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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

MARCUS DALY MEMORIAL HOSPITAL

Doing Business As

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

Room/suite

1200 WESTWOOD DRIVE

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

HAMILTON, MT 59840

F Name and address of principal officer

JOHN M BARTOS

1200 WESTWOOD DRIVE

HAMILTON, MT 59840

D Employer identification number

81-0240726

E Telephone number

(406) 375-4609

G Gross receipts \$ 52,117,055

I Tax-exempt status

☒ 501(c)(3)

☐ 501(c) ()

☐ (insert no)

☐ 4947(a)(1) or

☐ 527

J Website: WWW MDMH ORG

K Form of organization

☒ Corporation

☐ Trust

☐ Association

☐ Other

L Year of formation 1938

M State of legal domicile MT

Part I

Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities OUR COMMITMENT TO THE BITTERROOT VALLEY IS QUALITY, ACCESSIBLE, PERSONALIZED HEALTHCARE		
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	11
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	6
	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	546
	6	Total number of volunteers (estimate if necessary)	6	170
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
Revenue	b	Net unrelated business taxable income from Form 990-T, line 34	7b	0
	8	Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g)	225,104	115,352
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	46,893,051	51,546,346
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	60,140	15,311
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	-23,951	194,464
			47,154,344	51,871,473
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	2,644	76,726
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	25,424,585	28,395,994
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) 203,605		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	20,627,165	23,871,665
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	46,054,394	52,344,385
Net Assets or Fund Balances	19	Revenue less expenses Subtract line 18 from line 12	1,099,950	-472,912
	20	Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21	Total liabilities (Part X, line 26)	47,137,440	49,935,753
	22	Net assets or fund balances Subtract line 21 from line 20	20,687,420	23,861,018
			26,450,020	26,074,735

Part II

Signature Block

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

Sign Here

Signature of officer

2013-05-06

Date

JOHN M BARTOS CEO, SECRETARY AND TREASURER

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

DARRYN MCGARVEY

Date

Check if self-employed ☐

Preparer's taxpayer identification number (see instructions)

P00958683

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

CLIFTONLARSONALLEN LLP

220 SOUTH SIXTH STREET SUITE 300

MINNEAPOLIS, MN 55402

EIN 41-0746749

Phone no (612) 376-4500

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

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

Part IIStatement of Program Service Accomplishments

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

1Briefly describe the organization’s mission

OUR COMMITMENT TO THE BITTERROOT VALLEY IS QUALITY, ACCESSIBLE, PERSONALIZED HEALTHCARE

2Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

If “Yes,” describe these new services on Schedule O

3Did the organization cease conducting, or make significant changes in how it conducts, any program services?

If “Yes,” describe these changes on Schedule O

4Describe 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 \$ 43,854,582 including grants of \$ 76,726) (Revenue \$ 51,546,346)

MARCUS DALY MEMORIAL HOSPITAL CORPORATION OWNS AND OPERATES A 48 LICENSED BED ACUTE CARE CRITICAL ACCESS HOSPITAL WITH 25 BEDS SETUP THE HOSPITAL PROVIDES ACUTE CARE SERVICES TO PATIENTS IN RAVALLI COUNTY THE SERVICES PROVIDED INCLUDE ACUTE CARE HOSPITAL, RELATED ANCILLARY SERVICES SUCH AS LABORATORY, RADIOLOGY AND THERAPY INPATIENT AND OUTPATIENT SURGERY, EMERGENCY CARE, AMBULANCE, HOME HEALTH, CLINIC, TRANSITIONAL CARE, INPATIENT AND OUTPATIENT HOSPICE CARE THE HOSPITAL PROVIDES EMS SERVICES WITH 3 CREWS PROVIDING 911 SERVICE TO THE COUNTY THE GOAL IS TO RESPOND WITHIN 20 MINUTES OR LESS TO ANY CALL WITHIN THE COUNTY THE HOSPITAL IS THE ONLY PEDIATRIC REHABILITATION PROVIDER OF PHYSICAL THERAPY, OCCUPATIONAL THERAPY AND SPEECH THERAPY IN WESTERN MONTANA USING CERTIFIED THERAPISTS THE HOSPITAL CLINICS SEE ALL PATIENTS REGARDLESS OF INSURANCE OR ABILITY TO PAY AND ENABLE THE COMMUNITY ACCESS TO PRIMARY CARE

4b

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

4c

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


















4dOther program services (Describe in Schedule O)

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

4eTotal program service expenses \$ 43,854,582

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance			Yes	No	
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>					
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a73			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c			
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return. .	2a546			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b			No
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year? .	3a			No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)? .	4a		No	
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? .	5a		No	
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		No	
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T? .	5c			
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible? .	6a		No	
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? .	6b			
7	Organizations that may receive deductible contributions under section 170(c).				
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? .	7a		No	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided? .	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? .	7c		No	
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? .	7e		No	
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? .	7f		No	
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? .	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? .	7h			
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? .	8			
9	Sponsoring organizations maintaining donor advised funds.				
a	Did the organization make any taxable distributions under section 4966? .	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person? .	9b			
10	Section 501(c)(7) organizations. Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b			
11	Section 501(c)(12) organizations. Enter				
a	Gross income from members or shareholders.	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b			
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b			
13	Section 501(c)(29) qualified nonprofit health insurance issuers.				
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a			
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b			
c	Enter the aggregate amount of reserves on hand.	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year? .	14a		No	
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b			

Part VI

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1a	11		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	6
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed ▶ _____
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ DONJA ERDMAN 1200 WESTWOOD DRIVE HAMILTON, MT 59840 (406) 375-4609

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) SONNY LASALLE CHAIR	2.00	X		X				0	0	0
(2) DON LODMELL PHD VICE CHAIR	2.00	X		X				0	0	0
(3) DONNA COONEY BOARD MEMBER	2.00	X						0	0	0
(4) STEVEN ELLIS MD BOARD MEMBER	2.00	X						0	0	0
(5) BARBARA ACKERMAN BOARD MEMBER	2.00	X						0	0	0
(6) BILL BEAN BOARD MEMBER	2.00	X						0	0	0
(7) JAMES OWINGS CPA BOARD MEMBER	2.00	X						0	0	0
(8) MICHAEL COWAN BOARD MEMBER	2.00	X						0	0	0
(9) GARY BEDEY BOARD MEMBER	2.00	X						0	0	0
(10) RANDY STEWART MD BOARD MEMBER/PHYSICIAN	7.00	X						51,084	0	0
(11) WALKER ASHCRAFT MD BOARD MEMBER/PHYSICIAN	40.00	X						152,724	0	22,698
(12) FREDERIK ILGENFRITZ MD BOARD MEMBER/PHYSICIAN	40.00	X						219,002	0	9,400
(13) JOHN M. BARTOS CEO/SECRETARY/TREASURER	39.00			X				277,479	0	29,233
(14) DONJA C. ERDMAN CFO	39.00			X				120,169	0	19,581
(15) JOHN MORELAND MD CHIEF MEDICAL OFFICER	40.00			X				317,493	0	38,500
(16) JOHN COURCHESNE MD PHYSICIAN	40.00					X		351,250	0	37,206
(17) JEREMIAH CLINTON MD PHYSICIAN	40.00					X		366,354	0	5,185

