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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
FRANCES MAHON DEACONESS HOSPITAL

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
621 3RD ST S

City or town, state or country, and ZIP + 4
GLASGOW, MT 59230

D Employer identification number
81-0231786

E Telephone number
(406) 228-3500

G Gross receipts $ 22,879,428

F Name and address of principal officer
DEL GIENGER
621 3RD ST S
GLASGOW, MT 59230

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW FMDH ORG

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

L Year of formation 1914

M State of legal domicile MT

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO DELIVER HEALTH SERVICES FOR OUR PATIENTS NEEDS THEREBY IMPROVING THE HEALTH OF OUR COMMUNITY

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	9
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**	273
6	Total number of volunteers (estimate if necessary)	**6**	8
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	768,455
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-112,667

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	44,343	55,822
	9 Program service revenue (Part VIII, line 2g)	22,164,150	22,167,277
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	196,236	496,237
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	197,413	160,092
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	22,602,142	22,879,428
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)		0
	14 Benefits paid to or for members (Part IX, column (A), line 4)		0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	11,051,683	11,591,297
	16a Professional fundraising fees (Part IX, column (A), line 11e)		0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶45,714		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	8,478,249	7,932,974
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	19,529,932	19,524,271
	19 Revenue less expenses Subtract line 18 from line 12	3,072,210	3,355,157

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	40,525,302	43,400,872
	21 Total liabilities (Part X, line 26)	3,261,999	3,075,821
	22 Net assets or fund balances Subtract line 21 from line 20	37,263,303	40,325,051

Part II Signature Block

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

Sign Here

****** 2013-04-25
Signature of officer Date

DEL GIENGER DIRECTOR OF FINANCE
Type or print name and title

Paid Preparer's Use Only

Preparer's signature: DANIEL GREEN | Date: 2013-04-25 | Check if self-employed ☐ | Preparer's taxpayer identification number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4: GREEN HEALTH GROUP PC, 110 5TH ST S SUITE 106, GLASGOW, MT 592302338 | EIN ▶ | Phone no ▶ (406) 263-2615

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

TO DELIVER HEALTH SERVICES FOR OUR PATIENTS NEEDS THEREBY IMPROVING THE HEALTH OF OUR COMMUNITY

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 $ 14,390,285 including grants of $) (Revenue $ 22,823,606)

PROVIDE QUALITY MEDICAL CARE TO PATIENTS

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ $ 14,390,285

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		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	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		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		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	Yes	
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *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		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	14		
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**	273			
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**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**				
c	Enter the aggregate amount of reserves on hand	**13c**				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	9		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	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	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	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 ▶

DEL GIENGER
621 3RD ST S
GLASGOW, MT 59230
(406) 228-3500

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) PAT GUNDERSON PRESIDENT	2 00	X						0	0	0
(2) DENEEN FUHRMAN VICE PRESIDE	1 00	X						0	0	0
(3) TIM NEWTON SECRETARY/TR	1 00	X						0	0	0
(4) JODY FAUL DIRECTOR	1 00	X						0	0	0
(5) KERRY KINGSLEY DIRECTOR	1 00	X						0	0	0
(6) DENNIS IDLER DIRECTOR	1 00	X						0	0	0
(7) MURIEL BURT DIRECTOR	1 00	X						0	0	0
(8) KEVIN MILLER DIRECTOR	1 00	X						0	0	0
(9) AMY CAPDEVILLE DIRECTOR	1 00	X						0	0	0
(10) RANDALL G HOLOM CEO	40 00			X				179,985	0	13,478
(11) DELBERT GIENGER DIRECTOR OF	40 00			X				119,067	0	11,759
(12) THOMAS SCHULTZ CRNA	40 00					X		199,992	0	16,678
(13) GERRY FINK CRNA	40 00					X		180,003	0	15,978
(14) LISA BALL CRNA	40 00					X		169,998	0	15,783
(15) ELLEN GUTTENBERG COO	40 00					X		140,814	0	14,589
(16) BRENDA KOESSL DON	40 00					X		140,049	0	14,440

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			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								1,129,908		102,705

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 ▶ 7

			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**		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *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
BRADEN-PEHLKE CONSTRUCTION CO INC PO BOX 729 GLASGOW, MT 59230	ELEVATOR	201,701

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 ▶ 1

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d 35,349				
	e Government grants (contributions)	1e				
	f All other contributions, gifts, grants, and similar amounts not included above	1f 20,473				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f		55,822			
Program Service Revenue		Business Code				
	2a PATIENT REVENUE	900099	21,179,362	21,179,362		
	b PROFESSIONAL RADIOLOGY	621110	768,455		768,455	
	c RENTAL INCOME	531120	219,460	219,460		
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f		22,167,277			
	3 Investment income (including dividends, interest and other similar amounts)		496,237	496,237		
	4 Income from investment of tax-exempt bond proceeds					
	5 Royalties					
		(i) Real	(ii) Personal			
	6a Gross rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss)					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory					
	b Less cost or other basis and sales expenses					
	c Gain or (loss)					
	d Net gain or (loss)					
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b Less direct expenses	b				
	c Net income or (loss) from fundraising events					
	9a Gross income from gaming activities See Part IV, line 19	a				
	b Less direct expenses	b				
	c Net income or (loss) from gaming activities					
	10a Gross sales of inventory, less returns and allowances	a				
	b Less cost of goods sold	b				
	c Net income or (loss) from sales of inventory					
	Miscellaneous Revenue	Business Code				
	11a PARTNERSHIP INCOME		131,409	131,409		
	b COUNTY CONTRIBUTION		28,683	28,683		
	c					
	d All other revenue					
	e **Total.** Add lines 11a–11d		160,092			
	12 **Total revenue.** See Instructions		22,879,428	22,055,151	768,455	

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	315,006		315,006	
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	9,361,149	7,733,350	1,588,705	39,094
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	228,434	165,397	62,540	497
9	Other employee benefits	912,593	678,932	230,641	3,020
10	Payroll taxes	774,115	627,541	143,471	3,103
11	Fees for services (non-employees)				
a	Management				
b	Legal	40,188		40,188	
c	Accounting	40,900		40,900	
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other	820,524	706,578	113,946	
12	Advertising and promotion	72,631		72,631	
13	Office expenses	480,145	220,551	259,594	
14	Information technology	28,093		28,093	
15	Royalties . .				
16	Occupancy	281,246	281,246		
17	Travel	134,049	102,671	31,378	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	138,077	107,902	30,175	
20	Interest				
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	1,567,392		1,567,392	
23	Insurance	244,084	20,802	223,282	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL SUPPLIES	2,951,783	2,951,783		
b	REPAIRS & MAINTENANCE	789,893	492,371	297,522	
c	FOOD & DIETARY SUPPLIES	195,362	195,362		
d	BED TAXES	87,000	87,000		
e					
f	All other expenses	61,607	18,799	42,808	
25	**Total functional expenses.** Add lines 1 through 24f	19,524,271	14,390,285	5,088,272	45,714
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		1,673,814	1	2,086,284
	2	Savings and temporary cash investments		11,008,775	2	2,001,041
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		2,138,289	4	2,744,229
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		4,672,586	7	5,036,802
	8	Inventories for sale or use		582,236	8	634,928
	9	Prepaid expenses and deferred charges		294,534	9	280,414
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 29,086,200			
	b	Less accumulated depreciation	10b 19,440,079	9,626,498	10c	9,646,121
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		4,276,952	13	14,819,772
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		6,251,618	15	6,151,281
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		40,525,302	16	43,400,872
Liabilities	17	Accounts payable and accrued expenses		2,146,923	17	1,895,631
	18	Grants payable			18	
	19	Deferred revenue		361,481	19	197,818
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		753,595	25	982,372
	26	**Total liabilities.** Add lines 17 through 25		3,261,999	26	3,075,821
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		37,263,303	27	40,325,051
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		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		37,263,303	33	40,325,051
	34	Total liabilities and net assets/fund balances		40,525,302	34	43,400,872

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	22,879,428
2	Total expenses (must equal Part IX, column (A), line 25)	2	19,524,271
3	Revenue less expenses Subtract line 2 from line 1	3	3,355,157
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	37,263,303
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-293,409
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	40,325,051

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
FRANCES MAHON DEACONESS HOSPITAL

Employer identification number
81-0231786

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?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
Total									

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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 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
FRANCES MAHON DEACONESS HOSPITAL

Employer identification number
81-0231786

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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		82,708		82,708
b Buildings		17,927,655	10,987,352	6,940,303
c Leasehold improvements				
d Equipment		11,075,837	8,452,727	2,623,110
e Other				
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				9,646,121

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
(1) BANK CERTIFICATES OF DEPOSIT	5,573,092	C
(2) US GOVERNMENT & AGENCY SECURITIES	5,516,846	F
(3) CORPORATE DEBT SECURITIES	2,487,780	F
(4) BROKERED CERTIFICATES OF DEPOSIT	1,242,054	C
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶	14,819,772	

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

(a) Description	(b) Book value
(1) INTERCOMPANY AND OTHER RECEIVABLES	4,765,136
(2) NE MT STAT AIR AMBULANCE INVESTMENT	981,643
(3) INTEREST IN FMDH FOUNDATION	867,134
(4) MEDICARE/MEDICAID RECEIVABLE	200,000
(5) PHYSICIAN CONTRACT RECEIVABLE	49,258
(6) HI-LINE MEDICAL INVESTMENT	-711,890
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	6,151,281

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
OTHER LIABILITIES	982,372
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	982,372

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	22,879,428
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	19,524,271
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	3,355,157
4	Net unrealized gains (losses) on investments	4	-293,409
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	-293,409
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	3,061,748

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	22,586,019
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-293,409		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	-293,409
3	Subtract line **2e** from line **1**			3	22,879,428
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	22,879,428

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

1	Total expenses and losses per audited financial statements			1	19,524,271
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	19,524,271
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	19,524,271

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

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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
FRANCES MAHON DEACONESS HOSPITAL

Employer identification number
81-0231786

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☑ 100% ☐ 150% ☐ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☑ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
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)			491,898		491,898	2 270 %
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			491,898		491,898	2 270 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)						
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			4,887,111	3,371,091	1,516,020	6 980 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j **Total** Other Benefits			4,887,111	3,371,091	1,516,020	6 980 %
k **Total.** Add lines 7d and 7j			5,379,009	3,371,091	2,007,918	9 250 %

