, THE BOARD MEMBER ABSTAINS FROM VOTING ON MATTERS THAT GAVE RISE TO THE CONFLICT
	FORM 990, PART VI, SECTION B, LINE 15	THE MONTANA HOSPITAL ASSOCIATION (MHA) PUBLISHES ITS ANNUAL COMPENSATION DATA FOR ALL CLASSIFICATIONS OF HEALTHCARE WORKERS THE DATA PERTAINING TO FACILITIES COMPARABLE IN SIZE IS USED TO DETERMINE EXECUTIVE AND OFFICER COMPENSATION THE BOARD MAY ALSO CHOOSE TO CALL THEIR PEERS IN OTHER FACILITIES TO SUBSTANTIATE THE MHA DATA AND TO CONFIRM THE APPROPRIATENESS OF ANY PROPOSED COMPENSATION THE BOARD VOTES AND APPROVES THE COMPENSATION FOR OFFICERS SUCH AS THE CEO AND CFO THE DECISIONS ARE DOCUMENTED ON AN ANNUAL BASIS WHEN SALARIES ARE APPROVED THIS PROCESS LAST TOOK PLACE AT THE END OF FISCAL YEAR 06/30/11, WITH BOARD APPROVAL OF THE BUDGET FOR FY 2012 AT THE 07/06/2012 BOARD MEETING
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE AVAILABLE FOR INSPECTION AT THE CORPORATION'S PLACE OF BUSINESS UPON REQUEST
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	EQUITY IN EARNINGS OF AFFILIATE RECORDED IN REVENUE FOR FINANCIAL STATEMENT 45,662 TOTAL TO FORM 990, PART XI, LINE 5 45,662
	FORM 990, PAGE 1, LINE C	FALLON MEDICAL COMPLEX, INC IS DOING BUSINESS UNDER THE FOLLOWING NAMES COMMUNITY CLINIC, HOME CARE SERVICES, FALLON MEMORIAL HOSPITAL, MEMORIAL NURSING HOME AND WIBAUX CLINIC

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
FALLON MEDICAL COMPLEX INC

Employer identification number
36-3808993

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) FRIENDS OF FMC FOUNDATION 202 S 4TH ST W BAKER, MT 59313 43-1975486	FOUNDATION / FUNDRAISING	MT	501(C)(3)	LINE 7	N/A		No

Part III

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

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

Part IV

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

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

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

Yes

No

Yes

No

Yes

Yes

No

Yes

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)			

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	
------------	------------------	-------------	--



Consolidated Financial Statements
June 30, 2012 and 2011

Fallon Medical Complex, Inc. and Affiliate

Independent Auditor's Report.....	1
Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6
Independent Auditor's Report on Consolidating Financial Information	20
Consolidating Financial Information	
Consolidating Balance Sheets – Assets, Liabilities, and Net Assets	21
Consolidating Statement of Operations	22
Consolidating Statement of Changes in Net Assets	23
Independent Auditor's Report on Supplementary Information.....	24
Supplementary Information	
Schedules of Revenue.....	25
Schedules of Expenses.....	27
Operational, Statistical, and Financial Highlights	29



Independent Auditor's Report

The Board of Directors
Fallon Medical Complex, Inc. and Affiliate
Baker, Montana

We have audited the accompanying consolidated balance sheets of Fallon Medical Complex, Inc. and Affiliate as of June 30, 2012 and 2011, 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 the Complex's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fallon Medical Complex, Inc. and Affiliate as of June 30, 2012 and 2011, and the results of its operations, changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Billings, Montana
December 17, 2012

Fallon Medical Complex, Inc. and Affiliate

Consolidated Balance Sheets

June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,328,910	\$ 971,197
Receivables		
Patient and resident, net of estimated uncollectibles of \$600,000 in 2012 and \$525,000 in 2011	1,299,189	1,271,436
Estimated third-party payor settlements	370,000	346,000
Due from County	379,356	317,508
Other	2,729	115
Prepaid expenses	47,779	-
Supplies	187,050	197,179
Total current assets	3,615,013	3,103,435
Assets Limited as to Use	607,341	556,957
Property and Equipment	7,683,810	7,833,985
Total assets	<u>\$ 11,906,164</u>	<u>\$ 11,494,377</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 166,755	\$ 159,925
Accounts payable		
Trade	292,172	277,835
Due to County	116,559	134,874
Accrued expenses		
Vacation	240,412	200,859
Salaries and wages	148,970	123,859
Payroll taxes and other	31,091	20,644
Interest	396	1,061
Total current liabilities	996,355	919,057
Long-Term Debt, Less Current Maturities	369,961	536,716
Total liabilities	<u>1,366,316</u>	<u>1,455,773</u>
Net Assets		
Unrestricted	10,408,908	9,929,588
Temporarily restricted	17,891	15,967
Permanently restricted	113,049	93,049
Total net assets	<u>10,539,848</u>	<u>10,038,604</u>
Total liabilities and net assets	<u>\$ 11,906,164</u>	<u>\$ 11,494,377</u>

