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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
BILLINGS CLINIC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2800 Tenth Avenue North

City or town, state or country, and ZIP + 4
Billings, MT 59101

D Employer identification number
81-0231784

E Telephone number
(406) 238-2500

G Gross receipts $ 1,198,205,972

F Name and address of principal officer
Nicholas Wolter MD
2800 Tenth Avenue North
Billings, MT 59101

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: ▶ billingsclinic com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1907 | **M** State of legal domicile MT

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Billings Clinic will be a national leader in providing the best clinical quality, patient safety, service and value

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**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	3,892
6	Total number of volunteers (estimate if necessary)	**6**	255
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	6,388,420
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	792,016

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	3,799,079	3,948,921
	9 Program service revenue (Part VIII, line 2g)	501,834,997	534,476,077
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	11,022,251	9,447,693
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	16,685,027	11,282,122
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	533,341,354	559,154,813
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	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)	269,671,198	281,545,875
	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)	235,125,312	238,719,332
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	504,796,510	520,265,207
	19 Revenue less expenses Subtract line 18 from line 12	28,544,844	38,889,606

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	534,176,825	589,973,650
	21 Total liabilities (Part X, line 26)	227,968,706	264,809,291
	22 Net assets or fund balances Subtract line 21 from line 20	306,208,119	325,164,359

Part II Signature Block

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

Sign Here

▶ Signature of officer — 2013-05-15 Date

▶ Connie F Prewitt 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

Billings Clinic is a not-for-profit, physician-led, multispecialty medical group practice integrated with a hospital and long term care facility, serving the communities of Montana, northern Wyoming and the western Dakotas Our mission is health care, education and research

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

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

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

If "Yes," describe these changes on Schedule O

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

4a	(Code	) (Expenses $	190,516,168	including grants of $	0) (Revenue $	305,336,596)	
	Hospital patient care						
4b	(Code	) (Expenses $	184,446,796	including grants of $	0) (Revenue $	201,825,835)	
	Clinic patient care						
4c	(Code	) (Expenses $	8,544,059	including grants of $	0) (Revenue $	7,866,452)	
	Nursing home patient care						
	(Code	) (Expenses $	7,008,781	including grants of $	0) (Revenue $	22,823,041)	
	See Schedule O, statement 1						
4d	Other program services (Describe in Schedule O)						
	(Expenses $	7,008,781	including grants of $	0) (Revenue $	22,823,041)		
4e	**Total program service expenses** ▶ $	390,515,804					

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		No
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	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, 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		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *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	Yes	
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		No
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	Yes	
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**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *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**	Yes	
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**	202		
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**	3,892			
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**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**	Yes	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**	Yes	
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	12		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	9		
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		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

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

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

☐ 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 ▶

Connie F Prewitt
2800 Tenth Avenue North
Billings, MT 59101
(406) 238-2134

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) D Brown Board member	6	X						0	0	6,878
(2) D Ehrlick Board member	4	X						0	0	6,956
(3) E Fulton Board member	8	X						0	0	6,184
(4) T Hathaway Board member	2	X						0	0	8,011
(5) L Knight Board member	10	X						27,551	0	13,914
(6) P Nance Board member	15	X						6,000	0	0
(7) J Ott Board member	4	X						0	0	6,627
(8) M Schaer Board member	6	X						6,000	0	0
(9) A Sparboe Board member	10	X						0	0	0
(10) Dr J Millikan Board member/physician	70	X						554,264	0	38,259
(11) Dr C McCracken Board member/physician	75	X						285,490	0	35,341
(12) Dr N Wolter CEO	60			X				1,536,067	0	38,611
(13) C Prewitt CFO	70			X				360,898	0	59,311
(14) Dr Sample Interventional cardiologist	100					X		855,105	0	33,222
(15) Dr Schallenkamp Radiation oncologist	60					X		796,647	0	32,760
(16) Dr Santala Oncologist/hemotologist	72					X		786,927	0	32,683
(17) Dr Gibb Gynecologic oncologist	85					X		774,841	0	32,587

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) Dr Lindenbaum Radiologist	55					X		772,878	0	32,572
(19) Dr Knostman Former board member	0						X	12,195	0	0

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	6,774,863	0	383,916

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 ▶ 338

			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
Sodexo C/O Billings Clinic Billings, MT 59101	Patient food service	4,956,821
Command Health Box 844797 Dallas, TX 75284	Transcription services	1,982,508
Healthcare Outsourcing Network 621 17th St Suite 1800 Denver, CO 80293	Early out vendor	1,635,879
Weatherby Locums Inc PO Box 972633 Dallas, TX 75397	Professional staffing	2,047,043
Bauer Construction 148 Hallowell Lane Billings, MT 59101	Building contractor	1,722,687

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 ▶ 51

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	0				
	b	Membership dues	0				
	c	Fundraising events	0				
	d	Related organizations	3,948,921				
	e	Government grants (contributions)	0				
	f	All other contributions, gifts, grants, and similar amounts not included above	0				
	g	Noncash contributions included in lines 1a-1f $ 0					
	h	**Total.** Add lines 1a-1f		3,948,921			
Program Service Revenue			Business Code				
	2a	Patient service revenue	622000	528,087,657	528,087,657	0	0
	b	Reference lab	621500	3,706,841	0	3,706,841	0
	c	IT services to other hospitals	541519	2,046,132	0	2,046,132	0
	d	Optical shop	446130	626,373	0	626,373	0
	e	Partnership related to programs services	541900	9,074	0	9,074	0
	f	All other program service revenue		0	0	0	0
	g	**Total.** Add lines 2a–2f		534,476,077			
	3	Investment income (including dividends, interest and other similar amounts)		4,134,766	0	0	4,134,766
	4	Income from investment of tax-exempt bond proceeds		0	0	0	0
	5	Royalties		0	0	0	0
			(i) Real / (ii) Personal				
	6a	Gross rents	54,725 / 0				
	b	Less rental expenses	197,193 / 0				
	c	Rental income or (loss)	-142,468 / 0				
	d	Net rental income or (loss)		-142,468	0	0	-142,468
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	643,808,838 / 6,187				
	b	Less cost or other basis and sales expenses	638,198,544 / 303,554				
	c	Gain or (loss)	5,610,294 / -297,367				
	d	Net gain or (loss)		5,312,927	0	0	5,312,927
Other Revenue	8a	Gross income from fundraising events (not including $ 0 of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a 496,626				
	b	Less cost of goods sold	b 351,868				
	c	Net income or (loss) from sales of inventory		144,758	0	0	144,758
		Miscellaneous Revenue	Business Code				
	11a	Insurance premiums	524298	4,720,195	4,720,195	0	0
	b	Share of Joint Ventures	621300	-3,443,690	-3,443,690	0	0
	c	Meaningful use	921190	3,132,131	3,132,131	0	0
	d	All other revenue		6,871,196	6,871,196	0	0
	e	**Total.** Add lines 11a–11d		11,279,832			
	12	**Total revenue.** See Instructions		559,154,813	539,367,489	6,388,420	9,449,983

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21				
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees				
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	234,733,503	187,640,169	47,093,334	0
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	10,974,273	8,895,221	2,079,052	0
9	Other employee benefits	21,434,696	15,295,463	6,139,233	0
10	Payroll taxes	14,403,403	11,209,927	3,193,476	0
11	Fees for services (non-employees)				
a	Management	0	0	0	0
b	Legal	1,485,413	4,842	1,480,571	0
c	Accounting	154,615	0	154,615	0
d	Lobbying	82,631	0	82,631	0
e	Professional fundraising *See Part IV, line 17* . .	0			0
f	Investment management fees	886,119	0	886,119	0
g	Other	32,726,589	9,563,295	23,163,294	0
12	Advertising and promotion	1,306,840	130,475	1,176,365	0
13	Office expenses	92,107,332	87,783,534	4,323,798	0
14	Information technology	9,083,144	1,178,673	7,904,471	0
15	Royalties . .	0	0	0	0
16	Occupancy	6,041,067	2,551,909	3,489,158	0
17	Travel	2,805,242	1,793,210	1,012,032	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0	0	0	0
19	Conferences, conventions, and meetings	392,349	135,482	256,867	0
20	Interest	8,294,731	38,573	8,256,158	0
21	Payments to affiliates	0	0	0	0
22	Depreciation, depletion, and amortization	18,545,544	14,296,727	4,248,817	0
23	Insurance	10,291,591	4,628,624	5,662,967	0
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Recruitment	1,764,349	5,534	1,758,815	0
b	Repairs	5,912,157	4,758,802	1,153,355	0
c	Bad debt	39,890,252	39,463,252	427,000	0
d	Bed tax	3,338,027	281,477	3,056,550	0
e					
f	All other expenses	3,611,340	860,615	2,750,725	0
25	**Total functional expenses.** Add lines 1 through 24f	520,265,207	390,515,804	129,749,403	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		10,559,381	1	7,002,784
	2	Savings and temporary cash investments		21,303,735	2	73,859,885
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		67,931,288	4	74,742,299
	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		8,704,883	7	8,517,044
	8	Inventories for sale or use		6,505,363	8	6,952,922
	9	Prepaid expenses and deferred charges		5,380,977	9	4,750,002
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 403,779,108			
	b	Less accumulated depreciation	10b 214,069,358	195,262,297	10c	189,709,750
	11	Investments—publicly traded securities		171,354,595	11	180,956,748
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		11,657,517	13	7,943,998
	14	Intangible assets		3,222,544	14	2,406,842
	15	Other assets See Part IV, line 11		32,294,245	15	33,131,376
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		534,176,825	16	589,973,650
Liabilities	17	Accounts payable and accrued expenses		48,962,844	17	44,511,964
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		137,531,015	20	168,955,000
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		0	21	0
	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		6,327,042	23	3,986,222
	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		35,147,805	25	47,356,105
	26	**Total liabilities.** Add lines 17 through 25		227,968,706	26	264,809,291
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		279,868,321	27	297,619,748
	28	Temporarily restricted net assets		7,316,156	28	7,891,423
	29	Permanently restricted net assets		19,023,642	29	19,653,188
		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		306,208,119	33	325,164,359
	34	Total liabilities and net assets/fund balances		534,176,825	34	589,973,650

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	559,154,813
2	Total expenses (must equal Part IX, column (A), line 25)	2	520,265,207
3	Revenue less expenses Subtract line 2 from line 1	3	38,889,606
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	306,208,119
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-19,933,366
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	325,164,359

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		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b		

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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
BILLINGS CLINIC

Employer identification number
81-0231784

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
BILLINGS CLINIC	81-0231784

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)	0	
b Total lobbying expenditures to influence a legislative body (direct lobbying)	82,631	
c Total lobbying expenditures (add lines 1a and 1b)	82,631	
d Other exempt purpose expenditures	520,182,576	
e Total exempt purpose expenditures (add lines 1c and 1d)	520,265,207	
f Lobbying nontaxable amount Enter the amount from the following table in both columns	1,000,000	

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

g Grassroots nontaxable amount (enter 25% of line 1f)	250,000	
h Subtract line 1g from line 1a If zero or less, enter -0-	0	
i Subtract line 1f from line 1c If zero or less, enter -0-	0	

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ 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	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					6,000,000
c Total lobbying expenditures	105,276	21,245	37,524	82,631	246,676
d Grassroots non-taxable amount	250,000	250,000	250,000	250,000	1,000,000
e Grassroots ceiling amount (150% of line 2d, column (e))					1,500,000
f Grassroots lobbying expenditures	0	0	0	0	0

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?			
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?			
c	Media advertisements?			
d	Mailings to members, legislators, or the public?			
e	Publications, or published or broadcast statements?			
f	Grants to other organizations for lobbying purposes?			
g	Direct contact with legislators, their staffs, government officials, or a legislative body?			
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?			
i	Other activities? If "Yes," describe in Part IV			
j	Total lines 1c through 1i			
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation

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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
BILLINGS CLINIC

Employer identification number
81-0231784

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	21,026,911	19,640,069	18,575,246	1,781,249	
b	Contributions	246,728	605,720	665,198	1,048,699	
c	Investment earnings or losses	724,344	781,122	399,625	-197,238	
d	Grants or scholarships	44,349	0	0	0	
e	Other expenditures for facilities and programs	0	0	0	0	
f	Administrative expenses	0	0	0	0	
g	End of year balance	21,953,634	21,026,911	19,640,069	2,632,710	

