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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 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
Pine Medical Center

Doing Business As
Essentia Health Sandstone

Number and street (or P O box if mail is not delivered to street address) | Room/suite
109 Court Avenue South

City or town, state or country, and ZIP + 4
Sandstone, MN 55072

D Employer identification number
41-1884597

E Telephone number
(320) 245-2212

G Gross receipts $ 19,532,456

F Name and address of principal officer
DANIEL NIKCEVICH MD
502 EAST 2ND STREET
Duluth, MN 55805

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 essentiahealth org

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

L Year of formation 1997

M State of legal domicile MN

Part I Summary

1 Briefly describe the organization's mission or most significant activities
We are called to make a healthy difference in people's lives

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	8
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	305
6	Total number of volunteers (estimate if necessary)	**6**	30
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	52,795	23,990
9	Program service revenue (Part VIII, line 2g)	19,803,944	19,402,585
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	16,639	-10,264
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	165,885	79,715
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	20,039,263	19,496,026
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	2,042
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)	10,228,228	10,606,362
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	9,108,833	9,501,471
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	19,337,061	20,109,875
19	Revenue less expenses Subtract line 18 from line 12	702,202	-613,849

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	10,253,628	9,796,992
21	Total liabilities (Part X, line 26)	4,618,188	4,772,678
22	Net assets or fund balances Subtract line 21 from line 20	5,635,440	5,024,314

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

****** | 2013-05-01
Signature of officer | Date

Barbara Johnson CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed ▶ ☐	Preparer's taxpayer identification number (see instructions)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶			EIN ▶
			Phone no ▶

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

WE ARE CALLED TO MAKE A HEALTHY DIFFERENCE IN PEOPLE'S LIVES

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a	(Code See Schedule O)	(Expenses $	13,524,141	including grants of $	2,042)	(Revenue $	15,747,018)
4b	(Code See Schedule O)	(Expenses $	2,984,736	including grants of $	0)	(Revenue $	3,657,815)
4c	(Code)	(Expenses $		including grants of $	)	(Revenue $	)
4d	Other program services (Describe in Schedule O)	(Expenses $		including grants of $	)	(Revenue $	)
4e	**Total program service expenses** ▶	$	16,508,877				

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	26		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	305			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**				
c	Enter the aggregate amount of reserves on hand	**13c**				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	14		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	8		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5			No
6	Did the organization have members or stockholders?	6		Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a		Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b		Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	8a		Yes	
b	Each committee with authority to act on behalf of the governing body?	8b			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	Yes	
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes	

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ MN

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

SCOTT NIGON
109 COURT AVENUE SOUTH
Sandstone, MN 55072
(320) 245-2212

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) Sister KATHLEEN HOFER BOARD CHAIR	60 0	X		X				0	0	0
(2) JOSEPH BIANCO MD BOARD DIRECTOR	60 0	X						0	319,946	50,905
(3) LAURA BOEHLKE-BRAY MD BOARD DIRECTOR THRU 12/11	60 0	X						0	307,013	30,461
(4) DAVID GADDIE BOARD TREASURER	10 0	X		X				0	8,200	0
(5) NEAL HESSEN BOARD DIRECTOR	10 0	X						0	39,350	0
(6) ALAN HODNIK BOARD DIRECTOR	10 0	X						0	0	0
(7) SHERRY MATTSON BOARD DIRECTOR	10 0	X						0	10,400	0
(8) THOMAS PATNOE MD PRESIDENT & CMO THRU 4/12	60 0	X		X				0	712,273	104,333
(9) Sister DONNA SHROEDER BOARD DIRECTOR	10 0	X						0	0	0
(10) Sister SARAH SMEDMAN BOARD DIRECTOR	10 0	X						0	0	0
(11) SUSAN STREITZ MD BOARD DIRECTOR	60 0	X						0	335,242	26,416
(12) Sister MARY JOSEPHINE TORBORG BOARD DIRECTOR	10 0	X						0	0	0
(13) MICHAEL VAN SCOY MD BOARD SECRETARY	60 0	X		X				0	358,379	50,778
(14) CHUCK WALT BOARD DIRECTOR	10 0	X						0	5,800	0
(15) MELISSA NAJARIAN MD BOARD DIRECTOR	60 0	X						0	565,796	50,847
(16) DANIEL NIKCEVICH MD PRESIDENT & CMO	60 0	X		X				0	687,465	50,198
(17) CHRIS JOHNSON CFO THRU 1/12	40 0			X				132,123	0	12,848

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) SCOTT NIGON INTERIM CFO	60 0			X				0	78,618	28,065
(19) MICHAEL HEDRIX INTERIM ADMINISTRATOR	60 0				X			0	353,852	88,322
(20) JAMES KOPPEN CHIEF OPERATING OFFICER	0 0						X	258,029	0	45,694
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								390,152	3,782,334	538,867

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

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
GATEWAY FAMILY HEALTH CLINIC 4570 COUNTY HWY 61 MOOSE LAKE, MN 55767	PHYS SRVS & RENT	525,226
SISU MEDICAL SYSTEMS 5 W 1ST ST SUITE 200 DULUTH, MN 55802	IT SUPPORT	522,432
EIDEBAILLY LLP 800 NICOLLET MALL SUITE 1300 MINNEAPOLIS, MN 55402	ACCTG/AUDIT SRVS	131,969

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 ▶ 3

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations . . . 1d				
	e	Government grants (contributions) 1e 17,485				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f 6,505				
	g	Noncash contributions included in lines 1a-1f $ _____				
	h	**Total.** Add lines 1a-1f . . . . . ▶	23,990			
Program Service Revenue		Business Code				
	2a	HOSPITAL PATIENT SERVICE REVENUE 621110	14,972,913	14,972,913		
	b	NURSING HOME REVENUE 623000	3,657,815	3,657,815		
	c	INVESTMENT IN JOINT VENTURES 900099	556,857	556,857		
	d	DISTRICT TAX SUBSIDY 900099	215,000	215,000		
	e					
	f	All other program service revenue				
	g	**Total.** Add lines 2a–2f . . . . . ▶	19,402,585			
	3	Investment income (including dividends, interest and other similar amounts) . . . . . ▶	26,166			26,166
	4	Income from investment of tax-exempt bond proceeds . . ▶	0			
	5	Royalties . . . . . ▶	0			
		(i) Real / (ii) Personal				
	6a	Gross rents 45,057				
	b	Less rental expenses				
	c	Rental income or (loss) 45,057				
	d	Net rental income or (loss) . . . . . ▶	45,057			45,057
		(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory				
	b	Less cost or other basis and sales expenses 36,430				
	c	Gain or (loss) -36,430				
	d	Net gain or (loss) . . . . . ▶	-36,430			-36,430
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a				
	b	Less direct expenses . . . b				
	c	Net income or (loss) from fundraising events . . ▶	0			
	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 . . ▶	0			
	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 . . ▶	0			
		Miscellaneous Revenue / Business Code				
	11a	CAFETERIA & VENDING SALES 722210	24,568			24,568
	b	ALL OTHER REVENUE 900099	10,090	2,248		7,842
	c					
	d	All other revenue				
	e	**Total.** Add lines 11a–11d . . . . . ▶	34,658			
	12	**Total revenue.** See Instructions . . . ▶	19,496,026	19,404,833		67,203

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)
Check if Schedule O contains a response to any question in this Part IX . . . . . ☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	2,042	2,042		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	406,847		406,847	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	7,742,201	7,057,019	685,182	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	265,862	240,642	25,220	
9	Other employee benefits	1,632,798	1,425,692	207,106	
10	Payroll taxes	558,654	490,386	68,268	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	323,519		323,519	
c	Accounting	79,604		79,604	
d	Lobbying	580		580	
e	Professional fundraising *See Part IV, line 17*	0			
f	Investment management fees	146		146	
g	Other	2,460,914	2,148,859	312,055	
12	Advertising and promotion	19,265	19,032	233	
13	Office expenses	666,679	585,678	81,001	
14	Information technology	660,447	660,447		
15	Royalties	0			
16	Occupancy	476,585	119,305	357,280	
17	Travel	81,696	59,769	21,927	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	33,541	27,173	6,368	
20	Interest	0			
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	467,389	467,389		
23	Insurance	55,404	55,404		
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	BAD DEBT EXPENSE	894,632	894,632		
b	MEDICAL SUPPLIES	747,343	747,343		
c	AFFILIATE SUPPORT FEE	576,888		576,888	
d	INVESTMENT IN JOINT VENTURE	506,614	506,614		
e					
f	All other expenses	1,450,225	1,001,451	448,774	
25	**Total functional expenses.** Add lines 1 through 24f	20,109,875	16,508,877	3,600,998	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		0	1	0
	2	Savings and temporary cash investments		4,705,656	2	3,577,455
	3	Pledges and grants receivable, net		34,046	3	253,574
	4	Accounts receivable, net		2,674,533	4	2,849,651
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		237,383	8	236,024
	9	Prepaid expenses and deferred charges		45,575	9	59,673
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 5,213,504			
	b	Less accumulated depreciation	10b 3,608,309	1,686,234	10c	1,605,195
	11	Investments—publicly traded securities		0	11	0
	12	Investments—other securities See Part IV, line 11		870,201	12	1,215,420
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		0	15	0
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		10,253,628	16	9,796,992
Liabilities	17	Accounts payable and accrued expenses		2,074,491	17	2,008,338
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		10,347	21	11,273
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		2,533,350	25	2,753,067
	26	**Total liabilities.** Add lines 17 through 25		4,618,188	26	4,772,678
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		5,635,440	27	5,024,314
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		5,635,440	33	5,024,314
	34	Total liabilities and net assets/fund balances		10,253,628	34	9,796,992

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	19,496,026
2	Total expenses (must equal Part IX, column (A), line 25)	2	20,109,875
3	Revenue less expenses Subtract line 2 from line 1	3	-613,849
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	5,635,440
5	Other changes in net assets or fund balances (explain in Schedule O)	5	2,723
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	5,024,314

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Pine Medical Center

Employer identification number
41-1884597

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

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

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

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

	Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

19a **33 1/3% support tests—2011.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

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

Facts And Circumstances Test

Explanation

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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	Employer identification number
Pine Medical Center	41-1884597

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? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ 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? ☐ Yes ☐ 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		
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-		

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

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? ☐ **Yes** ☐ **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) Yes	(a) No	(b) 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		580
j	Total lines 1c through 1i			580
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?		No	

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 1i. Also, complete this part for any additional information

Identifier	Return Reference	Explanation
Schedule C, Part II-B		ESSENTIA HEALTH SANDSTONE PAYS DUES TO CERTAIN ORGANIZATIONs RELATED TO THE INDUSTRY WHICH HAVE LOBBYING EXPENSES THE AMOUNT LISTED IS THE Percentage OF THE DUES PAID THAT WERE USED FOR LOBBYING