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	2,736,295	0	229,171

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 25

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
CERNER CORPORATION PO BOX 412072 KANSAS CITY, MO 64141	BUSINESS SERVICES PROVIDER	567,444
ALLIANCE HEALTHCARE SERVICES FILE 55826 LOS ANGELES, CA 90074	MRI IMAGING	552,728
HEALTHCARE OUTSOURCING NETWORK LLC 621 17TH ST 1800 DENVER, CO 80293	BUSINESS SERVICES PROVIDER	299,899
WILLIAM DOYLE MD 447 WILCOX LANE CORVALLIS, MT 59828	EMERGENCY ROOM PHYSICIAN	274,312
CLINTON R ADKINS DO 387 WOMBAT CORVALLIS, MT 59828	EMERGENCY ROOM PHYSICIAN	266,338

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 ►15

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	115,352				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f			115,352			
Program Service Revenue			Business Code					
	2a	NET PATIENT SERVICE RE	621400	49,263,153	49,263,153			
	b	HOSPITAL UTILZTN REV	621400	1,410,190	1,410,190			
	c	OTHER OPERATING INCOME	621400	873,003	873,003			
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f			51,546,346			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)			45,598		45,598	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
		146,391						
		164,870						
		-18,479						
	b	Less rental expenses						
	c	Rental income or (loss)						
	d	Net rental income or (loss)			-18,479		-18,479	
	7a	(i) Securities		(ii) Other				
				50,425				
				80,712				
				-30,287				
	b	Less cost or other basis and sales expenses						
	c	Gain or (loss)						
	d	Net gain or (loss)			-30,287		-30,287	
	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	MISCELLEANEOUS	900099	205,078				205,078	
b	EDUCATION	900099	22,100				22,100	
c	CAFETERIA/VENDING	900099	4,121				4,121	
d	All other revenue		-18,356				-18,356	
e	Total. Add lines 11a-11d			212,943				
12	Total revenue. See Instructions			51,871,473	51,546,346	0	209,775	

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	76,726	76,726		
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	916,665	463,359	453,306	
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	21,612,862	17,756,510	3,748,726	107,626
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	726,939	599,983	123,295	3,661
9	Other employee benefits	3,682,137	2,992,954	671,361	17,822
10	Payroll taxes	1,457,391	1,168,285	281,136	7,970
11	Fees for services (non-employees)				
a	Management				
b	Legal	133,318		133,318	
c	Accounting	60,868		50,868	10,000
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	3,896,605	2,981,943	912,325	2,337
12	Advertising and promotion	163,535	163,535		
13	Office expenses	4,499,633	4,179,905	317,574	2,154
14	Information technology	682,378	503,082	179,296	
15	Royalties				
16	Occupancy	835,556	326,308	509,248	
17	Travel	148,233	81,824	66,319	90
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	804,657	618,755	148,722	37,180
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	3,785,102	3,490,133	283,918	11,051
23	Insurance	922,290	922,290		
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	PROVISION FOR BAD DEBTS	6,679,689	6,679,689		
b	MAINTENANCE AND REPAIRS	696,390	551,509	144,881	0
c	MISCELLANEOUS EXPENSES	300,268	43,143	255,420	1,705
d	PHARMACY/ LAB EXPENSES	189,185	189,185	0	0
e					
f	All other expenses	73,958	65,464	6,485	2,009
25	Total functional expenses. Add lines 1 through 24f	52,344,385	43,854,582	8,286,198	203,605
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			3,127,975	1	7,077,081
	2	Savings and temporary cash investments			2,592,286	2	2,642,542
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			11,265,092	4	9,148,211
	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			108,523	7	9,261
	8	Inventories for sale or use			1,079,757	8	1,198,333
	9	Prepaid expenses and deferred charges			370,554	9	371,702
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	52,283,890			
	b	Less: accumulated depreciation	10b	24,706,822	26,780,235	10c	27,577,068
	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			1,368,776	13	1,452,688
	14	Intangible assets			444,242	14	458,867
	15	Other assets. See Part IV, line 11				15	
	16	Total assets. Add lines 1 through 15 (must equal line 34)			47,137,440	16	49,935,753
Liabilities	17	Accounts payable and accrued expenses			5,201,791	17	6,512,071
	18	Grants payable				18	
	19	Deferred revenue				19	719,442
	20	Tax-exempt bond liabilities			8,685,000	20	8,085,000
	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			5,381,512	23	5,099,396
	24	Unsecured notes and loans payable to unrelated third parties			600,007	24	2,752,972
	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			819,110	25	692,137
	26	Total liabilities. Add lines 17 through 25			20,687,420	26	23,861,018
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			24,723,132	27	24,190,477
	28	Temporarily restricted net assets			743,245	28	900,075
	29	Permanently restricted net assets			983,643	29	984,183
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			26,450,020	33	26,074,735
	34	Total liabilities and net assets/fund balances			47,137,440	34	49,935,753

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	51,871,473
2	Total expenses (must equal Part IX, column (A), line 25)	2	52,344,385
3	Revenue less expenses Subtract line 2 from line 1	3	-472,912
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	26,450,020
5	Other changes in net assets or fund balances (explain in Schedule O)	5	97,626
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	26,074,735

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization MARCUS DALY MEMORIAL HOSPITAL	Employer identification number 81-0240726
---	--

Part I

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

Section A. Public Support						
Calendar year (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 IIIPart III

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

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

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization		
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions		

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

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

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
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number
81-0240726

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

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

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

1

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

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

(i)

Revenues included in Form 990, Part VIII, line 1

► \$ _____

(ii)

Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
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	313,190	313,190	313,190	
b	Contributions				
c	Investment earnings or losses	1,997	3,160	4,071	
d	Grants or scholarships				
e	Other expenditures for facilities and programs	1,997	3,160	4,071	
f	Administrative expenses				
g	End of year balance	313,190	313,190	313,190	

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶ 0 %

b

Permanent endowment ▶ 100 000 %

c

Term endowment ▶ 0 %

3a

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

(i)

unrelated organizations

(ii)

related organizations

3a(i)

3a(ii)

Yes

No

No

No

b

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

3b

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,462,528		1,462,528
b Buildings		31,234,942	12,866,644	18,368,298
c Leasehold improvements		695,752	640,604	55,148
d Equipment		16,662,317	11,199,574	5,462,743
e Other		2,228,351		2,228,351
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				27,577,068

Part XIReconciliation of Change in Net Assets from Form 990 to Financial Statements		
1	Total revenue (Form 990, Part VIII, column (A), line 12)	151,871,473
2	Total expenses (Form 990, Part IX, column (A), line 25)	252,344,385
3	Excess or (deficit) for the year Subtract line 2 from line 1	3-472,912
4	Net unrealized gains (losses) on investments	4
5	Donated services and use of facilities	5
6	Investment expenses	6
7	Prior period adjustments	7
8	Other (Describe in Part XIV)	897,626
9	Total adjustments (net) Add lines 4 - 8	997,626
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10-375,286