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						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	298,782		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3			
4	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	7,341,700		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	7,269,010		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	72,690		
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	PRAIRIE RIDGE VILLAG	ASSISTED LIVING	50 000 %		
2	NE MT STAT AIR AMBUL	AIR AMBULANCE	35 000 %		
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	FRANCES MAHON DEACONESS HOSPITAL 621 3RD ST S GLASGOW, MT 59230	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)

FRANCES MAHON DEACONESS HOSPITAL

Name of Hospital Facility:

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		No
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 100 0%			
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 200 0%			
	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**	Yes	
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? 1

	Name and address	Type of Facility (Describe)
1	GLASGOW CLINIC PC 621 THIRD STREET SOUTH GLASGOW, MT 59230	RURAL HEALTH CLINIC
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 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
SUBSIDIZED HEALTH SERVICES EXPLANATION	PART I LINE 7G	PHYSICIAN PROFESSIONAL SERVICES MAKE UP 1589659 OF COLUMN C 1228398 OF COLUMN D AND 361261 OF COLUMN E THE COST OF BAD DEBT REMOVED FROM THE COMMUNITY BENEFIT EXPENSE IN COLUMN C IS 53760 FRANCES MAHON DEACONESS HOSPITALS EFFORTS TO RECRUIT AND RETAIN PHYSICIANS AND OTHER PROVIDERS ARE DEPENDENT ON OUR ABILITY TO COMPETE WITH ALL OTHER COMMUNITIES THAT ARE RECRUITING SIMILAR PHYSICIANS AND PROVIDERS BECAUSE OF OUR SMALL COMMUNITY SIZE AND REMOTE LOCATION FAR REMOVED FROM MEDICAL COMMUNITIES OF GREATER SCOPE WE EMPLOY PHYSICIANS AND SUBSIDIZE PHYSICIAN PRACTICES TO OFFER APPROPRIATELY COMPETITIVE SALARIES AND PRACTICE ENVIRONMENTS SPECIFICALLY REASONABLE CALL SCHEDULES WE BELIEVE OUR ABILITY TO OFFER CORE NECESSARY PRIMARY CARE AND EMERGENCY SERVICES IS DEPENDENT ON SUBSIDIZATION

Identifier	ReturnReference	Explanation
COSTING METHODOLOGY EXPLANATION	PART I LINE 7	USED ADJUSTED COST TO CHARGE RATIOS FOR PATIENT CARE FROM THE MEDICARE COST REPORT ADJUSTED FOR BED TAX AND COMMUNITY BENEFIT BAD DEBT EXPENSE AND CHARITY CARE ARE ALREADY EXCLUDED FROM THE MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE EXPLANATION	PART III LINE 4	THE ORGANIZATIONS PATIENT CARE COST TO CHARGE RATIO AFTER ELIMINATING BAD DEBT CHARITY CARE BED TAX AND COMMUNITY BENEFIT EXPENSE IS APPLIED TO GROSS BAD DEBT CHARGES TO ARRIVE AT THE COST OF BAD DEBT DISCOUNTS REDUCE REVENUE AND ARE NOT RECORDED AS BAD DEBT PAYMENTS RECEIVED ON PREVIOUSLY WRITTEN OFF ACCOUNTS ARE RECORDED AS RECOVERIES OF BAD DEBT WHICH REDUCE BAD DEBT EXPENSE NONE OF THE BAD DEBT IS CONSIDERED ATTRIBUTABLE TO PATIENTS WHO WOULD QUALIFY FOR FINANCIAL ASSISTANCE BAD DEBTS ARE AN INEVITABLE RESULT OF OPERATING A NON PROFIT HOSPITAL THE BAD DEBT EXPENSE FOOTNOTE IN THE AUDITED FINANCIAL STATEMENTS READS AS FOLLOWS ACCOUNTS RECEIVABLE ARE CARRIED NET OF AN ESTIMATE FOR UNCOLLECTIBLES AND ALLOWANCES ACCOUNTS WHICH ARE NOT CONSIDERED COLLECTIBLE ARE WRITTEN OFF AGAINST THE ALLOWANCE ACCOUNT ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS ARE SET BASED ON HISTORICAL LOSS RATES APPLIED TO AGED ACCOUNTS RECEIVABLE BAD DEBTS ARE CLASSIFIED AS AN OPERATING EXPENSE

Identifier	ReturnReference	Explanation
MEDICARE EXPLANATION	PART III LINE 8	THERE IS NO MEDICARE SHORTFALL SINCE CRITICAL ACCESS HOSPITALS ARE REIMBURSED 101 PERCENT OF COST FROM MEDICARE MEDICARE COSTS ON PART III LINE 6 ARE DIRECTLY FROM THE MEDICARE COST REPORT MEDICARE REVENUE ON PART III LINE 5 IS DIRECTLY FROM THE MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES EXPLANATION	PART III LINE 9B	THE ORGANIZATION USES A SLIDING SCALE BASED ON FEDERAL POVERTY GUIDELINES COMBINED WITH AN ASSET TEST AND A MEDICALLY INDIGENT TEST REGARDLESS OF INCOME TO DETERMINE ELIGIBILITY FOR FREE OR DISCOUNTED CARE THE ORGANIZATION DOES NOT ATTEMPT TO COLLECT CHARGES APPROVED AS CHARITY OR FINANCIAL ASSISTANCE UNLESS THE PATIENT QUALIFIED FOR DISCOUNTED CARE AND THEN DEFAULTS ON THE PAYMENT PLAN ON THE BALANCE OF THE ACCOUNT THIS IS A SPECIFIC POLICY FOR PATIENTS QUALIFYING FOR FREE OR DISCOUNTED CARE

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI	PURSUANT TO THE PROVISIONS OF THE AFFORDABLE CARE ACT FRANCES MAHON DEACONESS HOSPITAL IS REQUIRED TO COMPLETE A COMMUNITY NEEDS ASSESSMENT AND IMPLEMENTATION PLAN BY THE END OF ITS FISCAL 2013 YEAR FRANCES MAHON DEACONESS HOSPITAL IS IN THE PROCESS OF COMPLETING THESE REQUIREMENTS AND WILL INCLUDE COPIES OF THE SAME IN ITS 2013 990 FILING CONSISTENT WITH THE PROPOSED IRS RULES CURRENTLY CONSIDERED GUIDELINES FOR MEETING THIS NEW REQUIREMENT HOWEVER FRANCES MAHON DEACONESS HOSPITAL FMDH HAS TRADITIONALLY INCLUDED COMMUNITY NEEDS ASSESSMENTS IN ITS PLANNING FOR MANY YEARS AND UTILIZES MANY METHODS OF ASSESSING THE PATIENT SERVICES NEEDS FOR OUR SERVICE AREA THESE INCLUDE BUT ARE NOT LIMITED TO ANALYSIS OF OUTMIGRATION STATISTICS OBTAINED THROUGH ACCESS TO THE COMPDATA DATABASE PROVIDED THROUGH THE ORGANIZATION FORMALLY KNOWN AS THE MONTANA HOSPITAL ASSOCIATION AND MODELING OF PATIENT TO POPULATION RATIOS TO IDENTIFY AND PLAN FOR THE APPROPRIATE PROVIDER MIX TO SERVE THE COMMUNITY IN ADDITION FMDH PARTICIPATED IN AN AREA HEALTH EDUCATION CENTER LEAD COMMUNITY HEALTH SERVICES DEVELOPMENT ASSESSMENT IDEAS GENERATED OUT OF EACH OF THESE EFFORTS ARE THEN EVALUATED AS TO THE CAPABILITIES OF OUR ORGANIZATION TO DEVELOP IDENTIFIED SERVICES MINIMUM CRITERIA FOR DEVELOPMENT OF NEW OR MODIFICATION OF EXISTING SERVICES ARE THE NEW OR MODIFIED SERVICE CAN REASONABLY FINANCIALLY SUPPORT ITS OPERATION WE HAVE OR CAN ACQUIRE THE NECESSARY PERSONNEL WITH THE CREDENTIALS TO DELIVER THE SERVICE AND RETAIN ENOUGH PERSONNEL WITH THE REQUIRED SKILL SETS TO AVOID INTERRUPTION OF SERVICE DELIVERY IF SAID PERSONNEL TURN OVER THE SERVICES CAN BE DELIVERED IN A MANNER THAT ACHIEVES APPROPRIATELY HIGH LEVELS OF PATIENT SATISFACTION

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI	FRANCES MAHON DEACONESS HOSPITAL EMPLOYS A FINANCIAL COUNSELOR WHO HAS THE SOLE RESPONSIBILITY TO WORK WITH PATIENTS TO NAVIGATE OUR FINANCIAL ASSISTANCE PROGRAMS ALL PATIENTS ARE SENT INFORMATION AT THE INITIAL BILLING FOR DELIVERED PATIENT SERVICES THAT DESCRIBES OUR FINANCIAL ASSISTANCE PROGRAM OUR WEBSITE HAS INFORMATION ABOUT OUR FINANCIAL ASSISTANCE PROGRAMS ALONG WITH ACCESS TO THE APPLICATION WHICH WAS SUBSTANTIALLY SIMPLIFIED RECENTLY

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI	FRANCES MAHON DEACONESS HOSPITAL IS LOCATED IN GLASGOW MONTANA WHICH IS OVER FOUR HOURS HIGHWAY TRAVEL TIME AWAY FROM ANY TERTIARY MEDICAL CENTER OUR PRIMARY SERVICE AREA CONSISTS OF GLASGOW MONTANA AND VALLEY COUNTY POPULATIONS OF 2870 AND 6771 RESPECTIVELY BASED ON 2009 CENSUS BUREAU ESTIMATES OUR SPECIALTY SERVICES DRAW FROM PORTIONS OF THE SURROUNDING COUNTIES OF DANIELS ROOSEVELT AND PHILLIPS COUNTY THE AREA IS PRIMARILY AGRICULTURAL BASED WITH LOW POPULATION DENSITIES OUR POPULATION IS AN OLDER POPULATION WITH 199 OF THE POPULATION OVER THE AGE OF 65 BASED ON THE 2009 CENSUS BUREAU ESTIMATES THE POPULATION IS MOSTLY WHITE BUT PORTIONS OF OUR EXTENDED SERVICE AREA HAVE HIGH POPULATIONS OF NATIVE AMERICAN ANCESTRY TO WHICH WE PROVIDE SERVICES