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Pine Medical Center

Employer identification number
41-1884597

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

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

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

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

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

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

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

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

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

(ii) Assets included in Form 990, Part X ▶ $ _____

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

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		20,000		20,000
b Buildings		1,624,159	1,004,536	619,623
c Leasehold improvements				
d Equipment		3,282,445	2,407,684	874,761
e Other		286,899	196,086	90,813
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				1,605,197

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) EQUITY SHARE-CMDI	648,782	C
(B) EQUITY SHARE-SISU	105,469	C
(C) INVEST IN PMC-GATEWAY IMAGING	137,117	C
(D) POOLED INVESTMENT FUND	324,052	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	1,215,420	

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

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

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

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

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
PAYABLES TO RELATED TAX-EXEMPT ORGS	2,753,067
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	2,753,067

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

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
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
Schedule D, Part IV, Line 2B		Essentia Health Sandstone acts as custodian for the funds of the residents Resident trust funds totaled $11,273 at June 30, 2012 SCHEDULE D, Part X ASC 740 footnote Essentia Health has adopted Accounting Standards Codification 740, Income Taxes (formerly known as FASB Interpretation No 48 (FIN 48), Accounting for Uncertainty in Income Tax - an interpretation of FASB Statement No 109, Accounting for Income Taxes) The adoption of this interpretation had no material impact on the consolidated financial statements and therefore, Essentia Health's consolidated financial statements for fiscal year ended June 30, 2012 no longer includes an ASC 740 footnote

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Pine Medical Center

Employer identification number
41-1884597

Part I Charity Care and Certain Other Community Benefits at Cost

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

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)		0	92,856	0	92,856	0 480 %
b Medicaid (from Worksheet 3, column a)		0	3,114,021	2,702,220	411,801	2 140 %
c Costs of other means-tested government programs (from Worksheet 3, column b)		0	0	0	0	0 %
d **Total** Charity Care and Means-Tested Government Programs		0	3,206,877	2,702,220	504,657	2 620 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)		0	0	0	0	0 %
f Health professions education (from Worksheet 5)		0	0	0	0	0 %
g Subsidized health services (from Worksheet 6)		0	0	0	0	0 %
h Research (from Worksheet 7)		0	0	0	0	0 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)		0	0	0	0	0 %
j **Total** Other Benefits		0	0	0	0	0 %
k **Total.** Add lines 7d and 7j		0	3,206,877	2,702,220	504,657	2 620 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing		0	0	0	0	0 %
2	Economic development		0	0	0	0	0 %
3	Community support		0	0	0	0	0 %
4	Environmental improvements		0	0	0	0	0 %
5	Leadership development and training for community members		0	0	0	0	0 %
6	Coalition building		0	0	0	0	0 %
7	Community health improvement advocacy		0	0	0	0	0 %
8	Workforce development		0	0	0	0	0 %
9	Other		0	0	0	0	0 %
10	**Total**		0	0	0	0	0 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	894,632		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	4,559		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	4,198,047
6	Enter Medicare allowable costs of care relating to payments on line 5	6	4,156,482
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	41,565
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1	PMC-GATEWAY IMAGING	RADIOLOGY SERVICES	62 000 %	0 %	0 %
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	ESSENTIA HEALTH SANDSTONE 109 COURT AVENUE SOUTH SANDSTONE,MN 55072	X	X			X		X		

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)

ESSENTIA HEALTH SANDSTONE

Name of Hospital Facility:

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 150 %			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 % If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

Billing and Collections

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

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

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

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

	Name and address	Type of Facility (Describe)
1	ESSENTIA HEALTH SANDSTONE HEALTH CENTER 109 COURT AVE SOUTH SANDSTONE,MN 55072	NURSING HOME
2	ESSENTIA HEALTH SANDSTONE URGENT CARE 109 COURT AVENUE SOUTH SANDSTONE,MN 55072	URGENT CARE CLINIC
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
Schedule H, Part VI, Line 1		Provide the description required for Part I, lines 3c, 6a, 7g, 7, column (f), 7, Part II, Part III, lines 4, 8, 9b, Part V, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 18c, 18d, 19d, 20, 21 Part I, Line 3c In addition to the federal poverty guidelines, an asset thre shold test is also applied Assets, excluding equity in home of $100,000, must be below $1 0,000 for a household of up to 2 and $20,000 for a household of 3 or more Assets include bank accounts, IRAs, second vehicles, recreational vehicles, and any additional real estat e If after application of discount from charity care the patient's remaining balance stil l exceeds the patient's annual household income, an additional discount of 50% will be app lied to the patient's remaining balance If the remaining balance after the charity care d iscount is between 50 and 100% of the patient's annual household income, an additional dis count of 25% will be applied to the patient's remaining balance Minnesota residents whose household income is less than $125,000 may also be eligible for the MN Uninsured Discount for hospital bills Part I, line 6a Essentia Health Sandstone'S community benefit informa tion is consolidated into the Essentia Health community benefit information which is inclu ded in the Essentia Health annual report The annual report is made available to the publi c via the website at www essentiahealth org Essentia Health, headquartered in Duluth, Min n , is an integrated health system serving patients in Minnesota, Wisconsin, North Dakota and Idaho and is Essentia Health Sandstone'S parent corporation Part 1, line 7g not appli cable Part I, line 7, column (f) Bad debt expense that was subtracted from total expense t o obtain the % of community benefit to total expense amounted to $894,632 Part I, line 7 The cost to charge ratio derived from Worksheet 2, Ratio of Patient Care Cost-to-Charges w as used to calculate the costs for the following community benefits Charity Care and Unre imbursed Medicaid Actual costs were used for the remainder of the community benefits repo rted Part II - Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves Not applicable Part III, line 4 Discounts, charity care, and bad debt expense are accounted for as reduc tions to revenue Bad debt expense on patient accounts would be identified as any balance on the account, less any previous payments and discounts, that has aged and is absent of a ny payments If, during the collection process, it becomes known that the patient qualifie s for charity care, the amounts included within bad debt expense would be reclassified to charity care Part III, Line 4 ESSENTIA HEALTH SANDSTONE is in the process of hiring a 3rd party to track bad debt accounts in order to presumptively quantify accounts within bad d ebt expense that would have qualified for financial assistance under ESSENTIA HEALTH SANDS TONE's financial assistance policy had the proper documentation been completed and filed As that tracking was not in place during the fiscal year, ESSENTIA HEALTH SANDSTONE applie d a high-level, conservative analytic review by taking the ratio of charitable allowances to gross patient revenue and multiplying with bad debt expense to arrive at an approximati on of charity care that resides in bad debt Part III, Line 4 Essentia Health Sandstone is a part of a larger organization, Essentia Health Essentia Health and its member organiza tions incorporate the cost of bad debt as a community benefit As a tax exempt hospital, w e must provide the necessary services regardless of the patient's ability to pay for that care In doing so, Essentia Health makes quality patient care available to all in our comm unity, regardless of their economic means Part III, line 4 (Excerpt from the parent compa ny's audit) Accounts receivable are stated at net realizable value The allowance for unco llectible accounts is based upon management's ongoing assessment of historical and expecte d net collections for each major payor source considering historical business and economic conditions, trends in healthcare coverage, and other collection indicators For receivabl es associated with private-pay patients, Essentia records a significant provision for unco llectible accounts in the period of service on the basis of its historical experience, whi ch indicates that many patients are unable or unwilling to pay the portion of their bill f or which they are financially responsible Part III, line 8 The costing methodology used i n determining the Medicare Allowable Cost reported in the organization's Medicare Cost Rep ort is to take total Medicare costs from the general ledger system and then follow the ins tructions provided by Centers for Medicare Services (CMS) to back off all costs not allowa ble From the Medicare allowable costs, any costs attributable to subsidized health servic es and costs attributable to GME were subtracted,

Identifier	ReturnReference	Explanation
Schedule H, Part VI, Line 1		if applicable Part III, line 8 Essentia Health Sandstone is a part of a larger organizati on, Essentia Health Essentia Health and its member organizations incorporate the full val ue of the Medicare shortfall as a community benefit The rationale for the organization's opinion is providing care for the elderly and serving Medicare patients is an essential pa rt of the community benefit standard Medicare, like Medicaid, does not pay the full cost of care and it is likely to get worse Many Medicare beneficiaries are poor and are eligib le for Medicaid in addition to Medicare Medicare underpayment must be shouldered by the h ospital in order to continue treating the community's elderly and poor These underpayment s represent a real cost of serving the community Part III, line 8 Each Essentia Health ho spital is required to file a Medicare cost report 5 months after the close of their fiscal year The cost report provides Medicare with information that is used to determine utiliz ation and spending trends but also is used to set future payment rates for most Medicare s ervices If the interim payments paid to a hospital are higher or lower than the filed cos t report allowable reimbursement there will be a settlement for that fiscal year This can be due to changes in utilization or cost of providing services for Critical Access Hospit als (CAH) or differences between interim and final payment factors for Disproportionate Sh are, Bad Debts, or Indirect Medical Education for non-CAH hospitals An estimate for these settlements is recorded at the close of the fiscal year If the estimate varies from the final settlement received 6-7 months after the fiscal year ends then these amounts are rec orded as prior year Medicare revenue Part III, line 9b The policies and procedures for in ternal and external collection practices take into account the extent to which the patient qualifies for the Community Care Program and financial assistance, a patient's good faith effort to apply for a governmental program or for financial assistance from ESSENTIA HEAL TH SANDSTONE and the patient's good faith effort to comply with his/her payment agreements ESSENTIA HEALTH SANDSTONE offers extended payment plans to eligible patients and will no t impose liens on primary residences ESSENTIA HEALTH SANDSTONE trains its outside debt co llection agencies and attorneys about the Community Care Program and how a patient may obt ain more information about the Community Care Program or submit an application for Communi ty Care ESSENTIA HEALTH SANDSTONE requires its outside collection agencies and attorneys to refer patients who may be eligible for Community Care to ESSENTIA HEALTH SANDSTONE If a patient has submitted application for Community Care after an account has been referred for collection activity, ESSENTIA HEALTH SANDSTONE and its outside debt collection agencie s suspend all collection activity until the patient's Community Care application has been processed and ESSENTIA HEALTH SANDSTONE has notified the patient of its decision

Identifier	ReturnReference	Explanation
Part V, LINE 11H		not applicable PART V, LINE 13G not applicable PART V, LINE 15E not applicable PART V, LINE 16E not applicable PART V, LINE 17E Not applicable PART V, LINE 18C not applicable PART V, LINE 18D not applicable PART V, LINE 19D For patients known to qualify for the financial assistance program, discounts will be applied to billed amounts if the patient qualifies for discounted care and the billed amount will be fully discounted if the patient qualifies for free care PART V, LINE 20 not applicable PART V, LINE 21 not applicable