Fallon Medical Complex, Inc. and Affiliate

Consolidated Statements of Operations

Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Revenues		
Net patient and resident service revenue	\$ 7,268,854	\$ 7,129,880
Other revenue	434,358	340,271
Total unrestricted revenues	<u>7,703,212</u>	<u>7,470,151</u>
Expenses		
Professional care of patients and residents	3,732,453	3,411,687
General and administrative	1,630,327	1,603,805
Clinics	913,939	895,994
Depreciation	726,518	631,285
Property and household	598,675	549,787
Dietary	418,865	395,815
Provision for bad debts	213,643	186,657
Interest	36,272	38,699
Total expenses	<u>8,270,692</u>	<u>7,713,729</u>
Operating Loss	<u>(567,480)</u>	<u>(243,578)</u>
Other Income, Net		
County subsidy for buildings from mill levy	425,000	425,000
County subsidy for operations	431,377	398,866
County subsidy for expenses and equipment	66,117	266,818
Unrestricted gifts and grants	91,526	38,797
Interest and dividend income	11,853	5,778
Realized gains (losses) on sale of investments	1,564	(5,238)
Gain (loss) on sale of equipment	375	(2,185)
Other	1,655	804
Total other income, net	<u>1,029,467</u>	<u>1,128,640</u>
Revenues in Excess of Expenses	461,987	885,062
Unrealized Gains on Investments	4,734	40,811
Net Assets Released from Restrictions	<u>12,599</u>	<u>12,654</u>
Increase in Unrestricted Net Assets	<u>\$ 479,320</u>	<u>\$ 938,527</u>

Fallon Medical Complex, Inc. and Affiliate
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted Net Assets		
Revenues in excess of expenses	\$ 461,987	\$ 885,062
Unrealized gains on investments	4,734	40,811
Net assets released from restrictions	<u>12,599</u>	<u>12,654</u>
Increase in unrestricted net assets	<u>479,320</u>	<u>938,527</u>
Temporarily Restricted Net Assets		
Contributions for specific purposes	13,498	12,700
Investment income	1,025	1,683
Net assets released from restrictions	<u>(12,599)</u>	<u>(12,654)</u>
Increase in temporarily restricted net assets	<u>1,924</u>	<u>1,729</u>
Permanently Restricted Net Assets		
Contributions	<u>20,000</u>	<u>20,000</u>
Increase in Net Assets	501,244	960,256
Net Assets, Beginning of Year	<u>10,038,604</u>	<u>9,078,348</u>
Net Assets, End of Year	<u><u>\$ 10,539,848</u></u>	<u><u>\$ 10,038,604</u></u>

Fallon Medical Complex, Inc. and Affiliate

Consolidated Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Activities		
Increase in net assets	\$ 501,244	\$ 960,256
Adjustments to reconcile increase in net assets to net cash from operating activities		
County subsidies	(922,494)	(1,090,684)
Depreciation	726,518	631,285
Contributions and interest restricted by donors	(34,523)	(34,383)
Unrealized gains on investments	(4,734)	(40,811)
Realized (gain) loss on sale of investments	(1,564)	5,238
(Gain) loss on sale of equipment	(375)	2,185
Changes in assets and liabilities		
Receivables	(116,215)	(267,057)
Prepays	(47,779)	-
Supplies	10,129	(3,397)
Accounts payable	(3,978)	19,948
Accrued expenses	74,446	59,377
Net Cash from Operating Activities	<u>180,675</u>	<u>241,957</u>
Investing Activities		
Purchase of property and equipment	(576,343)	(1,081,548)
Purchases of assets limited as to use	(199,598)	(397,580)
Sales of assets limited as to use	155,512	367,015
Proceeds from sale of equipment	375	601
Net Cash used for Investing Activities	<u>(620,054)</u>	<u>(1,111,512)</u>
Financing Activities		
County subsidies	922,494	1,090,684
Repayment of long-term debt	(159,925)	(136,945)
Contributions and interest restricted by donors	34,523	34,383
Proceeds from long-term debt borrowings	-	403,000
Net Cash from Financing Activities	<u>797,092</u>	<u>1,391,122</u>
Net Change in Cash and Cash Equivalents	357,713	521,567
Cash and Cash Equivalents, Beginning of Year	<u>971,197</u>	<u>449,630</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,328,910</u>	<u>\$ 971,197</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 36,937</u>	<u>\$ 38,222</u>

Note 1 - Organization and Significant Accounting Policies

Organization

The consolidated financial statements include the accounts of Fallon Medical Complex, Inc. (Complex) and its affiliate, Friends of FMC Foundation (Foundation).

The Complex is a 25-bed critical access hospital, a 15-bed nursing facility, and a community medical clinic located in Baker, Montana. The Complex is organized as a Montana nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Under an agreement dated July 1, 1991, the Complex agreed to manage and operate the healthcare facilities of Fallon County. Previously, these facilities were organized as a component unit of Fallon County.

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

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.

Receivables and Credit Policies

Patient and resident receivables are uncollateralized patient, resident, and third party payor obligations. The Complex does not charge interest on past due accounts. Patient and resident receivables are stated at the amount billed to the patient or resident. Unless the patient or resident has signed an approved payment agreement to extend the payment period, account balances with invoices dated over 60 days old are considered delinquent and are remitted to a collection agency after 120 days. Accounts with extended payment schedules are considered delinquent and are remitted to a collection agency after 90 days of non-payment. Payments of receivables are allocated to the specific invoice identified on the remittance advice or, if unspecified, applied to the earliest unpaid invoices.

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. 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 may not be collected from patients or residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Supplies

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

Assets Limited as to Use

Assets limited as to use include assets that the Board of Directors of the Complex and the Foundation have set aside for future capital improvements and scholarships. The Board retains control of these assets and may use them for any purpose at its discretion. Assets limited as to use also include assets held by the Complex for nursing home residents and the Complex's Auxiliary.

Investments and Investment Income

Investments in mutual funds and certificates of deposits with readily determinable values are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by law. Unrealized gains and losses on investments are excluded from revenues in excess of expenses unless the investments are trading securities.