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

- a Board designated or quasi-endowment ▶ 15 %
- b Permanent endowment ▶ 895 %
- c Term endowment ▶ 9 %

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	0	17,998,001		17,998,001
b Buildings	0	151,368,779	63,029,955	88,338,824
c Leasehold improvements	0	1,393,325	1,178,800	214,525
d Equipment	0	198,098,045	141,730,224	56,367,821
e Other	0	34,920,958	8,130,379	26,790,579
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				189,709,750

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		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

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
(1) Beneficial interest in Billings Clinic Foundation	33,131,376
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	33,131,376

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Swap valuation	30,136,424
Provision for unpaid claims	10,051,762
Estimated claims	7,167,919
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	47,356,105

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	559,154,813
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	520,265,207
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	38,889,606
4	Net unrealized gains (losses) on investments	4	-19,955,748
5	Donated services and use of facilities	5	0
6	Investment expenses	6	0
7	Prior period adjustments	7	0
8	Other (Describe in Part XIV)	8	22,382
9	Total adjustments (net) Add lines 4 - 8	9	-19,933,366
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	18,956,240

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	530,750,948
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-19,955,748		
b	Donated services and use of facilities	2b	22,382		
c	Recoveries of prior year grants	2c	0		
d	Other (Describe in Part XIV)	2d	102		
e	Add lines **2a** through **2d**			2e	-19,933,264
3	Subtract line **2e** from line **1**			3	550,684,212
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	886,119		
b	Other (Describe in Part XIV)	4b	7,584,482		
c	Add lines **4a** and **4b**			4c	8,470,601
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	559,154,813

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

1	Total expenses and losses per audited financial statements			1	512,704,140
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a	0		
b	Prior year adjustments	2b	0		
c	Other losses	2c	0		
d	Other (Describe in Part XIV)	2d	91		
e	Add lines **2a** through **2d**			2e	91
3	Subtract line **2e** from line **1**			3	512,704,049
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	886,119		
b	Other (Describe in Part XIV)	4b	6,675,039		
c	Add lines **4a** and **4b**			4c	7,561,158
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	520,265,207

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
SchD_P05_S00_L04	Schedule D, Part V, Line 4	Endowment funds are to be invested and held in perpetuity to provide a source of income for Billings Clinic programs and needs
SchD_P11_S00_L08	Schedule D, Part XI, Line 8	Transfer of donated equipment from Billings Clinic Foundation
SchD_P12_S00_L02d	Schedule D, Part XII, Line 2d	Rounding
SchD_P12_S00_L04b	Schedule D, Part XII, Line 4b	MHI, Auxiliary, Eliminations and Reclass
SchD_P13_S00_L02d	Schedule D, Part XIII, Line 2d	Rounding
SchD_P13_S00_L04b	Schedule D, Part XIII, Line 4b	MHI, Auxiliary, Eliminations, Reclasses

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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
BILLINGS CLINIC

Employer identification number
81-0231784

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 1.20 %	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)		36,679	14,756,429	0	14,756,429	2 84 %
b Medicaid (from Worksheet 3, column a)		100,042	2,994,437	0	2,994,437	0 58 %
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	136,721	17,750,866	0	17,750,866	3 42 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	28	84,094	3,185,285	413,111	2,772,174	0 53 %
f Health professions education (from Worksheet 5)	10	3,882	2,819,786	837,762	1,982,024	0 38 %
g Subsidized health services (from Worksheet 6)	13	232,041	44,002,005	34,276,904	9,725,101	1 87 %
h Research (from Worksheet 7)	1	11,993	3,388,074	0	3,388,074	0 65 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)	4	1,411	515,137	0	515,137	0 1 %
j **Total** Other Benefits	56	333,421	53,910,287	35,527,777	18,382,510	3 53 %
k **Total.** Add lines 7d and 7j	56	470,142	71,661,153	35,527,777	36,133,376	6 95 %

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	0 %
2	Economic development	0	0	0	0	0	0 %
3	Community support	2	1,022	6,235	0	6,235	0 %
4	Environmental improvements	0	0	0	0	0	0 %
5	Leadership development and training for community members	0	0	0	0	0	0 %
6	Coalition building	0	0	0	0	0	0 %
7	Community health improvement advocacy	3	0	167,050	0	167,050	0 03 %
8	Workforce development	1	340	58,119	50,652	7,467	0 %
9	Other	0	0	0	0	0	0 %
10	**Total**	6	1,362	231,404	50,652	180,752	0 03 %

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			No
2	Enter the amount of the organization's bad debt expense	2	17,132,684		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	11,497,442		
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	155,945,925
6	Enter Medicare allowable costs of care relating to payments on line 5	6	174,837,411
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-18,891,486
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					
2					
3					
4					
5					
6					
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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	Billings Clinic (Billings Clinic Hospital) 2800 Tenth Avenue North Billings, MT 59101	X	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)

Billings Clinic (Billings Clinic Hospital)

Name of Hospital Facility:

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	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 120%			
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	Yes	
	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? **4**

	Name and address	Type of Facility (Describe)
1	Billings Clinic (Billings Clinic) 2800 Tenth Avenue North Billings, MT 59101	Multispeciality physician outpatient clinics
2	Billings Clinic (Aspen Meadows) 3155 Avenue C Billings, MT 59102	Long term care facility
3	Livingston Imaging 504 S 13th St Livingston, MT 59047	Medical imaging
4	Billings Clinic Sheridan Dialysis 1401 West 5th St Sheridan, WY 82801	Dialysis unit
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
SchH_P01_S00_L07	Schedule H, Part I, Line 7	* Billings Clinic calculated the approval rate of financial applications by taking the value of accounts successfully qualified for charity (including presumptive eligibility) divided by the total applications for financial assistance received That approval rate was then applied to the total value of accounts that did not complete financial assistance applications and assigned to bad debt Billings Clinic used the same cost to charge ratio as applied throughout the entire schedule to determine the cost of those accounts

Identifier	ReturnReference	Explanation
SchH_P01_S00_L072f	Schedule H, Part I, Line 7, Column f	Bad debt expense included in Form 990, Part IX, line 25, column (A) but subtracted for purposes of calculating the percentage in Schedule H, Part I, Line 7, column (f) was $39,890,252

Identifier	ReturnReference	Explanation
SchH_P01_S00_L07g	Schedule H, Part I, Line 7g	* Billings Clinic included in subsidized services only physician clinics that offer primary care in medically underserved or health professional underserved areas that were located outside our primary service area Billings Clinic also included the costs of any outreach services where physicians traveled to provide specialized care to underserved populations The total of cost that was included in total subsidized health services for these types of services was $3,226,637 in FY12

Identifier	ReturnReference	Explanation
SchH_P02_S00_L00	Schedule H, Part II	* Part II Billings Clinic's community building activities includes support for the Alliance, a partnership between city-county public health department, St Vincent Healthcare and Billings Clinic for community health improvement efforts, community influenza vaccinations and disaster response planning This includes advocacy for community health at the local and state government level Under Workforce Development, Billings Clinic coordinates and sponsors a regional Science Expo to encourage young scientists to become future nurses, physicians or health care professionals

Identifier	ReturnReference	Explanation
SchH_P03_S0A_L04	Schedule H, Part III, Section A, Line 4	For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverges exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhaousted is charged off against the allowance for doubtful accounts

Identifier	ReturnReference	Explanation
SchH_P03_S0B_L08	Schedule H, Part III, Section B, Line 8	* Part III, line 8 - We believe that 46 percent of Billings Clinic's Medicare shortfalls should be counted as a community benefit Our rationale is that 46 percent is the best estimate of the percentage of Montana's Medicare population (65 and older) who are at or below 300% of Federal Poverty Level, based on U S Census data The upper limit of our financial assistance policy is 300% For the calculation of the unreimbursed cost of Medicare a ratio of patient care cost to charges using worksheet 2 was utilized and applied to gross Medicare charges We do not use the Cost Report for this number The Cost Report only captures revenue related to the facility and does not capture revenue/losses related to clinical professional services, which are a substantial portion of Billings Clinic Medicare shortfalls

Identifier	ReturnReference	Explanation
SchH_P03_S0C_L09b	Schedule H, Part III, Section C, Line 9b	* Part III, line 9b - Yes, we did have a formal, written policy in tax year 2011, effective as of 10/5/11 (OHA-205 "Patient Financial Services") We did have a collection process, which was used to screen patients for financial assistance prior to making payment arrangements for care The policy applies equally to all patients - insured, under-insured or uninsured Once a determination has been made and adjustments applied to the account balance, any remaining balance would fall into the regular guidelines of collection, giving patients financing options that will work within their monthly budget Patients who cannot meet the requirements of a payment arrangement should be offered the loan program and/or financial assistance as options If the patient agrees to financial assistance, the application should be requested Agency will print and mail financial assistance applications This will be completed by the end of each business day After a patient completes the application, the patient will send it back to Billings Clinic for financial assistance determination

Identifier	ReturnReference	Explanation
SchH_P06_S00_L02	Schedule H, Part VI, Line 2	Needs Assessment The 2011 Community Health Needs Assessment (CHNA) was a systematic, data driven approach to determining the health status, behaviors and needs of residents in Yellowstone County Billings Clinic partnered with the local health care Alliance, including another local hospital, St Vincent Healthcare, and city/county health department, RiverStone Health, to coordinate and pay for the CHNA It serves as a tool to improve the health status and improve the quality of life overall of Yellowstone County residents The 2010 Community Health Survey consisted of 400 randomized telephone contacts representing the diverse socioeconomic and geographic characteristics of Yellowstone County Existing vital statistics and other health-related data are incorporated into the assessment as secondary sources In addition, focus groups were conducted among physicians, legislators, social services, educators and employers Results of the 2010 Community Health Assessment were reviewed by the Alliance, a community forum sponsored by the Alliance's community health coalition (called Healthy By Design), and the Billings Clinic Community Health Improvement Committee (a Board committee) Findings were compared between 2011 and the 2006 assessment results An Implementation Plan has been completed, both for the Alliance (community-wide) and for Billings Clinic (organization-wide) Implementation of some of the objectives has begun, with measures and evaluation

Identifier	ReturnReference	Explanation
SchH_P06_S00_L03	Schedule H, Part VI, Line 3	Patient Education of Eligibility for Assistance * All patients may apply for financial assistance - informational brochures with a one-page summary, and application forms are available at registration desks in the clinic and hospital, the Emergency Department discharge desk, care management staff and on our website at billingsclinic com * Information about financial assistance is printed on the back of patient bills * Patients hospitalized without identifying a third party payer source are screened for coverage/assistance - SSI (Social Security Supplemental income, if approved will qualify for Medicaid), SSDI (Social Security Disability Income), Veterans' Administration, Indian Health Services, Workers Compensation, Medicaid, Crime Victims, and health insurance coverage * A Financial Assistance brochure is mailed to new patients (Clinic and Hospital) in their pre-admission packets These packets are mailed to all patients, even if they cannot be reached by phone in advance * An application is mailed to patients whose payment pattern indicates that they may need assistance * Patient Financials Services staff is available to help any patient needing assistance to complete an application * According to our existing Financial Application policy, a patient is not eligible for financial assistance if the account has been sent to bad debt We do bring accounts back in-house for charity assistance on a case-by-case basis * An account is sent to bad debt at least 158 days after they are considered "self-pay," including at least three statements, letter and phone call attempts to contact the patient

Identifier	ReturnReference	Explanation
SchH_P06_S00_L04	Schedule H, Part VI, Line 4	Community Information Billings Clinic is based in Billings, Montana, the largest city in Montana, with more than 150,000 people in Yellowstone County In Billings there are two not-for-profit hospitals of similar size Billings Clinic is an integrated, not for profit, community-governed health care organization providing services to a forty-three county area in eastern Montana and northern Wyoming Billings Clinic defines its broad geographic service area as 43 counties in eastern Montana and northern Wyoming, encompassing nearly 128,000 square miles with a population of 595,000 people Today, Billings Clinic employs more than 3,600 employees, including 240 physicians, and 81 mid-level practitioners, and operates a multi-specialty physician clinic, 272-bed acute care hospital, level II trauma center, a 90-bed long-term care facility, a clinical research center, and a variety of ambulatory, diagnostic and treatment services Thirty-eight of those 43 counties are either wholly or partly designated as Health Professional Shortage Areas (HPSA) by the US Department of Health and Human Services, Health Resources and Services Administration under the Primary Medical Care discipline The area includes five American Indian Reservations and an American Indian population of 38,882, or 6 9% of the service area's population The US Census Bureau 2008 estimates show that 27 3% of Montana families are below 200% of the Federal Poverty level, compared to 26 6% for the nation and Montana is ranked 13th lowest of 50 states in Median Family Income According to the 2010 US Census, Montana had 17 3% of the population without health insurance coverage in 2010, including all ages of the civilian, non-institutionalized population