Part XIIReconciliation of Revenue per Audited Financial Statements With Revenue per Return		
1	Total revenue, gains, and other support per audited financial statements	151,749,807
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	
a	Net unrealized gains on investments2a	
b	Donated services and use of facilities2b	
c	Recoveries of prior year grants2c	
d	Other (Describe in Part XIV)2d164,870	
e	Add lines 2a through 2d	2e164,870
3	Subtract line 2e from line 1	351,584,937
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 7b4a	
b	Other (Describe in Part XIV)4b286,536	
c	Add lines 4a and 4b	4c286,536
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	551,871,473

Part XIIIReconciliation of Expenses per Audited Financial Statements With Expenses per Return		
1	Total expenses and losses per audited financial statements	152,509,255
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	
a	Donated services and use of facilities2a	
b	Prior year adjustments2b	
c	Other losses2c	
d	Other (Describe in Part XIV)2d164,870	
e	Add lines 2a through 2d	2e164,870
3	Subtract line 2e from line 1	352,344,385
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 7b4a	
b	Other (Describe in Part XIV)4b	
c	Add lines 4a and 4b	4c0
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	552,344,385

Part XIVSupplemental 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
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	THE ENDOWMENT FUND IS DESIGNATED FOR THE PURPOSE OF BUILDING AND CARRYING ON A HOSPITAL IN HAMILTON, MONTANA. THE EVANS ENDOWMENT IS TO BE USED FOR THE CARE AND TREATMENT OF CRIPPLED CHILDREN.
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	PER THE AUDITED FINANCIAL STATEMENTS, NOTE 1: THE INTERNAL REVENUE SERVICE (IRS) HAS DETERMINED THAT MARCUS DALY MEMORIAL HOSPITAL IS A TAX-EXEMPT, NOT-FOR-PROFIT CORPORATION UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE (IRC). THE HOSPITAL FOLLOWS THE GUIDANCE IN THE ACCOUNTING STANDARDS REGARDING THE RECOGNITION AND MEASUREMENT OF UNCERTAIN TAX POSITIONS. THE GUIDANCE CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN AN ENTITY'S FINANCIAL STATEMENTS. THE GUIDANCE FURTHER PRESCRIBES RECOGNITION AND MEASUREMENT OF TAX PROVISIONS TAKEN OR EXPECTED TO BE TAKEN ON A TAX RETURN THAT ARE NOT CERTAIN TO BE REALIZED. THE APPLICATION OF THIS STANDARD HAS NO IMPACT ON THE HOSPITAL'S FINANCIAL STATEMENTS. THE HOSPITAL'S INCOME TAX RETURNS ARE SUBJECT TO REVIEW AND EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES. THE INFORMATION TAX RETURNS FOR THE YEARS ENDED 2009 TO 2011 ARE OPEN TO EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES.
PART XI, LINE 8 - OTHER ADJUSTMENTS		CHANGE IN BENEFICIAL INTEREST IN NET ASSETS OF DALY HOSPITAL FOUNDATION 83,912. AUXILIARY INCOME 13,714. TOTAL TO SCHEDULE D, PART XI, LINE 8 97,626.
PART XII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 164,870.
PART XII, LINE 4B - OTHER ADJUSTMENTS		NONOPERATING REVENUE 189,541. CONTRIBUTIONS AND GRANTS 26,424. TEMP RESTRICTED CONTRIBUTIONS 29,182. RESTRICTED CONTRIBUTIONS 59,746. LOSS FROM REFINANCING OF LONG-TERM DEBT -18,357.
PART XIII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 164,870.

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
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number
81-0240726

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals <input type="checkbox"/> Applied uniformly to most hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ % b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other 100.000000000000 % c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care	3a	Yes	
		3b	Yes	
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			504,810		504,810	1 110 %
b Medicaid (from Worksheet 3, column a)			3,577,274	3,243,032	334,242	0 730 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			4,082,084	3,243,032	839,052	1 840 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			346,432		346,432	0 760 %
f Health professions education (from Worksheet 5)			152,471		152,471	0 330 %
g Subsidized health services (from Worksheet 6)			9,657,292	8,416,923	1,240,369	2 720 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			83,600		83,600	0 180 %
j Total Other Benefits			10,239,795	8,416,923	1,822,872	3 990 %
k Total. Add lines 7d and 7j			14,321,879	11,659,955	2,661,924	5 830 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development	3		8,827		8,827	0.020 %
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building	4		3,115		3,115	0.010 %
7Community health improvement advocacy						
8Workforce development	2		133,685		133,685	0.290 %
9Other						
10Total	9		145,627		145,627	0.320 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	6,679,689	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	0	
4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5Enter total revenue received from Medicare (including DSH and IME)	5	14,113,953	
6Enter Medicare allowable costs of care relating to payments on line 5	6	15,308,800	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	-1,194,847	
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other			

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

(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

[illegible]

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

MARCUS DALY MEMORIAL HOSPITAL

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
8 Did the hospital facility have in place during the tax year a written financial assistance policy that Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 100 0000000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>100 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input checked="" type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

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

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V

Facility Information (continued)

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 5

Name and address		Type of Facility (Describe)
1	CORVALLIS FAMILY MEDICINE CLINIC 1037 MAIN STREET CORVALLIS, MT 59828	CLINIC
2	BITTERROOT VALLEY EYE ASSOCIATES 300 N 10TH STREET HAMILTON, MT 59840	CLINIC
3	BITTERROOT CLINIC 1224 MAIN STREET HAMILTON, MT 59840	CLINIC
4	BITTERROOT VALLEY EYE ASSOCIATES 401 MAIN STREET STEVENSVILLE, MT 59870	CLINIC
5	RAVALLI UROLOGY 1224 MAIN STREET HAMILTON, MT 59840	CLINIC
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		PART I, LINE 3C FULL TO PARTIAL ASSISTANCE MAY BE GRANTED TO PATIENTS WITH GROSS FAMILY INCOME BELOW 100% OF THE FPG, AS ADJUSTED FOR FAMILY SIZE A FAMILY MAY NOT OWN NET ASSETS IN EXCESS OF \$10,000 CURRENT VALUE

Identifier	ReturnReference	Explanation
		PART I, LINE 6A A COMMUNITY BENEFIT REPORT FOR FISCAL YEAR 2011 WAS IN THE SPRING 2012 EDITION OF HEALTHLINES, THE NEWSLETTER OF MARCUS DALY MEMORIAL HOSPITAL THE NEWSLETTER WAS DELIVERED TO EVERY MAILING ADDRESS IN RAVALLI COUNTY COVERING APPROXIMATELY 14,300 HOUSEHOLDS AN ADDITIONAL 1,000 COPIES OF THE NEWSLETTER WERE PRINTED FOR GENERAL CIRCULATION