Identifier	ReturnReference	Explanation
HEALTH OF COMMUNITY IN RELATION TO EXEMPT PURPOSE	PART VI	FRANCES MAHON DEACONESS HOSPITAL MAINTAINS AN OPEN MEDICAL STAFF WE ARE GOVERNED BY A VOLUNTARY BOARD OF COMMUNITY PERSONS REPRESENTING MOST OF THE INDIVIDUAL TOWNS OR GEOGRAPHICAL AREAS OF OUR PRIMARY SERVICE AREA FOR NONELECTIVE SERVICES WE TREAT PATIENTS WITHOUT REGARD TO ABILITY TO PAY CONSISTENT WITH OUR ORIGINS AS A HILL BURTON FUNDED FACILITY ALTHOUGH OUR HILL BURTON OBLIGATION WAS SATISFIED MANY YEARS AGO WE STILL ADHERE TO THE PRINCIPLES INHERENT IN THAT OBLIGATION SURPLUS FUNDS ARE RETAINED WITHIN THE ORGANIZATION TO ASSURE FULFILLMENT OF OUR CHARITABLE MISSION BOTH IN THE PRESENT AND IN THE FUTURE

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE INFORMATION	PART VI	FRANCES MAHON DEACONESS HOSPITAL PROVIDES HOSPITAL INPATIENT AND OUTPATIENT SERVICES GLASGOW CLINIC PC PROVIDES PROFESSIONAL PRIMARY CARE PHYSICIAN AND MIDLEVEL PROVIDER SERVICES HILINE MEDICAL SERVICES INC PROVIDES SPECIALTY PHYSICIAN AND RETAIL PHARMACY SERVICES

Identifier	ReturnReference	Explanation
LIST OF STATES WHERE COMMUNITY BENEFIT REPORT IS FILED	PART VI	MONTANA

Identifier	ReturnReference	Explanation
ADDITIONAL INFORMATION	PART VI	PART I LINE 6A ANNUAL COMMUNITY BENEFIT REPORT FILED WITH MONTANA ATTORNEY GENERAL ADDITIONALLY THE FORM 990 SCHEDULE H IS CONSIDERED AN ANNUAL COMMUNITY BENEFIT REPORT AND IT IS AVAILABLE TO THE PUBLIC PART I LINE 7E WE PROVIDE COMMUNITY HEALTH IMPROVEMENT AND EDUCATION IN A NUMBER OF WAYS INCLUDING BUT NOT LIMITED TO AN ANNUAL HEALTH FAIR PAYMENT FOR A SECTION IN THE LOCAL NEWSPAPER THAT PROVIDES EDUCATIONAL ARTICLES DEVELOPED BY OUR ORGANIZATION FOCUSED TO HEALTH CONCERNS PREVALENT IN OUR COMMUNITY AND CLASSES OFFERED TO VARIOUS GROUPS SPECIFIC TO PARTICULAR DISEASE PROCESSES PART V GLASGOW CLINIC PC IS A SEPARATE ORGANIZATION THAT IS A RURAL HEALTH CLINIC AND IS OPERATED AND SUBSIDIZED BY FRANCES MAHON DEACONESS HOSPITAL FMDH THEIR REVENUE AND EXPENSES ARE NOT INCLUDED ON FMDHS FORM 990 EXCEPT THAT THE SUBSIDIZED PHYSICIAN ACTIVITY IS INCLUDED ON SCHEDULE H PART I LINE 7G HILINE MEDICAL SERVICES INC IS A SEPARATE ORGANIZATION THAT INCLUDES SPECIALTY PHYSICIAN PRACTICES AND A RETAIL PHARMACY FMDH MANAGES THIS ENTITY AND SUBSIDIZES THE PHYSICIAN PRACTICES AS NEEDED THEIR REVENUE AND EXPENSES ARE NOT INCLUDED ON FMDHS FORM 990 EXCEPT THAT THE SUBSIDIZED PHYSICIAN ACTIVITY IS SHOWN ON SCHEDULE H PART I LINE 7G

Identifier	ReturnReference	Explanation
FRANCES MAHON DEACONESS HOSPITAL LINE NUMBER 1 PART V LINE 11H	PART V LINE 11H	ALL PATIENTS ARE BILLED GROSS CHARGES AND THE FINANCIAL ASSISTANCE POLICY ADDRESSES HOW THOSE CHARGES MAY BE DISCOUNTED CHARGES ARE DISCOUNTED BASED ON INCOME LEVELS ASSET VERSES LIABILITY LEVELS MEDICAL INDIGENCE DUAL ELIGIBILITY AND MEDICAL NECESSITY OF THE SERVICE WE INTERPRET THE DEFINITION OF CHARGES AS USED WITHIN PART V QUESTION 11 TO BE THE GROSS CHARGE AMOUNT INITIALLY BILLED TO THE PATIENT NOT THE AMOUNT THE PATIENT ENDS UP BEING FINANCIALLY RESPONSIBLE FOR THEREFORE GROSS CHARGES ARE USED AS A STARTING POINT TO CALCULATE DISCOUNTS TO THOSE ELIGIBLE FOR FINANCIAL ASSISTANCE BUT BASED ON THE ITEMS LISTED ABOVE DOES NOT NECESSARILY REPRESENT THE PATIENTS FINAL OBLIGATION

Identifier	ReturnReference	Explanation
FRANCES MAHON DEACONESS HOSPITAL LINE NUMBER 1 PART V LINE 13G	PART V LINE 13G	THE FINANCIAL ASSISTANCE POLICY DOES ADDRESS HOW THE PATIENT IS NOTIFIED INFORMATION ABOUT OUR POLICY CAN BE FOUND ON THE HOSPITAL WEBSITE REFERENCED IN A BILLING STUFFER AND REFERENCED IN VARIOUS LETTERS BEFORE AN ACCOUNT IS OUTSOURCED TO A THIRD PARTY COLLECTION AGENCY THE FINAL LETTER NOTIFYING THE PATIENT THAT WE ARE FORWARDING THEIR ACCOUNT TO A COLLECTION AGENCY IF WE DO NOT HEAR FROM THEM INCLUDES THE ACTUAL APPLICATION THE APPLICATION ALSO INFORMS THE PATIENT OF THE POLICY AND IS AVAILABLE ON THE WEBSITE AND AT REGISTRATION AREAS WE EMPLOY A FINANCIAL COUNSELOR PATIENT ADVOCATE THAT HELPS A PATIENT NAVIGATE THROUGH THEIR FINANCIAL OPTIONS AND HER CONTACT INFORMATION IS MADE AVAILABLE IN OUR LOCAL NEWSPAPER AS WELL AS ON OUR WEBSITE OUR FINANCIAL COUNSELOR ALSO ACTIVELY COMMUNICATES WITH VARIOUS ORGANIZATIONS IN OUR COMMUNITY FOR THEM TO COUNSEL PATIENTS ON FINANCIAL OPTIONS IE MENTAL HEALTH FACILITY STATE HEALTH AND INSURANCE ASSISTANCE PROGRAM MEDICAID OFFICE WOMENS RESOURCE CENTER BECAUSE THIS POSITION IS A PATIENT ADVOCATE SHE ALSO KEEPS UP TO DATE ON OTHER FINANCIAL RESOURCES THAT MAY BE AVAILABLE TO OUR PATIENTS THE HOSPITAL BOARD OF TRUSTEES HAS ALSO PROVIDED COMMUNITY EDUCATION AT VARIOUS ORGANIZATIONS

Identifier	ReturnReference	Explanation
FRANCES MAHON DEACONESS HOSPITAL LINE NUMBER 1 PART V LINE 15E	PART V LINE 15E	OUR HOSPITAL FACILITYS COLLECTION PRACTICEPOLICY PROVIDES THAT WE FORWARD DELINQUENT ACCOUNTS TO A THIRD PARTY COLLECTION AGENCY ONLY AFTER REASONABLE ATTEMPTS HAVE BEEN MADE TO CONTACT THE PATIENT ONCE THE FINAL ATTEMPT IS MADE TO COLLECT FROM THE PATIENT INTERNALLY THE LIST OF DELINQUENT PATIENTS IS SENT TO OUR FINANCIAL COUNSELOR TO CONFIRM WE ARE ADHERING TO POLICY AND HAVE MADE REASONABLE ATTEMPTS TO CONTACT AFFECTED PATIENTS

Identifier	ReturnReference	Explanation
FRANCES MAHON DEACONESS HOSPITAL LINE NUMBER 1 PART V LINE 16E	PART V LINE 16E	ANOTHER ACTION THAT OUR THIRD PARTY COLLECTION AGENCY MAY TAKE IS TO ISSUE JUDGMENTS ON PROPERTY BUT THEY DO NOT FORCE A TRANSACTION TO OCCUR TO OBTAIN PAYMENT EX SALE OF PROPERTY IF ANOTHER CREDITOR OR THE DEBTOR INITIATES A TRANSACTION ON THAT PROPERTY AND THE JUDGEMENT IS STILL IN EFFECT THEN THE DEBT WOULD BE PAID THESE ACTIONS BECOME NECESSARY WHEN IT IS DETERMINED THAT THE PATIENT HAS GOOD CREDIT ANOTHER SERVICE THAT OUR THIRD PARTY COLLECTION AGENCY PROVIDES THE HOSPITAL IS ASSISTANCE IN DETERMINING ELIGIBILITY OF FINANCIAL ASSISTANCE WHEN THE PATIENT DOES NOT APPLY IF THE AGENCY HAS NOT BEEN ABLE TO COLLECT WITHIN ONE YEAR OF THE LISTING AND THEY BELIEVE THE PATIENT WOULD HAVE QUALIFIED FOR OUR INTERNAL FINANCIAL ASSISTANCE PROGRAM THE AGENCY WILL RETURN THE ACCOUNT TO US PER OUR POLICY

Identifier	ReturnReference	Explanation
FRANCES MAHON DEACONESS HOSPITAL LINE NUMBER 1 PART V LINE 19D	PART V LINE 19D	OUR FACILITY CHARGES ONE RATE TO ALL PATIENTS WHETHER THEY ARE UNINSURED AND INSURED PER CMS GUIDELINES THAT CHARGE MAY BE DISCOUNTED BASED ON INSURANCE CONTRACTS PREFERRED PROVIDER NETWORKS AGREEMENTS PROMPT PAY DISCOUNT FOR UNINSURED ANDOR QUALIFICATION FOR FINANCIAL ASSISTANCE IF THE UNINSURED APPLIES AND QUALIFIES FOR FINANCIAL ASSISTANCE THEN THEY WOULD RECEIVE A DISCOUNT EQUAL TO THAT OF OUR AVERAGE OF THE THREE LOWEST NEGOTIATED COMMERCIAL INSURANCE RATES WHICH IS 5 OF GROSS CHARGE AND THEN THE FINANCIAL ASSISTANCE WRITEOFF WOULD BE CALCULATED ON THE NET ALL PATIENTS WHETHER INSURED OR UNINSURED WHO ARE OBLIGATED TO PAY OUT OF THEIR OWN POCKET ANY PORTION OF THEIR BILL ARE FURTHER OFFERED THE OPTION OF MAKING PERIODIC PAYMENTS TO SATISFY THEIR OBLIGATION WE CHARGE NO FINANCING CHARGES WHEN PATIENTS TAKE ADVANTAGE OF OUR PAYMENT PLAN OPTIONS

Identifier	ReturnReference	Explanation
FRANCES MAHON DEACONESS HOSPITAL LINE NUMBER 1 PART V LINE 21	PART V LINE 21	THOSE PATIENTS THAT ARENT ELIGIBLE FOR FINANCIAL ASSISTANCE DONT UTILIZE THE UNINSURED 10 PROMPT PAY DISCOUNT HAVE SERVICES THAT ARE CONSIDERED ELECTIVE HAVE INSURANCE BUT SERVICES ARE DENIED BY THEIR HEALTH PLAN OR HAVE INSURANCE THAT IS NOT CONTRACTED WITH THE HOSPITAL WOULD RECEIVE THE GROSS CHARGE WITH NO DISCOUNT

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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.