Fair Value Measurements

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

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

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

Property and Equipment

Property and equipment acquisitions in excess of \$5,000 are capitalized at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Land improvements	5 - 20 years
Buildings and improvements	5 - 40 years
Equipment	5 - 25 years

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

The Complex has an agreement with Fallon County under which Fallon County furnished the Complex with the property and equipment needed to provide healthcare services. The Complex has recorded the property and equipment as assets of Fallon Medical Complex, Inc.

Income Taxes

The Complex is organized as a nonprofit organization and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Complex is also exempt from state income taxes. The Complex is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Complex is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Complex has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Complex believes it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Complex would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Complex is no longer subject to federal or state tax examinations by tax authorities for the years before June 30, 2009.

Temporarily and Permanently Restricted Net Assets

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

Net Patient and Resident Service Revenue

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

Revenues in Excess of Expenses

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

Charity Care

To fulfill its mission of community service, the Complex provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Complex does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient and resident service revenue. The amount of charges foregone for services provided under the Complex's charity care policy were approximately \$57,000 and \$98,000 for the years ended June 30, 2012 and 2011. The estimated direct and indirect cost of providing these services was approximately \$55,000 and \$87,000 for the years ended June 30, 2012 and 2011, calculated by multiplying the ratio of cost to gross charges by the gross uncompensated charges associated with providing charity care to its patients.

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 statement of operations as net assets released from restrictions.

County Subsidy

Fallon County provides a subsidy to the Complex for its operations based on budgeted amounts approved by the County. During the years ended June 30, 2012 and 2011, the Complex received \$431,377 and \$398,866, respectively.

During the years ended June 30, 2012 and 2011, the County provided an additional subsidy of \$66,117 and \$266,818, respectively, which was approved by the County to be used for certain operating expenses and equipment as decided by Fallon County.

Each year an additional subsidy is provided for purchases of buildings and improvements upon approval of a mill levy by the voters of Fallon County. During each of the years ended June 30, 2012 and 2011, the Complex received \$425,000. The mill levy has been approved in the past three elections. The Complex recognizes the revenue when received from the County based on the budgeted amounts approved by the County.

Resident Funds

The Complex acts as custodian for the funds of some residents. These funds are included in assets limited as to use and trade payables in the balance sheets. Resident funds totaled \$4,307 and \$3,529 at June 30, 2012 and 2011, respectively.

Advertising Costs

The Complex expenses advertising costs as they are incurred.

Use of Estimates

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

Professional Liability Claims

The Complex has prospectively adopted the Financial Accounting Standards Board ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, as of April 1, 2011. ASU 2010-24 requires the Complex to evaluate its exposure to losses arising from claims and recognize a liability and at the same time recognize an insurance receivable for anticipated insurance recoveries, measured on the same basis as the related liability. As permitted, the application of the standard was not retroactively applied to periods prior to June 30, 2012. There were no claims receivable or payable at June 30, 2012.

Reclassifications

Reclassifications have been made to the 2011 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net assets.

Subsequent Events

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

Note 2 - Net Patient and Resident Service Revenue

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

Medicare: The Complex is licensed as a Critical Access Hospital (CAH). The Complex is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Complex and are subject to audits thereof by the Medicare intermediary. Certain services are subject to cost limits or fee schedules. The Complex's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2010. The Complex'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 the Complex.

Medicaid: Inpatient and outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges or allowable cost as determined through the Complex's Medicare cost report, or rates as established by the Medicaid program. The Complex is reimbursed at a tentative rate with final settlement determined by the program based on the Complex's final Medicaid cost report. The Complex's Medicaid cost reports have been settled through the year ended June 30, 2010.

Blue Cross: Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount. The prospectively determined discount is not subject to retroactive adjustment.

Resident Services: The Complex is reimbursed for resident services at established per diem rates, which are prospectively determined on a cost-related (inflation-adjusted from 1996) basis subject to certain limitations as prescribed by Montana Department of Public Health and Human Services regulations. These rates are subject to retroactive adjustment by field audit. 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 Complex has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Complex under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 39 percent and 18 percent, respectively, of the Complex's net patient revenue for the year ended June 30, 2012, and 41 percent and 15 percent, respectively, for the year ended June 30, 2011. Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient and resident service revenue for the years ended June 30, 2012 and 2011 increased approximately \$42,000 and \$20,000, respectively, due to the removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations.

A summary of patient and resident service revenue and contractual adjustments for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Total patient and resident service revenue	\$ 7,976,434	\$ 8,106,349
Contractual adjustments		
Medicare	(263,548)	(566,153)
Medicaid	(51,498)	(81,844)
Other	(392,534)	(328,472)
Total contractual adjustments	(707,580)	(976,469)
Net patient and resident service revenue	\$ 7,268,854	\$ 7,129,880

Note 3 - Assets Limited as to Use

The composition of assets limited as to use stated at fair value at June 30, 2012 and 2011 is set forth in the following table:

	2012	2011
Board designated for capital improvements and scholarships		
Mutual funds	\$ 314,797	\$ 281,366
Certificates of deposit	153,049	143,049
Cash	127,788	124,638
Cash held for nursing home residents and auxiliary	11,707	7,904
Total	\$ 607,341	\$ 556,957

Fallon Medical Complex, Inc. and Affiliate

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The fair values and gross unrealized losses of investments in assets limited as to use for individual securities that have been in a continuous unrealized loss position as of June 30, 2012 and 2011 are as follows:

	2012	2011
Mutual Funds		
Unrealized loss position for less than 12 months	\$ -	\$ 1,775
Market Value	-	170,374
Unrealized loss position for greater than 12 months	2,351	-
Market Value	112,974	-

The unrealized losses on the Complex's investments in mutual funds were primarily the result of recent market declines consistent with the cyclical nature of the financial markets. The Complex has a diversified portfolio. Based on that evaluation and the Complex's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Complex does not consider these investments to be other-than-temporarily impaired at June 30, 2012.