Identifier	ReturnReference	Explanation
		PART I, LINE 7 EXPLANATION OF COSTING METHOD COMMUNITY HEALTH IMPROVEMENT SERVICES, COMMUNITY BENEFIT OPERATIONS, HEALTH PROFESSIONAL EDUCATION, AND CASH AND IN-KIND CONTRIBUTIONS TO COMMUNITY GROUPS ARE REPORTED AT COST GENERAL SUBSIDIZED SERVICES ARE COMPUTED USING THE IRS GUIDELINES OF COST ADJUSTED NET OF PAYMENTS RECEIVED THE MEDICARE COST REPORT WAS USED TO DETERMINE THE TOTOAL OF THE SUBSIDY FOR THE HOME HEALTH/HOSPICE DEPARTMENTS

Identifier	ReturnReference	Explanation
		PART I, LINE 7G INCLUDED IN THE SUBSIDIZED HEALTH SERVICES ARE THE FOLLOWING DEPARTMENTS EMERGENCY MEDICAL SERVICES, AMBULANCE, THE SLEEP CENTER, BITTERROOT ORTHOPEDICS AND SPORTS MEDICINE CLINIC, HOME HEALTH, HOSPICE CENTER AND HOSPICE OUTPATIENT

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 6679689

Identifier	ReturnReference	Explanation
		PART II THE HOSPITAL PROMOTES THE HEALTH OF THE COMMUNITY BY PARTICIPATION IN BOTH ECONOMIC AND COALITION BUILDING EVENTS THE HOSPITAL PARTNERS WITH LOCAL HIGH SCHOOLS WITH A "JOB SHADOW" PROGRAM THE GOAL IS TO EXPOSE AND PROMOTE THE HEALTH CARE PROFESSION TO AREA YOUTH THE HOSPITAL IS ALSO REPRESENTED ON THE BITTERROOT COLLEGE STEERING TEAM AND THE JOB SERVICE ECONOMIC COUNCIL THE HOSPITAL PARTNERS WITH THE ROCKY MOUNTAIN LAB, A LEVEL 4 BIOHAZARD LAB, TO HELP ENSURE COMMUNITY SAFETY ALONG WITH OTHER COMMUNITY SUPPORT ORGANIZATIONS

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE FOLLOWING IS FROM THE "PATIENT RECEIVABLES" PARAGRAPH IN NOTE 1 TO THE HOSPITAL'S FINANCIAL STATEMENTS "THE HOSPITAL MAINTAINS AN ALLOWANCE FOR UNCOLLECTIBLE SELF-PAY ACCOUNTS PATIENTS ARE NOT REQUIRED TO PROVIDE COLLATERAL FOR SERVICES RENDERED PAYMENT FOR SERVICES IS REQUIRED AT THE TIME OF SERVICE WHEN THE AMOUNT DUE IS KNOWN OR UPON RECEIPT OF AN INVOICE, AFTER PAYMENT BY INSURANCE, IF ANY MANAGEMENT DETERMINES THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BY IDENTIFYING TROUBLED ACCOUNTS, BY HISTORICAL EXPERIENCE APPLIED TO AN AGING OF ACCOUNTS AND BY CONSIDERING THE PATIENTS' FINANCIAL HISTORY, CREDIT HISTORY AND CURRENT ECONOMIC CONDITIONS WHEN ALL COLLECTION EFFORTS HAVE BEEN EXHAUSTED, THE ACCOUNT IS WRITTEN OFF AGAINST THE RELATED ALLOWANCE "THE AMOUNT OF BAD DEBT EXPENSE REPORTED IN PART III, LINE 2 IS CALCULATED AS FOLLOWS PAYMENT ARRANGEMENT INCLUDE PROSPECTIVELY DETERMINED RATES PER DISCHARGE, REIMBURSED COSTS, DISCOUNTED CHARGES AND PER DIEM PAYMENTS NET PATIENT SERVICE REVENUE IS REPORTED AT THE ESTIMATED NET REALIZABLE AMOUNTS FROM PATIENTS, THIRD-PARTY PAYORS, AND OTHERS FOR SERVICES RENDERED, INCLUDING ESTIMATED RETROACTIVE ADJUSTMENTS UNDER REIMBURSEMENT AGREEMENTS WITH THIRD-PARTY PAYORS

Identifier	ReturnReference	Explanation
		PART III, LINE 8 MDMH HAS A MEDICARE SHORTFALL IN EXCESS OF APPROXIMATELY \$1.2 MILLION. THE HOSPITAL HAS CRITICAL ACCESS HOSPITAL STATUS AND IS REIMBURSED BY MEDICARE FOR INPATIENT AND OUTPATIENT SERVICES ON A COST BASIS AS DEFINED AND LIMITED BY THE MEDICARE PROGRAM. MDMH PROVIDES A SIGNIFICANT RURAL LINK FOR BOTH THE HEALTH AND WELL-BEING OF RAVALLI COUNTY RESIDENTS. WE ARE COMMITTED TO LOCAL HEALTHCARE CLOSE TO HOME AND WORK HARD TO EARN AND KEEP THE TRUST OF THE LOCAL COMMUNITY. TO ENSURE THAT A VARIETY OF CLINIC, HOSPITAL AND EMERGENCY SERVICES ARE OPEN AND AVAILABLE TO ALL THOSE WITHIN OUR SERVICE AREA, WE STRIVE TO OPERATE AT THE HIGHEST LEVEL OF FISCAL RESPONSIBILITY AND TO BE A GOOD STEWARD OF OUR RESOURCES. IRS AND CLIFTON LARSON ALLEN METHODOLOGY WAS USED TO COMPUTE THE MEDICARE SHORTFALL.

Identifier	ReturnReference	Explanation
		PART III, LINE 9B IF A PATIENT IS PRESUMED TO BE FINANCIALLY INDIGENT, THE PATIENT REPRESENTATIVE WILL OFFER A PATIENT FINANCIAL STATEMENT (PFS) TO BE FILLED OUT THE PFS WILL BE FORWARDED TO THE CHARITY CARE COMMITTEE FOR REVIEW AND DETERMINATION OF CHARITY CARE STATUS A PATIENT MAY REQUEST A MONTHLY PAYMENT ARRANGMENT A MINIMUM PAYMENT OF \$50 MUST BE PAID MONTHLY, WITH THE BALANCE PAID IN FULL WITHIN 5 YEARS ACCOUNTS THAT CANNOT BE COLLECTED AFTER NORMAL IN-HOUSE COLLECTION PROCEDURES MAY BE REFERRED TO A COLLECTION AGENCY, MAGISTRATE OR ATTORNEY FOR FURTHER COLLECTION ACTION

Identifier	ReturnReference	Explanation
MARCUS DALY MEMORIAL HOSPITAL		PART V, SECTION B, LINE 9 ELIGIBILITY FOR PATIENT ASSISTANCE IS MADE REGARDLESS OF RACE, COLOR, CREED, OR AGE COSMETIC OR EXPERIMENTAL PROCEDURES AND CHARGES ARE NOT ELIGIBLE FOR CHARITY ASSISTANCE FULL TO PARTIAL PATIENT ASSISTANCE MAY BE PROVIDED TO PATIENTS WITH GROSS FAMILY INCOME BELOW 100% OF THE FPG AS ADJUSTED FOR FAMILY SIZE THE FAMILY MAY NOT OWN NET ASSETS IN EXCESS OF \$10,000 OR GROSS ASSETS OF \$200,000 OTHER CONSIDERATIONS MAY BE A PATIENT'S HEALTHINESS AND THEIR ABILITY TO SEEK OR HOLD EMPLOYMENT SEE CHARITY CARE POLICY FOR DETAILS