Identifier	ReturnReference	Explanation
Part VI, line 2		Needs assessment Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B Essentia Health Sandstone is a 25 bed critical access hospital with a 69 licensed bed skilled nursing facility located in Sandstone, MN Essentia Health Sandstone works with a local primary care physician group with clinics in Sandstone, Hinckley and Moose Lake, MN for assessing the needs of the rural communities in our area These needs are determined on several different methods, but mostly based by what the providers are actually seeing when they are working with their patients

Identifier	ReturnReference	Explanation
Part VI, line 3		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 Essentia Health Sandstone has financial assistance packets that contain information about their charity care program as well as contact information on other federal and state government programs These packets are distributed to patients once a financial need has been determined either through patient request or staff referrals The Financial Assistance policy and application is available on the Essentia Health website at www essentiahealth org Because financial assistance packets are given to patients when a need is determined, they may be given to the patient at any point (admission, discharge, during the billing process) Essentia Health Sandstone has financial counselors on staff to assist patients in Medicaid, Medicare and other assistance programs (including the charity care program) that may be available to them Contact information for the financial counselors is available on the Essentia Health website and is also included on the back of the billing statements Hospital staff have been trained to refer patients to the financial counselor The financial counselors often assist patients with the application process, mailing, and follow up

Identifier	ReturnReference	Explanation
Part VI, line 4		Community information Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves Essentia Health Sandstone is located in Sandstone, MN Pine is a part of the larger Essentia Health system, which is defined in Part VI, line 6 Essentia Health Sandstone operates 1 hospital, 1 urgent care clinic, and 1 skilled nursing facility that serves the Pine County area The overall community is classified as rural Essentia Health Sandstone covers a service region of approximately 26,000 people The service region age distribution is 20 5% under the age of 18, 63 0% between the ages of 18 and 65, and 16 5% over the age of 65 The racial makeup of the service region is 89 9% Caucasian, 3 3% Black or African American, 3 8% American Indian or Alaskan Native, 0 5% Asian, 1 8% two or more races, and 0 7% other The gender split ratio is 45 2% women and 54 8% men The average income for the service area is approximately $55,000 Approximately 10 4% of the population falls below the federal poverty guidelines Essentia Health Sandstone, along with Essentia Health is committed to serve patients regardless of their ability to pay 2 1% net revenue dollars were from self pay patients In addition, approximately 11 8% of their net revenue dollars were Medicaid recipients As mentioned above, Essentia Health Sandstone is part of a larger system, Essentia Health Essentia Health staffs hospitals and clinics in federally-recognized underserved areas and supports the health of its communities through an active outreach program that brings specialists like oncologists, cardiologists, neurologists and others into its smaller communities This eliminates barriers to care for many patients, particularly those who are elderly, living on low incomes, or are faced with other challenges that make it difficult to travel long distances for care There is 1 other hospital outside of the Essentia Health umbrella that service the community

Identifier	ReturnReference	Explanation
Part VI, line 5		Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community Specifically, Essentia Health Sandstone's board of directors is 25% non-paid volunteer Surplus funds are reinvested in the facility and equipment to offer the highest level of patient care possible Recent major capital investments include electronic health record software, a new telemetry system, cardiac monitoring equipment for rehabilitation, new ambulance and digital mammography equipment Surplus funds are also applied to training our staff on relevant medical education and training Essentia Health Sandstone is a part of Essentia Health East Essentia Health East's consolidated community benefits are summarized below Benefits for person living in poverty Charity care at cost $6,185,727 00 Cost-to-Charge Ratio Unreimbursed Medicaid $57,479,612 00 Cost-to-Charge Ratio Total Charity Care and Means-Tested Government Programs $63,665,339 00 Benefits for the broader community Community health improvement services and community benefit operations $1,089,607 00 Actual Costs Health professions education $1,914,518 00 Actual Costs Financial and in-kind contributions $354,293 00 Actual Costs Total Other BeneNEFITS $3,358,418 00 Community building activities $3,022,476 00 Actual Costs Unpaid cost of public programs, Medicare $82,437,123 00 Cost-to-Charge Ratio Other care provided without compensation (bad debt) $19,614,844 00 Cost-to-Charge Ratio Discounts offered to uninsured patients $4,312,053 00 Actual Costs Taxes and fees $2,577,350 00 Actual Costs Total Community Benefit $178,987,603 00 Essentia Health Sandstone is a part of a larger system Essentia Health As a non-profit organization, Essentia Health is focused on reinvesting surplus revenues into medical training, programs and technology that improve patient care We are also committed to eliminating geographic barriers to care Two of the most significant investments in 2012 were in the areas of telehealth and electronic medical records, technologies that link rural patients and physicians with medical specialists at Essentia's medical centers in Fargo, ND, and Duluth, MN We also continue to replace and upgrade facilities and technology, like MRIs, CT scanners and ambulatory infusion centers to ensure patients in rural communities have access to these services in their home communities We are also investing in the development of medical homes, which are designed to improve health outcomes for patients, particularly those with chronic diseases Much of this work is not fully reimbursed by state or federal programs, so Essentia Health assumes responsibility for medical home costs We also support the health of our communities through active research and clinical trials through the Essentia Institute of Rural Health Various Essentia Health organizations contributed approximately $5 5million in support to the Institute over the past year The Institute conducts clinical, translational and health services research with a primary focus on the needs of rural Americans

Identifier	ReturnReference	Explanation
Part VI, Line 6		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 Essentia Health Sandstone is part of Essentia Health, an integrated health system of 16 hospitals, 65 clinics and several long-term care facilities in four states Minnesota, Wisconsin, North Dakota and Idaho The health system serves a predominantly rural population whose median incomes generally fall below averages of the states where they live The presence of our clinics and hospitals ensures that people with few economic resources don't have to drive an hour or more to receive basic (and in some cases live-saving) medical care In addition to staffing hospitals and clinics in federally-recognized underserved areas, we support the health of our communities through an active outreach program that brings specialists like oncologists, cardiologists, neurologists and others into our smaller communities This eliminates barriers to care for many patients, particularly those who are elderly, living on low incomes, or are faced with other challenges that make it difficult to travel long distances for care Our size and integrated structure allow us to offer patients services often found only in larger urban settings Services ranging from chemotherapy to congestive heart failure management and hospice are available to patients in many of the rural communities we serve Essentia Health also supports the health of our rural communities through active research and clinical trials, through the Essentia Institute of Rural Health The Institute conducts clinical, translational and health services research with a primary focus on the needs of rural Americans Essentia Health is also serving patients through the use of the Epic electronic health record (EHR) By the end of FY 2011, The vast majority of Essentia's hospitals and clinics were using a fully-integrated EHR for patient care Technology like the electronic health record and telehealth allows health clinicians to share test results and consult with colleagues in real time across great distances Medical information is no longer lost in the shuffle of paper records - an important consideration in a region where patients must often be transferred to a larger Essentia facility for complex surgeries or medical care Essentia is also actively working with government agencies and insurers to develop innovative, cost-effective approaches to care that will improve health outcomes while reducing overall costs to patients and insurers This innovation can be found in our use of remote home monitors for patients with congestive heart failure to a focus on using a team-based approach to helping patients manage chronic diseases Essentia Health is committed to helping patients and their families lead active and fulfilling lives in the small and large communities where they live We hope to become a model of health care delivery, particularly in rural areas, in the years to come

Identifier	ReturnReference	Explanation
PART VI, LINE 7		Essentia Health Sandstone files a community benefit report in Minnesota

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Pine Medical Center

Employer identification number
41-1884597

Part I Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) JOSEPH BIANCO MD	(i)	0	0	0	0	0	0	0
	(ii)	317,035	2,304	607	24,500	26,405	370,851	0
(2) LAURA BOEHLKE-BRAY MD	(i)	0	0	0	0	0	0	0
	(ii)	303,806	2,600	607	24,500	5,961	337,474	0
(3) THOMAS PATNOE MD	(i)	0	0	0	0	0	0	0
	(ii)	536,822	174,761	690	72,023	32,310	816,606	0
(4) SUSAN STREITZ MD	(i)	0	0	0	0	0	0	0
	(ii)	329,944	4,008	1,290	24,500	1,916	361,658	0
(5) MICHAEL VAN SCOY MD	(i)	0	0	0	0	0	0	0
	(ii)	353,866	4,063	450	24,500	26,278	409,157	0
(6) JAMES KOPPEN	(i)	194,394	30,479	33,156	25,363	20,331	303,723	0
	(ii)	0	0	0	0	0	0	0
(7) MELISSA NAJARIAN MD	(i)	0	0	0	0	0	0	0
	(ii)	558,664	6,652	480	24,500	26,347	616,643	0
(8) DANIEL NIKCEVICH MD	(i)	0	0	0	0	0	0	0
	(ii)	680,351	6,244	870	24,500	25,698	737,663	0
(9) MICHAEL HEDRIX	(i)	0	0	0	0	0	0	0
	(ii)	257,782	60,355	35,715	44,545	43,777	442,174	32,949

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 J, Part I Line 3		Establishing CEO's compensation Essentia Health SANDSTONE relied on Essentia Health's, supporting organization of Essentia Health SANDSTONE, methods for establishing Essentia Health SANDSTONE's President/Chief Medical Officer compensation a compensation committee, independent compensation consultant, written employment contract, compensation survey or study, and approval by the board or compensation committee
Schedule J, Part I, Line 4b		Supplemental nonqualified retirement plan Amounts related to participating in a supplemental nonqualified retirement plan are reported in Schedule J, Part II, Column C, and amounts related to receiving payment from a supplemental nonqualified retirement plan are reported in Schedule J, Part II, Column B (iii) The following individuals listed in Form 990, Part VII, Section A, Line 1a received payment from a supplemental nonqualified retirement plan during the year Thomas Patnoe, MD (Essentia Health East) $0 JAMES KOPPEN (ESSENTIA HEALTH EAST) $0 MICHAEL HEDRIX (CRITICAL ACCESS GROUP) $32,949 Critical Access Group's nonqualified retirement plan is offered to Critical Access Group executives There is a minimum two year vesting date, benefits are subject to income taxes upon vesting, and benefits are payable from Critical Access Group's general assets Essentia Health East's nonqualified retirement plan is offered to designated Essentia Health East's executives There is a minimum two year vesting date, benefits are subject to income taxes upon vesting, and benefits are payable from Essentia Health East's general assets