Identifier	ReturnReference	Explanation
SchH_P06_S00_L05	Schedule H, Part VI, Line 5	Billings Clinic is an integrated health care organization, combining a not-for-profit multi-specialty medical group practice with a hospital and long term care facility Our organization promoted community health in many ways in Fiscal Year 2012, including * Substantial financial assistance and charity care was provided to patients in need Billings Clinic provides more charity care than another other hospital or health care organization in Montana * Care was provided to Medicare and Medicaid patients, as well as SCHIP for children * Our Board's governance and nominating committee reviewed the entire 990, including Schedule H, which was then discussed with the entire Board of Directors The Community Benefit Report, including Schedule H data, is also reviewed by the Board committee for Community Health Improvement * Billings Clinic is a teaching hospital and supports, along with Riverstone Health and St Vincent Healthcare, the only post-graduate medical education in Montana - the Montana Family Medicine Residency Program Nearly 90 percent of the graduates establish a practice in rural, medically underserved settings in Montana In addition we provide ongoing preceptorships for medical, nursing and pharmacy students so that they can obtain real-life experience during college and graduate school * Billings Clinic is a Medicaid disproportionate share hospital serving a significantly disproportionate number of low-income patients * Our full-time emergency department is maintained where no one is denied care, within our capacity to provide care * Our board of directors is composed of community members who reside in the primary service area Only three out of 12 board members are employees - two are employed physicians and one is our CEO * Medical staff privileges are open to all qualified physicians in our community Operating surpluses are directed solely toward meeting our charitable purposes, including education, research, capital expenses, debt amortization, patient care improvements and medical education * Billings Clinic has the only inpatient psychiatric services available in our region of central and eastern Montana and northern Wyoming, despite significant financial loss We are committed to mental health care and continually work to find ways to reach those in need in the region, such as through telemedicine programs and education for primary care providers

Identifier	ReturnReference	Explanation
SchH_P06_S00_L07	Schedule H, Part VI, Line 7	Billings Clinic files a community benefit report to the state of Montana's Attorney General's office, with different values than requested by Schedule H

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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
BILLINGS CLINIC

Employer identification number
81-0231784

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**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply			
	☑ 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**	Yes	
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		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) Dr J Millikan	(i)	554,265	0	0	7,418	30,841	592,524	0
	(ii)	0	0	0	0	0	0	0
(2) Dr C McCracken	(i)	285,490	0	0	6,627	28,714	320,831	0
	(ii)	0	0	0	0	0	0	0
(3) Dr N Wolter	(i)	600,024	0	936,044	0	38,611	1,574,679	686,044
	(ii)	0	0	0	0	0	0	0
(4) C Prewitt	(i)	318,081	42,818	0	30,000	29,311	420,210	0
	(ii)	0	0	0	0	0	0	0
(5) Dr Sample	(i)	855,105	0	0	0	33,222	888,327	0
	(ii)	0	0	0	0	0	0	0
(6) Dr Schallenkamp	(i)	652,158	0	144,489	0	32,760	829,407	144,489
	(ii)	0	0	0	0	0	0	0
(7) Dr Santala	(i)	605,841	0	181,086	0	32,683	819,610	181,086
	(ii)	0	0	0	0	0	0	0
(8) Dr Gibb	(i)	774,841	0	0	0	32,587	807,428	0
	(ii)	0	0	0	0	0	0	0
(9) Dr Lindenbaum	(i)	772,878	0	0	0	32,572	805,450	0
	(ii)	0	0	0	0	0	0	0
(10) Dr Knostman	(i)	0	0	11,842	353	0	12,195	11,842
	(ii)	0	0	0	0	0	0	0

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
SchJ_P01_S00_L01a	Schedule J, Part I, Line 1a	Billings Clinic periodically arranges and pays for charter travel for management, State legislative hearings and association meetings There were 16 of these flights in FY12 Billings Clinic also pays for the travel expense of spouses of Board members attending organizationally approved/arranged goverance education This reimbursement is reported as income consistent with the Board travel reimbursement policy
SchJ_P01_S00_L04	Schedule J, Part I, Line 4	Dr N Wolter - Included in other reportable compensation is $686,044 which is due to termination of a retirement agreement which caused a taxable distribution during 2011 These dollars were earned as deferred compensation in multiple tax years prior to 2011 and were also reported on those years IRS From 990s Dr Schallenkamp - Other reportable compensation of $144,489 is due to a SERP withdrawal Dr Santala - Other reportable compensation of $181,086 is due to a withdrawal from a 457(f) plan
SchJ_P01_S00_L06	Schedule J, Part I, Line 6	The Board of Directors annually determines the incentive plan amount for the CEO and the Senior Executive Team based on an external compensation study The availability of the incentive is triggered by the organizational operating margin performance target The incentive is awarded based on financial performance as well as organizational performance measurements in quality, service satisfaction, both patient and employee satisfaction and then individual goals set each year if the target is triggered The incentive is paid only if triggered following the financial audit presentation

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
BILLINGS CLINIC

Employer identification number
81-0231784

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Montana Facility Finance Authority	81-0302402		05-30-2008	60,000,000	Property, plant and equipment	X			X		X
B	Montana Facility Finance Authority	81-0302402		08-24-2010	140,000,000	Property, plant and equipment, Refund prior issue		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	5,755,000	2,290,000		
2	Amount of bonds defeased	23,000,000	0		
3	Total proceeds of issue	60,000,000	140,000,000		
4	Gross proceeds in reserve funds	3,614,608	0		
5	Capitalized interest from proceeds	3,288,173	0		
6	Proceeds in refunding escrow	0	0		
7	Issuance costs from proceeds	1,200,000	770,829		
8	Credit enhancement from proceeds	0	0		
9	Working capital expenditures from proceeds	0	0		
10	Capital expenditures from proceeds	49,976,092	7,736,788		
11	Other spent proceeds	0	0		
12	Other unspent proceeds	0	54,507,985		
13	Year of substantial completion	2009			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X				
15	Were the bonds issued as part of an advance refunding issue?		X	X					
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

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

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493134055763

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
BILLINGS CLINIC

Employer identification number
81-0231784

Identifier	Return Reference	Explanation
F990_P06_S0B_L11b	Form 990, Part VI, Section B, Line 11b	The 990 review is completed before the return is filed It is reviewed by the CFO, the executive group, the Governance and Nominating Committee of the board, and finally by the Board of Directors
F990_P06_S0B_L12c	Form 990, Part VI, Section B, Line 12c	The Governance and Nominating Committee of the Board of Directors, according to their charter, reviews annually the disclosure statements of the Board of Directors and senior executives and takes action to resolve conflicts A Conflict of Interest Review Panel, chaired by the Compliance Officer, as outlined in organizational policy, is responsible for reviewing disclosed conflicts and approving necessary conflict management plans of all other interested persons at Billing Clinic
F990_P06_S0B_L15	Form 990, Part VI, Section B, Line 15	Billings Clinic has an executive compensation program administered by independent trustees following best practices and the highest regulatory standards expected of a not-for-profit organization They follow a board approved charter and overall executive compensation philosopy which defines the market as a comparable set of not-for-profit health carte delivery systems They look at relevant market data of similar roles in similar organizations Annual disclosure of the committee's actions and decisions to the full Board is required
F990_P06_S0C_L19	Form 990, Part VI, Section C, Line 19	Billings Clinic makes its governing documents, conflict of interest policy and financial statements available to the public on an as needed basis
F990_P11_S00_L05	Form 990, Part XI, Line 5	Unrealized losses, transfer of donated equipment from Billings Clinic Foundation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493134055763

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
BILLINGS CLINIC

Employer identification number
81-0231784

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) Montana Healthcare Indemnity LLC 2800 Tenth Avenue North Billings, MT 59101 81-0231784	Insurance captive	MT	4,720,195	11,267,679	Billings Clinic

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Billings Clinic Foundation 2917 Tenth Avenue North Billings, MT 59101 81-0407289	Fund raising	MT	501(c)(3)	7	Billings Clinic		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? 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

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

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

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

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

		Yes	No
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	Yes	
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	Yes	
n Sharing of paid employees with related organization(s)	1n	Yes	
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		No
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) Billings Clinic Foundation	c	3,948,921	
(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	

Additional Data

Software ID: 11000129
Software Version: v1.00
EIN: 81-0231784
Name: BILLINGS CLINIC

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

4d. Other program services

(Code) (Expenses $ 7,008,781 including grants of $ 0) (Revenue $ 22,823,041)
See Schedule O, statement 1

Billings Clinic

Auditors' Report and Consolidated Financial Statements

June 30, 2012 and 2011

Billings Clinic

June 30, 2012 and 2011

Contents

BKD LLP
CPAs & Advisors

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Independent Auditors' Report on Consolidated Financial Statements and Supplementary Information

Board of Directors
Billings Clinic
Billings, Montana

We have audited the accompanying consolidated balance sheet of Billings Clinic (the Clinic) as of June 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended These financial statements are the responsibility of the Clinic's management Our responsibility is to express an opinion on these financial statements based on our audit We did not audit the financial statements of Montana Healthcare Indemnity, LLC (MHI), a wholly-owned subsidiary, which statements reflect total assets of $11,267,679 and $9,666,532 as of June 30, 2012 and 2011 and total revenues of $4,720,195 and $6,819,037 for the years then ended Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for MHI, is based solely on the report of the other auditors

We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits and the report of other auditors provide a reasonable basis for our opinion

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Billings Clinic as of June 30, 2012 and 2011, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

As discussed in Note 1, in 2012 the Clinic changed its method of presentation and disclosure of patient service revenue and provision for bad debts in accordance with Accounting Standards Update 2011-07

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements as a whole The accompanying supplementary information, including the consolidating information and selected ratios, listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

\s\ **BKD, LLP**

September 25, 2012

Billings Clinic
Consolidated Balance Sheets
June 30, 2012 and 2011

Assets

	2012	2011
Current Assets		
Cash and cash equivalents	$ 13,545,374	$ 12,663,148
Short-term investments	235,343	2,993,396
Assets limited as to use - current	3,302,120	8,838,013
Patient accounts receivable, net of allowance for doubtful accounts of approximately $51,624,000 at 2012 and $55,880,000 at 2011	76,553,878	71,570,327
Other receivables	3,267,413	2,975,359
Estimated amounts due from third-party payers	4,070,371	3,953,772
Supplies	7,067,729	6,505,363
Prepaid expenses and other	4,803,852	5,393,269
Total current assets	112,846,080	114,892,647
Assets Limited as to Use		
Internally designated	117,589,890	115,768,825
Externally restricted by donors	27,757,626	26,275,969
Held by trustee	58,546,452	20,715,103
	203,893,968	162,759,897
Less amount required to meet current obligations	3,302,120	8,838,013
	200,591,848	153,921,884
Investments		
Investment in and advances to equity investees	9,016,646	14,063,579
Long-term investments	84,354,352	62,806,581
	93,370,998	76,870,160
Property and Equipment, Net	201,886,190	195,784,154
Other Assets		
Deferred financing costs	2,406,842	3,161,225
Other	1,046,132	1,361,730
	3,452,974	4,522,955
Total assets	$ 612,148,090	$ 545,991,800

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2012	2011
Current Liabilities		
Current maturities of long-term debt	$ 4,520,262	$ 9,285,446
Accounts payable	19,912,908	21,064,101
Accounts payable - construction	1,451,420	530,763
Accrued compensation and related expenses	17,537,358	24,788,395
Accrued expenses - other	6,815,270	7,818,629
Estimated amounts due to third-party payers	4,999,927	3,875,292
Other	1,821,390	2,407,672
Total current liabilities	57,058,535	69,770,298
Long-term Debt	178,351,269	134,511,291
Interest Rate Swap Agreements	30,136,424	19,210,571
Other Long-term Liabilities	17,835,436	16,291,527
Total liabilities	283,381,664	239,783,687
Net Assets		
Unrestricted	301,196,825	279,868,314
Temporarily restricted	7,896,412	7,316,156
Permanently restricted	19,673,189	19,023,643
Total net assets	328,766,426	306,208,113
Total liabilities and net assets	$ 612,148,090	$ 545,991,800