Identifier	ReturnReference	Explanation
MARCUS DALY MEMORIAL HOSPITAL		PART V, SECTION B, LINE 10 ELIGIBILITY FOR PATIENT ASSISTANCE IS MADE REGARDLESS OF RACE, COLOR, CREED OR AGE COSMETIC OR EXPERIMENTAL PROCEDURES AND CHARGES ARE NOT ELIGIBLE FOR CHARITY ASSISTANCE FULL TO PARTIAL PATIENT ASSISTANCE MAY BE PROVIDED TO PATIENTS WITH GROSS FAMILY INCOME BELOW 100% OF THE FPG AS ADJUSTED FOR FAMILY SIZE THE FAMILY MAY NOT OWN NET ASSETS IN EXCESS OF \$10,000 OR GROSS ASSETS OV \$200,000 SEE CHARITY CARE POLICY FOR DETAILS

Identifier	ReturnReference	Explanation
MARCUS DALY MEMORIAL HOSPITAL		PART V, SECTION B, LINE 13G THE HOSPITAL BILLING OFFICE OR ITS REPRESENTATIVE CONTACTS EACH PATIENT TO DISCUSS THEIR ACCOUNT BALANCES AND THEIR ABILITY TO MAKE PAYMENT EACH BILLING STATEMENT CONTAINS INFORMATION ON THE CHARITY CARE PROGRAM

Identifier	ReturnReference	Explanation
MARCUS DALY MEMORIAL HOSPITAL		PART V, SECTION B, LINE 19D MDMH DETERMINES AMOUNTS GENERALLY BILLED ("AGB") BASED ON COMMERCIAL PAYORS THE LARGEST COMMERCIAL PAYOR DISCOUNT WAS 27% FOR THE YEAR ENDED JUNE 30, 2012 PATIENT FINANCIAL ASSISTANCE DISCOUNTS RANGE FROM 34% TO 100%, DEPENDING UPON PATIENT ELIGIBILITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE ORGANIZATION HAS PARTNERED WITH THE MONTANA OFFICE OF RURAL HEALTH AT MONTANA STATE UNIVERSITY, BOZEMAN MT BEGINNING MAY 2012 A FINAL REPORT IS EXPECTED IN DECEMBER 2012

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 BILLING AND COLLECTION INFORMATION IS LOCATED ON THE BACK OF EACH BILLING STATEMENT SENT TO PATIENTS OR THEIR GUARANTORS ON A MONTHLY BASIS FOLLOW-UP PHONE CALLS ARE MADE INQUIRING AS TO EXPECTED PAYMENTS EXPLANATION AND DISCUSSION AS TO THE CHARITY CARE POLICY MAY BE HAD AT THAT TIME AS NECESSARY AND APPROPRIATE THE MASH PROGRAM IS ALSO EMPLOYED BY THE HOSPITAL TO HELP SCREEN PRIVATE PAY PATIENTS WHO MAY QUALIFY FOR OTHER PROGRAMS SUCH AS MEDICAID AND DISABILITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 THE HOSPITAL SERVES A RURAL POPULATION WHERE THE HOUSEHOLD MEDIAN INCOME IS ABOUT \$28,000 THE PAYER MIX IS 52% MEDICARE, 9% MEDICAID, 12% SELF PAY, NO INSURANCE, WITH THE BALANCE AS OTHER COMMERCIAL PAYERS THE PERIOD UNEMPLOYMENT RATE IN RAVALLI COUNTY IS BETWEEN 9 AND 10 2%

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE HOSPITAL IS PROUD OF IT'S EFFORTS TO PROMOTE COMMUNITY HEALTH AND WELLNESS THIS YEAR THE FOCUS WAS ON "SPRINKLE PINK" A PROGRAM TO WHICH PROMOTE COMMUNITY AWARENESS FOR BREAST CANCER THE HOSPITAL SPONSORS AN ANNUAL SPORTS PHYSICAL CLINIC TO SUPPORT AND ENCOURAGE AREA YOUTH TO PARTICIPATE IN PHYSICAL ACTIVITIES OTHER COMMUNITY CLINICS OR SCREENINGS INCLUDED BLOOD PRESSURE TESTING AT AREA SENIOR CENTERS, AND LIPID PROFILES AND CHOLESTEROL TESTS PROVIDED TO THE COMMUNITY FREE OF CHARGE A VARIETY OF HEALTH EDUCATION CLASSES WERE CONDUCTED INCLUDING, BUT NOT LIMITED TO, A SERIES RELATING TO DIABETES AND A ONE-DAY WORKSHOP ON WOMEN HEALTH

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 THE ORGANIZATION IS NOT PART OF AN AFFILIATED HEALTH CARE SYSTEM

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	MT

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number
81-0240726

Part I

General Information on Grants and Assistance

- 1

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

☒ Yes

☐ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) PERFORMING ARTS COMPANY INC610 N 1ST STREET HAMILTON,MT 59840	27-0273010	501(C)(3)	10,000				SUPPORT FOR ACTIVITIES AND PROGRAMS
(2) RAVALLI COUNTY MUSEUM205 BEDFORD STREET HAMILTON,MT 59840	81-0370013	501(C)(3)	10,000				SUPPORT FOR ACTIVITIES AND PROGRAMS
(3) HAMILTON SCHOOL DISTRICT217 DALY AVE HAMILTON,MT 59840	81-6000830	GOVERNMENTAL	9,800				SUPPORT FOR SCHOOL RN PROGRAM AND STUDENT ATHLETICS
(4) CORVALLIS SCHOOL DISTRICTPO BOX 700 1045 MAIN STREET CORVALLIS,MT 59828	81-6000828	GOVERNMENTAL	8,925				SUPPORT FOR SCHOOL RN PROGRAM AND STUDENT ATHLETICS
(5) STEVENSVILLE SCHOOL DISTRICT300 PARK STREET STEVENSVILLE,MT 59870	81-6000829	GOVERNMENTAL	6,500				SUPPORT FOR SCHOOL RN PROGRAM

2

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

5

3

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

0

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE HOSPITAL IS COMMITTED TO SUPPORT THE HEALTH AND WELL-BEING OF AREA SCHOOL AGED CHILDREN BY PROVIDING FUNDING GRANTS RESTRICTED TO THE DISTRICT'S SCHOOL NURSE PROGRAM THE HOSPITAL HAS ALSO COMMITTED TO SUPPORT STUDENT ATHLETICS BY PROVIDING A VOLUNTEER BASED, LOW-COST SPORTS PHYSICAL CLINIC DURING THE SUMMER THE PROCEEDS ARE GIVEN TO THE PARTICIPATING STUDENTS' HOME DISTRICT TO SUPPORT THE DISTRICT'S ATHLETIC PROGRAMS THESE GRANTS ARE IN DIRECT SUPPORT OF OUR COMMUNITY BENEFIT GOALS OTHER COMMUNITY ORGANIZATIONS MAY SUBMIT A GRANT PROPOSAL DIRECTLY TO THE HOSPITAL CEO FOR CONSIDERATION THE REQUESTS ARE EVALUATED BASED UPON BROAD BASED COMMUNITY SUPPORT AND THE URGENCY OF NEED