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2011

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FRANCES MAHON DEACONESS HOSPITAL

Employer identification number
81-0231786

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**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or 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) RANDALL G HOLOM	(i) (ii)	179,985			6,299	7,179	193,463	
(2) THOMAS SCHULTZ	(i) (ii)	199,992			7,018	9,660	216,670	
(3) GERRY FINK	(i) (ii)	180,003			6,318	9,660	195,981	
(4) LISA BALL	(i) (ii)	169,998			5,968	9,815	185,781	
(5) ELLEN GUTTENBERG	(i) (ii)	140,814			4,929	9,660	155,403	
(6) BRENDA KOESSL	(i) (ii)	140,049			4,780	9,660	154,489	

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
FRINGE OR EXPENSE EXPLANATION	SCHEDULE J, PAGE 1, PART I, LINE 1A	GOLF CLUB MEMBERSHIP FOR THE CEO PAID BY THE ORGANIZATION THIS IS NOT TREATED AS TAXABLE COMPENSATION SINCE IT IS CONSIDERED PUBLIC RELATIONS WHICH IS PART OF THE CEO'S JOB RESPONSIBILITY

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶See separate instructions.

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) FIRST COMMUNITY BANK	BOARD MEMBERS	1,385,280	BANKING & INVESTING		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
ADDITIONAL INFORMATION	SCHEDULE L PART V	THE HOSPITAL CEO AND ONE BOARD MEMBER ARE BOTH BOARD MEMBERS OF FIRST COMMUNITY BANK THE HOSPITAL HAS BANK ACCOUNTS AND INVESTMENTS WITH FIRST COMMUNITY BANK THE BUSINESS RELATIONSHIP WITH THE BANK IS MANAGED BY THE DIRECTOR OF FINANCIAL SERVICES OF THE HOSPITAL AND HE HAS A DIRECT REPORTING RELATIONSHIP TO THE BOARD FINANCE COMMITTEE IN THIS REGARD FURTHER ANY DECISION MADE BY THE DIRECTOR OF FINANCIAL SERVICES IS GOVERNED BY POLICIES AND PROCEDURES APPROVED BY THE ENTIRE BOARD OF TRUSTEES ON THE RECOMMENDATION OF THE FINANCE COMMITTEE ADDITIONALLY FOR ANY PARTICULAR BUSINESS TRANSACTION OR DECISION THAT DIRECTLY INVOLVES FIRST COMMUNITY BANK THE CEO AND THE BOARD MEMBER WITH A CONFLICT OF INTEREST LEAVE THE BOARD MEETING WHILE THE REMAINING BOARD MEMBERS DELIBERATE OR ACT ON THE MATTER THE TRANSACTION DOLLAR AMOUNT SHOWN ABOVE IS THE NET INCREASE IN THE HOSPITALS BANK ACCOUNT AND INVESTMENT BALANCES WITH FIRST COMMUNITY BANK AND AFFILIATED COMPANIES FOR THE FISCAL YEAR

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

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Identifier	Return Reference	Explanation
CLASSES OF MEMBERS OR STOCKHOLDERS	FORM 990, PAGE 6, PART VI, LINE 6	MEMBERSHIP IN THE FRANCES MAHON DEACONESS HOSPITAL CORPORATION (FMDH) IS ACHIEVED BY VIRTUE OF DONATING AT LEAST 100 TO FMDH, TO THE FRANCES MAHON DEACONESS HOSPITAL FOUNDATION (ALTHOUGH THE FOUNDATION IS A SEPARATE CHARITABLE ENTITY AND NOT CONTROLLED BY THE FMDH CORPORATION, ITS STATED PURPOSE IS TO SUPPORT FMDH AND THE DELIVERY OF HEALTHCARE SERVICES IN VALLEY COUNTY, MONTANA, THROUGH CHARITABLE DONATIONS SUPPORTING SERVICES DEVELOPMENT AND EQUIPMENT PURCHASES), AND LUKE'S 100 (ANOTHER LOCAL CHARITABLE ORGANIZATION SEPARATE FROM FMDH BUT WHICH SUPPORTS FMDH THROUGH ANNUAL DONATIONS) THERE ARE NO DISTINCT CLASSES OF MEMBERS, ALL MEMBERS ARE PART OF A SINGLE MEMBERSHIP CLASS THE MEMBERS ELECT ALL MEMBERS OF THE FMDH BOARD OF TRUSTEES ELECTION OF THE GOVERNING BOARD IS THE SOLE AUTHORITY GRANTED TO FMDH CORPORATION MEMBERS AND THEY EXERCISE NO OTHER GOVERNANCE CONTROL OVER FMDH
ELECTION OF MEMBERS AND THEIR RIGHTS	FORM 990, PAGE 6, PART VI, LINE 7A	THERE ARE NO DISTINCT CLASSES OF MEMBERS, ALL MEMBERS ARE PART OF A SINGLE MEMBERSHIP CLASS THE MEMBERS ELECT ALL MEMBERS OF THE FMDH BOARD OF TRUSTEES ELECTION OF THE GOVERNING BOARD IS THE SOLE AUTHORITY GRANTED TO FMDH CORPORATION MEMBERS AND THEY EXERCISE NO OTHER GOVERNANCE CONTROL OVER FMDH
ORGANIZATION'S PROCESS USED TO REVIEW FORM 990	FORM 990, PAGE 6, PART VI, LINE 11B	THE FORM 990 IS REVIEWED BY THE CEO AND CFO AND IS MADE AVAILABLE FOR THE BOARD'S REVIEW PRIOR TO BEING FILED
ENFORCEMENT OF CONFLICTS POLICY	FORM 990, PAGE 6, PART VI, LINE 12C	CONFLICTS OF INTEREST ARE REQUIRED TO BE REPORTED AT THE FIRST MEETING OF EACH CALENDAR YEAR IF A BOARD MEMBER HAS A CONFLICT OF INTEREST THEY ARE REQUIRED TO LEAVE THE BOARD MEETING WHILE THE BUSINESS IS BEING DISCUSSED OR ACTED UPON
COMPENSATION PROCESS FOR TOP OFFICIAL	FORM 990, PAGE 6, PART VI, LINE 15A	THE BOARD OF TRUSTEES APPROVES THE CEO'S COMPENSATION
COMPENSATION PROCESS FOR OFFICERS	FORM 990, PAGE 6, PART VI, LINE 15B	THE CEO APPROVES THE COMPENSATION OF OTHER OFFICERS AND KEY EMPLOYEES
GOVERNING DOCUMENTS DISCLOSURE EXPLANATION	FORM 990, PAGE 6, PART VI, LINE 19	ALL WRITTEN POLICIES ARE KEPT IN THE DIRECTOR OF FINANCE'S OFFICE AND ARE AVAILABLE UPON REQUEST

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

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2011

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Employer identification number
81-0231786

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) FMDH FOUNDATION 621 3RD STREET SOUTH GLASGOW, MT 59230 81-0406872	SUPPORT	MT	501C3	7	NA		No
(2) PRAIRIE RIDGE VILLAGE LLP 521 4TH AVE S GLASGOW, MT 59230 81-0515202	ASSTLIVING	MT	501C3	9	NA		No
(3) NE MT STAT AIR AMBULANCE COOPERATIV 11 SOUTH 7TH ST SUITE 241 MILES CITY, MT 59301 20-4748673	AIR AMBULA	MT	501C3	11B	NA		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) 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	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) HI-LINE MEDICAL SERVICES INC 621 THIRD STREET SOUTH GLASGOW, MT 59230 20-8393201	PHYSICIANS	MT	N/A				
(2) GLASGOW CLINIC PC 621 THIRD STREET SOUTH GLASGOW, MT 59230 81-0341714	CLINIC	MT	N/A				

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	Yes	
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	Yes	
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		No
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n	Yes	
o Reimbursement paid to related organization(s) for expenses	1o		No
p Reimbursement paid by related organization(s) for expenses	1p		No
q Other transfer of cash or property to related organization(s)	1q	Yes	
r Other transfer of cash or property from related organization(s)	1r		No

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

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

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

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

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

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 81-0231786
Name: FRANCES MAHON DEACONESS HOSPITAL

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	FMDH FOUNDATION	C	35,349	SUPPORT
(2)	FMDH FOUNDATION	N	45,714	STAFF OTHER ITEMS
(3)	GLASGOW CLINIC PC	I	103,200	RENTAL INCOME
(4)	GLASGOW CLINIC PC	Q	43,224	CHANGE IN RECEIVABLE
(5)	HI-LINE MEDICAL SERVICES INC	I	88,566	RENTAL INCOME
(6)	HI-LINE MEDICAL SERVICES INC	Q	45,921	CHANGE IN RECEIVABLE
(7)	NORTHEAST MT STAT AIR AMBULANCE	N	28,840	CONTRACT STAFF
(8)	NORTHEAST MT STAT AIR AMBULANCE	N	45,273	CONTRACT STAFF
(9)	PRAIRIE RIDGE VILLAGE LLP	A	4,389,905	LOAN BALANCE
(10)	FMDH FOUNDATION	C	35,349	SUPPORT
(11)	FMDH FOUNDATION	N	45,714	STAFF OTHER ITEMS
(12)	GLASGOW CLINIC PC	I	103,200	RENTAL INCOME
(13)	GLASGOW CLINIC PC	Q	43,224	CHANGE IN RECEIVABLE
(14)	HI-LINE MEDICAL SERVICES INC	I	88,566	RENTAL INCOME
(15)	HI-LINE MEDICAL SERVICES INC	Q	45,921	CHANGE IN RECEIVABLE
(16)	NORTHEAST MT STAT AIR AMBULANCE	N	28,840	CONTRACT STAFF
(17)	NORTHEAST MT STAT AIR AMBULANCE	N	45,273	CONTRACT STAFF
(18)	PRAIRIE RIDGE VILLAGE LLP	A	4,389,905	LOAN BALANCE