Billings Clinic

Consolidated Statements of Operations

Years Ended June 30, 2012 and 2011

	2012	2011
Operating Revenues		
Patient service revenue (net of contractual allowances and discounts)	$ 529,272,207	$ 492,160,737
Provision for uncollectible accounts	(40,088,725)	(36,589,311)
Net patient service revenue less provision for uncollectible accounts	489,183,482	455,571,426
Other	15,444,784	14,137,886
Net assets released from restrictions used for operations	1,533,182	4,193,408
Total operating revenues	506,161,448	473,902,720
Operating Expenses		
Salaries and wages	236,732,380	225,857,671
Employee benefits	47,012,138	44,381,952
Purchased services and professional fees	33,994,099	31,808,177
Supplies and other	133,451,075	130,247,471
Depreciation and amortization	17,629,623	17,103,074
Interest	8,365,626	11,325,346
Total operating expenses	477,184,941	460,723,691
Operating Income	28,976,507	13,179,029
Other Income (Expense)		
Investment return	9,303,593	10,819,560
Net unrealized gains (losses) on investments	(9,618,156)	11,961,559
Change in fair value of interest rate swap agreements	(10,925,853)	2,942,682
Loss on extinguishment of debt	(1,095,000)	-
Contribution received in affiliation with SCH	3,379,620	-
Other expense	(190,152)	(28,746)
Total other income (expense)	(9,145,948)	25,695,055
Excess of Revenues Over Expenses	19,830,559	38,874,084
Net assets released from restriction used for purchase of property and equipment	1,510,484	1,379,631
Other	(12,532)	-
Increase in Unrestricted Net Assets	$ 21,328,511	$ 40,253,715

Billings Clinic

Consolidated Statements of Changes in Net Assets

Years Ended June 30, 2012 and 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, July 1, 2010	$ 239,614,599	$ 8,708,522	$ 17,880,434	$ 266,203,555
Excess of revenues over expenses	38,874,084	-	-	38,874,084
Contributions received	-	3,734,187	605,239	4,339,426
Investment Income	-	446,528	538,678	985,206
Net assets released from restrictions, operating	-	(4,193,408)	-	(4,193,408)
Net assets released from restrictions, capital	1,379,631	(1,379,631)	-	-
Other	-	(42)	(708)	(750)
Increase (decrease) in net assets	40,253,715	(1,392,366)	1,143,209	40,004,558
Net Assets, June 30, 2011	279,868,314	7,316,156	19,023,643	306,208,113
Excess of revenues over expenses	19,830,559	-	-	19,830,559
Contributions received	-	3,295,535	234,156	3,529,691
Investment Income	-	323,398	395,390	718,788
Net assets released from restrictions, operating	-	(1,533,182)	-	(1,533,182)
Net assets released from restrictions, capital	1,510,484	(1,510,484)	-	-
Contribution received in affiliation with SCH	-	4,989	20,000	24,989
Other	(12,532)	-	-	(12,532)
Increase in net assets	21,328,511	580,256	649,546	22,558,313
Net Assets, June 30, 2012	$ 301,196,825	$ 7,896,412	$ 19,673,189	$ 328,766,426

Billings Clinic

Consolidated Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	$ 22,558,313	$ 40,004,558
Items not requiring (providing) operating cash flow		
Loss on sale of property and equipment	297,367	64,482
Loss from extinguishment of debt	1,095,000	-
Depreciation and amortization	17,629,623	17,103,074
Loss (gain) on investment in equity investees	3,434,616	(729,739)
Net realized and unrealized losses (gains) on investments	3,444,855	(18,317,505)
Change in fair value of interest rate swap agreements	10,925,853	(2,942,682)
Contributions of or for acquisition of property and equipment	(4,155,507)	(3,698,757)
Provision for uncollectible accounts	40,088,725	36,589,311
Net assets acquired in business combination	(3,404,609)	-
Changes in		
Patient accounts receivable, net	(44,284,667)	(35,410,846)
Other receivables	(2,054)	(374,549)
Supplies	(437,779)	289,340
Prepaid expenses and other	616,700	144,207
Estimated amounts due from and to third-party payers	848,036	1,367,686
Accounts payable and accrued expenses	(10,959,655)	(1,263,736)
Other current assets and liabilities	(586,282)	(224,957)
Other long term liabilities	1,543,909	1,845,467
Net cash provided by operating activities	38,652,444	34,445,354
Investing Activities		
Cash acquired in affiliation with SCH	672,265	-
Purchase of investments	(1,473,802,065)	(804,200,004)
Proceeds from disposition of investments	1,410,958,042	786,214,672
Distributions received from equity investees	1,322,317	1,999,285
Investment in equity investees	-	(704,707)
Purchase of property and equipment	(19,060,845)	(25,270,161)
Proceeds from sale of property and equipment	-	537,166
Increase (decrease) in other long-term assets	187,840	(115,879)
Net cash used in investing activities	(79,722,446)	(41,539,628)

Billings Clinic

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2012 and 2011

	2012	2011
Financing Activities		
Proceeds from contributions and investment income restricted for long-term investment	4,155,507	3,448,757
Change in contributions receivable	127,758	674,965
Bond issuance costs	(776,480)	
Proceeds from issuance of long-term debt	149,468,991	5,214,816
Principal payments on long-term debt	(110,181,268)	(8,676,560)
Proceeds from line of credit	13,610,012	25,464,150
Payment on line of credit	(14,452,292)	(25,464,150)
Net cash provided by financing activities	41,952,228	661,978
Increase (Decrease) in Cash and Cash Equivalents	882,226	(6,432,296)
Cash and Cash Equivalents, Beginning of Year	12,663,148	19,095,444
Cash and Cash Equivalents, End of Year	$ 13,545,374	$ 12,663,148
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	$ 9,193,231	$ 11,693,130
Acquisition of property and equipment accrued for but unpaid	$ 1,451,420	$ 530,763
Contribution of land	$ -	$ 250,000
Affiliation with SCH		
Assets acquired	$ 5,057,263	$ -
Liabilities acquired	$ 1,652,654	$ -

Billings Clinic

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Billings Clinic (the Clinic) is a Montana not-for-profit corporation, which is structured as a medical foundation The Clinic operates a 300-licensed-bed acute care hospital located in Billings, Montana, a multi-specialty physician group consisting of 251 physicians and 87 physician assistants/nurse practitioners based in Billings with branch clinics in Columbus, Miles City, Bozeman, Montana and Cody, Wyoming, a long-term care facility located in Billings, Montana, and a research center located in Billings, Montana The Clinic also manages several smaller hospitals in Montana and Wyoming (the affiliates)

The Clinic is the sole member of Billings Clinic Foundation (the Foundation) The principal activity of the Foundation is the solicitation of funds from the general public for the Clinic and the not-for-profit affiliates of the Clinic The operations of the Foundation are financed principally from contributions and investment income

The Clinic is the sole member of Montana Healthcare Indemnity, LLC (MHI) The principal activity of MHI is to act as a captive insurance company for general and professional liability coverage for Billings Clinic and other affiliated healthcare facilities located in Montana and Wyoming

The Clinic became the sole member of Stillwater Hospital Association, Inc , which owns and operates Stillwater Community Hospital (SCH), effective August 12, 2011 (see Note 18) SCH is a not-for-profit acute care hospital located in Columbus, Montana The hospital has 22 acute care beds and was granted Critical Access status for Medicare reporting purposes

The consolidated financial statements include the operations of the Clinic, the Foundation, MHI and SCH (collectively, the Organization) All significant intercompany balances and transactions have been eliminated in consolidation

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents At June 30, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers, certificates of deposit and sweep accounts

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250,000 At June 30, 2012, the Organization's cash accounts exceeded federally insured limits by approximately $9,700,000

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value The investments in equity investees are reported on the equity method of accounting Other investments, including approximately 80 acres of land, are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets Other investment return is reflected in the statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions

Assets Limited as to Use

Assets limited as to use include (1) assets held by trustees under bond indenture agreements, including approximately $3,615,000 and $16,910,000 as of June 30, 2012 and 2011, respectively, which is required to be held in reserves pursuant to bond indenture agreements and approximately $54,510,000 of bond proceeds to be used for capital expenditures as of June 30, 2012, (2) assets restricted by donors and (3) assets set aside by the Board of Directors for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes Amounts required to meet current liabilities of the Organization are included in current assets

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectibility of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely)

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts

The Organization's allowance for doubtful accounts for self-pay patients decreased from 76% of self-pay accounts receivable at June 30, 2011, to 72% of self-pay accounts receivable at June 30, 2012 The Organization's write-offs for self-pay patients increased from approximately $28,000,000 for the year ended June 30, 2011, to approximately $44,000,000 for the year ended June 30, 2012 The increase in write-offs during the year resulted in less allowance deemed necessary for self-pay patients as of June 30, 2012

Supplies

The Organization states supply inventories at the lower of cost, determined using the first-in, first-out method, or market

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor Monetary gifts that must be used to acquire property and equipment are reported as restricted support The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service

The Organization capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing, if the borrowing is a tax-exempt borrowing During 2012 and 2011, the Organization capitalized interest of approximately $336,000 and $160,000, respectively

The estimated useful lives for each major depreciable classification of property and equipment is as follows

Buildings and improvements	25 to 80 years
Land improvements	5 to 25 years
Equipment	5 to 20 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value No asset impairment was recognized during the years ended June 30, 2012 and 2011

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt Such costs are being amortized using the effective interest method over the term of the respective debt

Deferred Compensation – Board of Directors

Voting members of the Billings Clinic Board of Directors receive a stipend of $6,000 in deferred compensation annually during their term of Board service The Board Chair receives $12,000 annually This stipend is received as deferred compensation and is deferred to age 65 and is then paid out annually in equal installments over five years The total liability for future payment to all current and past Board members totals approximately $870,000 and $860,000 as of June 30, 2012 and 2011, respectively, and is included in the Clinic's other long-term liabilities category

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity

Net Patient Service Revenue

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

Change in Accounting Principle

In 2012, the Organization changed its method of presentation and disclosure of patient service revenue, provision for bad debts and the allowance for doubtful accounts in accordance with Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities* The major changes associated with ASU 2011-07 are to reclassify the provision for uncollectible accounts related to patient service revenue to a deduction from patient service revenue and to provide enhanced disclosures around the Organization's policies related to uncollectible accounts The change had no effect on operating income or on prior year change in net assets

Charity Care

In support of its mission, the Organization provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy Because the Organization does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges The costs of charity care provided under the Organizations charity care policy for the years ended June 30, 2012 and 2011 were approximately $16,000,000 and $15,000,000, respectively

Contributions

Unconditional gifts expected to be collected within one year are reported at their net realizable value Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique The resulting discount is amortized using the level-yield method and is reported as contribution revenue Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets

Income Taxes

The Clinic, Foundation and SCH are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law Accordingly, no provision for income taxes for these entities has been made in the accompanying consolidated financial statements The activity of MHI, with the Clinic as its sole member, is reported on the Clinic tax return The Organization is subject to federal income tax on any unrelated business taxable income The Organization files tax returns in the U S federal jurisdiction With a few exceptions, the Organization is no longer subject to U S federal examinations by tax authorities for years before 2009

Excess of Revenues Over Expenses

The statements of operations include excess of revenues over expenses Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, the change in fair value of an interest rate swap agreement, permanent transfers to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets)

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR) Payments under the Medicare program are generally made for up to four years based on a statutory formula Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period The final amount for any payment year is determined based upon an audit by the fiscal intermediary Events could occur that would cause the final amounts to differ materially from the initial payments under the program

The Organization recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period

In 2012, the Organization completed the first-year requirements under both the Medicare and Medicaid programs and has recorded revenue of approximately $3,100,000, which is included in other revenue within operating revenues in the statement of operations All incentives received for this program were in relation to the hospital attestation

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation These reclassifications had no effect on the change in net assets

Note 2: Net Patient Service Revenue

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided Thus, the Organization records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates These payment arrangements include

Medicare Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology The Organization is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare administrative contractor

Medicaid Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services The Organization is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicaid administrative contractor

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change As a result, it is reasonably possible that recorded estimates will change materially in the near term

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

The following summary details gross patient service charges and deductions from these charges at June 30