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization MARCUS DALY MEMORIAL HOSPITAL	Employer identification number 81-0240726
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Part I

Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) WALKER ASHCRAFT MD	(i)	132,001	20,723	0	15,984	6,714	175,422	0
	(ii)	0	0	0	0	0	0	0
(2) FREDERIK ILGENFRITZ MD	(i)	219,002	0	0	8,400	1,000	228,402	0
	(ii)	0	0	0	0	0	0	0
(3) JOHN M BARTOS	(i)	228,670	0	48,809	20,520	8,713	306,712	0
	(ii)	0	0	0	0	0	0	0
(4) JOHN MORELAND MD	(i)	271,844	45,649	0	38,500	0	355,993	0
	(ii)	0	0	0	0	0	0	0
(5) JOHN COURCHESNE MD	(i)	184,452	166,798	0	30,492	6,714	388,456	0
	(ii)	0	0	0	0	0	0	0
(6) JEREMIAH CLINTON MD	(i)	366,354	0	0	0	5,185	371,539	0
	(ii)	0	0	0	0	0	0	0
(7) YVONNE COURCHESNE MD	(i)	163,708	158,705	0	30,492	1,000	353,905	0
	(ii)	0	0	0	0	0	0	0
(8) LUKE CHANNER MD	(i)	249,999	35,896	0	18,500	9,688	314,083	0
	(ii)	0	0	0	0	0	0	0
(9) MARY CAMDEN MD	(i)	272,322	0	110	0	7,688	280,120	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

Part III **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
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Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.</div>										OMB No 1545-0047	
											2011	
	Department of the Treasury Internal Revenue Service	Name of the organization MARCUS DALY MEMORIAL HOSPITAL										Employer identification number 81-0240726

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A MT HEALTH FACILITY AUTHORITY	81-0302402	612043ED7	01-31-2007	7,068,924	CONSTRUCTION OF A NEW EMERGENCY DEPARTMENT		X		X		X

Part II Proceeds											
				A		B		C		D	
1	Amount of bonds retired			1,020,000							
2	Amount of bonds defeased										
3	Total proceeds of issue			7,135,000							
4	Gross proceeds in reserve funds			1,006,262							
5	Capitalized interest from proceeds										
6	Proceeds in refunding escrow										
7	Issuance costs from proceeds			155,264							
8	Credit enhancement from proceeds										
9	Working capital expenditures from proceeds										
10	Capital expenditures from proceeds			5,973,474							
11	Other spent proceeds										
12	Other unspent proceeds										
13	Year of substantial completion			2008							
				Yes	No						
14	Were the bonds issued as part of a current refunding issue?			X							
15	Were the bonds issued as part of an advance refunding issue?				X						
16	Has the final allocation of proceeds been made?			X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?			X							

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
		THE ISSUE PRICE OF \$7,068,924 DOES NOT EQUAL THE TOTAL PROCEEDS OF ISSUE OF \$7,135,000 BECAUSE OF A \$66,076 ORIGINAL ISSUE DISCOUNT

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.

OMB No 1545-0047
2011
Open to Public Inspection

Name of the organization
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number
81-0240726

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

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

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

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

Part II Loans to and/or From Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

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

Part III Grants or Assistance Benefitting Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

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

Part IV

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) KATHLEEN OWINGS	SPOUSE OF BOARD MEMBER	90,549	EMPLOYMENT		No
(2) STEPHEN ELLIS MD	BOARD MEMBER	36,606	MORTGAGE AGREEMENT		No
(3) WALKER ASHCRAFT MD	BOARD MEMBER	36,606	MORTGAGE AGREEMENT		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
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on

Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2011

Open to Public

Inspection

Name of the organization	Employer identification number
MARCUS DALY MEMORIAL HOSPITAL	81-0240726

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	DONJA ERDMAN, CFO AND JOHN BARTOS, CEO WILL REVIEW THE FORM 990 AT THE BOARD MEETING THIS WILL INCLUDE A DETAIL REVIEW OF THE ITEMS ON EACH PAGE
	FORM 990, PART VI, SECTION B, LINE 12C	THE HOSPITAL ATTORNEY ATTENDS ALL BOARD MEETINGS AND HE IS GIVEN THE AUTHORITY TO QUESTION, PRIOR TO DISCUSSION, A POTENTIAL CONFLICT OF INTEREST FOR ANY DIRECTOR THE CEO RAISES A QUESTION REGARDING CONFLICT OF INTEREST THE HOSPITAL BOARD ASKS THE DIRECTOR TO STEP OUT OF THE ROOM DURING DISCUSSION OF CONFLICT THE DIRECTOR IS EXCUSED FOR THE DISCUSSION ONCE A CONFLICT HAS BEEN DETERMINED OR IS INVITED BACK INTO THE ROOM IF NO CONFLICT IS DETERMINED TO EXIST
	FORM 990, PART VI, SECTION B, LINE 15	CEO - OCCURS ANNUALLY WITH ANNUAL COMPENSATION COMMITTEE OF THE BOARD THE COMMITTEE REVIEWS SURVEYS FOR COMPARABLE PAY AND BENEFITS THIS COMMITTEE ALSO CONDUCTS THE ANNUAL EVALUATION OF THE CFO
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY ARE NOT MADE AVAILABLE TO THE PUBLIC FINANCIAL STATEMENTS ARE MADE AVAILABLE TO THE PUBLIC UPON REQUEST
OFFICER OVERLAP	FORM 990, PART VII, SECTION A	JOHN M BARTOS (CEO) AND DONJA C ERDMAN (CFO) BOTH SERVE AS OFFICERS FOR THE DALY HOSPITAL FOUNDATION ON AVERAGE THEY WORK 40 HOURS PER WEEK SERVING EACH ORGANIZATION
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	CHANGE IN BENEFICIAL INTEREST IN NET ASSETS OF DALY HOSPITAL FOUNDATION 83,912 AUXILIARY INCOME 13,714 TOTAL TO FORM 990, PART XI, LINE 5 97,626

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number
81-0240726

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) DALY HOSPITAL FOUNDATIONINC 1200 WESTWOOD DRIVE HAMILTON, MT 59840 36-3766000	CHARITABLE SERVICES	MT	501(C)(3)	11-TYPE 2	N/A		No

Part III

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

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

Part IV

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

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

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Sale of assets to related organization(s)

g Purchase of assets from related organization(s)

h Exchange of assets with related organization(s)