FRANCES MAHON DEACONESS HOSPITAL
AND
AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2012 AND 2011

FRANCES MAHON DEACONESS HOSPITAL AND AFFILIATES

JUNE 30, 2012 AND 2011

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Green Health Group, P.C. *CPA and Consulting Services*

PO BOX 791 GLASGOW, MT 59230-0791 PHONE 406.263.2615 FAX 480.287.9648 E-MAIL dan@greenhgpc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Frances Mahon Deaconess Hospital and Affiliates
Glasgow, Montana

We have audited the accompanying consolidated balance sheets of Frances Mahon Deaconess Hospital and Affiliates (the Company) as of June 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Frances Mahon Deaconess Hospital and Affiliates as of June 30, 2012 and 2011 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The supplementary information on pages 19 to 23 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Green Health Group, P.C.

Green Health Group, P.C

Glasgow, Montana
January 23, 2013

FRANCES MAHON DEACONESS HOSPITAL AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 2,451,071	$ 2,261,857
Short-Term Investments (Note C)	2,001,041	11,008,775
Accounts Receivable	6,107,506	4,938,045
Allowance for Doubtful Accounts	(2,604,828)	(2,265,497)
Net Accounts Receivable	3,502,678	2,672,548
Other Receivables	225,389	214,103
Inventory	875,807	812,787
Prepaid Expense	280,414	291,000
Medicare & Medicaid Receivable (Note B)	200,000	300,000
Total Current Assets	9,536,400	17,561,070
Plant, Property and Equipment, Net (Note E)	9,716,869	9,725,571
Long-Term Investments (Note C)	14,819,772	4,276,952
Assets Whose Use is Limited (Note D)	302,658	-
Notes Receivable (Note H)	5,036,802	4,672,586
Other Assets (Note F)	1,898,035	1,778,713
Total Assets	$ 41,310,536	$ 38,014,892
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 579,622	$ 494,660
Accrued Liabilities	1,809,345	1,778,986
Medicare & Medicaid Payable (Note B)	788,145	608,947
Total Current Liabilities	3,177,112	2,882,593
Net Investment In Prairie Ridge Village, LLP (Note H)	194,227	144,648
Deferred Revenue (Note N)	197,818	361,481
Total Liabilities	3,569,157	3,388,722
Net Assets	37,741,379	34,626,170
Total Liabilities and Net Assets	$ 41,310,536	$ 38,014,892

The accompanying notes are an integral part of these financial statements.

FRANCES MAHON DEACONESS HOSPITAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Operating Revenues		
Patient Service Revenue (net of contractual allowances and discounts)	$ 28,663,422	$ 27,817,338
Provision for Bad Debts	(776,061)	(472,099)
Net Patient Service Revenue Less Provision for Bad Debts	27,887,361	27,345,239
Other Revenue	385,969	406,699
Total Operating Revenue	28,273,330	27,751,938
Operating Expenses		
Salaries and Benefits	15,539,562	14,842,562
Medical Operating Expenses	6,572,051	7,202,531
Non-Medical Operating Expenses	2,129,861	2,229,843
Depreciation and Amortization	1,605,491	1,561,547
Interest	95	200
Total Operating Expenses	25,847,060	25,836,683
Gain from Operations	2,426,270	1,915,255
Non-Operating Gains and (Losses)		
Interest on Assets Whose Use is Limited	2,446	-
Other Investment Income	504,364	326,007
Loss on Investment in Prairie Ridge	(49,580)	(69,715)
Gain on NE MT Stat Air Ambulance Cooperative Investment	180,989	219,358
Gain (Loss) on Disposal of Assets	-	21,275
Unrestricted Donations	55,822	12,605
Net Non-Operating Gains (Losses)	694,041	509,530
Excess of Revenues over Expenses	3,120,311	2,424,785
Unrealized Gain (Loss) on Investments	(5,102)	(6,690)
Loss on Impairment of HealthNet, LLC Investment	-	(123,008)
Increase in Unrestricted Net Assets	$ 3,115,209	$ 2,295,087

The accompanying notes are an integral part of these financial statements.

FRANCES MAHON DEACONESS HOSPITAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Unrestricted Net Assets:		
Income from Operations	$ 2,426,270	$ 1,915,255
Interest Income on Assets Whose Use is Limited	2,446	-
Other Investment Income	504,364	326,007
Loss on Prairie Ridge Investment	(49,580)	(69,715)
Gain on NE MT Stat Air Ambulance Cooperative Investment	180,989	219,358
Gain (Loss) on Disposal of Assets	-	21,275
Unrestricted Contributions	55,822	12,605
Unrealized Gain (Loss) on Investments	(5,102)	(6,690)
Loss on Impairment of HealthNet, LLC Investment	-	(123,008)
Increase (Decrease) in Unrestricted Net Assets	3,115,209	2,295,087
Increase (Decrease) in Net Assets	3,115,209	2,295,087
Net Assets, Beginning of the Year	$ 34,626,170	$ 32,331,083
Net Assets, End of the Year	$ 37,741,379	$ 34,626,170

The accompanying notes are an integral part of these financial statements.

FRANCES MAHON DEACONESS HOSPITAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Operating Activities		
Increase in Net Assets	$ 3,115,209	$ 2,295,087
Adjustments to Reconcile Excess of Revenue and Gains Over Expenses and Losses to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,605,491	1,561,547
Loss on Prairie Ridge Investment	49,580	69,715
Gain on NE MT Stat Air Ambulance Cooperative Investment	(180,989)	(219,358)
Unrealized (Gain) Loss on Investments	5,102	6,690
(Gain) Loss on Disposal of Assets	-	(21,275)
Loss on Impairment of HealthNet, LLC Investment	-	123,008
(Increase) Decrease in:		
Accounts Receivable (Net)	(830,130)	472,216
Other Receivables	(11,286)	62,139
Medicare/Medicaid Receivable	100,000	(220,655)
Inventory	(63,020)	(14,363)
Prepaid Expenses	10,586	12,287
Increase (Decrease) in:		
Other Current Liabilities	294,519	579,890
Deferred Revenue	(163,663)	(207,897)
Net Cash Provided by Operating Activities	3,931,399	4,499,031
Investing Activities		
Purchase of Plant, Property and Equipment	(1,596,790)	(1,607,186)
Purchase of Investments	(12,174,975)	(12,462,464)
Sale of Investments	10,634,787	13,482,629
Purchase of Assets Whose Use is Limited	(302,658)	-
Funding of Notes Receivable	(2,175,000)	(4,690,587)
Principle Payments on Note Receivable	1,810,784	18,001
Capital Contribution to Prairie Ridge Village, LLP	-	(62,472)
Net (Increase) Decrease in Other Assets	61,667	(78,160)
Net Cash (Used) by Investing Activities	(3,742,185)	(5,400,239)
Net Increase (Decrease) in Cash and Cash Equivalents	189,214	(901,208)
Cash and Cash Equivalents, Beginning of the Year	2,261,857	3,163,065
Cash and Cash Equivalents, End of the Year	$ 2,451,071	$ 2,261,857
SUPPLEMENTARY DISCLOSURES		
Cash Paid for Interest	$ 95	$ 200

The accompanying notes are an integral part of these financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Frances Mahon Deaconess Hospital and Affiliates (the Company) consolidated financial statements include three corporations whose purposes are to provide health care services to the community. The consolidated statements include the accounts of each entity and all material inter-company transactions have been eliminated.

Frances Mahon Deaconess Hospital (the Hospital) is a not-for-profit hospital located in Glasgow, Montana The Hospital provides inpatient, outpatient and emergency care services for residents of Northeastern Montana.

Glasgow Clinic, Inc. is a for-profit primary care clinic It was obtained in February 2001 and is wholly owned by the Hospital. The Clinic provides professional medical services to the Glasgow area.

Hi-Line Medical Services, Inc. is a for-profit corporation. It began operations in July 2007 and is wholly owned by the Hospital. Hi-Line Medical Services, Inc. provides professional specialty medical services and retail pharmacy services to the Glasgow area.

The following is a summary of the significant accounting policies of Frances Mahon Deaconess Hospital and Affiliates:

.Cash equivalents include highly liquid investments with a maturity of three months or less, excluding amounts whose use is limited by Board designation or other arrangements under indenture agreements.

.The Company routinely invests its surplus operating funds in money market accounts and money market mutual funds. These funds generally invest in highly liquid U S. Government and Agency obligations.

.Short-term investments have an original maturity exceeding three months, but not exceeding one year, and they are not internally designated for specific purposes or restricted by other parties.

.Accounts Receivable are carried net of an estimate for uncollectibles and allowances. Accounts which are not considered collectible are written off against the allowance account. Allowances for uncollectible accounts are set based on historical loss rates applied to aged accounts receivable. Bad debts are classified as an operating expense.

.Supply inventories are stated at the lower of cost or market, applied on the first-in/first-out basis.

.Investments in marketable equity and debt securities and brokered certificates of deposit included in investment portfolios are carried at fair value at the balance sheet date. The fair values assigned to investments are based on market prices provided by brokers as of the balance sheet date. Investments in bank certificate of deposits are carried at cost, which approximates fair value. Investment income is reported as a non-operating gain.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

.Assets whose use is limited include assets set aside by the Board of Trustees for future capital improvements The Board maintains control over these assets and at its discretion may subsequently use these funds for other purposes.

.Property, plant, and equipment are stated at cost less accumulated depreciation computed on the straight-line method over estimated useful lives of the assets. Expenditures of $2,500 or more for property or for improvements that substantially increase useful lives, are capitalized Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, cost and related accumulated depreciation are removed from the accounts, and the resulting gains or losses are included in income (expense), unless the asset is traded-in as part of the purchase of a similar type of asset.