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Pine Medical Center

Employer identification number
41-1884597

Identifier	Return Reference	Explanation
FORM 990, PART III, LINE 4		Program service accomplishments Pine Medical Center is created & organized exclusively for charitable, educational and scientific purposes Pine Medical Center is created & organized to promote the health of residents Pine Medical Center employs over 168 full time equivalents Pine Medical Center provided charity care of over $92,000 during the fiscal year ended June 30, 2012 FORM 990, PART III, LINE 4A Hospital Services Pine Medical Center operates a 25-bed acute care hospital in Sandstone, Minnesota The Medical Center provides services to all individuals, regardless of age, race or ability to pay for services received in fulfillment of its tax-exempt mission Some of these serves include emergency care, urgent care, surgery, rehab, physical therapy, occupational therapy, lab services, imaging services and ambulance service The following statistics show accomplishments of these services Patient days (hospital) 1,185, Physical therapy visits 5,496, Occupational therapy visits 1,337, Speech therapy visits 394, Emergency room visits 3,475,Urgent care visits 1,760, Surgery 263, Lab tests 27,291, Imaging 8,246, and Ambulance runs 2,161 FORM 990, PART III, LINE 4B Nursing Home Services Pine Medical Center operates a 60 bed long term care facility in Sandstone, Minnesota that provided over 20,600 resident days The nursing home provides services to all individuals, regardless of age and/or race

Identifier	Return Reference	Explanation
FORM 990, Part VI, Line 6		MEMBERS OF ORGANIZATION ESSENTIA HEALTH EAST may elect one or more members of the governing body as described in Schedule O Part VI Line 7a ESSENTIA HEALTH AND ESSENTIA HEALTH EAST have reserved powers with respect to ESSENTIA HEALTH SANDSTONE as described in Schedule O Part VI Line 7b

Identifier	Return Reference	Explanation
FORM 990, Part VI, Line 7a		MEMBER WITH RIGHT TO ELECT GOVERNING BODY According to its Bylaws, ESSENTIA HEALTH EAST shall appoint and remove ESSENTIA HEALTH SANDSTONE's governing body

Identifier	Return Reference	Explanation
FORM 990, PART VI, LINE 7B		Member with right to approve governing body decision ESSENTIA HEALTH SANDSTONE is a subsidiary of Essentia Health, whose Board of Directors has reserved powers with respect to this corporation and its subsidiaries, and all of the other direct and indirect subsidiaries of Essentia Health (collectively, the "System") Essentia Health's reserved powers are as follows Strategic and Business Plans Authority to create, and to approve, the System's strategic and business plans Mission Authority to create, and to approve, the mission, purpose and vision statements for all entities in the System by the affirmative vote of at least 67% of the Essentia Health board of directors Debt Approval of the incurrence of debt by, and the creation of all mortgages, liens, security interests, or other encumbrances on the assets of, all entities in the System in excess of the single or annual aggregate dollar limits prescribed in writing by the Essentia Health board of directors, and the authority to cause all entities in the System to participate in System borrowing Governing Instruments Authority to cause, and to approve, amendments of the articles of incorporation and bylaws of all entities in the System Mergers and Acquisitions Authority to cause, and to approve, all mergers, consolidations, and dissolutions of all entities in the System Affiliations and Joint Ventures Authority to cause, and to approve, all affiliations, joint ventures and other alliances with third parties of all entities in the System Transfer of Assets Within the System Authority to transfer assets, including cash, between and among entities within the System, provided, however, that Essentia Health shall not have authority to require any entity in the System to transfer assets (a) that would cause such entity to be in default of its covenants or obligations under any bond or other financing documents, (b) from the Catholic entities to the secular entities or from the secular entities to the Catholic entities in a manner or to an extent that would cause the Catholic entities to be in violation of the Ethical and Religious Directives for Catholic Health Care Services in the judgment of the local ordinary, or (c) such that money generated by services at secular facilities within the System by procedures that are contrary to the Ethical and Religious Directives for Catholic Health Care Services would be used at the Catholic entities or money generated by Catholic entities would be used in the providing of services contrary to the Ethical and Religious Directives for Catholic Health Care Services at secular facilities within the System Transfer of Assets Outside the System Authority to cause, and to approve, the sale, lease or other transfer of assets of all entities in the System to parties outside of the System when the asset's value exceeds the single or annual aggregate dollar limits prescribed in writing by the Essentia Health board of directors Services Authority to cause, and to approve, the addition of new services and service locations and the discontinuance of services and service locations within all entities in the System Budgets Approval of capital and operating budgets of all entities in the System Professional Services Selection of the general legal counsel and external auditors of all entities in the System Acquisitions Authority to cause, and to approve, all acquisitions by and formations of entities in the System Marketing Authority to implement System-wide marketing and promotional activities Compliance Plans Authority to create, and to approve, corporate compliance, safety and risk management plans for entities within the System Quality Plan Authority to create, and to approve, the System's quality plan Non-Budgeted Purchases Approval of non-budgeted capital purchases and leases in excess of the single or annual aggregate dollar limits prescribed in writing by Essentia Health for entities within the System Human Resources Authority to create human resource policies and procedures within the System Reserved Powers Authority to create additional Essentia Health reserved powers by the affirmative vote of at least 80% of the Essentia Health board of directors (excluding the Essentia Health CEO), provided, however, that any additional Essentia Health reserved powers shall not contravene or hinder the reserved powers of Benedictine Sisters Benevolent Association Essentia Health East also has certain reserved powers over all East facilities within Essentia Health Essentia Health East's reserved powers are as follows Oversight of quality, safety and service performance, Oversight of the mission performance, Oversight of the operating and financial performance, Development of capital and operating budgets and strategic plans, Execution of the approved capital and operating budgets and strategic and business plans, Oversight of accreditation and licensure compliance, Oversight of operation of all affiliations,

Identifier	Return Reference	Explanation
FORM 990, PART VI, LINE 7B		joint ventures and other alliances with third parties, including such transactions with t he medical staffs, Election of members to serve on the boards of the subsidiaries, (consis tent with, and as provided for, in the applicable subsidiary's bylaws) and removal of such members with or without cause, Evaluation of the performance of subsidiary senior officer s and, Evaluation of patient, family and customer satisfaction with respect to the service s provided within the System, Evaluation of job satisfaction and staff morale within the S ystem, Administration of human resource policies and procedures, Execution of the approved corporate compliance, safety and risk management plans, and Authority to comment on propo sed amendments of the Articles of Incorporation and Bylaws, before such amendments are act ed upon by BSBA or Essentia

Identifier	Return Reference	Explanation
FORM 990, PART VI, LINE 8B		GOVERNING BODY COMMITTEES THERE ARE NO COMMITTEES WITH THE AUTHORITY TO ACT ON BEHALF OF THE GOVERNING BODY

Identifier	Return Reference	Explanation
FORM 990, PART VI, LINE 11A		Form 990 review process The 2011 Form 990 including all schedules was reviewed by Essentia Health Sandstone's management and governing body on March 6, 2013 prior to filing with the Internal Revenue Service Each current director of the governing body received a FINAL copy of the 2011 Form 990 Essentia Health SANDSTONE's Chief Financial Officer led the review of the form and schedules and any questions were discussed

Identifier	Return Reference	Explanation
Form 990 Part VI Line 12c		Monitoring and enforcing Conflict of Interest policy Interested persons annually disclose relationships which might lead to a conflict of interest by completing a conflict of interest disclosure form Interested persons include any person in a position to exercise substantial influence over the organization It includes but is not limited to any director, officer, management, employee, or committee member of Essentia Health or any of its affiliates Essentia is responsible for the annual distribution of conflict of interest forms and review of disclosures for the governing bodies of Essentia and Essentia Operating Members and for senior management employees of Essentia Transactions with parties with whom a conflict of interest exists may be undertaken only if all of the following are observed the conflict of interest is fully disclosed, the interested person with the conflict of interest doesn't participate in the approval of such transactions, if practical or appropriate, a competitive bid or comparable valuation is obtained, and the board or committee of the board has determined that the transaction is in the best interest of the organization Disclosure by any interested person other than a board or committee member should be made to the Chief Executive Officer (or if she/he is the one with the conflict, then to the board chair), who will bring the matter to the attention of the board or an appropriate committee of the board Disclosure involving board or committee members should be made to the board chair (or if she/he is the one with the conflict, then to the board vice chair), who will bring these matters to the board or an appropriate committee of the board The board or committee of the board will determine whether a conflict exists and if so, whether the contemplated transaction may be authorized as just, fair, and reasonable to Essentia or its affiliate(s) The decision of the board or a duly constituted committee of the board on these matters will be at its sole discretion, and its concern must be the welfare of Essentia and its affiliate(s) and the advancement of its purposes The decision of the board is final If the board determines a conflict does not exist, the interested person may proceed with the transaction, however, he/she will not be eligible to vote on related issues should they arise If the board determines a conflict does exist, the interested person will be notified of the decision regarding whether the contemplated transaction will be authorized as just, fair, and reasonable

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 15 a&b		Process for determining compensation The Executive Compensation Committee of Essentia Health's board of directors is authorized to fulfill the board's responsibilities regarding executive compensation consistent with Essentia's mission, values and tax-exempt status, and the Executive Compensation Committee's Charter The Executive Compensation Committee meets at least twice annually to carry out its responsibilities, which include, but are not limited to, establishing, reviewing and modifying, as appropriate, reasonable compensation and benefits for Essentia's Chief Executive Officer and his direct reports which are paid by related organizations The Executive Compensation Committee engages qualified independent compensation advisors to provide objective and impartial comparative data and to express opinions on total compensation reasonableness The Executive Compensation Committee may request its independent advisors to monitor comparability data and marketplace trends, make appropriate recommendations regarding salary ranges, and periodically review the market competitiveness of Essentia executive compensation packages Prior to establishing or adjusting executive compensation, the Executive Compensation Committee will obtain and rely upon appropriate data as to comparability of the proposed compensation or adjustments The Executive Compensation Committee will adequately document the basis for its determination concurrently with making those determinations The Executive Compensation Committee minutes will include the terms of the approved compensation and the date approved, the Executive Compensation Committee members present during the review, discussion and approval of the proposed compensation and those who voted on the proposed compensation, identification of the comparability data obtained and relied upon by the Executive Compensation Committee and how the data was obtained, any actions by a member of the Executive Compensation Committee having a conflict of interest, and documentation of the basis for the determination The year this process was last undertaken for Essentia Health Sandstone's President/Chief Medical Officer was 2010 As an employee of Critical Access Group Essentia Health Sandstone 's Interim Administrator's compensation is reviewed and approved by the CRITICAL ACCESS GROUP's Compensation Committee The purpose of the CRITICAL ACCESS GROUP Compensation Committee (the "Committee") is to determine the reasonableness of and approve the compensation of CRITICAL ACCESS GROUP executives consistent with the CRITICAL ACCESS GROUP and Essentia Health compensation philosophy The philosophy is to insure that the organization is able to attract, retain and motivate employees as well as provide the opportunity for adjustments to compensation based upon performance The Committee will consist of members of the CRITICAL ACCESS GROUP Board of Directors who are not CRITICAL ACCESS GROUP employees The compensation review will include all benefits paid to the CRITICAL ACCESS GROUP executives The CRITICAL ACCESS GROUP executives to be reviewed will include all senior/executive vice presidents, all vice presidents, all directors and all CRITICAL ACCESS GROUP facility administrators/CEOs The CRITICAL ACCESS GROUP CEO and CFO compensation will be reviewed and approved by the Essentia Health Board of Directors Compensation Committee The Committee will meet at least annually to determine the reasonableness of executive compensation as proposed by CRITICAL ACCESS GROUP management consistent with the CRITICAL ACCESS GROUP compensation philosophy and to approve the proposed compensation CRITICAL ACCESS GROUP management (HR) will (i) monitor trends in the marketplace on an annual basis and, when appropriate, make recommendations to the Committee regarding overall salary range adjustments prior to the annual budgeting process, and (ii) review the market competitiveness of all CRITICAL ACCESS GROUP executive positions at least once every two years Prior to making its determination, the Committee will obtain and rely upon appropriate data as to comparability CRITICAL ACCESS GROUP will contract with an outside third party to conduct market pricing analysis for the CRITICAL ACCESS GROUP executives as well as salary range development The Committee will adequately document the basis for its determination concurrently with making that determination The Committee minutes will include A The terms of the approved compensation and the date approved, B The Committee members present during the review, discussion and approval of the proposed compensation and those who voted on the proposed compensation, C Identification of the comparability data obtained and relied upon by the Committee and how the data was obtained, D Any actions by a Committee member having a conflict of interest, and E Documentation of the basis for the determination before the later of the next meeting of the CRITICAL ACCESS GROUP Boar