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

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

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

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

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

n Sharing of paid employees with related organization(s)

o Reimbursement paid to related organization(s) for expenses

p Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

Yes

No

No

No

No

No

No

No

Yes

No

Yes

Yes

No

No

No

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) DALY HOSPITAL FOUNDTION INC	K	163,402	FAIR MARKET VALUE
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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MARCUS DALY MEMORIAL HOSPITAL CORPORATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2012 AND 2011

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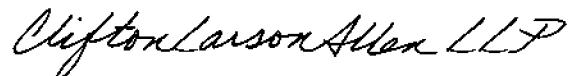
INDEPENDENT AUDITORS' REPORT

Board of Directors
Marcus Daly Memorial Hospital Corporation
Hamilton, Montana

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marcus Daly Memorial Hospital Corporation as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 15, 2012

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
BALANCE SHEETS
JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,077,081	\$ 3,127,975
Assets Limited as to Use Required for Current Liabilities	997,854	1,175,605
Patient Accounts, Net Allowance for Uncollectible Accounts of \$7,430,000 in 2012 and \$5,457,000 in 2011	8,863,791	11,003,133
Other Receivables	284,420	261,959
Inventory	1,198,333	1,079,757
Prepaid Expenses	<u>371,702</u>	<u>370,554</u>
Total Current Assets	18,793,181	17,018,983
ASSETS LIMITED AS TO USE	2,642,542	2,592,286
Less Assets Limited as to Use Required for Current Liabilities	<u>(997,854)</u>	<u>(1,175,605)</u>
Total Assets Limited as to Use, Net	1,644,688	1,416,681
PROPERTY AND EQUIPMENT, NET	27,577,068	26,780,235
BENEFICIAL INTEREST IN DALY HOSPITAL FOUNDATION, INC.	1,452,688	1,368,776
OTHER ASSETS	<u>468,128</u>	<u>552,765</u>
Total Assets	<u><u>\$ 49,935,753</u></u>	<u><u>\$ 47,137,440</u></u>

See accompanying Notes to Financial Statements

	2012	2011
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 844,098	\$ 1,013,649
Line of Credit	426,904	600,000
Accounts Payable	2,175,983	1,881,216
Construction Accounts Payable	1,474,958	1,148,386
Accrued Compensation and Related Liabilities	2,106,042	2,010,240
Accrued Interest	153,756	161,956
Deferred Revenue, Current Portion	601,332	-
Estimated Third-Party Payor Settlements	692,137	819,110
Total Current Liabilities	8,475,210	7,634,557
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	14,666,366	13,052,863
Deferred Revenue	719,442	-
Total Long-Term Liabilities	15,385,808	13,052,863
Total Liabilities	23,861,018	20,687,420
CONTINGENT LIABILITIES AND COMMITMENTS		
NET ASSETS		
Unrestricted	24,190,477	24,723,132
Temporarily Restricted	900,075	743,245
Permanently Restricted	984,183	983,643
Total Net Assets	26,074,735	26,450,020
Total Liabilities and Net Assets	\$ 49,935,753	\$ 47,137,440

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Net Patient Service Revenue	\$ 49,263,153	\$ 45,239,736
Montana Hospital Utilization Revenue	1,410,190	1,536,465
Other Operating Revenue	1,076,464	104,890
Total Operating Revenues	<u>51,749,807</u>	<u>46,881,091</u>
OPERATING EXPENSES		
Salaries and Wages	22,456,026	20,192,358
Employee Benefits	5,941,021	5,232,419
Professional Fees	2,221,802	2,024,811
Supplies	4,537,565	4,317,771
Purchased Services, Other	2,021,382	1,981,609
Purchased Services, Utilities	685,920	673,470
Insurance	922,290	959,619
Other	1,158,318	982,644
Maintenance and Repairs	1,130,613	1,123,438
Rent	164,870	261,309
Interest	804,657	795,689
Depreciation and Amortization	3,785,102	2,897,824
Provision for Bad Debts	6,679,689	4,872,742
Total Operating Expenses	<u>52,509,255</u>	<u>46,315,703</u>
INCOME (LOSS) FROM OPERATIONS	(759,448)	565,388
NONOPERATING GAINS (LOSSES)		
Interest Revenue	45,598	109,850
Grants and Contributions	26,424	81,551
Loss from Refinancing of Long-Term Debt	(18,357)	-
Other Nonoperating Revenue	143,946	199,968
Total Nonoperating Gains, Net	<u>197,611</u>	<u>391,369</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(561,837)	956,757
NET ASSETS RELEASED FROM RESTRICTIONS	<u>29,182</u>	<u>135,293</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (532,655)</u>	<u>\$ 1,092,050</u>

See accompanying Notes to Financial Statements

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
UNRESTRICTED NET ASSETS		
Excess (Deficit) of Revenues Over Expenses	\$ (561,837)	\$ 956,757
Net Assets Released from Restrictions	<u>29,182</u>	<u>135,293</u>
Increase (Decrease) in Unrestricted Net Assets	(532,655)	1,092,050
TEMPORARILY RESTRICTED NET ASSETS		
Contributions and Grants	88,928	143,553
Auxiliary Income (Loss)	13,712	(360)
Net Assets Released from Restrictions	(29,182)	(135,293)
Change in Beneficial Interest in Net Assets of Daly Hospital Foundation, Inc	<u>83,372</u>	<u>210,783</u>
Increase in Temporarily Restricted Net Assets	156,830	218,683
PERMANENTLY RESTRICTED NET ASSETS		
Change in Beneficial Interest in Net Assets of Daly Hospital Foundation, Inc	<u>540</u>	<u>280</u>
INCREASE (DECREASE) IN NET ASSETS	(375,285)	1,311,013
Net Assets - Beginning of Year	<u>26,450,020</u>	<u>25,139,007</u>
NET ASSETS - END OF YEAR	<u><u>\$ 26,074,735</u></u>	<u><u>\$ 26,450,020</u></u>

See accompanying Notes to Financial Statements

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (375,285)	\$ 1,311,013
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	3,785,102	2,897,824
Provision for Bad Debts	6,679,689	4,872,742
Loss on Refinancing of Long-Term Debt	18,357	-
Loss on Disposal of Assets	30,287	49,710
Increase in Assets		
Accounts Receivable	(4,540,347)	(7,453,688)
Inventory, Prepaid Expenses and Other	(172,185)	(52,399)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	382,369	120,889
Estimated Third-Party Payor Settlements	(126,973)	(299,992)
Deferred Revenue	1,320,774	-
Net Cash Provided by Operating Activities	<u>7,001,788</u>	<u>1,446,099</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(4,076,476)	(4,813,746)
Payment of Deferred Financing Costs	(112,894)	-
(Increase) Decrease in Assets Limited as to Use	(134,168)	801,550
Net Cash Used by Investing Activities	<u>(4,323,538)</u>	<u>(4,012,196)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Long-Term Debt	2,403,395	-
Principal Payments on Long-Term Debt	(959,443)	(1,010,328)
Proceeds from Line of Credit	-	600,000
Payment on Line of Credit	(173,096)	-
Net Cash Provided (Used) by Financing Activities	<u>1,270,856</u>	<u>(410,328)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,949,106	(2,976,425)
Cash and Cash Equivalents - Beginning of Year	<u>3,127,975</u>	<u>6,104,400</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 7,077,081</u></u>	<u><u>\$ 3,127,975</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments for Interest	<u><u>\$ 831,013</u></u>	<u><u>\$ 824,104</u></u>

See accompanying Notes to Financial Statements

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Marcus Daly Memorial Hospital Corporation (Hospital) owns and operates a 48 licensed bed acute care hospital with 25 beds in operation. The Hospital provides acute care services to patients in the Ravalli County market. The services provided include acute care hospital, inpatient and outpatient surgery, emergency care, ambulance, home health, clinic, transitional care, inpatient and outpatient hospice care, and the related ancillary procedures (lab, x-ray, therapy, etc.) associated with those services.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. For purposes of reporting cash flows, cash includes cash on hand, cash in banks, cash held in escrow and certificates of deposit.