The following table sets forth by level, within the fair value hierarchy, the fair values of assets limited as to use as of June 30, 2012 and 2011:

	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)
2012			
Mutual funds			
Bond	\$ 160,830	\$ -	\$ -
Domestic large cap value	133,476	-	-
Other	20,491	-	-
Certificates of deposit	-	153,049	-
	<u>\$ 314,797</u>	<u>\$ 153,049</u>	<u>\$ -</u>
2011			
Mutual funds			
Bond	\$ 161,405	\$ -	\$ -
Domestic large cap value	105,564	-	-
Domestic mid cap value	14,397	-	-
Certificates of deposit	-	143,049	-
	<u>\$ 281,366</u>	<u>\$ 143,049</u>	<u>\$ -</u>

Note 4 - Endowment Funds

The Complex's endowment funds consist of individual funds established for a variety of purposes based on donor restrictions and board designations. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The state of Montana has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Complex has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Complex classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Complex in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Complex considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Complex 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 Complex.
- (7) The investment policies of the Complex.

At June 30, 2012 and 2011, respectively, the Complex had the following endowment net asset composition by type of fund:

		2012		
		Unrestricted	Temporarily Restricted	Permanently Restricted
				Total
Donor-restricted endowment funds		\$ -	\$ 17,891	\$ 113,049
Board-designated endowment funds		41,648	-	-
		<u>\$ 41,648</u>	<u>\$ 17,891</u>	<u>\$ 113,049</u>
				<u>\$ 172,588</u>
		2011		
		Unrestricted	Temporarily Restricted	Permanently Restricted
				Total
Donor-restricted endowment funds		\$ -	\$ 15,636	\$ 93,049
Board-designated endowment funds		41,325	-	-
		<u>\$ 41,325</u>	<u>\$ 15,636</u>	<u>\$ 93,049</u>
				<u>\$ 150,010</u>

Fallon Medical Complex, Inc. and Affiliate

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The following were the changes in the endowment net assets for the years ended June 30, 2012 and 2011:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 41,325	\$ 15,636	\$ 93,049	\$ 150,010
Interest income	323	1,025	-	1,348
Appropriation of endowment assets for expenditure	-	(1,000)	-	(1,000)
Other	-	2,230	-	2,230
Contributions	-	-	20,000	20,000
End of year	<u>\$ 41,648</u>	<u>\$ 17,891</u>	<u>\$ 113,049</u>	<u>\$ 172,588</u>
	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 41,000	\$ 16,513	\$ 73,049	\$ 130,562
Interest income	325	1,123	-	1,448
Appropriation of endowment assets for expenditure	-	(2,000)	-	(2,000)
Contributions	-	-	20,000	20,000
End of year	<u>\$ 41,325</u>	<u>\$ 15,636</u>	<u>\$ 93,049</u>	<u>\$ 150,010</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Complex to maintain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2012 and 2011.

Return Objectives and Risk Parameters

The Complex has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while maintaining the fair value of the endowment assets and providing a low level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Complex relies on an investment portfolio, which includes cash, cash equivalents, certificates of deposit, and mutual funds.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Complex's policy is to maintain sufficient financial stability for the Foundation and the programs supported by its endowment. Interest and dividends are currently added to temporarily restricted net assets and appropriated by the Foundation Board periodically.

Note 5 - Property and Equipment

A summary of property and equipment at June 30, 2012 and 2011 follows:

	2012		2011	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 96,522	\$ -	\$ 96,522	\$ -
Land improvements	208,960	99,066	151,625	88,003
Buildings and improvements	11,655,600	5,417,254	11,458,439	4,981,403
Equipment	2,030,982	926,132	1,487,010	648,428
Construction in progress	134,198	-	358,223	-
	<u>\$ 14,126,262</u>	<u>\$ 6,442,452</u>	<u>\$ 13,551,819</u>	<u>\$ 5,717,834</u>
Net property and equipment		<u>\$ 7,683,810</u>		<u>\$ 7,833,985</u>

The Complex is committed to projects at June 30, 2012 consisting of improvements to the building. The estimated cost to complete the projects is approximately \$1,554,000, which will be provided from a County subsidy. During the years ended June 30, 2012 and 2011, the County provided an additional subsidy of \$66,117 and \$266,818, respectively, which was approved by the County to be used for improvements and equipment.

Note 6 - Leases

The Complex leases its building, improvements, and certain equipment from Fallon County for \$1 per year. The lease is automatically renewed on a year-to-year basis. As in prior years, management has recorded these assets as assets of the Complex.