.Net patient service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including 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

.The Company provides care to patients who meet certain criteria under its charity care policy These charges are recorded as revenue and a deduction from revenue because the Company does not pursue collection of the amounts determined to be charity care.

.The Hospital exercised its option to pay valid unemployment claims assessed against it by reimbursing the Employment Security Commission on the basis of specific claims presented. The liability and expense resulting from this is not being accrued by management because of the difficulty in estimating it.

.Frances Mahon Deaconess Hospital has elected under Section 501(c)(3) of the Internal Revenue Code to be exempt from Federal income tax. Glasgow Clinic, Inc. and Hi-Line Medical Services, Inc. are for-profit corporations, but their activities have not resulted in any taxable profits. Therefore, no income tax liability or expense is reflected in the accompanying financial statements.

.It is the opinion of management that the Company has no significant uncertain tax positions that would be subject to change upon examination by the Internal Revenue Service

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

.The Company has professional liability insurance coverage with a claims-made policy. Tail coverage has not been obtained or provided for the current policy.

.The Company has elected to expense advertising costs as incurred.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

.Principles of Consolidation - The consolidated financial statements include the accounts of Frances Mahon Deaconess Hospital and its wholly-owned subsidiaries, Glasgow Clinic, Inc. and Hi-Line Medical Services, Inc. All material inter-company transactions have been eliminated

.All contributions are considered to be available for unrestricted use unless specifically restricted by the donor

Change in Accounting Principle: The Company has adopted early the provisions of Accounting Standards Update No. 2011-07, Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. The main provision in the update is the requirement that certain health care entities change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient services revenue. Additionally, enhanced disclosures are required regarding the Company's policies for recognizing revenue and assessing bad debt. In accordance with the implementation guide, the Company has applied the presentation requirements to the statement of operations and change in net assets for the years ended June 30, 2012 and 2011. The impact on 2012 was a decrease to operating revenue of $776,061 and a decrease to total expenses of $776,061. The impact for 2011 was a decrease to operating revenue of $472,099 and a decrease to total expenses of $472,099 There was no impact on operating income or net assets.

Basis of Presentation: The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as codified by the Financial Accounting Standards Board. Assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions Accordingly, net assets of the Company and changes therein are classified and reported as follows.

.*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized

.*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Company and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations and changes in net assets as net assets released from restriction. Donor restricted contributions and grants whose restrictions are met in the same year as received are reported as unrestricted contributions or grants in the accompanying financial statements There are no temporarily restricted assets at June 30, 2012 or 2011.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on any related investment for general or specific purposes. There are no permanently restricted net assets at June 30, 2012 or 2011

NOTE B - MEDICARE AND MEDICAID CONTRACT SETTLEMENT

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

Critical Access Hospital

Inpatient acute care services, most outpatient services, and defined capital costs benefits are paid based on a cost reimbursement methodology from Medicare and Medicaid. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. As of June 30, 2012 the Hospital's Medicare and Medicaid cost reports have been audited by the Medicare fiscal intermediary through June 30, 2010.

Eligibility

The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. Medicaid patients must meet state requirements

Rural Health Clinic - The rural health clinic is a hospital based clinic. Clinical services rendered to Medicare beneficiaries are reimbursed based on cost. Clinical services rendered to Medicaid program beneficiaries are reimbursed on a prospectively determined rate per visit.

The Medicare and Medicaid receivable and payable are based upon the unsettled cost reports and the payable also includes estimated excess Medicaid Disproportionate Share payments received. The Company has estimated a Medicare and Medicaid receivable of $200,000 and $300,000 at June 30, 2012 and 2011, respectively. The company has also estimated a Medicare and Medicaid payable of $788,145 and $608,947 at June 30, 2012 and 2011, respectively. These amounts are based on Medicare and Medicaid cost reports and estimates for 2012 and 2011. In the event the settlement receivable decreases, net income would decrease. A settlement receivable increase would increase net income In the event the settlement payable decreases, net income would increase A settlement payable increase would decrease net income.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2012 and 2011 net patient revenue increased approximately $188,850 and $37,173, respectively, due to prior-year retroactive adjustments that exceeded amounts previously estimated.

NOTE C - INVESTMENTS

Investments, excluding amounts whose use is limited by Board designation, at the periods ended June 30, 2012 and 2011 are summarized as follows:

Short-Term Investments:	2012	2011
Bank Certificates of Deposit	$ 2,001,041	$ 11,008,775
Total Short-Term Investments	$ 2,001,041	$ 11,008,775
Long-Term Investments:		
Bank Certificates of Deposit	$ 5,573,092	$ 585,000
Brokered Certificates of Deposit	1,242,054	-
U.S. Government and Agency Securities	5,516,846	2,009,975
Corporate Debt Securities	2,487,780	1,681,977
Total Long-Term Investments	$ 14,819,772	$ 4,276,952

Investments in marketable equity and debt securities and brokered certificates of deposit included in investment portfolios are carried at fair value at the balance sheet date. The fair values assigned to investments are based on market prices provided by brokers as of the balance sheet date Investments in bank certificate of deposits are carried at cost, which approximates fair value Investment income for the years ended June 30, 2012 and 2011 includes $5,102 and $6,690 of unrealized losses on investments, respectively.

NOTE D - ASSETS WHOSE USE IS LIMITED

The composition of assets whose use is limited consists of bank certificates of deposit which are stated at cost which approximates fair value.

	2012	2011
Board Designated for Deferred Compensation:		
Bank Certificates of Deposit	302,658	-
Total Under Trust Agreement	302,658	-

The Board of Trustees has designated certain funds to pay liabilities under the Deferred Compensation Plan. See Note G for a description of the Deferred Compensation Plan.

NOTE E - PROPERTY, PLANT AND EQUIPMENT

The major classifications of property, plant, and equipment are as follows:

	2012	2011
Land and Mineral Rights	$ 82,708	$ 82,708
Land Improvements	718,679	718,679
Buildings	15,907,138	15,132,055
Fixed Equipment	1,205,911	1,132,515
Major Movables	11,910,570	11,500,562
Construction in Progress	95,927	108,019
Subtotal	29,920,933	28,674,538
Allowance for Depreciation	(20,204,064)	(18,948,967)
Net Property, Plant, & Equipment	$ 9,716,869	$ 9,725,571

NOTE F - OTHER ASSETS

Other Assets are stated at cost. They consist of the following at June 30th

	2012	2011
	$ 49,258	$ 110,925
	981,643	800,654
	867,134	867,134
	$ 1,898,035	$ 1,778,713

Northeast Montana Stat Air Ambulance Cooperative

Frances Mahon Deaconess Hospital is a member of the Northeast Montana Stat Air Ambulance Cooperative (the Cooperative) and holds a one-third voting right The other two members are Northeast Montana Health Services and Phillips County Hospital Association Members receive a portion of the profits of the Cooperative based on their utilization of Cooperative services, in the form of patronage capital. The Cooperative was incorporated on April 19, 2006 and began operations on July 1, 2006.

The Company accounts for their investment in the Cooperative under the equity method of accounting. For the years ended June 30, 2012 and June 30, 2011 the Cooperative's revenues exceeded expenses by $510,667 and $557,850, respectively, based on their unaudited financial statements The Company was credited for patronage capital of $180,989 and $219,358 from the increase in net assets for fiscal years 2012 and 2011, respectively, based on their utilization of the Cooperative's services.

HealthNet, LLC

Frances Mahon Deaconess Hospital had an investment in, and was a member of, HealthNet, LLC This company was formed by four facilities to purchase an integrated computer and software package for use by the facilities. One of the facilities left the organization in January 2008, leaving three members. The Company was obligated to contribute sufficient funds to equal one-third of all shared capital purchases of the company. The Company had contributed $963,854 with a life-to-date loss of $840,846 as of June 30, 2011 The net amount of contribution of $123,008 as of June 30, 2011 was written off as an impairment loss during fiscal year 2011 since the Company left the HealthNet, LLC joint venture in July 2011 forfeiting their share of the net assets of HealthNet, LLC.

Interest in Net Assets of Frances Mahon Deaconess Hospital Foundation

Frances Mahon Deaconess Hospital has an interest in the net assets of Frances Mahon Deaconess Hospital Foundation (the Foundation) for donations given to Frances Mahon Deaconess Hospital, but held by the Foundation

NOTE G - EMPLOYEE 401(k) PLAN AND DEFERRED COMPENSATION PLAN

Frances Mahon Deaconess Hospital's 401(k) Plan covers all employees who have attained 21 years of age. The Company agrees to match 100% of employee elected salary reduction contributions, not to exceed 3 5% of participant compensation To be eligible for the employer match, employees must complete 6 months of service and they must complete 1000 hours of service before vesting begins. The Company does not maintain information about the plan's assets and actuarial present value of accumulated vested and non-vested benefits. The Company also implemented a Deferred Compensation Plan for one employee during fiscal year 2011, which is nonqualified and under which it records an expense and a liability for earned amounts. The total Company expenses for the 401(k) Plan and the Deferred Compensation Plan for the years ended June 30, 2012 and June 30, 2011 were $594,957 and $435,403, respectively.

NOTE H - RELATED ORGANIZATIONS

Frances Mahon Deaconess Hospital Foundation

Frances Mahon Deaconess Hospital Foundation, Inc. (the Foundation) has been organized to provide fund-raising for the local health service organizations. These include the acute care and long-term care facilities in Glasgow, Montana, including aid and support for the Frances Mahon Deaconess Hospital.

The Foundation is controlled by an independent Board of Directors. However, the Company provides support to the Foundation through office space, staff, and other operating expenses. In its general appeal for contributions to support the community's providers of health care services, the Foundation is authorized by the Company to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts, timing, and use of its distributions.

The Foundation contributed $35,349 and $12,605 to the Company for the years ending June 30, 2012 and 2011, respectively The Company provided staff and other items to the Foundation at an approximate cost of $45,714 and $32,168 for the years ending June 30, 2012 and 2011, respectively

Frances Mahon Deaconess Hospital has an interest in the net assets of Frances Mahon Deaconess Hospital Foundation (the Foundation) for donations given to Frances Mahon Deaconess Hospital, but held by the Foundation. This totaled $867,134 at both June 30, 2012 and 2011, and is included in other assets on the consolidated balance sheets

Prairie Ridge Village, LLP

The Company has entered into a 50% joint venture with Valley View Home to construct and operate an assisted living facility known as Prairie Ridge Village. The facility opened in June 2003 The investment is accounted for under the equity method. Through June 30, 2012, the Company has contributed $597,439 with a loss of $791,666 life to date The net amount of contribution is ($194,227) and ($144,648) at June 30, 2012 and 2011, respectively. The net amount is shown in other liabilities at June 30, 2012 and 2011.