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 15 a&b		d of Directors or sixty (60) days after the final actions of the Committee are taken The CRITICAL ACCESS GROUP Board of Directors will approve the minutes as reasonable, accurate and complete within a reasonable time thereafter The year this process was last undertake n for Essentia Health Sandstone's Interim Administrator was 2009

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19		Availability of governing documents, conflict of interest policy, and financial statements to the public Essentia Health SANDSTONE makes its governing documents, conflict of interest policy, and financial statements available to the public upon request Essentia Health SANDSTONE is part of Essentia Health's consolidated financial statements which are included in Essentia Health's annual report posted on Essentia Health's web site

Identifier	Return Reference	Explanation
FORM 990, SECTION A, LINE 1A, COLUMN B		Hours devoted to related organizations The following individual listed in Form 990, Part VII, Section A, Line 1a also devoted time each week to related organizations Neal Hessen approximately 8 hours The following individuals spent 100% of their time furthering the purpose of Essentia Health East as a board director of Essentia Health Medical Equipment & Supplies, Essentia Health Sandstone, Essentia Health Polinsky Medical Rehabilitation Center, Essentia Health East, Essentia Health Duluth, Essentia Health St Mary's Hospital-Superior and Essentia Health St Mary's Medical Center Alan Hodnik Chuck Walt David Gaddie Neal Hessen Sherry Mattson Sister Donna Shroeder Sister Mary Josephine Torborg Sister Sarah Smedman Thomas Patnoe, MD is employed by Essentia Health Duluth as Essentia Health's East's President and Chief Medical Officer 100% of his time is spent furthering the purpose of Essentia Health and related organizations Daniel Nikcevich, MD is employed by Essentia Health Duluth as Essentia Health East's President and Chief Medical Officer 100% of his time is spent furthering the purpose of Essentia Health and related organizations Sister Kathleen Hofer is employed by Essentia Health St Mary's Medical Center as Essentia Health's Senior Vice President, Benedictine Sponsorship 100% of her time is spent furthering the purpose of Essentia Health and related organizations Joseph A Bianco, MD is employed by The Duluth Clinic Ltd 100% of his time is spent furthering the purpose of Essentia Health East and related organizations Laura Boehlke-Bray, MD is employed by The Duluth Clinic Ltd 100% of her time is spent furthering the purpose of Essentia Health East and related organizations Susan Streitz, MD is employed by The Duluth Clinic Ltd 100% of her time is spent furthering the purpose of Essentia Health East and related organizations Michael Van Scoy, MD is employed by The Duluth Clinic Ltd 100% of his time is spent furthering the purpose of Essentia Health East and related organizations Melissa Najarian, MD is employed by The Duluth Clinic Ltd 100% of her time is spent furthering the purpose of Essentia Health East and related organizations Michael Hedrix is employed by Critical Access Group as Critical Access Group Senior Vice President of Operations 100% of his time is spent furthering the purpose of Critical Access Group and related organizations

Identifier	Return Reference	Explanation
FORM 990, Part XI, LINE 5		Other Changes in Net Assets The total amount of other changes in net assets includes Prior Year Adjustment $2,723

Identifier	Return Reference	Explanation
FORM 990, PART XII, LINE 3		Consolidated A-133 ESSENTIA HEALTH SANDSTONE, as part of Essentia Health's consolidated financial statements, was required and underwent a consolidated audit set forth in the Single Audit Act and OMB Circular A-133 The consolidated audit is reviewed by the Essentia Health Audit Committee

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Pine Medical Center

Employer identification number
41-1884597

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
See Additional Data Table							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) PMC-Gateway Imaging LLC 109 Court Ave Sandstone, MN 55072 26-1634764	Imaging Services	MN	na	Related	295,204	74,229		No	0	Yes		62 000 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) East Range Clinics Ltd 910 6th Ave N Virginia, MN 55792 41-0909915	Clinics	MN	na	C corp	0	0	0 %
(2) Essentia Health Insurance Srvs SPC Ltd Buckingham Sq 720 W Bay Rd PO 69 Grand Cayman, Cayman Islands KY1-1102 CJ 000000000	Insurance	CJ	na	Foreign Corp	0	0	0 %

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III or IV			
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Sale of assets to related organization(s)	1f		No
g Purchase of assets from related organization(s)	1g		No
h Exchange of assets with related organization(s)	1h		No
i Lease of facilities, equipment, or other assets to related organization(s)	1i		No
j Lease of facilities, equipment, or other assets from related organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by related organization(s)	1l	Yes	
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n		No
o Reimbursement paid to related organization(s) for expenses	1o	Yes	
p Reimbursement paid by related organization(s) for expenses	1p	Yes	
q Other transfer of cash or property to related organization(s)	1q	Yes	
r Other transfer of cash or property from related organization(s)	1r	Yes	

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

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

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE R, PART II, COLUMN (A)		Name In 2011, many Essentia entities adopted a doing business as name as part of a system-wide rebranding strategy using the Essentia brand Legal Name, Doing Business As Name Brainerd Lakes Integrated Health System, Essentia Health Central Brainerd Medical Center, Inc , Essentia Health Brainerd Specialty Clinic Bridges Medical Center, Essentia Health Ada First Care Medical Services, Essentia Health Fosston Graceville Health Center, Essentia Health Holy Trinity Hospital Innovis Health, LLC, Essentia Health West Midwest Medical Equipment & Supply Inc , Essentia Health Medical Equipment and Supplies Northern Pines Medical Center, Essentia Health Northern Pines Polinsky Medical Rehabilitation Center, Essentia Health Polinsky Medical Rehabilitation Center SMDC Medical Center, Essentia Health Duluth St Mary's Duluth Clinic Health System, Essentia Health East St Mary's Hospital of Superior, Essentia Health St Mary's Hospital-Superior St Mary's Medical Center, Essentia Health St Mary's Medical Center St Mary's Regional Health Center, Essentia Health St Mary's-Detroit Lakes

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 41-1884597
Name: Pine Medical Center

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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 501(c)(3))	(f) Direct Controlling Entity	g Section 512(b)(13) controlled organization	
Brainerd Lakes Integrated Health System 2024 S 6th St Brainerd, MN 56401 37-1532145	Support Org	MN	501(C)(3)	11 II	Essentia	Yes	
Brainerd Medical Center Inc 2024 S 6th St Brainerd, MN 56401 37-1532148	Clinic	MN	501(C)(3)	3	BLIHS	Yes	
Bridges Medical Center 201 9th St W Ada, MN 56510 20-0479568	Clinic/Hosp	MN	501(C)(3)	3	Innovis	Yes	
Clearwater Valley Hospital & Clinics Inc 301 Cedar Orofino, ID 83544 82-0497771	Clinic/Hosp	ID	501(C)(3)	3	CAG	Yes	
Divine Medical Services THRU 10111 709 N Lincoln Jerome, ID 83338 20-2773717	Emerg Srvs	ID	501(C)(3)	3	SBFMC	Yes	
DL Surgery Center 1027 Washington Ave Detroit Lakes, MN 56501 26-3837203	ASC	MN	501(C)(3)	3	CAG	Yes	
Critical Access Group 503 E 3rd St Ste 400 Duluth, MN 55805 26-1219624	Support Org	MN	501(C)(3)	11 II	Essentia	Yes	
First Care Medical Services 900 Hilligross Blvd SE Fosston, MN 56542 41-0706143	Clinic/Hosp	MN	501(C)(3)	3	Innovis	Yes	
Minnesota Valley Health Center Inc 621 S 4th St Le Sueur, MN 56058 41-0837659	Hospital/Nurs	MN	501(C)(3)	3	CAG	Yes	
St Benedicts Family Med Ctr THRU 10111 709 N Lincoln Jerome, ID 83338 82-0227163	Clinic/Hosp	ID	501(C)(3)	3	CAG	Yes	
St Joseph's Medical Center 523 N 3d St Brainerd, MN 56401 41-0695602	Clinic/Hosp	MN	501(C)(3)	3	BLIHS	Yes	
St Mary's EMS 1027 Washington Ave Detroit Lakes, MN 56501 41-1805811	Emerg Srvs	MN	501(C)(3)	9	SMRHC	Yes	
St Mary's Hospital & Clinics Inc PO Box 137 Cottonwood, ID 83522 82-0226453	Clinic/Hosp	ID	501(C)(3)	3	CAG	Yes	
St Mary's Innovis Health 1027 Washington Ave Detroit Lakes, MN 56501 26-2861321	Clinic	MN	501(C)(3)	3	Innovis	Yes	
St Mary's Regional Health Center 1027 Washington Ave Detroit Lakes, MN 56501 41-1620386	Clinic/Hosp	MN	501(C)(3)	3	Innovis	Yes	
Essentia Health 502 E 2nd St Duluth, MN 55805 20-0360007	Support Org	MN	501(C)(3)	11 III-FI	na		No
Essentia Institute of Rural Health 502 E 2nd St Duluth, MN 55805 27-1291124	Research	MN	501(C)(3)	4	Essentia	Yes	
Innovis Health LLC 3000 32ND AVE FARGO, ND 58103 26-1175213	Clinic/Hosp	DE	501(C)(3)	3	Essentia	Yes	
Essentia Health Foundation 502 E 2nd St Duluth, MN 55805 27-1984704	Foundation	MN	501(C)(3)	7	ESSENTIA	Yes	
Midwest Medical Equipment & Supply Inc 4418 Haines Rd Hermantown, MN 55811 41-1674021	Medical Equip	MN	501(C)(3)	9	SMMC	Yes	