The Complex also leases certain equipment under non-cancelable long-term lease agreements. These leases have been recorded as operating leases. Total lease expense for the years ended June 30, 2012 and 2011 for all operating leases was \$80,469 and \$99,431 respectively.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 58,185
2014	6,177
2015	<u>4,821</u>
Total minimum lease payments	<u>\$ 69,183</u>

Note 7 - Long-Term Debt

Long-term debt consists of:

	<u>2012</u>	<u>2011</u>
4.5% note payable to bank, due in monthly installments of \$7,500 including interest, to May 2015, guaranteed by Fallon County	\$ 265,667	\$ 351,560
6.9% note payable, due in monthly installments of \$7,960 including interest, to August 2015, secured by equipment	<u>271,049</u>	<u>345,081</u>
	536,716	696,641
Less current maturities	<u>(166,755)</u>	<u>(159,925)</u>
Total	<u><u>\$ 369,961</u></u>	<u><u>\$ 536,716</u></u>

Long-term debt maturities are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2013	\$ 166,755
2014	176,414
2015	177,761
2016	<u>15,786</u>
	<u><u>\$ 536,716</u></u>

Note 8 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Endowment assets	\$ 17,891	\$ 15,636
Other	<u>-</u>	<u>331</u>
	<u><u>\$ 17,891</u></u>	<u><u>\$ 15,967</u></u>

Permanently restricted net assets at June 30, 2012 and 2011 are restricted to:

	<u>2012</u>	<u>2011</u>
Assets to be held in perpetuity, the income from which is expendable for scholarships for healthcare students and nursing home operations	<u>\$ 113,049</u>	<u>\$ 93,049</u>

In 2012 and 2011, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes in the amounts of \$12,599 and \$12,654. These amounts are included in net assets released from restrictions in the accompanying financial statements.

Note 9 - Functional Expense

The Complex provides healthcare services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Patient and resident healthcare services	\$ 7,348,409	\$ 6,831,551
Management and general	922,283	882,178
Total	<u>\$ 8,270,692</u>	<u>\$ 7,713,729</u>

Note 10 - Pension Plan

Effective January 1, 2006 the Complex transferred all of the assets of their defined contribution pension plan to the Montana Health Network 401(k) Plan, a multiple employer defined contribution plan. Employees may elect to become participants upon reaching age 21 and completion of one year of service. The Complex makes a contribution matching 50% of the participant's contribution up to a maximum of 2% of the participant's compensation. Total pension plan expense for the years ended June 30, 2012 and 2011 was \$63,797 and \$58,164, respectively.

Note 11 - Concentrations of Credit Risk

The mix of receivables from third-party payors, patients, and residents at June 30, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Medicare	37%	39%
Medicaid	6%	7%
Other third-party payors, patients and residents	57%	54%
	<u>100%</u>	<u>100%</u>

The Complex's cash balances are maintained in various bank deposit accounts. At June 30, 2012 and 2011, the balances of these deposits were in excess of federally insured limits by approximately \$33,000 and \$36,000, respectively.

Note 12 - Commitments and Contingencies

Malpractice Insurance

The Complex has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$3,000,000. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

Regulations

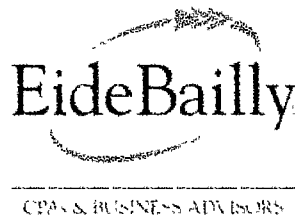
The health care industry is subject to numerous laws and regulations including, but not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government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

The Centers for Medicare and Medicaid Services (CMS) has implemented a Recovery Audit Contractor (RAC) program under which claims subsequent to October 1, 2007 are reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential overpayments, some being significant. If selected for audit, the potential exists that the Complex may incur a liability for a claims overpayment at a future date. The Complex is unable to determine if it will be audited and, if so, the extent of liability of overpayments, if any. As the outcome of such potential reviews are unknown and cannot be reasonably estimated, it is the Hospital's policy is to adjust revenue for deductions from overpayment amounts or additions from underpayment amounts determined under the RAC audits at the time a change in reimbursement is agreed upon between the Hospital and CMS.



Consolidating Financial Information
June 30, 2012 and 2011

Fallon Medical Complex, Inc. and Affiliate



Independent Auditor's Report on Consolidating Financial Information

The Board of Directors
Fallon Medical Complex, Inc. and Affiliate
Baker, Montana

We have audited the consolidated financial statements of Fallon Medical Complex, Inc. and Affiliate as of and for the years ended June 30, 2012 and 2011, and our report thereon dated December 17, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Eide Bailly LLP

Billings, Montana
December 17, 2012

Fallon Medical Complex, Inc. and Affiliate
Consolidating Balance Sheets – Assets, Liabilities, and Net Assets
June 30, 2012

	Fallon Medical Complex, Inc.	Friends of FMC Foundation	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,328,910	\$ -	\$ -	\$ 1,328,910
Receivables				
Patient and resident, net of estimated uncollectibles	1,299,189	-	-	1,299,189
Estimated third-party payor settlements	370,000	-	-	370,000
Due from County	379,356	-	-	379,356
Other	2,629	100	-	2,729
Prepaid expenses	47,779	-	-	47,779
Supplies	187,050	-	-	187,050
Total current assets	3,614,913	100	-	3,615,013
Assets Limited as to Use	79,533	527,808	-	607,341
Investment in Affiliate	527,908	-	(527,908)	-
Property and Equipment	7,683,810	-	-	7,683,810
Total assets	<u>\$ 11,906,164</u>	<u>\$ 527,908</u>	<u>\$ (527,908)</u>	<u>\$ 11,906,164</u>
Current Liabilities				
Current maturities of long-term debt	\$ 166,755	\$ -	\$ -	\$ 166,755
Accounts payable				
Trade	292,172	-	-	292,172
Due to County	116,559	-	-	116,559
Accrued expenses				
Vacation	240,412	-	-	240,412
Salaries and wages	148,970	-	-	148,970
Payroll taxes and other	31,091	-	-	31,091
Interest	396	-	-	396
Total current liabilities	996,355	-	-	996,355
Long-Term Debt, Less Current Maturities	369,961	-	-	369,961
Total liabilities	<u>1,366,316</u>	<u>-</u>	<u>-</u>	<u>1,366,316</u>
Net Assets				
Unrestricted	10,408,908	396,968	(396,968)	10,408,908
Temporarily restricted	17,891	17,891	(17,891)	17,891
Permanently restricted	113,049	113,049	(113,049)	113,049
Total net assets	<u>10,539,848</u>	<u>527,908</u>	<u>(527,908)</u>	<u>10,539,848</u>
Total liabilities and net assets	<u>\$ 11,906,164</u>	<u>\$ 527,908</u>	<u>\$ (527,908)</u>	<u>\$ 11,906,164</u>