Northeast Montana Stat Air Ambulance Cooperative

See Note F for a description of the relationship between Frances Mahon Deaconess Hospital and Northeast Montana Stat Air Ambulance Cooperative (the Cooperative). During the years ended June 30, 2012 and 2011, the Company received $28,840 and $25,656, respectively, from the Cooperative for contract EMT and business office staff. The Company paid $45,273 and $42,780, respectively, to the Cooperative for contract ambulance department staff

NOTE H - RELATED ORGANIZATIONS (Continued)

Notes Receivable from Related Organizations

Notes Receivable consist of the following at June 30th:

	2012	2011
Prairie Ridge Village, LLP Note Receivable & Premium	$ 4,450,862	$ 4,672,586
NE MT Stat Air Cooperative Notes Receivable	399,876	-
NE MT Stat Air Cooperative Line of Credit Receivable	186,064	-
Total Notes Receivable	$ 5,036,802	$ 4,672,586

Prairie Ridge Village, LLP Note Receivable

In May 2011 the Company loaned Prairie Ridge Village, LLP $4,620,836 which they used to payoff their debt with Wells Fargo Brokerage Services Additionally, the Company paid an early payoff penalty of $69,751 on behalf of Prairie Ridge Village, LLP and recorded this amount as a premium on the note receivable. The note receivable has a term of 178 months with an annual interest rate of 5 1771% and monthly payments of $37,244. Final payment is in March 2026. The Company also entered into a mortgage and security agreement with Prairie Ridge Village, LLP which provides collateral for the note receivable including the real property and other assets. During fiscal year 2012 the Company received payments on the note totaling $446,930, including interest of $233,308. During fiscal year 2011 the Company received payments on the note totaling $37,244, including interest of $19,935. At June 30, 2012 the note receivable has a principle balance of $4,389,905 and the unamortized premium is $60,957.

Northeast Montana Stat Air Ambulance Cooperative Notes Receivable and Line of Credit

In October 2011 the Company loaned Northeast Montana Stat Air Ambulance Cooperative (the Cooperative) $1,750,500 which was used to pay part of the $1,975,000 purchase price of a Pilatus PC12/45 airplane. The Company entered into two promissory note agreements with the Cooperative The first note receivable is for $275,000 with a term of 24 months with an annual interest rate of 4 5% and monthly payments of $12,003. This note is secured by a security interest in the airplane The second promissory note is for $1,475,000 with an annual interest rate of 2 15% and is secured by an assignment of bank certificates of deposit The loan will be paid off in installments from October 2011 to July 2012 as the Cooperatives certificates of deposit mature. The balance on the notes receivable at June 30, 2012 is $399,876 and the Company received $10,482 of interest income from the Cooperative during fiscal year 2012 on the notes receivable

The Company also provided a $425,000 Line of Credit to the Cooperative to be used to pay other costs related to the airplane if needed. The Line of Credit has an annual interest rate of 4 5% and calls for monthly payments over the 12 succeeding months for each advance made. The Line of Credit is secured by a security interest in the airplane described above The balance on the line of credit at June 30, 2012 is $186,064 and the Company received $7,089 of interest income from the Cooperative during fiscal year 2012 on the line of credit.

NOTE I - COMMITMENTS AND CONTINGENCIES

Pending Litigation

The Company is involved in litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Company's future financial position or results from operations.

Self-Insurance Health Insurance

The Company elected to self-insure all employees for health care costs under the Montana Health Network Health Insurance Trust The Trust has specific stop-loss reinsurance of $275,000 per incident and an aggregate stop-loss reinsurance of 120% of expected losses for all participants. The Trust attempts to establish premiums equal to the expected maximum liability for the Company's participation in the Trust. If the Trust does not cover member losses, the Company is liable jointly and severally for these losses. If the Company terminates participation in the Trust, the Company could also be liable for claims incurred during participation but not yet paid at termination Such claims have not been estimated.

Self-Funded Workers' Compensation

The Company is a member of the Montana Health Network's self-insurance workers' compensation plan The rates charged to individual facilities are based upon retrospective premiums and were established to cover anticipated losses. The Company's payroll represents approximately 3 07% of the total payroll of members of the Trust. If the rates do not cover the members losses, the Company is liable jointly and severally for these losses.

A projection of outstanding liabilities as of December 31, 2011, prepared by Milliman and Robertson, Inc , Actuaries and Consultants, estimates that the Trust has ultimate losses in excess of paid claims of $4,406,329 as of that date. These losses have not yet been sufficiently identified to be allocated to the Trust Members under the agreed upon formula allocation.

Self-Funded Liability Insurance

The Company is a member of the Montana Health Network Liability and Casualty Exchange, a reciprocal, captive insurance company owned by 21 members. Under the plan, the members fund any premium for liability insurance under a prospective rating arrangement and the uninsured portions of any liability claims against the members within the self-funded retention, under any applicable liability insurance policy obtained by the group. The plan's self-funded retention under the current insurance policy for general liability and professional liability insurance is a deductible of $500,000 per incident, not to exceed $1,700,000 for the period of coverage and any extended reporting periods. The rates charged to members of the plan were established to cover anticipated losses. If the rates do not cover the members' losses. The Company is liable jointly and severally for these losses

Contracts Payable

The Company entered into a contract for $345,025 for construction of a triplex. At June 30, 2012 $275,500 of this contract amount was not paid or accrued

NOTE J - CONCENTRATION OF RISK

The Company grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements The mix of receivables from patient and third-party payors as of June 30, 2011 and 2010 were as follows:

	2012	2011
Medicare	31%	25%
Medicaid	7%	9%
Blue Cross	7%	7%
Other Third-Party Payors	24%	25%
Patients	31%	34%
Total	100%	100%

The Company maintains cash balances in several financial institutions. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000, or secured by pledged securities. All amounts are covered by insurance or secured by pledged securities at June 30, 2012

NOTE K - RISK MANAGEMENT

The Company is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Company is self-insured for employee health insurance and workers' compensation as discussed in Note I.

NOTE L - CHARITY CARE

The Company maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and the estimated cost of providing charity care For the years ended June 30, 2012 and 2011 the estimated direct plus indirect cost of providing charity care was $511,927 and $684,359, respectively. The cost was estimated by applying the Company's overall cost-to-charge ratio to the charges foregone for charity care.

NOTE M - FUNCTIONAL EXPENSES

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

	2012	2011
Patient Healthcare Services	$ 19,214,511	$ 19,473,218
General and Administrative	6,586,835	6,331,297
Fund Raising	45,714	32,168
	$ 25,847,060	$ 25,836,683

NOTE N - MEDICAID SUPPLEMENTAL REVENUE FUNDED FROM BED TAX PROGRAM

The Company receives a Medicaid supplemental payment once a year, normally during the first part of the calendar year, that relates to Medicaid services provided during that calendar year. The payment is originally recorded as deferred revenue and recognized as revenue over the calendar year. At June 30, 2012 and 2011 the balance in deferred revenue on the balance sheet is $197,818 and $361,481, respectively

The Company recorded $559,629 and $957,404 of Medicaid supplemental revenue and incurred $87,000 and $88,650 of expense under the hospital inpatient bed tax program in fiscal years 2012 and 2011, respectively These revenues are recorded as a reduction in Medicaid contractual adjustments and are included in Net Patient Service Revenue in the Consolidated Statement of Operations The State of Montana has made changes in the allocation of Medicaid disproportionate share funds to hospitals from the hospital bed tax program. Hospitals cannot receive more than their unreimbursed Medicaid costs plus their cost of uncompensated care provided for uninsured patients. This cost calculation had been on a statewide, pooled basis, but became hospital specific effective in 2011. The Company has a liability recorded of $457,468 at June 30, 2012 for estimated overpayments from Medicaid under this program.

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Short-Term Investments. The carrying amount reported in the balance sheet for short-term investments approximates its fair value.

Medicare and Medicaid Receivable: The carrying amount reported in the balance sheet for the Medicare and Medicaid receivable approximates its fair value.

Long-Term Investments: Investments in marketable equity and debt securities and brokered certificates of deposit are carried at fair value at the balance sheet date, based on quoted market prices provided by brokers. Investments in bank certificates of deposit are carried at cost, which approximates fair value.

Assets Whose Use is Limited: Investments in bank certificates of deposit are carried at cost, which approximates fair value.

Notes Receivable. The carrying amount reported in the balance sheet for the note receivable approximates its fair value.

Accounts Payable and Accrued Liabilities: The carrying amount reported in the balance sheet for accounts payable and accrued liabilities approximates their fair value.

Medicare and Medicaid Payable: The carrying amount reported in the balance sheet for the Medicare and Medicaid payable approximates its fair value.

The carrying amounts and fair values of the Company's financial instruments at June 30, 2012, are as follows:

	Carrying Value	Fair Value
Cash and Cash Equivalents	$ 2,451,071	$ 2,451,071
Short-Term Investments	2,001,041	2,001,041
Medicare and Medicaid Receivable	200,000	200,000
Long-Term Investments	14,819,772	14,819,772
Assets Whose Use is Limited	302,658	302,658
Notes Receivable	5,036,802	5,036,802
Accounts Payable	579,622	579,622
Accrued Liabilities	1,809,345	1,809,345
Medicare and Medicaid Payable	788,145	788,145

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The carrying amounts and fair values of the Company's financial instruments at June 30, 2011, are as follows:

	Carrying Value	Fair Value
Cash and Cash Equivalents	$ 2,261,857	$ 2,261,857
Short-Term Investments	11,008,775	11,008,775
Medicare and Medicaid Receivable	300,000	300,000
Long-Term Investments	4,276,952	4,276,952
Notes Receivable	4,672,586	4,672,586
Accounts Payable	494,660	494,660
Accrued Liabilities	1,778,986	1,778,986
Medicare and Medicaid Payable	608,947	608,947

NOTE P - FAIR VALUE MEASUREMENTS

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2012 are as follows:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-Term Investments:				
Brokered Certificates of Deposit	$ 1,242,054	-	$ 1,242,054	-
U.S. Government Agency Securities	$ 5,516,846	-	$ 5,516,846	-
Corporate Debt Securities	2,487,780	-	2,487,780	-
Total	$ 9,246,680	$ -	$ 9,246,680	$ -

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2011 are as follows:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-Term Investments:				
U.S. Government Agency Securities	$ 2,009,975	-	$ 2,009,975	-
Corporate Debt Securities	1,681,977	-	1,681,977	-
Total	$ 3,691,952	$ -	$ 3,691,952	$ -

The Company recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no significant transfers between levels for the years ended June 30, 2012 and 2011

The values of investments that are reported at fair value on a recurring basis are provided by brokers and are based on quoted market prices and other relevant information generated by market transactions.