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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 501(c)(3))	(f) Direct Controlling Entity	g Section 512(b)(13) controlled organization	
Polinsky Medical Rehabilitation Center 530 E 2nd St Duluth, MN 55805 41-0691275	Clinic	MN	501(C)(3)	3	SMMC	Yes	
SMDC Medical Center 502 E 2nd St Duluth, MN 55805 41-1878730	Clinic/Hosp	MN	501(C)(3)	3	SMDCHS	Yes	
St Mary's Duluth Clinic Health System 407 E 3rd St Duluth, MN 55805 41-1836633	Support Org	MN	501(C)(3)	11 II	Essentia	Yes	
St Mary's Hospital of Superior 3500 Tower Ave Superior, WI 54880 41-1811073	Clinic/Hosp	WI	501(C)(3)	3	SMMC	Yes	
St Mary's Medical Center 407 E 3rd St Duluth, MN 55805 41-0695604	Hospital	MN	501(C)(3)	3	SMDCHS	Yes	
The Duluth Clinic Ltd 400 E 3rd St Duluth, MN 55805 41-0883623	Clinic	MN	501(C)(3)	3	SMDCHS	Yes	
Northern Pines Medical Center 5211 Hwy 110 Aurora, MN 55705 41-0841441	Hospital/Nurs	MN	501(C)(3)	3	SMDCHS	Yes	
GRACEVILLE HEALTH CENTER 115 West Second St Graceville, MN 56240 41-0726173	Clinic/Hosp	MN	501(C)(3)	3	Innovis	Yes	

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	CRITICAL ACCESS GROUP	O	71,887	ACTUAL COSTS
(2)	ESSENTIA HEALTH	L	576,888	ACTUAL COSTS
(3)	ESSENTIA HEALTH	O	100,225	ACTUAL COSTS
(4)	PMC-GATEWAY IMAGING LLC	Q	514,251	ACTUAL COSTS
(5)	PMC-GATEWAY IMAGING LLC	R	318,836	ACTUAL COSTS
(6)	SMDC MEDICAL CENTER	O	316,322	ACTUAL COSTS
(7)	SMDC MEDICAL CENTER	P	80,436	ACTUAL COSTS
(8)	ST MARY'S MEDICAL CENTER	O	1,853,951	ACTUAL COSTS

Consolidated Financial Statements
June 30, 2012 and 2011

Pine Medical Center, d/b/a Essentia Health Sandstone

Pine Medical Center, d/b/a Essentia Health Sandstone

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June 30, 2012 and 2011

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Independent Auditor's Report

The Board of Directors
Pine Medical Center, d/b/a Essentia Health Sandstone
Sandstone, Minnesota

We have audited the accompanying consolidated balance sheets of Pine Medical Center, d/b/a Essentia Health Sandstone (Medical Center), as of June 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended These consolidated financial statements are the responsibility of the Medical Center's management Our responsibility is to express an opinion on these consolidated financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center'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 Pine Medical Center, d/b/a Essentia Health Sandstone, as of June 30, 2012 and 2011, and the results of its operations and 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

Minneapolis, Minnesota
December 26, 2012

US Bancorp Center 800 Nicollet Mall, Ste 1300 | Minneapolis, MN 55402-7033 | T612 253 6500 | F612 253 6600 | EOE

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 946,634	$ 4,674,528
Short-term investments	2,728,820	119,661
Receivables		
Patient and resident, net of estimated uncollectibles of $1,800,000 in 2012 and $1,882,000 in 2011	2,549,473	2,674,532
Other	38,574	34,046
Estimated third-party payor settlements	300,175	-
Due from North Pine Area Hospital District	215,000	-
Supplies	236,024	237,383
Prepaid expenses	59,673	45,568
Total current assets	7,074,373	7,785,718
Property and Equipment, Net	1,661,286	1,773,515
Long-term Investments	754,251	708,824
Total assets	$ 9,489,910	$ 10,268,057

	2012	2011
Liabilities and Net Assets		
Current Liabilities		
Accounts payable		
Trade	$ 148,023	$ 246,592
Estimated third-party payor settlements	167,190	242,500
Other related parties	8,000	8,000
Accrued expenses		
Salaries and wages	333,443	288,939
Vacation	289,072	320,025
Payroll taxes, benefits and other	822,645	814,478
Reserve for self-funded health and dental insurance	174,306	174,306
Total current liabilities	1,942,679	2,094,840
Related Party Payable	2,438,877	2,438,877
Total liabilities	4,381,556	4,533,717
Net Assets		
Unrestricted	5,024,314	5,635,432
Noncontrolling Interest in Consolidated Subsidiary	84,040	98,908
	5,108,354	5,734,340
Total liabilities and net assets	$ 9,489,910	$ 10,268,057

Pine Medical Center, d/b/a Essentia Health Sandstone

Consolidated Statements of Operations and Changes in Net Assets

Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Revenues, Gains, and Other Support		
Net patient and resident service revenue	$ 18,585,000	$ 18,942,972
Other revenue	305,297	387,117
CMDI and SISU equity income	261,627	334,431
Total unrestricted revenues, gains, and other support	19,151,924	19,664,520
Expenses		
Salaries	8,099,401	7,885,412
Benefits	2,487,176	2,788,918
Professional fees	1,704,333	1,426,790
Purchased services	1,385,481	639,135
Supplies	1,264,880	1,277,945
Equipment and maintenance	675,918	700,997
Provision for bad debts	894,632	989,984
Depreciation	498,580	725,714
Other	2,621,691	2,425,161
Total expenses	19,632,092	18,860,056
Operating (Loss) Income	(480,168)	804,464
Other Income		
Interest income	21,299	26,448
Unrestricted gifts	27,757	52,795
Total other income	49,056	79,243
Revenues in Excess of (Less Than) Expenses	(431,112)	883,707
Noncontrolling Interest in PMC - Gateway's Net Income	(180,006)	(181,513)
Revenues in Excess of (Less Than) Expenses Attributable to Medical Center	(611,118)	702,194
Earnings Attributable to Noncontrolling Interest	180,006	181,513
Distributions to Noncontrolling Interest in Consolidated Subsidiary	(194,874)	(166,170)
Increase (Decrease) in Net Assets	(625,986)	717,537
Net Assets, Beginning of Year	5,734,340	5,016,803
Net Assets, End of Year	$ 5,108,354	$ 5,734,340

See Notes to Financial Statements

	2012	2011
Operating Activities		
Change in net assets	$ (625,986)	$ 717,537
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	498,580	725,714
Equity earnings in CMDI and SISU	(261,627)	(334,431)
Provision for bad debts	894,632	989,984
Distributions to noncontrolling interest in consolidated subsidiary	194,874	166,170
Changes in assets and liabilities		
Receivables	(1,284,748)	(539,136)
Supplies	1,359	21,521
Prepaid expenses	(14,105)	(11,127)
Accounts payable	(173,879)	159,500
Accrued expenses	21,718	360,265
Net Cash (used for) from Operating Activities	(749,182)	2,255,997
Investing Activities		
Purchase of property and equipment	(386,351)	(183,139)
Purchase of short-term investments	(2,609,159)	(1,191)
Decrease (increase) in other	(4,528)	36,859
Distributions from CMDI	271,620	239,018
Capital contributions to SISU	(55,420)	-
Net Cash (used for) from Investing Activities	(2,783,838)	91,547
Financing Activities		
Increase in payable to St Mary's/Duluth Clinic	-	72,003
Distributions to noncontrolling interest in consolidated subsidiary	(194,874)	(166,170)
Net Cash used for Financing Activities	(194,874)	(94,167)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,727,894)	2,253,377
Cash and Cash Equivalents, Beginning of Year	4,674,528	2,421,151
Cash and Cash Equivalents, End of Year	$ 946,634	$ 4,674,528

Note 1 - Organization and Significant Accounting Policies

Organization and Principles of Consolidation

Pine Medical Center, d/b/a Essentia Health Sandstone (Medical Center), operates a 25-bed acute care hospital (Hospital) and a 60-bed nursing facility (Nursing Home) in Sandstone, Minnesota

Essentia Health System leases the Hospital and Nursing Home from North Pine Area Hospital District (Hospital District) The lease agreement was entered into on September 1, 1997 and is currently effective until August 31, 2012 (Note 9 and 12) The Medical Center is managed by Essentia Health System and affiliates (Essentia), who are affiliated with St Mary's/Duluth Clinic (SMDC) (Note 6) The Medical Center expensed management fees to Essentia of $506,485 and $84,090 for the years ended June 30, 2012 and 2011, respectively, which are included in salaries in the consolidated statements of operations The 2012 expenses include one-time severance costs of approximately $167,000, as well as salaries and employee benefits for management, which are Essentia employees In 2011, only a portion of management costs were charged to the Medical Center In addition, in 2012 the Medical Center expensed $576,888 for other support services of Essentia

During 2008, the Medical Center and Gateway Family Health Clinic, Ltd (Clinic) formed PMC-Gateway Imaging, LLC, a Minnesota limited liability company (Company or PMC - Gateway), to provide imaging services The Medical Center has a 50% governance interest, as defined, and a 62% financial interest, as defined, in the membership in the Company A noncontrolling interest in the Company is reported on the consolidated balance sheet for the Clinic's interest in the membership in the Company Distributions to the Clinic of $194,874 and $166,170 were made for the years ended June 30, 2012 and 2011, respectively

The accompanying consolidated financial statements include the accounts and transactions of the Medical Center and its majority-owned subsidiary, PMC-Gateway Imaging, LLC, collectively referred to as the Medical Center All significant intercompany balances and transactions have been eliminated

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less

Patient and Resident Receivables

Patient and resident receivables are uncollateralized customer and third-party payor obligations The Medical Center does not charge interest on its patient and resident receivables

Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients, residents and third-party payors Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts Management considers historical write-off and recovery information in determining the estimated bad debt provision

Supplies

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

Grants

The Medical Center receives grants from various organizations and recognizes revenue in the year qualifying expenditures are incurred

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenues in excess of (less than) expenses unless the income or loss is restricted by donor or law Unrealized gains and losses on investments are excluded from revenues in excess of (less than) expenses unless the related investments are trading securities