Fallon Medical Complex, Inc. and Affiliate
Consolidating Statement of Operations
Year Ended June 30, 2012

	Fallon Medical Complex, Inc.	Friends of FMC Foundation	Eliminations	Consolidated
Unrestricted Revenues				
Net patient and resident service revenue	\$ 7,268,854	\$ -	\$ -	\$ 7,268,854
Other revenue	434,358	-	-	434,358
Total unrestricted revenues	7,703,212	-	-	7,703,212
Expenses				
Professional care of patients	3,732,453	-	-	3,732,453
General and administrative	1,606,456	76,428	(52,557)	1,630,327
Clinics	913,939	-	-	913,939
Depreciation	726,124	394	-	726,518
Property and household	598,675	-	-	598,675
Dietary	418,865	-	-	418,865
Provision for bad debts	213,643	-	-	213,643
Interest	36,272	-	-	36,272
Total expenses	8,246,427	76,822	(52,557)	8,270,692
Operating Loss	(543,215)	(76,822)	52,557	(567,480)
Other Income, Net				
County subsidy for buildings from mill levy	425,000	-	-	425,000
County subsidy for operations	431,377	-	-	431,377
County subsidy for expenses and equipment	66,117	-	-	66,117
Earnings of affiliate	45,662	-	(45,662)	-
Unrestricted gifts and grants	73,165	70,918	(52,557)	91,526
Interest and dividend income	1,108	10,745	-	11,853
Realized gains on sale of investments	-	1,564	-	1,564
Gain on sale of equipment	375	-	-	375
Other	1,655	-	-	1,655
Total other income, net	1,044,459	83,227	(98,219)	1,029,467
Revenues in Excess of Expenses	501,244	6,405	(45,662)	461,987
Unrealized Gains on Investments	-	4,734	-	4,734
Net Assets Released from Restrictions	-	12,599	-	12,599
Increase in Unrestricted Net Assets	\$ 501,244	\$ 23,738	\$ (45,662)	\$ 479,320

Fallon Medical Complex, Inc. and Affiliate
Consolidating Statement of Changes in Net Assets
Year Ended June 30, 2012

	Fallon Medical Complex, Inc.	Friends of FMC Foundation	Eliminations	Consolidated
Unrestricted Net Assets				
Revenue in excess of expenses	\$ 501,244	\$ 6,405	\$ (45,662)	\$ 461,987
Unrealized gains on investments	-	4,734	-	4,734
Net assets released from restrictions	-	12,599	-	12,599
	<u>501,244</u>	<u>23,738</u>	<u>(45,662)</u>	<u>479,320</u>
Increase in unrestricted net assets				
Temporarily Restricted Net Assets				
Contributions for specific purposes	-	13,498	-	13,498
Investment income	-	1,025	-	1,025
Net assets released from restrictions	-	(12,599)	-	(12,599)
	<u>-</u>	<u>1,924</u>	<u>-</u>	<u>1,924</u>
Increase in temporarily restricted net assets				
Permanently Restricted Net Assets				
Contributions	-	20,000	-	20,000
	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Increase in Net Assets	501,244	45,662	(45,662)	501,244
Net Assets, Beginning of Year	10,038,604	482,246	(482,246)	10,038,604
Net Assets, End of Year	<u>\$ 10,539,848</u>	<u>\$ 527,908</u>	<u>\$ (527,908)</u>	<u>\$ 10,539,848</u>



Supplementary Information
June 30, 2012 and 2011

Fallon Medical Complex, Inc. and Affiliate



Independent Auditor's Report on Supplementary Information

The Board of Directors
Fallon Medical Complex, Inc. and Affiliate
Baker, Montana

We have audited the consolidated financial statements of Fallon Medical Complex, Inc. and Affiliate as of and for the years ended June 30, 2012 and 2011, and our report thereon dated December 17, 2012 which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Schedules of Revenue, Schedules of Expenses, Operational and Financial Highlights are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The Statistical Highlights, which are the responsibility of management, have not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Fallon Medical Complex, Inc. and Affiliate as of and for the years ended June 30, 2010, 2009, 2008, and 2007, none of which is presented herein, and we expressed unqualified opinions on those consolidated financial statements. Those audits were conducted for purposes of forming an opinion on the consolidated financial statements as a whole. The supplementary information of the years ended June 30, 2010, 2009, 2008, and 2007 is presented for purposes of additional analysis and it is not a required part of the consolidated financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the June 30, 2010, 2009, 2008, and 2007 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of those consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2010, 2009, 2008, and 2007 information is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