	2012	2011
Gross charges at established rates		
Inpatient	$ 329,799,009	$ 309,540,851
Outpatient	676,296,951	578,183,327
	1,006,095,960	887,724,178
Contractual adjustments	476,823,753	395,563,441
Provision for uncollectible accounts	40,088,725	36,589,311
Net patient service revenue	$ 489,183,482	$ 455,571,426

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended June 30, 2012 and 2011, was

	2012	2011
Medicare and Medicaid	$ 185,936,559	$ 175,516,241
Commercial insurance	246,613,672	227,711,853
Other third-party payers	46,085,281	42,246,387
Patients	50,636,695	46,686,256
Total	$ 529,272,207	$ 492,160,737

Montana State Bed Tax

All Montana hospital facilities are subject to Montana State Bed Tax program by which a utilization fee is assessed based on inpatient bed days Under this program, the State Department of Revenue is authorized to collect and deposit fees in a state special revenue account for funding increases in Medicaid payments to Montana hospitals The state special revenue account receives an appropriation from a federal special revenue fund to match the state special revenue collected through the utilization fee, thereby providing increased Medicaid reimbursement for Montana hospitals

In 2012 and 2011, the Organization's utilization fee expense was approximately $3,338,000 and $3,453,000, respectively, and is included in supplies and other expense in the accompanying consolidated statements of operations Additional Medicaid revenue for the years ended June 30, 2012 and 2011 totaled approximately $7,666,000 and $9,910,000, respectively, which is included in net patient service revenue in the accompanying consolidated statements of operations Revenue decreased for the year ended June 30, 2012 as a result of decreased federal match statewide under the Montana State Bed Tax program Thus, the net Montana State Bed Tax impact in the accompanying consolidated financial statements of operations was approximately $4,328,000 and $6,457,000 for the years ended June 30, 2012 and 2011, respectively

Note 3: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements The mix of net receivables from patients and third-party payors at June 30, 2012 and 2011, is

	2012	2011
Medicare and Medicaid	28%	26%
Commercial insurance	36%	36%
Other third-party payers	7%	11%
Patients	29%	27%
	100%	100%

Note 4: Unsponsored Community Benefit

The Organization has policies that provide for serving those without the ability to pay The policies also provide for less than total payment based on a sliding scale of income and the assets of the person responsible for the bill In addition to direct charity, the Organization provides services that benefit the poor and others in the communities they serve The community services and benefits provided include activities carried out for the express purpose of improving community health Examples include immunizations, counseling services, senior wellness services, children's wellness and transportation The costs of providing these community benefits often exceed the revenue sources available

The Organization provides additional benefit to the community through advocacy of community service by employees The Organization's employees serve numerous organizations through Board representation, in-kind donations, fund raising, youth sponsorship and other related activities

Note 5: Investments and Investment Return

Assets Limited as to Use

Assets limited as to use, at June 30 include

	2012	2011
Internally designated for capital improvements		
Cash and cash equivalents	$ 6,141,910	$ 3,586,736
Equities		
International	13,297,570	9,335,666
Consumer discretionary and staples	9,356,267	11,256,067
Health care	5,236,560	7,087,508
Industrials and materials	6,432,161	10,242,075
Information technology	6,960,151	5,577,926
Other industries	10,351,058	11,538,100
Mutual funds		
Bond funds	7,920,633	4,928,727
U S Government securities	22,903,861	26,040,039
Corporate bonds	28,407,531	25,670,855
Interest receivable	582,188	505,126
	117,589,890	115,768,825
Externally restricted by donors		
Cash and cash equivalents	1,288,698	1,029,603
Equity securities		
International	643,902	563,260
Consumer discretionary and staples	1,318,458	1,428,391
Health care	822,882	730,236
Industrials and materials	973,210	895,950
Information technology	1,188,166	1,125,550
Other industries	1,388,450	1,396,158
Mutual funds		
Domestic equity funds	9,176,107	8,743,930
International equity funds	2,042,796	2,240,533
Bond funds	2,715,747	1,584,646
U S Government securities	1,947,360	2,024,027
Corporate bonds	4,251,850	4,491,441
Other	-	22,244
	27,757,626	26,275,969

	2012	2011
Held by trustee under indenture agreement		
Cash and cash equivalents	54,925,455	1,005,378
U S Treasury obligations	3,612,680	19,621,905
Interest receivable	8,317	87,820
	58,546,452	20,715,103
Total assets limited as to use	$203,893,968	$162,759,897

Other Investments

Other investments, at June 30, include

	2012	2011
Cash and cash equivalents	$ 3,561,766	$ 1,503,276
Equities		
International	7,690,661	4,030,900
Consumer discretionary and staples	5,563,922	5,011,856
Health care	3,129,035	3,121,503
Industrials/materials	3,836,824	4,478,577
Information technology	4,175,610	2,568,635
Other industries	6,357,777	5,342,430
Mutual funds		
Domestic equity funds	1,843,848	1,771,242
International equity funds	414,184	453,861
Bond funds	5,158,550	2,388,861
U S Government securities	13,394,401	11,335,164
Corporate bonds and notes	23,645,968	17,996,101
Real estate	5,817,149	5,794,520
Other	-	3,051
	84,589,695	65,799,977
Less short-term investments	235,343	2,993,396
Total long-term investments	$ 84,354,352	$ 62,806,581

Total investment return for assets limited as to use and other investments is comprised of the following

	2012	2011
Interest and dividend income	$ 3,849,080	$ 5,448,820
Unrealized gains (losses)	(9,618,156)	11,961,559
Realized gains	6,173,301	6,355,946
	$ 404,225	$ 23,766,325

Total investment return for assets limited as to use and other investments is reflected in the statements of operations and changes in net assets as follows

	2012	2011
Unrestricted net assets		
Investment return	$ 9,303,593	$ 10,819,560
Change in unrealized gains (losses) on investments	(9,618,156)	11,961,559
Temporarily restricted net assets	323,398	446,528
Permanently restricted net assets	395,390	538,678
	$ 404,225	$ 23,766,325

Note 6: Investment in and Advances to Equity Investees

Investments in equity investees consists of privately held health care related organizations in which the Clinic's ownership interest ranges from 34% to 50% interest

At June 30, 2012 and 2011, investments and advances in joint ventures consisted of the following

	2012	2011
New West Health Services (A)	$ 6,889,797	$ 11,237,798
Billings MRI Center, LLC (B)	-	948,454
Other investments	2,126,849	1,877,327
	$ 9,016,646	$ 14,063,579

Gain or (loss) recognized on investments in equity investees for the year ended June 30 consists of

	2012	2011
New West Health Services (A)	$ (4,320,007)	$ (705,209)
Billings MRI Center, LLC (B)	-	1,573,795
Other investments	885,391	(138,847)
	$ (3,434,616)	$ 729,739

These amounts are included in other operating revenue in the accompanying consolidated statements of operations

(A) New West Health Services

The Clinic is a member of New West Health Services (New West), a mutual benefit corporation, which provides health insurance plans to employer groups Through December 31, 2011, New West also provided health insurance benefits for many of the Clinic's employees As of January 1, 2012, New West no longer provides health insurance coverage to its sponsor owners Subsequent to December 31, 2011, New West sold certain assets including its commercial business New West is focusing its marketing efforts on its Medicare Advantage and Medicare Supplement products At June 30, 2012 and 2011, the Clinic owned 46 5% of New West The Clinic has advanced cash in the form of receivables used to cover New West's operating expenses, which are reflected as equity in New West's statutory financial statements The Clinic's investment in and cash advances to New West are accounted for in a manner which reflects the Clinic's portion of New West's equity The Clinic converts the audited statutory financial statements to generally accepted accounting principles and rolls forward the activity through June 30 to record their investment in New West Premiums paid to New West during the six months ended December 31, 2011 and the year ended June 30, 2011, were approximately $8,910,000 and $17,184,000, respectively

New West's audited statutory financial statements are summarized for the years ended December 31, 2011 and 2010 as follows

	2011	2010
Total assets	$ 38,606,906	$ 33,651,126
Total liabilities	18,916,822	15,364,732
Equity - including surplus notes	$ 19,690,084	$ 18,286,394
Revenues	$158,508,115	$119,417,197
Expenses	157,673,403	122,877,851
Other income	541,281	566,962
Net income (loss)	$ 1,375,993	$ (2,893,692)

(B) Billings MRI Center, LLC

The Billings Clinic MRI Center, LLC (BMRI) is jointly owned by the Clinic and a neighboring health care organization, each having a 50% interest In January 2010, the members agreed to dissolve the company, and in April 2011 the company ceased operations The Clinic's remaining interest in the company was distributed in 2012 The Clinic received distributions of $948,454 and $1,942,000 during the years ended June 30, 2012 and 2011, respectively

Note 7: Property and Equipment

Property and equipment consists of the following at June 30

	2012	2011
Land	$ 18,923,149	$ 18,515,326
Land improvements	12,804,619	12,570,633
Building and improvements	220,364,204	217,819,916
Equipment	135,557,925	139,043,901
Property held for expansion	5,148,517	5,148,517
	392,798,414	393,098,293
Less accumulated depreciation	(218,001,246)	(213,049,915)
	174,797,168	180,048,378
Construction in progress	27,089,022	15,735,776
	$ 201,886,190	$ 195,784,154

Note 8: General and Professional Liability

The Organization is insured for general and professional liability through Montana Healthcare Indemnity, LLC (MHI), a captive insurance company of which Billings Clinic is the sole member MHI provides insurance to the Organization on a claims-made basis with no deductible Policy limits are $2,000,000 per occurrence and $8,500,000 in aggregate at June 30, 2012 and $2,000,000 per occurrence and $8,000,000 at June 30, 2011 Premiums paid to MHI are based on the claims experience of the Organization The premiums paid to MHI for the years ended June 30, 2012 and 2011, were approximately $4,023,000 and $6,130,000, respectively Claims reported and estimated expenses related to those claims are included under other long-term liabilities

Claims that have been incurred but not reported are reserved for based upon actuarial valuation This includes claims reported prior to the inception of MHI in June 2008 and claims incurred but not reported to MHI The reserve for claims incurred but not reported is included under other long-term liabilities

The Organization's total professional liability was estimated at approximately $16,965,000 and $15,431,000 at June 30, 2012 and 2011, respectively

The Organization purchases excess umbrella liability coverage which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy

In 2011, the Hospital adopted the provisions of Accounting Standards Update (ASU) 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*, which eliminates the practice of netting claim liabilities with expected insurance recoveries for balance sheet presentation Claim liabilities are to be determined without consideration of insurance recoveries Expected recoveries are presented separately Prior to the adoption of ASU 2010-24, accounting principles generally accepted in the United States of America required a health care provider to accrue only an estimate of the malpractice claims costs for both reported claims and claims incurred but not reported where the risk of loss had not been transferred to a financially viable insurer There was no material impact of the ASU adoption to the Organization's financial statements

Note 9: Long-term Debt

	2012	2011
Montana Facility Finance Authority Health Facility Revenue Bonds, Series 2011A and B, (A)	$ 137,710,000	$ -
Montana Facility Finance Authority Fixed Rate Bonds, Series 2008A and B, (B)	31,245,000	55,400,000
Montana Facility Finance Authority Fixed Rate Bonds, Select Auction Variable Rate Securities, and Residual Interest Bonds, Series 1994, (C)	-	41,825,755
Montana Health Facility Authority Select Auction Variable, Rate Securities and Residual Interest Bonds, Series 1991A and B, (D)	-	15,200,000
Montana Health Facility Authority Select Auction Variable, Rate Securities, Series 1991C, (E)	-	14,200,000
Montana Facility Finance Authority Health Facility Revenue Bonds, Series 2009A and B, (F)	-	10,905,260
Mortgage Note, (G)	9,468,991	-
Note payable, (H)	3,413,616	4,065,265
Capital lease obligations, (I)	-	1,408,759
Other notes payable	1,033,924	791,698
	182,871,531	143,796,737
Less current maturities	4,520,262	9,285,446
	$ 178,351,269	$ 134,511,291

(A) Series 2011A and B

In August 2011, the Montana Facility Finance Authority issued $75,000,000 of Health Facilities Revenue Bonds, Series 2011A (Series 2011A) and $65,000,000 of Health Facilities Revenue Bonds, Series 2011B (Series 2011B), collectively the "Series 2011 Bonds"