Long-term Investments

The Medical Center reports its investment in Central Minnesota Diagnostics, Inc (CMDI) and SISU Medical Systems Solutions, LLC (SISU) on the equity method of accounting which approximates the Medical Center's equity in the underlying book value of the respective organization Equity earnings are included in operating revenues

Resident Trust Funds

The Medical Center acts as custodian for the funds of the residents These funds are included in cash and cash equivalents and accounts payable-trade in the consolidated balance sheets Resident trust funds totaled $11,274 and $10,347 at June 30, 2012 and 2011, respectively

Property and Equipment

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

Buildings and fixed equipment	5-25 years
Movable equipment	5-12 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 (less than) 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

Self-funded Health and Dental Insurance

The provisions for estimated health and dental insurance claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Medical Center 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 Medical Center in perpetuity At June 30, 2012 and 2011, the Medical Center did not have any temporarily or permanently restricted net assets

Revenues in Excess of (Less than) Expenses

Revenues in excess of (less than) 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, capital contributions, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors

Charity Care

The Medical Center provides health care services to patients who meet certain criteria under its Charity Care Policy without charge or at amounts less than established rates Since the Medical Center does not pursue collection of these amounts, they are not reported as patient service revenue The estimated cost of providing these services was $94,000 and $151,000 for the years ended June 30, 2012 and 2011, respectively, calculated by multiplying the ratio of cost to gross charges for the Medical Center by the gross uncompensated charges associated with providing charity care to its patients

Net Patient and Resident Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services 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

Donor-restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the consolidated statements of operations

Advertising

The Medical Center expenses advertising costs as they are incurred

Income Taxes

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

The Medical Center believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements The Medical Center 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

New Accounting Standards

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Recoveries*, which provides clarification to companies in the health care industry on the accounting for professional liability and similar insurance ASU 2010-24 states that insurance liabilities should not be presented net of insurance recoveries and that an insurance receivable should be recognized on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible accounts ASU 2010-24 is effective for fiscal years beginning after December 15, 2010, and was adopted by the Medical Center on July 1, 2011 Adoption of this guidance did not have a material impact on the consolidated financial statements

In August 2010, the FASB released ASU 2010-23, *Measuring Charity Care for Disclosure* ASU 2010-23 requires the disclosure of charity care amounts and provides specific guidance on how to measure charity care The accounting provisions specifically require that the method used to identify the direct and indirect costs of providing the charity care must be disclosed Adoption of this guidance did not have a material impact on the consolidated financial statements

Reclassifications

Certain amounts in the 2011 consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements

Note 2 - Net Patient and Resident Service Revenue

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

Medicare The Medical Center is licensed as a Critical Access Hospital (CAH) The Medical Center is reimbursed for most inpatient and outpatient services at cost plus one percent with final settlement determined after submission of annual cost reports by the Medical Center and are subject to audits thereof by the Medicare intermediary The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2010

Medicaid Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors Outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges, allowable cost as determined through the Medical Center's Medicare Cost Report, or rates as established by the Medicaid program The Medical Center is reimbursed at a tentative rate with final settlement determined by the program based on the Medical Center's final Medicare Cost Report The Medical Center's Medicaid cost reports have been audited by Medicaid fiscal intermediary through the year ended June 30, 2009

Medicaid and Medicare - Nursing Home Routine services rendered to nursing home residents, who are beneficiaries of the Medicaid program or who pay from private resources, are paid according to a schedule of prospectively determined daily rates determined by Minnesota's Medicaid program A rate is assigned to each nursing home resident based on the residents' ability to perform certain activities of daily living and on certain other clinical factors Payments are made for each case-mix category and are adjusted each year by an inflation index Additional services may be paid on a fee-for-service basis The Nursing Home also participates in the Medicare program for which payment for services is made on a prospectively determined per diem rate that varies based on a case-mix resident classification system

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 schedules or at charges less a prospectively determined discount The prospectively determined discount is not subject to retroactive adjustment

The Medical Center has also entered into payment agreements with certain commercial insurance carriers and other organizations The basis for payment to the Medical Center under these agreements is primarily charges

Revenue from the Medicare and Medicaid programs accounted for approximately 35% and 22% of the Medical Center's net patient service revenue for the year ended June 30, 2012 and 41% and 23% 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. Net patient service revenue for the years ended June 30, 2012 and 2011 increased approximately $154,000 and $107,000, 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	$ 28,520,162	$ 28,800,500
Contractual adjustments		
Medicare	(3,759,925)	(3,700,564)
Medicaid	(1,537,930)	(1,124,715)
Other	(4,637,307)	(5,032,249)
Total contractual adjustments	(9,935,162)	(9,857,528)
Net patient and resident service revenue	$ 18,585,000	$ 18,942,972

Note 3 - Property and Equipment

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

	2012		2011	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Held for use in operations				
Buildings and fixed equipment	$ 1,624,159	$ 1,004,537	$ 1,608,694	$ 918,232
Major movable equipment	3,765,793	2,744,129	4,186,869	3,244,717
Construction in progress	-	-	120,901	-
Land held for future use	20,000	-	20,000	-
	$ 5,409,952	$ 3,748,666	$ 5,936,464	$ 4,162,949
Net property and equipment		$ 1,661,286		$ 1,773,515

The Medical Center considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. During 2012, the Medical Center wrote-off and expensed in other expenses certain construction in progress of approximately $221,000.

Note 4 - Investments and Investment Income

Short-term Investments

Short-term investments include investments with an original maturity date between three and twelve months Short-term investments are measured at cost plus accrued interest and include the following at June 30, 2012 and 2011

	2012	2011
Essentia certificate of deposit pool	$ 1,104,720	$ -
Certificates of deposit	1,624,100	119,661
	$ 2,728,820	$ 119,661

Long-term Investments

Long-term investments include the following at June 30, 2012 and 2011

	2012	2011
Equity share in SISU Medical Solutions, LLC	$ 105,469	$ 49,302
Equity share in Central Minnesota Diagnostic, Inc	648,782	659,522
	$ 754,251	$ 708,824

Central Minnesota Diagnostics, Inc (CMDI)

The Medical Center and other hospitals (all of which are unrelated parties to the Medical Center) formed a non-profit corporation known as Central Minnesota Diagnostic, Inc CMDI was organized to provide certain agreed upon shared services to those hospitals who are members of CMDI The Medical Center owned approximately 1 6% of CMDI as of June 30, 2012 and 2011

The investment in Central Minnesota Diagnostic, Inc is recorded using the equity method whereby the value of the investment changes based on the results of the operations of CMDI and the Medical Center's proportionate interest in those results The Medical Center recognized a gain of $255,239 and $342,775 for the years ended June 30, 2012 and 2011, and distributions of $271,620 and $239,018 for the years ended June 30, 2012 and 2011 The CMDI equity income is included in revenues in excess of (less than) expenses in the consolidated statement of operations

In May 2009, the Medical Center entered into a five year lease agreement with CMDI for a CT scanner with minimum monthly payments of $18,750, expiring in May 2014

For the years ended June 30, 2012 and 2011, the Medical Center recorded expenses to CMDI related to scans of $348,215 and $424,500, respectively

Summarized financial information of CMDI at June 30, 2012 and 2011 and for the years then ended is presented below

	2012	2011
Total assets	$ 51,470,173	$ 44,293,754
Total liabilities	$ 11,438,765	$ 7,861,629
Members' equity-retained earnings	40,031,408	36,432,125
Total liabilities and members' equity	$ 51,470,173	$ 44,293,754
Total operating revenue	$ 18,034,693	$ 20,841,854
Net income	$ 5,678,660	$ 9,536,907

SISU Medical Systems Solutions

The Medical Center's agreement with SISU Medical Systems Solutions (SISU), results in an approximate 7% equity ownership of SISU by the Medical Center The investment in SISU is being recorded using the equity method whereby the value of the investment changes based on the results of the operations of SISU and the Medical Center's proportionate interest in those results The Medical Center recognized capital contributions to SISU of $55,420 for the year ended June 30, 2012, and recorded investment gain (loss) of $747 and ($8,344) for the years ended June 30, 2012 and 2011 The SISU equity income is included in revenues in excess of (less than) expenses in the consolidated statement of operations

Investment Income

Investment income and gains and losses on cash equivalents and short-term investments consist of the following for the years ended June 30, 2012 and 2011

	2012	2011
Other income		
Interest income	$ 21,299	$ 26,448

Note 5 - Pension Plan

The Medical Center has a defined contribution benefit plan under which employees become eligible to participate upon reaching the age of 21 and completion of one year of service Employer contributions are discretionary and the Medical Center incurred expenses of $290,135 and $238,812 during the years ended June 30, 2012 and 2011, respectively

Note 6 - Related Party

The related party payable of $2,438,877 at June 30, 2012 and 2011, respectively, is due to St Mary's/Duluth Clinic (SMDC), and is for fixed asset additions and services and supplies

The other related party payable of $8,000 at June 30, 2012 and 2011, respectively, is due to Gateway Clinic, and is for equipment

Note 7 - Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients and residents, most of who are insured under third-party payor agreements The mix of receivables from third-party payors, patients, and residents at June 30, 2012 and 2011 is as follows

	2012	2011
Medicare	33%	29%
Medicaid	23%	14%
Commercial insurance	5%	8%
Blue Cross	4%	5%
Other third-party payors and patients	35%	44%
	100%	100%

The Medical Center's cash balances are maintained in various bank deposit accounts At times, the balances of these deposits are in excess of federally insured limits

Note 8 - Functional Expenses

The Medical Center provides health care 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

	2012	2011
Patient and resident health care services	$ 16,981,760	$ 16,842,030
General and administrative	2,650,332	2,018,026
	$ 19,632,092	$ 18,860,056

Note 9 - Agreement with North Pine Area Hospital District

The Medical Center's lease agreement (Agreement) with the Hospital District is effective through August 31, 2012 The Agreement may be renewed for up to five additional three-year terms Under the terms of the Agreement, the tax subsidies received from Pine County, Minnesota, will be paid to the Medical Center with payments totaling $215,000 annually In consideration for these payments, the Medical Center agrees to budget for capital improvements to the facilities of at least $215,000 in each fiscal year The Hospital District made payment of $215,000 to the Medical Center in 2011 A receivable of $215,000 is recorded at June 30, 2012

During the term of the lease, the Medical Center will pay to the Hospital District the amounts necessary on an annual basis to fully service the long-term debt of the Hospital District The amounts paid to the Hospital District for debt payments during the years ended June 30, 2012 and 2011, totaled $180,075 and $177,050, respectively These payments have been recorded as lease expense and included with other expenses in the accompanying consolidated statements of operations for the years ended June 30, 2012 and 2011 At June 30, 2012 and 2011, the outstanding balance of the debt of the Hospital District is $335,000 and $490,000, respectively