Billings, Montana
December 17, 2012

Fallon Medical Complex, Inc. and Affiliate

Schedules of Revenue

Years Ended June 30, 2012 and 2011

	2012			2011		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Patient and Resident Service Revenue						
Routine services						
Swing bed	\$ 1,352,199	\$ -	\$ 1,352,199	\$ 1,173,889	\$ -	\$ 1,173,889
Nursing home	902,910	-	902,910	903,987	-	903,987
Adults and Pediatrics	515,099	-	515,099	716,367	-	716,367
	2,770,208	-	2,770,208	2,794,243	-	2,794,243
Ancillary services						
Clinics	119,905	974,081	1,093,986	159,259	894,754	1,054,013
Laboratory	134,615	939,819	1,074,434	179,829	906,707	1,086,536
Pharmacy	452,231	201,155	653,386	541,627	144,513	686,140
CT scan	62,133	454,449	516,582	86,136	473,674	559,810
Emergency room	4,758	456,165	460,923	6,569	422,774	429,343
Physical therapy	116,302	272,094	388,396	116,299	291,509	407,808
Radiology	18,353	260,863	279,216	21,108	245,132	266,240
Ultrasound	18,178	153,356	171,534	28,436	137,339	165,775
Central supply	116,765	54,240	171,005	168,888	83,001	251,889
Magnetic resonance imaging	3,547	136,975	140,522	1,472	180,767	182,239
Electrocardiography	5,026	64,758	69,784	5,612	57,786	63,398
Mammography	-	61,671	61,671	-	63,160	63,160
Blood bank	16,089	34,247	50,336	18,738	28,699	47,437
Surgery	-	45,589	45,589	-	44,859	44,859
ER professional fees	-	38,968	38,968	-	35,575	35,575
Home health	-	24,501	24,501	-	35,586	35,586

(Continued on next page.)

Fallon Medical Complex, Inc. and Affiliate
Schedules of Revenue
Years Ended June 30, 2012 and 2011

	2012			2011		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Occupational therapy	1,803	18,782	20,585	7,699	19,465	27,164
Cardiac rehabilitation	-	1,785	1,785	-	2,187	2,187
Pathology	-	308	308	84	504	588
	<u>1,069,705</u>	<u>4,193,806</u>	<u>5,263,511</u>	<u>1,341,756</u>	<u>4,067,991</u>	<u>5,409,747</u>
	<u>\$ 3,839,913</u>	<u>\$ 4,193,806</u>	8,033,719	<u>\$ 4,135,999</u>	<u>\$ 4,067,991</u>	8,203,990
Charity care			<u>(57,285)</u>			<u>(97,641)</u>
Total patient and resident service revenue			<u>7,976,434</u>			<u>8,106,349</u>
Contractual Adjustments						
Medicare			(263,548)			(566,153)
Medicaid			(51,498)			(81,844)
Other			<u>(392,534)</u>			<u>(328,472)</u>
Total contractual adjustments			<u>(707,580)</u>			<u>(976,469)</u>
Net Patient and Resident Service Revenue			<u>7,268,854</u>			<u>7,129,880</u>
Other Revenue						
Intergovernmental transfers			305,208			211,525
Meals on Wheels			58,908			57,743
Rent			32,205			25,895
Cafeteria meals			25,834			28,040
Miscellaneous			<u>12,203</u>			<u>17,068</u>
Total other revenue			<u>434,358</u>			<u>340,271</u>
Total Revenue			<u>\$ 7,703,212</u>			<u>\$ 7,470,151</u>

Fallon Medical Complex, Inc. and Affiliate
Schedules of Expenses
Years Ended June 30, 2012 and 2011

	2012			2011		
	Salaries & Benefits	Other	Total	Salaries & Benefits	Other	Total
Professional Care of Patients and Residents						
Swing bed	\$ 399,019	\$ 345,225	\$ 744,244	\$ 344,374	\$ 239,940	\$ 584,314
Nursing home	324,976	232,032	557,008	288,800	216,724	505,524
Routine nursing	201,413	241,732	443,145	238,380	203,548	441,928
Laboratory	185,576	206,919	392,495	171,090	207,675	378,765
Pharmacy	14,791	254,378	269,169	5,814	249,126	254,940
Radiology	128,679	92,026	220,705	106,783	88,255	195,038
Physical therapy	165,871	9,915	175,786	146,068	10,300	156,368
Nursing administration	129,389	1,927	131,316	107,461	2,847	110,308
ER professional expenses	111,419	-	111,419	101,409	-	101,409
Social services and activities	95,711	7,045	102,756	92,775	3,775	96,550
CT scan	21,157	76,292	97,449	32,059	11,921	43,980
Medical records	82,998	13,261	96,259	99,635	4,647	104,282
Emergency room	37,028	56,944	93,972	31,213	48,517	79,730
Central supply	557	66,786	67,343	421	82,884	83,305
Mammography	18,884	18,212	37,096	19,588	25,207	44,795
Magnetic resonance imaging	2,377	31,172	33,549	3,901	42,768	46,669
Ultrasound	13,896	17,742	31,638	16,476	32,130	48,606
Home health	21,498	5,182	26,680	26,943	5,630	32,573
Housing units	5,412	16,950	22,362	12,223	14,031	26,254
Blood services	-	20,388	20,388	-	22,694	22,694
Electrocardiology	13,363	6,532	19,895	13,576	5,865	19,441
Occupational therapy	-	19,069	19,069	-	16,676	16,676
Surgery	4,841	8,095	12,936	3,393	7,722	11,115
Pathology	-	5,400	5,400	-	5,400	5,400
Cardiac rehabilitation	49	277	326	480	266	746
Public health	48	-	48	254	23	277
Total professional care of patients and residents	1,978,952	1,753,501	3,732,453	1,863,116	1,548,571	3,411,687