Proceeds from the Series 2011 Bonds, along with $21,467,085 of cash provided by Billings Clinic, were used to defease the Series 1991A, Series 1991B, Series 1991C, Series 1994 Fixed, Series 1994 RIBS/SAVRS, Series 2009A, Series 2009B, and $23,000,000 par value of the Series 2008B bonds

The Series 2011A bonds mature at varying principal amounts from $1,075,000 to $5,355,000 beginning June 2012 through June 2038, payable annually Interest is paid monthly at a variable rate, 1 018% at June 30, 2012 The Series 2011B bonds mature at varying principal amounts from $935,000 to $4,645,000 beginning June 2012 through June 2038, payable annually Interest is paid monthly at a variable rate, 1 167% at June 30, 2012

As of June 30, 2012, the Series 2011A and B interest is based on the LIBOR Index Rate plus an applicable spread as determined by the remarketing agent The Series 2011A and B bonds may from time to time be converted at the request of the Organization to bear interest at the Daily Rate, Weekly Rate, Long-Term Interest Rate, SIFMA Index Rate or LIBOR Rate as defined in the master trust indenture

$73,775,000 and $63,935,000 of 2011A and 2011B, respectively, are outstanding as of June 30, 2011

The Clinic may redeem the Series 2011A and B bonds at any time at a redemption price equal to the principal amount of each bond and accrued interest to the redemption date At the option of the Purchaser, the Series 2011A and 2011B bonds may be redeemed on August 22, 2014 and August 24, 2016, respectively, and annually on the anniversary date thereafter

(B) Series 2008A and B

In May 2008, the Montana Facility Finance Authority issued $20,000,000 of Health Facilities Revenue Bonds, Series 2008A (Series 2008A) and $40,000,000 of Health Facilities Revenue Bonds, Series 2008B (Series 2008B), collectively the "Series 2008 Bonds"

The Series 2008A bonds are payable in annual installments through February 2023, bearing fixed interest rates of 5 31% Annual installments range from $1,105,000 to $1,760,000 The Series 2008B bonds are payable through February 2028, bearing fixed interest rate of 5 36% Annual installments range from $1,095,000 to $3,255,000 $16,585,000 and $17,740,000 of 2008A, respectively, are outstanding as of June 30, 2012 and 2011 $14,660,000 and $37,660,000 of 2008B, respectively, are outstanding as of June 30, 2012 and 2011 The Clinic may redeem the Series 2008 bonds any time on or after February 2018 at a redemption price equal to the principal amount of each bond and accrued interest to the redemption date Early redemption price declines from 103% at the earliest redemption date to 100% at the last redemption date, plus accrued interest to the date of redemption

As noted in **(A)** above, during the year ended June 30, 2012, the Organization redeemed $23,000,000 Series B bonds The Organization also received $230,000 of discount on the redeemed bonds

(C) Series 1994

In January 1994, the Montana Health Facility Authority issued $19,170,000 of Fixed Rate Bonds, $19,850,000 Select Auction Variable Rate Securities (SAVRS) and $19,850,000 Residual Interest Bonds (RIBS), collectively "Series 1994 Bonds"

The Fixed Rate bonds had maturity dates at varying principal amounts from $6,130,000 to $6,590,000 beginning in February 2018 through February 2020 Interest was payable semi-annually at 5 25% The SAVRS and RIBS bonds matured annually at varying principal amounts from $3,600,000 to $4,400,000 for each series beginning in February 2021 through February 2025 The SAVRS and RIBS had a linked interest of 5 34% which is payable every fifth Thursday

The Clinic had the right to redeem the Series 1994 bonds any time at a redemption price equal to the principal amount of each bond and accrued interest to the redemption date The right to redeem each Series 1994 SAVRS was conditioned upon the Organization simultaneously redeeming an equal aggregate principal amount of the Series 1994 RIBS The right to redeem each Series 1994 RIBS was conditioned upon the Organization simultaneously redeeming an equal aggregate principal amount of the Series 1994 SAVRS

Approximately $34,500,000 and $7,500,000 of 1994 RIBS/SAVRS and 1994 Fixed Rate Bonds, respectively, were outstanding as of June 30, 2011 As noted in **(A)** above, the Series 1994 bonds were defeased during year ended June 30, 2012 with the issuance of Series 2011 bonds

(D) Series 1991A and B

In March 1991, the Montana Health Facility Authority issued $18,000,000 of Select Auction Variable Rate Securities (SAVRS) and $18,000,000 of Residual Interest Bonds (RIBS), collectively "Series 1991"

The 1991 SAVRS and RIBS bonds had maturity dates annually at varying principal amounts from $700,000 to $1,700,000 for each series beginning February 2001 through March 2016 The SAVRS and RIBS had a linked interest rate of 6 51% which is payable every fifth Tuesday

The Clinic had the right to redeem the Series 1991A SAVRS and the 1991 RIBS at any time at a redemption price equal to the principal amount of each bond and accrued interest to the redemption date The right to redeem each Series 19991 SAVRS was conditioned upon the Organization simultaneously redeeming an equal aggregate principal amount of the Series 1991 RIBS The right to redeem each Series 1991 RIBS was conditioned upon the Organization simultaneously redeeming an equal aggregate principal amount of the Series 1991 SAVRS

As noted in **(A)** above, the Series 1991A and B bonds were defeased during the year ended June 30, 2012, with the issuance of the Series 2011 bonds

(E) Series 1991C

In September 1991, the Montana Health Facility Authority issued $32,650,000 of SAVRS The bonds had maturity dates at varying principal amounts from $800,000 to $5,650,000 beginning February 1993 through February 2017, payable annually including interest at variable rate, 0 557% at June 30, 2011 Rates are reset based on auctions held every fifth Monday with a maximum rate of 13 50%

The Clinic had the right to redeem the Series 1991C RIBS at any time at a redemption price equal to the principal amount of each bond and accrued interest to the redemption date

As noted in **(A)** above, the Series 1991C bonds were defeased during the year ended June 30, 2012, with the issuance of the Series 2011 bonds

(F) Series 2009A and B

In June 2009, the Montana Facility Finance Authority issued $10,000,000 of Health Facilities Revenue Bonds Series 2009A, and $2,720,000 of Health Facilities Revenue Bonds Series 2009B, collectively "Series 2009" The Series 2009A bonds had maturity dates at varying principal amounts through July 2019, payable monthly plus a fixed interest rate of 5 55% The Series 2009B bonds had maturity dates at varying principal amounts through August 2019, payable semi-annually, plus a fixed interest rate of 5 32%

All of the Bonds still outstanding could be redeemed at the Clinic's option on or after July 1, 2011 for Series 2009A and August 1, 2011 for Series B at the option of the Issuer, upon written direction of the Clinic

$8,495,474 and $2,409,786 of 2009A and 2009B, respectively, were outstanding as of June 30, 2011 As noted in **(A)** above, the Series 2009A and B bonds were defeased during year ended June 30, 2012, with the issuance of Series 2011 bonds

(G) Mortgage Note

In August 2011, Stillwater Hospital Association, Inc received approval for a $14,300,000 mortgage note for construction of a new hospital Stillwater Hospital Association, Inc started the project during fiscal year 2012 and has drawn $9,468,991 as of June 30, 2012 The terms of the loan include interest at a fixed rate of 5 95% with monthly interest only payments beginning September 1, 2011 through September 1, 2012 Beginning October 1, 2012 and continuing through September 1, 2037 principal and interest payments of $91,814 are due monthly The note is insured by United States Department of Housing and Urban Development (HUD)

(H) Note Payable

Due December 31, 2016, payable $714,286 annually, including interest at 1 53%, secured by real estate and payable to a private Montana corporation

(I) Capital Lease Obligations

At June 30, 2011, the Organization utilized equipment of $1,537,786 net of accumulated depreciation of $1,863,701 under capital leases During the year ended June 30, 2012, the Organization purchased the equipment held under capital lease

Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2012, are

	Long-term Debt
2013	$ 4,520,262
2014	5,230,294
2015	5,484,157
2016	5,686,133
2017	5,850,376
Thereafter	156,100,309
	$ 182,871,531

The Series 2011A and B, bonds are secured by the trust estate created by the Clinic's master trust indenture (including a pledge of the clinic's gross revenues and a first lien mortgage upon certain property, plant, equipment and related tangible assets of the Clinic) by virtue of the assignment and pledge in trust by the Montana Health Facility Finance Authority of the Clinic's related obligations to Wells Fargo Bank, National Association, as bond trustee under the bond trust indentures noted above The Clinic has also agreed to various restrictive covenants including limitations on incurring additional indebtedness, incurring liens on its property, disposing of its property and maintaining certain financial covenants

Line of Credit

The clinic has available an unsecured line of credit aggregating at $15,000,000 at an interest rate of Wall Street Journal Prime rate, with an interest rate floor of 5%, which matures on July 1, 2013 This line of credit is used for short-term cash needs At June 30, 2012 and 2011 there was no amount outstanding

Note 10: Derivative Financial Instruments

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Organization periodically enters into interest rate swaps

The table below presents certain information regarding the Organization's interest rate swap agreements designated as a cash flow hedge The Organization did not have any derivative instruments at June 30, 2012 and 2011 that were not designated as hedging instruments

Notional Amount		Rate Paid	Rate Received	Effective	Termination	Fair Value		
June 30, 2012	June 30, 2011	by Hospital	by Hospital	Date	Date	June 30, 2012	June 30, 2011	Purpose
$ 30,000,000	$ 30,000,000	Fixed - 3 40%	67% of USD-LIBOR-BBA	3 7 06	2 25 25	$ (5,852,936)	$ (3,207,346)	(A)
18,615,000	19,020,000	Fixed - 3 894%	67% of USD-LIBOR-BBA	1 1 08	7 1 37	(4,576,885)	(2,803,328)	(B)
76,065,000	77,440,000	Fixed - 3 7324%	67% of USD-LIBOR-BBA	5 1 09	1 1 38	(18,017,823)	(10,455,751)	(C)
123,915,000	126,170,000	USD - SIFMA	68% of USD-LIBOR-BBA + 0 366%	12 1 07	12 1 37	(1,688,780)	(2,744,146)	(D)
						$ (30,136,424)	$ (19,210,571)	

(A) The Organization entered into a fixed-pay interest rate swap agreement with Merrill Lynch Capital Services Under the terms of the agreement, the Organization received a floating interest rate equal to 67% of one-month USD-LIBOR-BBA and paid a fixed interest rate of 3 40% on a notional amount of $30,000,000 The interest rate swap was entered into in order to reduce the Clinic's exposure to variable interest rate fluctuations, to take advantage of lower fixed rates, and to maintain a debt structure that correlates its fixed and variable-rate debt to its fixed and variable-rate investments Interest is settled every fifth Wednesday, and notional amounts reduce annually beginning March 2022 through 2025 The schedule to the International Swaps and Derivative Association Master Agreement related to this swap includes a covenant provision that requires that the Clinic maintain a days' cash on hand ratio of at least 45 days

(B) The Organization entered into a fixed-pay interest rate swap agreement with Lehman Brothers Special Financing, Inc Under the terms of the agreement, the Organization received a floating interest rate equal to 67% of one-month USD-LIBOR-BBA and paid a fixed interest rate of 3 894% on an amortizing notional amount of $20,000,000 The interest rate swap was entered into in order to reduce the Organization's exposure to future variable interest rate fluctuations This transaction allowed the Organization to fix the interest rate for an anticipated new bond offering, which at the time of the swap transaction was expected to have an offering date in August 2008, and a total issuance of $50 million, however no offering occurred Interest is settled monthly, and notional amounts reduce annually through 2037 The swap was reassigned to 1271 Counterparty Company, LLC during the year ended June 30, 2012

(C) The Organization entered into a fixed-pay interest rate swap agreement with Merrill Lynch Capital Services Under the terms of the agreement, the Organization received a floating interest rate equal to 67% of one-month USD-LIBOR-BBA and paid a fixed interest rate of 3 7324% on an amortizing notional amount of $80,000,000 The interest rate swap was entered into to reduce the Organization's exposure to future variable interest rate fluctuations This transaction allowed the Organization to fix the interest rate for a new bond offering that was expected to have an offering date in October 2008, and a total issuance amount of $70 million, however, no offering occurred Interest is settled monthly, and notional amounts reduce annually through 2038