At the termination of the Agreement for any reason by either party, certain assets, per the lease agreement associated with lease obligations will be transferred and assigned to the Hospital District (Note 12)

Note 10 - Self-insurance Plans

The Medical Center is self-insured for its employee health and dental insurance program The Medical Center pays claims up to a specified amount per employee with a maximum facility-wide cap A third-party insurance carrier covers claims exceeding maximum limits Estimated claims and administrative costs that have been incurred but are unpaid are reflected as a liability for self-funded health and dental insurance on the consolidated balance sheets and totaled $174,306 as of June 30, 2012 and 2011 The Medical Center recognized $1,451,478 and $1,248,531 for health and dental insurance expense for the years ended June 30, 2012 and 2011, respectively

Note 11 - Contingencies

Malpractice Insurance

The Medical Center has insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $2 million per claim and an annual aggregate limit of $6 million with a $25 million excess coverage limit Should the claims made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured

Litigation, Claims, and Other Disputes

The Medical Center is subject to the usual contingencies in the normal course of operations In the opinion of management, the ultimate settlement of litigation, claims and disputes in process will not be material to the consolidated financial position and results of operations of the Medical Center

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

Note 12 - Subsequent Events

On November 17, 2011, the Hospital District had served notice of its intent to not renew the lease with Essentia effective August 31, 2012 After negotiations, a new 3 year lease between the Hospital District and Essentia has been agreed to and signed as of August 29, 2012 The renewal includes certain provisions to be met by Essentia within 18 months or a termination can be invoked by the Hospital District Some of the provisions to be fulfilled include review of the current healthcare needs in the market, planning for an appropriate sized facility, expanded surgical program, fully staffing an emergency room, adequate staffing for therapy, and good faith efforts to transfer the long term care facility to a willing third party If a termination were to occur, instead of a return of the assets as they existed in the 1997 original lease, the return of assets will be defined by the assets as of June 30, 2012 In addition, the cash remaining with the District will be the amount of any outstanding bonds, plus the greater of 50 days cash on hand or $2 5 million

The Medical Center has evaluated subsequent events through December 26, 2012, the date which the financial statements were available to be issued

Supplementary Information
June 30, 2012 and 2011

Pine Medical Center, d/b/a Essentia Health Sandstone

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Supplementary Information

The Board of Directors
Pine Medical Center, d/b/a Essentia Health Sandstone
Sandstone, Minnesota

We have audited the consolidated financial statements of Pine Medical Center, d/b/a Essentia Health Sandstone (Medical Center) as of and for the years ended June 30, 2012 and 2011, and our report thereon dated December 26, 2012, which expressed an unqualified opinion on those consolidated financial statements, appears on page 1 Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The consolidating information on pages 17 through 20 are 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 companies and it is not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America In our opinion, the consolidating information on pages 17-20 is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Eide Bailly LLP

Minneapolis, Minnesota
December 26, 2012

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	Pine Medical Center d b a Essentia Health Sandstone	PMC - Gateway Imaging, LLC	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 858,498	$ 88,136	$ -	$ 946,634
Short-term investments	2,728,820	-	-	2,728,820
Receivables				
Patient and resident, net of estimated uncollectibles of approximately $1,800,000	2,549,473	-	-	2,549,473
Other	38,574	-	-	38,574
Estimated third-party payor settlements	300,175	-	-	300,175
Intercompany	-	84,932	(84,932)	-
Due from North Pine Area Hospital District	215,000	-	-	215,000
Supplies	236,024	-	-	236,024
Prepaid expenses	59,673	-	-	59,673
Total current assets	6,986,237	173,068	(84,932)	7,074,373
Property and Equipment, Net	1,605,197	56,089	-	1,661,286
Other Assets				
Long-term investments	754,251	-	-	754,251
Investments in related parties	137,117	-	(137,117)	-
Total other assets	891,368	-	(137,117)	754,251
Total assets	$ 9,482,802	$ 229,157	$ (222,049)	$ 9,489,910

Pine Medical Center, d/b/a Essentia Health Sandstone
Consolidating Balance Sheet Information
June 30, 2012

	Pine Medical Center d b a Essentia Health Sandstone	PMC - Gateway Imaging, LLC	Eliminations	Total
Liabilities and Net Assets				
Current Liabilities				
Accounts payable				
Trade	$ 148,023	$ -	$ -	$ 148,023
Intercompany	84,932	-	(84,932)	-
Estimated third-party payor settlements	167,190	-	-	167,190
Other related parties	-	8,000	-	8,000
Accrued expenses				
Salaries and wages	333,443	-	-	333,443
Vacation	289,072	-	-	289,072
Payroll taxes, benefits and other	822,645	-	-	822,645
Reserve for self-funded health and dental insurance	174,306	-	-	174,306
Total current liabilities	2,019,611	8,000	(84,932)	1,942,679
Related Party Payable	2,438,877	-	-	2,438,877
Total liabilities	4,458,488	8,000	(84,932)	4,381,556
Net Assets				
Unrestricted	5,024,314	221,157	(221,157)	5,024,314
Noncontrolling interest in consolidated subsidiary	-	-	84,040	84,040
	5,024,314	221,157	(137,117)	5,108,354
Total liabilities and net assets	$ 9,482,802	$ 229,157	$ (222,049)	$ 9,489,910

Pine Medical Center, d/b/a Essentia Health Sandstone

Consolidating Statement of Operations Information

Year Ended June 30, 2012

	Pine Medical Center d b a Essentia Health Sandstone	PMC - Gateway Imaging, LLC	Eliminations	Total
Unrestricted Revenues, Gains, and Other Support				
Net patient and resident service revenue	$ 18,585,000	$ -	$ -	$ 18,585,000
Other revenue	305,297	1,569,343	(1,569,343)	305,297
CMDI and SISU equity income	261,627	-	-	261,627
Total unrestricted revenues, gains, and other support	19,151,924	1,569,343	(1,569,343)	19,151,924
Expenses				
Salaries	8,099,401	-	-	8,099,401
Benefits	2,487,176	-	-	2,487,176
Professional fees	2,210,760	12,462	(518,889)	1,704,333
Purchased services	1,385,481	782,594	(782,594)	1,385,481
Supplies	1,264,880	56,455	(56,455)	1,264,880
Equipment and maintenance	675,918	94,521	(94,521)	675,918
Provision for bad debts	894,632	-	-	894,632
Depreciation	467,389	31,191	-	498,580
Other	2,621,691	116,997	(116,997)	2,621,691
Total expenses	20,107,328	1,094,220	(1,569,456)	19,632,092
Operating (Loss) Income	$ (955,404)	$ 475,123	$ 113	$ (480,168)
Other Income				
Interest income	21,299	-	-	21,299
Unrestricted gifts	27,757	-	-	27,757
Total other income	49,056	-	-	49,056
Revenues in Excess of (Less Than) Expenses	$ (906,348)	$ 475,123	$ 113	$ (431,112)

	Pine Medical Center d b a Essentia Health Sandstone	PMC - Gateway Imaging, LLC	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 4,585,995	$ 88,533	$ -	$ 4,674,528
Short-term investments	119,661	-	-	119,661
Receivables				
Patient and resident, net of estimated uncollectibles of approximately $1,882,000	2,674,532	-	-	2,674,532
Other	34,046	-	-	34,046
Estimated third-party payor settlements		-	-	-
Intercompany	-	92,472	(92,472)	-
Supplies	237,383	-	-	237,383
Prepaid expenses	45,568	-	-	45,568
Total current assets	7,697,185	181,005	(92,472)	7,785,718
Property and Equipment, Net	1,686,235	87,280	-	1,773,515
Other Assets				
Long-term investments	708,824	-	-	708,824
Investments in related parties	161,377	-	(161,377)	-
Total other assets	870,201	-	(161,377)	708,824
Total assets	$ 10,253,621	$ 268,285	$ (253,849)	$ 10,268,057

Pine Medical Center, d/b/a Essentia Health Sandstone
Consolidating Balance Sheet Information
June 30, 2011

	Pine Medical Center d b a Essentia Health Sandstone	PMC - Gateway Imaging, LLC	Eliminations	Total
Liabilities and Net Assets				
Current Liabilities				
Accounts payable				
Trade	$ 246,592	$ -	$ -	$ 246,592
Intercompany	92,472	-	(92,472)	-
Estimated third-party payor settlements	242,500	-	-	242,500
Other related parties	-	8,000	-	8,000
Accrued expenses				
Salaries and wages	288,939	-	-	288,939
Vacation	320,025	-	-	320,025
Payroll taxes, benefits and other	814,478	-	-	814,478
Reserve for self-funded health and dental insurance	174,306	-	-	174,306
Total current liabilities	2,179,312	8,000	(92,472)	2,094,840
Related Party Payable	2,438,877	-	-	2,438,877
Total liabilities	4,618,189	8,000	(92,472)	4,533,717
Net Assets				
Unrestricted	5,635,432	260,285	(260,285)	5,635,432
Noncontrolling interest in consolidated subsidiary	-	-	98,908	98,908
	5,635,432	260,285	(161,377)	5,734,340
Total liabilities and net assets	$ 10,253,621	$ 268,285	$ (253,849)	$ 10,268,057

Pine Medical Center, d/b/a Essentia Health Sandstone

Consolidating Statement of Operations Information

Year Ended June 30, 2011

	Pine Medical Center d b a Essentia Health Sandstone	PMC - Gateway Imaging, LLC	Eliminations	Total
Unrestricted Revenues, Gains, and Other Support				
Net patient and resident service revenue	$ 18,942,972	$ -	$ -	$ 18,942,972
Other revenue	387,117	1,573,607	(1,573,607)	387,117
CMDI and SISU equity income	334,431	-	-	334,431
Total unrestricted revenues, gains, and other support	19,664,520	1,573,607	(1,573,607)	19,664,520
Expenses				
Salaries	7,885,412	-	-	7,885,412
Benefits	2,788,918	-	-	2,788,918
Professional fees	1,935,647	12,462	(521,319)	1,426,790
Purchased services	639,135	788,315	(788,315)	639,135
Supplies	1,277,945	53,622	(53,622)	1,277,945
Equipment and maintenance	700,997	94,521	(94,521)	700,997
Provision for bad debts	989,984	-	-	989,984
Depreciation	694,523	31,191	-	725,714
Other	2,425,161	115,830	(115,830)	2,425,161
Total expenses	19,337,722	1,095,941	(1,573,607)	18,860,056
Operating Income	326,798	477,666	-	804,464
Other Income				
Interest income	26,448	-	-	26,448
Unrestricted gifts	52,795	-	-	52,795
Total other income	79,243	-	-	79,243
Revenues in Excess of Expenses	$ 406,041	$ 477,666	$ -	$ 883,707