Fallon Medical Complex, Inc. and Affiliate
Schedules of Expenses
Years Ended June 30, 2012 and 2011

	2012			2011		
	Salaries & Benefits	Other	Total	Salaries & Benefits	Other	Total
General and Administrative						
Employee benefits	738,382	-	738,382	831,060	-	831,060
Administration	562,255	329,690	891,945	475,796	296,949	772,745
Total general and administrative	1,300,637	329,690	1,630,327	1,306,856	296,949	1,603,805
Clinics						
Community Clinic	787,757	126,182	913,939	789,060	106,934	895,994
Depreciation	-	726,518	726,518	-	631,285	631,285
Property and Household						
Plant operations	97,026	261,495	358,521	105,252	210,995	316,247
Housekeeping	139,227	22,851	162,078	136,985	23,218	160,203
Laundry	65,180	12,896	78,076	61,579	11,758	73,337
Total property and household	301,433	297,242	598,675	303,816	245,971	549,787
Dietary	217,425	201,440	418,865	213,130	182,685	395,815
Provision for Bad Debts	-	213,643	213,643	-	186,657	186,657
Interest	-	36,272	36,272	-	38,699	38,699
Total expenses	\$ 4,586,204	\$ 3,684,488	\$ 8,270,692	\$ 4,475,978	\$ 3,237,751	\$ 7,713,729

Fallon Medical Complex, Inc. and Affiliate
Operational, Statistical, and Financial Highlights
Years Ended June 30, 2012, 2011, 2010, 2009, 2008, and 2007

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operational						
Patient and Resident Service Revenue						
Routine services	\$ 2,770,208	\$ 2,794,243	\$ 2,281,428	\$ 2,141,886	\$ 2,341,317	\$ 2,389,412
Ancillary services						
Inpatient	1,069,705	1,341,756	1,239,475	1,252,996	1,192,430	997,554
Outpatient	4,193,806	4,067,991	4,004,635	3,677,271	2,862,753	2,557,893
Charity care	(57,285)	(97,641)	(69,548)	(77,760)	(52,697)	(41,912)
Contractual adjustments	<u>(707,580)</u>	<u>(976,469)</u>	<u>(1,166,179)</u>	<u>(769,256)</u>	<u>(518,735)</u>	<u>(461,964)</u>
Net Patient and Resident Service Revenue	7,268,854	7,129,880	6,289,811	6,225,137	5,825,068	5,440,983
Other Revenue	<u>434,358</u>	<u>340,271</u>	<u>319,647</u>	<u>285,548</u>	<u>255,252</u>	<u>275,833</u>
Total Revenue	<u>7,703,212</u>	<u>7,470,151</u>	<u>6,609,458</u>	<u>6,510,685</u>	<u>6,080,320</u>	<u>5,716,816</u>
Expenses						
Salaries and benefits	4,586,204	4,475,978	4,110,924	3,844,430	3,631,992	3,405,753
Cost of drugs, food, supplies and other	2,708,055	2,381,110	2,199,059	2,782,281	2,568,431	2,359,005
Depreciation	726,518	631,285	562,796	588,498	417,318	363,803
Provision for bad debts	213,643	186,657	313,533	159,915	141,661	23,029
Interest	<u>36,272</u>	<u>38,699</u>	<u>30,428</u>	<u>49,216</u>	<u>48,317</u>	<u>35,376</u>
Total Expenses	<u>8,270,692</u>	<u>7,713,729</u>	<u>7,216,740</u>	<u>7,424,340</u>	<u>6,807,719</u>	<u>6,186,966</u>
Operating Loss	<u><u>\$ (567,480)</u></u>	<u><u>\$ (243,578)</u></u>	<u><u>\$ (607,282)</u></u>	<u><u>\$ (913,655)</u></u>	<u><u>\$ (727,399)</u></u>	<u><u>\$ (470,150)</u></u>

Fallon Medical Complex, Inc. and Affiliate
Operational, Statistical, and Financial Highlights
Years Ended June 30, 2012 and 2011, 2010, 2009, 2008, and 2007

	2012	2011	2010	2009	2008	2007
Statistical						
Hospital						
Number of beds	25	25	25	25	25	25
Available bed days	9,150	9,125	9,125	9,125	9,150	9,125
Patient days	455	627	439	486	518	580
Percent of occupancy	4.97%	6.87%	4.81%	5.33%	5.66%	6.36%
Discharges	225	268	127	132	135	164
Average acute length of stay (days)	2.02	2.34	3.46	3.68	3.84	3.54
Swing bed days	6,561	5,290	3,364	1,467	2,687	3,841
Swing bed discharges	89	94	71	79	103	84
Nursing Home						
Number of beds	15	15	15	27	27	27
Available bed days	5,490	5,475	6,579	9,855	9,882	9,855
Resident days	5,343	5,312	5,821	8,393	9,261	9,346
Percent of occupancy	97.32%	97.02%	88.48%	85.16%	93.72%	94.84%
Financial						
Percentage of Contractual Adjustments to Total patient and resident service revenue	8.87%	12.05%	15.64%	11.00%	8.18%	7.83%
Percentage of Salaries and Benefits to Total Expenses	55.45%	58.03%	56.96%	51.78%	53.35%	55.05%
Number of Days Revenue in Patient and Resident accounts receivable	67.21	66.84	71.71	64.05	54.69	48.70
Current Ratio (Current Assets/Current Liabilities)	3.63	3.38	3.04	1.87	1.66	0.96