NOTE Q - SUBSEQUENT EVENTS

The Company entered into agreements with Medical Information Technology, Inc. and Inland Northwest Health Services in July and August 2012 to purchase software and implementation and redesign services related to the installation of an electronic health record. The agreements total approximately $1,300,000 Management estimates that the Medicare and Medicaid electronic health record incentives will reimburse the majority of the capital costs after the incentive requirements are met.

Subsequent events were evaluated through January 23, 2013, which was the date the financial statements were issued.

FRANCES MAHON DEACONESS HOSPITAL AND AFFILIATES
SUPPLEMENTARY INFORMATION
SCHEDULE OF NET PATIENT SERVICE REVENUE
FOR THE YEAR ENDED JUNE 30, 2012

	Hospital			Hi-Line Medical	
	IP	OP	Clinic	Services	Consolidated
Routine Services					
Adults and Pediatrics	$ 2,249,710	$ -	$ -	$ -	$ 2,249,710
Intensive Care	47,256	-	-	-	47,256
Swing Beds	175,526	-	-	-	175,526
Nursery	166,685	-	-	-	166,685
Physician Offices	-	-	3,071,607	3,477,694	6,549,301
Total Routine Services	2,639,177	-	3,071,607	3,477,694	9,188,478
Ancillary Services					
Labor and Delivery	114,390	1,469	-	-	115,859
Operating and Recovery Room	927,618	2,767,673	-	-	3,695,291
Anesthesiology	503,970	1,335,315	-	-	1,839,285
Medical Supplies	1,298,089	1,017,164	-	-	2,315,253
Implants	621,904	36,927	-	-	658,831
Laboratory and Blood Bank	496,034	2,886,913	-	-	3,382,947
Radiology	338,116	6,844,130	-	-	7,182,246
Pharmacy	628,377	1,827,996	-	-	2,456,373
Physical Therapy	84,915	361,803	-	-	446,718
Occupational Therapy	6,252	126,200	-	-	132,452
Cardiac Rehab	-	68,497	-	-	68,497
Audiology	-	205,736	-	-	205,736
Respiratory Therapy	-	16,614	-	-	16,614
Emergency Room	32,376	1,263,065	-	-	1,295,441
DME	-	585	-	-	585
Home Oxygen	-	392,576	-	-	392,576
EKG, Stress Test, Oncology, & OP Clinics	2,466	306,242	-	-	308,708
Ambulance	-	341,920	-	-	341,920
Retail Pharmacy	-	-	-	2,068,376	2,068,376
Total Ancillary Services	5,054,507	19,800,825	-	2,068,376	26,923,708
Total Gross Patient Service Revenue	$ 7,693,684	$ 19,800,825	$ 3,071,607	$ 5,546,070	$ 36,112,186
Deductions from Revenue					
Medicare/Medicaid Contractual Adjustments					(2,998,220)
Other Administrative, IHS and Policy Adjustments					(2,411,081)
Glasgow Clinic					(288,485)
Hi-Line Medical Services					(1,750,978)
Total Contractual Allowances and Discounts					(7,448,764)
Patient Service Revenue (net of contractual allowances and discounts)					28,663,422
Provision for Bad Debts					(776,061)
Net Patient Service Revenue Less Provision for Bad Debts					$ 27,887,361

FRANCES MAHON DEACONESS HOSPITAL AND AFFILIATES
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

SCHEDULE OF OTHER OPERATING REVENUE

	2012	2011
Supplies Sold	$ 2,844	$ 2,868
Rent Income - Other	71,207	78,935
Meals Sold	138,096	122,435
Consulting Fees	65,911	67,239
Purchase Discounts	92	353
Miscellaneous	18,566	11,025
Grant Revenue	3,361	31,738
County Contribution for Ambulance	28,683	26,495
	37,408	51,916
Medical Services Other Revenue	19,801	13,695
Total Other Operating Revenue	$ 385,969	$ 406,699

FRANCES MAHON DEACONESS HOSPITAL AND AFFILIATES
CONSOLIDATING BALANCE SHEETS
JUNE 30, 2012

	Hospital	Clinic	Hi-Line Medical Services	Consolidating Eliminations	Consolidated Totals
ASSETS					
Current Assets					
Cash and Cash Equivalents	$ 2,086,284	$ 72,418	$ 292,369	$ -	$ 2,451,071
Short-Term Investments	2,001,041	-	-	-	2,001,041
Accounts Receivable	4,785,406	535,877	786,223	-	6,107,506
Allowance for Doubtful Accounts	(2,041,177)	(150,045)	(413,606)	-	(2,604,828)
Net Accounts Receivable	2,744,229	385,832	372,617	-	3,502,678
Inter-Company and Other Receivables	4,765,136	-	302,608	(4,842,355)	225,389
Inventory	634,928	-	240,879	-	875,807
Prepaid Expense	280,414	-	-	-	280,414
Medicare/Medicaid Receivable	200,000	-	-	-	200,000
Total Current Assets	12,712,032	458,250	1,208,473	(4,842,355)	9,536,400
Property, Plant, and Equipment, Net	9,646,121	40,787	29,961	-	9,716,869
Long-Term Investments	14,819,772	-	-	-	14,819,772
Assets Whose Use is Limited	-	-	302,658	-	302,658
Notes Receivable	5,036,802	-	-	-	5,036,802
Other Assets	1,186,145	-	-	711,890	1,898,035
Total Assets	$ 43,400,872	$ 499,037	$ 1,541,092	$ (4,130,465)	$ 41,310,536
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts Payable	$ 566,899	$ -	$ 1,532,176	$ (1,519,453)	$ 579,622
Accrued Liabilities	1,328,732	(587)	481,200	-	1,809,345
Medicare/Medicaid Payable	788,145	-	-	-	788,145
Inter-company and Other Payables	-	3,083,300	392,263	(3,475,563)	-
Total Current Liabilities	2,683,776	3,082,713	2,405,639	(4,995,016)	3,177,112
Net Investment in Prairie Ridge Village, LLP	194,227	-	-	-	194,227
Deferred Revenue	197,818	-	-	-	197,818
Total Liabilities	3,075,821	3,082,713	2,405,639	(4,995,016)	3,569,157
Net Assets	40,325,051	(2,583,676)	(864,547)	864,551	37,741,379
Total Liabilities and Net Assets	$ 43,400,872	$ 499,037	$ 1,541,092	$ (4,130,465)	$ 41,310,536

FRANCES MAHON DEACONESS HOSPITAL AND AFFILIATES
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2012

	Hospital	Clinic	Hi-Line Medical Services	Consolidating Eliminations	Consolidated Totals
Operating Revenues					
Patient Service Revenue (net of contractual allowances and discounts)	$ 22,085,208	$ 2,783,122	$ 3,795,092	$ -	$ 28,663,422
Provision for Bad Debts	(419,461)	(174,765)	(181,835)	-	(776,061)
Net Patient Service Revenue Less Provision for Bad Debts	21,665,747	2,608,357	3,613,257	-	27,887,361
Other Revenue	530,213	131,803	19,801	(295,848)	385,969
Total Operating Revenue	22,195,960	2,740,160	3,633,058	(295,848)	28,273,330
Operating Expenses					
Salaries and Benefits	11,560,803	2,130,884	1,847,875	-	15,539,562
Medical Operating Expenses	4,366,078	328,084	2,070,537	(192,648)	6,572,051
Non-Medical Operating Expenses	2,029,998	203,063	-	(103,200)	2,129,861
Depreciation and Amortization	1,567,392	24,685	13,414	-	1,605,491
Interest	-	-	95	-	95
Total Operating Expenses	19,524,271	2,686,716	3,931,921	(295,848)	25,847,060
Net Operating Income (Loss)	2,671,689	53,444	(298,863)	-	2,426,270
Non-Operating Gains (Losses)					
Interest on Assets Whose Use is Limited	-	-	2,446	-	2,446
Other Investment Income	501,339	17	3,008	-	504,364
Loss on Prairie Ridge	(49,580)	-	-	-	(49,580)
Gain on NE MT Stat Air Ambulance Investment	180,989	-	-	-	180,989
Loss on Hi-Line Medical Services	(293,409)	-	-	293,409	-
Unrestricted Donations	55,822	-	-	-	55,822
Total Non-Operating Gains (Losses)	395,161	17	5,454	293,409	694,041
Excess of Revenues over Expenses	$ 3,066,850	$ 53,461	$ (293,409)	$ 293,409	$ 3,120,311
Unrealized Gain (Loss) on Investments	(5,102)	-	-	-	(5,102)
Increase (Decrease) in Unrestricted Net Assets	$ 3,061,748	$ 53,461	$ (293,409)	$ 293,409	$ 3,115,209

FRANCES MAHON DEACONESS HOSPITAL AND AFFILIATES
CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Hospital	Clinic	Hi-Line Medical Services	Consolidating Eliminations	Consolidated Totals
Unrestricted Net Assets:					
Income from Operations	$ 2,671,689	$ 53,444	$ (298,863)	$ -	$ 2,426,270
Interest Income on Assets Whose Use is Limited	-	-	2,446	-	2,446
Other Investment Income	501,339	17	3,008	-	504,364
Loss on Prairie Ridge Investment	(49,580)	-	-	-	(49,580)
Gain on NE MT Stat Air Ambulance Investment	180,989	-	-	-	180,989
Loss on Medical Services	(293,409)			293,409	-
Unrestricted Contributions	55,822	-	-	-	55,822
Unrealized Gain (Loss) on Investments	(5,102)	-	-	-	(5,102)
Increase (Decrease) in Unrestricted Net Assets	3,061,748	53,461	(293,409)	293,409	3,115,209
Total Net Assets:					
Increase (Decrease) in Net Assets	3,061,748	53,461	(293,409)	293,409	3,115,209
Net Assets, Beginning of the Year	37,263,303	(2,637,137)	(571,138)	571,142	34,626,170
Net Assets, End of the Year	$ 40,325,051	$ (2,583,676)	$ (864,547)	$ 864,551	$ 37,741,379