(D) The Organization entered into a basis rate swap agreement with Merrill Lynch Capital Services Under the terms of the agreement, the Organization received a floating interest rate equal to the sum of 68% of one-month USD-LIBOR-BBA plus 0 366% and paid a floating interest rate equal to the USD-SIFMA Municipal Swap Index on an amortizing notional amount of $130,365,000 This interest rate basis swap was entered into in order to reduce the Organization's effective cost of debt This transaction allows the Organization to receive cash flow benefit from taking risks related to changes in interest rates Interest is settled monthly, and notional amounts reduce annually through 2037

The fair value of the swaps at June 30, 2012 and 2011 was recorded as a long-term liability The changes in fair value are recognized as other income (expense) in the consolidated statements of operations Payments made or received under the swap agreement are recognized as adjustments to interest expense During the years ended June 30, 2012 and 2011, changes in the fair value of the swap agreements of ($10,925,853) and $2,942,682 was recognized as adjustments to other income (expense), respectively

Note 11: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purpose or periods

	2012	2011
Education and scholarships	$ 627,178	$ 615,543
Equipment	3,177,700	1,721,823
Health care services	2,383,988	2,211,477
Cancer center	1,134,228	2,247,934
Research	231,943	202,506
Miscellaneous	341,375	316,873
	$ 7,896,412	$ 7,316,156

Permanently restricted net assets are restricted to

	2012	2011
Education and scholarships	$ 1,467,778	$ 1,433,746
Equipment	794,867	780,400
Health care services	15,432,240	14,890,970
Research	1,491,333	1,463,487
Community needs	486,971	455,040
	$ 19,673,189	$ 19,023,643

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors

	2012	2011
Education and scholarships	$ 35,579	$ 41,924
Equipment	375,765	661,983
Health care services	314,976	2,782,413
Cancer center	744,140	700,000
Research	4,557	-
Miscellaneous	58,165	7,088
	$ 1,533,182	$ 4,193,408

Note 12: Endowment

The Organization's endowment consists of approximately 70 individual funds established for a variety of purposes The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds) As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions

The Organization's governing body has interpreted the State of Montana Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

1 Duration and preservation of the fund
2 Purposes of the Organization and the fund
3 General economic conditions
4 Possible effect of inflation and deflation
5 Expected total return from investment income and appreciation or depreciation of investments
6 Other resources of the Organization
7 Investment policies of the Organization

The composition of net assets by type of endowment fund at June 30, 2012 and 2011 was

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,964,547	$ 19,673,189	$21,637,736
Board-designated endowment funds	344,116	-	-	344,116
Total endowment funds	$ 344,116	$ 1,964,547	$ 19,673,189	$21,981,852

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,673,521	$ 19,023,643	$20,697,164
Board-designated endowment funds	329,747	-	-	329,747
Total endowment funds	$ 329,747	$ 1,673,521	$ 19,023,643	$21,026,911

Changes in endowment net assets for the years ended June 30 were

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 329,747	$ 1,673,521	$ 19,023,643	$21,026,911
Investment income	5,556	323,398	395,390	724,344
Contributions	-	40	234,156	234,196
Appropriation of endowment assets for expenditure	-	(44,944)	-	(44,944)
Other changes - fund transfers	595	12,532	-	13,127
Net assets acquired in SCH affiliation	8,218	-	20,000	28,218
Endowment net assets, end of year	$ 344,116	$ 1,964,547	$ 19,673,189	$21,981,852

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 321,802	$ 1,437,833	$ 17,880,434	$19,640,069
Investment income	7,945	446,528	538,678	993,151
Contributions	-	482	605,239	605,721
Appropriation of endowment assets for expenditure	-	(211,322)	-	(211,322)
Other changes - fund transfers	-	-	(708)	(708)
Endowment net assets, end of year	$ 329,747	$ 1,673,521	$ 19,023,643	$21,026,911

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30 consisted of

	2012	2011
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	$ 19,673,189	$ 19,023,643
Temporarily restricted net assets	1,964,547	1,673,521
	$ 21,637,736	$ 20,697,164

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds Under the Organization's policies, endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, to provide growth over the long-term The Organization targets a diversified asset allocation that balances risk with rate of return

The Organization has a policy of appropriating for expenditure each year 50% of its endowment fund's earnings throughout the previous 12 months through the fiscal year-end preceding the fiscal year-end the distribution is planned The remaining 50% of the earnings stays in the endowment fund to facilitate growth In establishing this policy, the Organization considered the long-term expected return on its endowment Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulations or SPMIFA There were no such deficiencies as of June 30, 2012 or 2011

Note 13: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area Expenses related to providing these services are as follows

	2012	2011
Health care services	$349,040,602	$336,638,391
General and administrative	128,144,339	124,085,300
	$477,184,941	$460,723,691

Note 14: Operating Leases

Noncancelable operating leases for equipment and buildings expire in various years through December 2017

Future minimum lease payments at June 30, 2012, are

2013	$ 3,783,112
2014	3,136,169
2015	1,847,721
2016	1,420,649
2017	455,460
Later years	134,760
Future minimum lease payments	$ 10,777,871

Total rent expense for the Organization for the years ended June 30, 2012 and 2011 was approximately $6,178,000 and $6,470,000, respectively

Note 15: Contributions Receivable

Contributions receivable consisted of the following

	2012	2011
Due within one year	$ 530,785	$ 830,525
Due in one to five years	563,534	336,690
	1,094,319	1,167,215
Less Allowance for uncollectible contributions	(182,655)	(152,010)
Less Unamortized discount	(35,830)	(11,613)
	$ 875,834	$ 1,003,592

Contributions receivable are included in other assets and other receivables Discount rates ranged from 3 3% to 5 5% in 2011 and is 5 5% in 2012 Contributions receivable are included under other assets

Note 16: Retirement Plans

The Organization has a defined contribution pension plan covering employees who meet the age and length of service requirement The Organization makes contributions for each participant based on a fixed percentage of the participant's compensation, up to a stated maximum

The Organization also has a defined contribution 403(b) plan covering substantially all employees Participants make voluntary contributions to the plan, up to a fixed percentage of the participants' compensation The Organization matches 50% of participant contributions up to 2 5% of participants' gross wages

Contributions to the plans were approximately $10,998,000 and $10,620,000 for June 30, 2012 and 2011, respectively

Note 17: Related Party and Affiliates

As noted in Note 1, the Clinic manages several smaller hospitals in Montana and Wyoming Under the affiliate agreements, the Clinic generally provides key personnel such as the CEO and a variety of other support services The Clinic in return receives reimbursement for salary expenses and a monthly management fee As a result of these management affiliations, the Clinic may become exposed to a variety of financial and/or legal contingencies In management's opinion, there are no known contingencies related to these affiliation agreements that have not been disclosed or recorded in the consolidated financial statements

Note 18: Affiliation with Stillwater Hospital Association, Inc.

On August 12, 2011, the Clinic executed an affiliation agreement with Stillwater Hospital Association, Inc., a not-for-profit public benefit organization which owns and operates Stillwater Community Hospital (SCH), a not-for-profit hospital that provides health care services in Columbus, Montana and the surrounding area. The Organization expects the affiliation will allow it to provide more comprehensive health care services in its current service area and achieve cost savings through elimination of certain duplicative administrative and other functions. The affiliation was accomplished by the Clinic becoming the sole member of Stillwater Hospital Association, Inc. and having the ability to appoint the Board members of Stillwater Hospital Association, Inc. No consideration was transferred for the net assets of Stillwater Hospital Association, Inc., thus the fair value of unrestricted net assets received by the Organization is shown as contribution revenue in the consolidated statements of operations.

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the affiliation date.

Recognized Fair Value of Identifiable Assets Acquired and Liabilities Assumed	
Current assets	$ 1,976,365
Property, plant and equipment	3,080,898
Current liabilities	(242,850)
Long-term debt	(1,409,804)
Total contribution received	$ 3,404,609
Summary of Contribution Received by Net Asset Classification	
Unrestricted contribution received	$ 3,379,620
Temporarily restricted contribution received	4,989
Permanently restricted contribution received	20,000
Total contribution received	$ 3,404,609

The affiliation resulted in an inherent contribution received of $3,404,609, which represents the net recognized amount of identifiable assets acquired over the liabilities assumed. Acquisition of the unrestricted net assets has been included in contribution revenue in the consolidated statements of operations. The temporarily and permanently restricted net assets have been included as increases to those classes of net assets in the amounts of $4,989 and $20,000, respectively.

SCH contributed revenues of $4,711,080 and changes in unrestricted net assets of $197,453 to the Organization for the period from the affiliation date through June 30, 2012.

The County issued $1,930,000 Healthcare and Boarding Home Facilities Revenue Bonds, Series 1999 (the Bonds), which were used to finance the renovation and expansion of assisted-living units In lieu of operating the above-mentioned facilities itself, the County has leased the facilities to Stillwater Hospital Association, Inc (primary obligor) The maturity date of the Bonds is July 2, 2029 The Clinic has guaranteed the payment of principal and interest on the Bonds, which is operative until no Bonds are outstanding, unless the County elects to terminate the lease At June 30, 2012 and 2011, the outstanding principal balance is approximately $1,485,000 and $1,535,000, respectively

Note 19: Disclosures About Fair Value of Assets and Liabilities

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value The standard describes three levels of inputs that may be used to measure fair value

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy Level 1 securities include money market funds, equities, and mutual funds If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows Level 2 securities include U S Government securities, corporate debt securities and real estate In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy The Organization does not have any investments classified as Level 3

Interest Rate Swap Agreement

The fair value is estimated using forward-looking interest rate curves, discounted cash flows, and credit risk credits that are observable or that have unobservable inputs that are supported by little or no market activity, therefore, are classified within Level 3 of the valuation hierarchy

	June 30, 2012			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities				
International	$ 21,632,133	$ 21,632,133	$ -	$ -
Consumer discretionary and staples	16,238,647	16,238,647	-	-
Health care	9,188,477	9,188,477	-	-
Industrials and materials	11,242,195	11,242,195	-	-
Information technology	12,323,927	12,323,927	-	-
Other industries	18,097,285	18,097,285	-	-
U S Government securities	41,858,302	-	41,858,302	-
Corporate debt securities	56,305,349	-	56,305,349	-
Mutual funds				
Domestic equity funds	11,019,955	11,019,955	-	-
International equity funds	2,456,980	2,456,980	-	-
Bond funds	15,794,930	15,794,930	-	-
Other	590,505	-	590,505	-
Interest rate swaps	(30,136,424)	-	-	(30,136,424)

	June 30, 2011			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities				
International	$ 13,929,826	$ 13,929,826	$ -	$ -
Consumer discretionary and staples	17,696,314	17,696,314	-	-
Health care	10,939,247	10,939,247	-	-
Industrials and materials	15,616,602	15,616,602	-	-
Information technology	9,272,111	9,272,111	-	-
Other industries	18,276,688	18,276,688	-	-
U S Government securities	59,021,135	-	59,021,135	-
Corporate debt securities	48,158,397	-	48,158,397	-
Mutual funds				
Domestic equity funds	10,515,172	10,515,172	-	-
International equity funds	2,694,394	2,694,394	-	-
Bond funds	8,902,234	8,902,234	-	-
Other	618,241	-	618,241	-
Interest rate swaps	(19,210,571)	-	-	(19,210,571)

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheets using significant unobservable (Level 3) inputs

	Interest Rate Swaps
Balance, July 1, 2010	$ (22,153,253)
Total realized and unrealized gains and losses included in change in net assets	2,942,682
Balance, June 30, 2010	(19,210,571)
Total realized and unrealized gains and losses included in change in net assets	(10,925,853)
Balance, June 30, 2011	$ (30,136,424)

Cash and Cash Equivalents

The carrying amount approximates fair value

Contributions Receivable

Fair value is estimated at the present value of the future payments expected to be received

Notes Payable and Long-term Debt

Fair value is estimated based on the borrowing rates currently available to the Organization for debt with similar terms and maturities

The following table presents estimated fair values of the Clinic's financial instruments at June 30, 2012 and 2011

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 182,871,531	$ 184,862,132	$ 143,796,737	$ 143,238,679

Note 20: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations Those matters include the following

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 2

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 8

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation Some of these allegations are in areas not covered by the Organization's self-insurance program (discussed elsewhere in these notes) or by commercial insurance, for example, allegations regarding employment practices or performance of contracts The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters Events could occur that would cause the estimate of ultimate loss to differ materially in the near term

Investments

The Organization invests in various investment securities Investment securities are exposed to various risks such as interest rate, market and credit risks Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheet

Recovery Audit Contractor Demonstration Project

In 2005, the Centers for Medicare & Medicaid Services (CMS) announced a new demonstration project using recovery audit contractors (RACs) as a part of CMS' further efforts to assure accurate payments The project uses RACs to search for potentially improper Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts Once a RAC identifies a claim it believes to be improper, it makes an adjustment to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment

The Clinic will adjust revenue for amounts that are assessed under the RAC audits at the time a notice is received or when sufficient information is available to make a reasonable estimate of amounts due RAC assessments against the Clinic have been received, and the financial statements have been adjusted Additional assessments are anticipated, however, the outcomes of such assessments are unknown and cannot be reasonably estimated

Valuation of Interest Rate Swaps

The fair value of the liability related to the interest rate swaps is estimated using forward-looking interest curves, discounted cash flows and credit risk The Clinic has retained an independent third party to assist in valuing this liability However, the actual amount to potentially settle the liability could vary significantly from the estimated liability recorded

Current Economic Conditions

The current protracted economic decline continues to present health care organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing The financial statements have been prepared using values and information currently available to the Organization

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of our patients to pay for services rendered As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payors may significantly impact net patient service revenue, which could have an adverse impact on the Organization's future operating results Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact the Organization's ability to meet debt covenants or maintain sufficient liquidity

Note 21: Subsequent Event

Subsequent to year-end, the Clinic approved becoming the sole member of New West Health Services As indicated in Note 6, the Clinic held a 46 5% equity interest in New West Health Services as of June 30, 2012 and 2011

Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued

Supplementary Information

Billings Clinic

Balance Sheet - Consolidating Information

June 30, 2012

Assets

	Billings Clinic	Billings Clinic Foundation	Montana Healthcare Indemnity, LLC	Stillwater Community Hospital	Eliminations	Total
Current Assets						
Cash and cash equivalents	$ 10 697 306	$ 242 109	$ 2 129 164	$ 476 795	$ -	$ 13 545 374
Short-term investments	235 343	-	-	-	-	235 343
Assets limited as to use - current	3 302 120	-	-	-	-	3 302 120
Patient accounts receivable net of allowance $51 561 000	75 698 020	-	-	855 858	-	76 553 878
Other receivables	3 240 888	227 347	2 200 000	-	(2 400 822)	3 267 413
Estimated amounts due from third-party payers	3 878 499	-	-	191 872	-	4 070 371
Due from affiliate	156 067	-	-	-	(156 067)	-
Supplies	6 952 924	-	-	114 805	-	7 067 729
Prepaid expenses and other	4 743 573	10 283	6 428	43 568	-	4 803 852
Total current assets	108 904 740	479 739	4 335 592	1 682 898	(2 556 889)	112 846 080
Assets Limited as to Use						
Internally designated	117 581 077	-	-	8 813	-	117 589 890
Externally restricted by donors	-	27 732 637	-	24 989	-	27 757 626
Held by trustee	58 403 662	-	-	142 790	-	58 546 452
	175 984 739	27 732 637	-	176 592	-	203 893 968
Less amount required to meet current obligations	3 302 120	-	-	-	-	3 302 120
	172 682 619	27 732 637	-	176 592	-	200 591 848
Investments						
Investment in and advances to equity investee	9 016 646	-	-	-	-	9 016 646
Long-term investments	72 498 433	4 728 647	6 932 087	445 185	(250 000)	84 354 352
	81 515 079	4 728 647	6 932 087	445 185	(250 000)	93 370 998
Property and Equipment, Net	189 709 747	512 644	-	11 663 799	-	201 886 190
Other Assets						
Interest in net assets of Billings Clinic Foundation	33 131 378	-	-	-	(33 131 378)	-
Deferred financing costs	2 406 842	-	-	-	-	2 406 842
Other	170 298	875 834	-	-	-	1 046 132
	35 708 518	875 834	-	-	(33 131 378)	3 452 974
Total assets	$ 588 520 703	$ 34 329 501	$ 11 267 679	$ 13 968 474	$ (35 938 267)	$ 612 148 090

Billings Clinic

Balance Sheet - Consolidating Information

June 30, 2012

Liabilities and Net Assets

	Billings Clinic	Billings Clinic Foundation	Montana Healthcare Indemnity, LLC	Stillwater Community Hospital	Eliminations	Total
Current Liabilities						
Current maturities of long-term debt	$ 3 982 749	$ -	$ -	$ 537 513	$ -	$ 4 520 262
Accounts payable	21 191 504	836 114	-	286 112	(2 400 822)	19 912 908
Accounts payable - construction	1 451 420	-	-	-	-	1 451 420
Accrued compensation and related expenses	17 397 494	-	-	139 864	-	17 537 358
Accrued expenses - other	6 805 142	-	-	10 128	-	6 815 270
Estimated amounts due to third-party payers	4 999 927	-	-	-	-	4 999 927
Due to affiliate	-	156 067	-	-	(156 067)	-
Other	1 615 448	205 942	-	-	-	1 821 390
Total current liabilities	57 443 684	1 198 123	-	973 617	(2 556 889)	57 058 535
Long-term Debt	168 958 474	-	-	9 392 795	-	178 351 269
Interest Rate Swap Agreement	30 136 424	-	-	-	-	30 136 424
Other Long-term Liabilities	7 783 674	-	10 051 762	-	-	17 835 436
Total liabilities	264 322 256	1 198 123	10 051 762	10 366 412	(2 556 889)	283 381 664
Net Assets						
Unrestricted	296 653 835	4 340 251	1 215 917	3 577 073	(4 590 251)	301 196 825
Temporarily restricted	7 891 423	9 137 938	-	4 989	(9 137 938)	7 896 412
Permanently restricted	19 653 189	19 653 189	-	20 000	(19 653 189)	19 673 189
Total net assets	324 198 447	33 131 378	1 215 917	3 602 062	(33 381 378)	328 766 426
Total liabilities and net assets	$ 588 520 703	$ 34 329 501	$ 11 267 679	$ 13 968 474	$ (35 938 267)	$ 612 148 090

Billings Clinic

Statement of Operations – Consolidating Information

Year Ended June 30, 2012

	Billings Clinic	Billings Clinic Foundation	Montana Healthcare Indemnity, LLC	Stillwater Community Hospital	Eliminations	Total
Operating Revenues						
Patient service revenue (net of contractual allowances and discounts)	$ 525 556 818	$ -	$ -	$ 3 869 466	$ (154 077)	$ 529 272 207
Provision for uncollectible accounts	(39 823 252)	-	-	(265 473)		(40 088 725)
Net patient service revenue less provision for uncollectible accounts	485 733 566	-	-	3 603 993	(154 077)	489 183 482
Other	14 262 303	756 893	4 720 195	1 107 087	(5 401 694)	15 444 784
Net assets released from restrictions used for operations	1 378 442	-	-	-	154 740	1 533 182
Total operating revenues	501 374 311	756 893	4 720 195	4 711 080	(5 401 031)	506 161 448
Operating Expenses						
Salaries and wages	234 736 339	377 383	-	1 618 658	-	236 732 380
Employee benefits	46 670 177	-	-	341 961	-	47 012 138
Purchased services and professional fees	32 731 892	345 604	-	1 275 084	(358 481)	33 994 099
Supplies and other	132 998 373	371 802	4 236 010	1 059 649	(5 214 759)	133 451 075
Depreciation and amortization	17 449 374	9 218	-	171 031	-	17 629 623
Interest	8 294 733	-	-	70 893	-	8 365 626
Total operating expenses	472 880 888	1 104 007	4 236 010	4 537 276	(5 573 240)	477 184 941
Operating Income (Loss)	28 493 423	(347 114)	484 185	173 804	172 209	28 976 507
Other Income (Expense)						
Investment return	8 614 893	410 195	267 086	11 419	-	9 303 593
Net unrealized gains (losses) on investments	(9 188 066)	(572 971)	158 172	(15 291)	-	(9 618 156)
Change in fair value of interest rate swap agreements	(10 925 853)	-	-	-	-	(10 925 853)
Loss on extinguishment of debt	(1 095 000)	-	-	-	-	(1 095 000)
Contribution received in affiliation with SCH	-	-	-	3 379 620	-	3 379 620
Other income (expense)	(200 205)	-	-	27 521	(17 468)	(190 152)
Total other income (expense)	(12 794 231)	(162 776)	425 258	3 403 269	(17 468)	(9 145 948)
Excess of Revenues Over Expenses	15 699 192	(509 890)	909 443	3 577 073	154 741	19 830 559
Change in interest in net assets of Billings Clinic Foundation	(367 681)	-	-	-	367 681	-
Net assets released from restriction used for purchase of property and equipment	1 510 484	-	-	-	-	1 510 484
Other	-	(12 532)	-	-	-	(12 532)
Increase (Decrease) in Unrestricted Net Assets	$ 16 841 995	$ (522 422)	$ 909 443	$ 3 577 073	$ 522 422	$ 21 328 511

Billings Clinic
Selected Ratios
Year Ended June 30, 2012

	2012	2011
Long-term debt service coverage ratio (Supplemental Master Trust Indenture to amend Supplemental Master Trust Indenture for Obligation No. 1)		
Unrestricted liquid funds		
Cash and cash equivalents	$ 10,697,306	$ 11,512,519
Short-term investments	235,343	2,993,396
Assets limited as to use by Board for capital improvements	117,581,077	115,768,825
Long-term investments	72,498,433	51,409,267
Less current portion of long-term debt	(3,982,749)	(9,285,446)
	$ 197,029,410	$ 172,398,561
Average unrestricted liquid funds	$ 184,713,986	
5% of average unrestricted liquid funds	$ 9,235,699	
Income available for debt service		
5% of average unrestricted liquid funds	$ 9,235,699	
Excess of revenues over expenses	15,699,192	
Investment income (loss)	(8,614,893)	
Change in net unrealized losses on investments	9,188,066	
Interest rate swaps market adjustment	10,925,853	
Depreciation and amortization	17,449,374	
Interest	8,294,733	
	$ 62,178,024	
Long-term debt services requirements - maximum annual debt service	$ 10,975,484	
Long-term maximum debt service coverage ratio	5 67	

Billings Clinic
Selected Ratios
Year Ended June 30, 2012

Long-term debt service coverage ratio (Supplemental Master Trust Indenture for Obligation No. 7)	
Excess of revenues over expense	$ 15,699,192
Change in net unrealized losses on investments	9,188,066
Interest rate swaps market adjustment	10,925,853
Depreciation and amortization	17,449,374
Interest	8,294,733
	$ 61,557,218
Long-term debt services requirements	$ 10,204,665
Long-term maximum debt service coverage ratio	6 03
Long-term debt service coverage ratio (Supplemental Master Trust Indenture for Series 2011A and B)	
Revenues	$ 549,812,456
Operating expenses	(512,704,140)
Depreciation and amortization	17,449,374
Interest	8,294,733
	$ 62,852,423
Long-term debt services requirements - maximum annual debt service	$ 10,975,484
Long-term maximum debt service coverage ratio	5 73
Liquidity ratio (Supplemental Master Trust Indenture for Obligation No. 7 and Series 2011A and B)	
Cash and cash equivalents	$ 10,697,306
Short-term investments	235,343
Long-term investments	66,681,284
Assets limited as to use	
By Board, for capital improvements	117,581,077
Under indenture agreement - held by trustee	58,403,662
	$ 253,598,672
Current liabilities	$ 57,443,684
Maintenance of liquidity ratio	4 41

Billings Clinic
Selected Ratios
Year Ended June 30, 2012

Debt to Capitalization ratio (Supplemental Master Trust Indenture for Obligation No. 7 and Series 2011A and B)	
Debt to capitalization ratio	
Long-term debt, including current portion	$ 172,941,223
Unrestricted net assets	296,653,835
	$ 469,595,058
Debt to capitalization ratio	36.8%
Days Cash on Hand (Supplemental Master Trust Indenture for Obligation No. 7 and Series 2011A and B)	
Days cash on hand	
Cash and cash equivalents	$ 10,697,306
Short-term investments	235,343
Long-term investments	66,681,284
Assets limited as to use by Board for capital improvements	117,581,077
	$ 195,195,010
Total operating expense	$ 512,704,140
Depreciation and amortization expense	17,449,374
	$ 495,254,766
	365
	$ 1,356,862
Days cash on hand	143.86