Investments

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

Assets Limited as to Use

Assets limited as to use include assets held for future debt service payments, assets designated by the board of directors for future purchases of property and equipment, and temporarily and permanently restricted by grantor or donor.

Property and Equipment, Net

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

Deferred financing costs are legal, accounting, underwriting fees, printing costs, and other expenses associated with the issuance of long-term debt and are being amortized over the term of the debt

Temporarily and Permanently Restricted Net Assets

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

Temporarily and permanently restricted funds consist of an endowment fund whose income is used for building and hospital operations, monies to be used for pediatrics, monies held due to a bond indenture, a money reserve in accordance with the state's workers' compensation plan, and the Marcus Daly Hospital Auxiliary (Auxiliary). The Auxiliary's Directors control the funds, but it is not set up as a separate entity. Therefore, the Auxiliary's equity is reported as temporarily restricted.

Due to the Hospital's beneficial interest in Daly Hospital Foundation, Inc. (Foundation), the net assets of the Foundation are also shown as temporarily and permanently restricted net assets. Temporarily restricted net assets related to the Foundation are \$781,695 and \$698,323 and permanently restricted net assets related to the Foundation are \$670,993 and \$670,453 as of June 30, 2012 and 2011, respectively.

Excess (Deficit) of Revenues over Expenses

The statement of operations includes excess (deficit) of revenues over expenses. Changes in unrestricted net assets which are excluded from excess (deficit) of revenues over expenses, consistent with industry practice, include contributions for capital and other long-term purposes.

Net Patient Service Revenue

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

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable

The Hospital maintains an allowance for uncollectible self-pay accounts. Patients are not required to provide collateral for services rendered. Payment for services is required at the time of service when the amount due is known or upon receipt of an invoice, after payment by insurance, if any. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts and by considering the patients' financial history, credit history and current economic conditions. When all collection efforts have been exhausted, the account is written off against the related allowance.

Montana Hospital Utilization Revenue

The Hospital received hospital utilization fee matching funds from the Montana Department of Public Health & Human Services to maintain, expand and/or provide services to Medicaid eligible hospital patients.

Inventories

Inventories, consisting of pharmaceutical, medical-surgical, and other supplies used in the operation of the Hospital are stated at the lower of cost (first-in, first-out method) or market.

Contributions

Unrestricted contributions are included in other income. Contributions restricted by the donors for specific purposes are reported as either temporarily or permanently restricted support. As donor-restricted funds are used for operating expenses, such funds are transferred to the unrestricted net assets and reported in the statements of operations as net assets released from restrictions.

Fair Value of Financial Instruments

The Hospital adopted accounting standards regarding the fair value measurement of financial assets and liabilities. Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Hospital emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Hospital has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 2 inputs include the beneficial interest in the foundation. The Hospital does not have any securities that are valued using Level 1 or Level 3 inputs.

Tax Status

The Internal Revenue Service (IRS) has determined that Marcus Daly Memorial Hospital is a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Hospital follows the guidance in the accounting standards regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Hospital's financial statements.

The Hospital's income tax returns are subject to review and examination by federal, state, and local authorities. The information tax returns for the years ended 2009 to 2011 are open to examination by federal, local, and state authorities.

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform with the current year basis of presentation. These reclassifications had no effect on the overall net assets of the Hospital.

Subsequent Events

In preparing the financial statements, the Hospital has considered events and transactions that have occurred through October 15, 2012, the date in which the financial statements were available to be issued.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 2 BENEFICIAL INTEREST IN DALY HOSPITAL FOUNDATION, INC.

The Hospital's beneficial interest in the unrestricted and temporarily restricted net assets of the Foundation and its share of the change in those net assets are reported in the financial statements as temporarily restricted net assets. The Hospital's beneficial interest in permanently restricted net assets of the Foundation and its share of changes therein are reported in the financial statements as permanently restricted net assets.

Transfers the Hospital receives from the Foundation are reported in the financial statements as a reduction in the beneficial interest in the Foundation.

NOTE 3 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible health care organizations that demonstrate meaningful use of certified EHR technology. The incentive payments for Critical Access Hospital are made based on actual costs incurred to attain meaningful use and are contingent on the Hospital continuing to meet the escalating meaningful use criteria. For the first payment year, the Hospital must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period. For the subsequent payment year, the Hospital must demonstrate meaningful use for the entire year. The incentive payments for Critical Access Hospitals are made in one lump sum.

The Hospital demonstrated meaningful use for a continuous 90-day period during the year ended June 30, 2012. The Hospital received its tentative incentive payment of approximately \$2,247,000 based on actual costs incurred to attain meaningful use during fiscal year 2012. A portion of the revenue has been recognized as other operating revenue in the statement of operations. Since the Hospital is subject to cost-based reimbursement from Medicare, it has elected to defer approximately \$1,321,000 of the meaningful use revenue to offset the future decreased reimbursement from Medicare related to the capital acquisition costs. These amounts are reported as Deferred Revenue on the balance sheets. The final amount of this payment will be determined based on information from the Hospital's Medicare cost report for the year ending June 30, 2012. Events could occur that would cause the final payment to differ materially upon final settlement. At June 30, 2012, the Hospital has recorded an allowance for possible settlements that could have an impact on the final incentive payment.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 4 NET PATIENT SERVICE REVENUE

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

Medicare

The Hospital has critical access hospital status and is reimbursed by Medicare for inpatient and outpatient services on a cost basis as defined and limited by the Medicare program. The Medicare program's administrative procedures preclude final determination of amounts due to the Hospital for such services until three years after the Hospital's cost reports are audited or otherwise reviewed and settled upon by the Medicare intermediary.

The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through the year ended June 30, 2010. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by the peer review organization under contract with the Hospital.

Montana Medicaid

Medicaid reimbursement for inpatient acute care services and outpatient services are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after the submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled upon by Medicaid through the year ended June 30, 2010.

Montana State Bed Tax

During calendar 2003, the Montana State Legislature passed an act imposing a utilization fee on hospital facilities for inpatient bed days, and authorized the State Department of Revenue to collect and deposit fees in a state special revenue account for funding increases in Medicaid payments to Montana hospitals (the Montana State Bed Tax). The state special revenue account received an appropriation from a federal special revenue fund to match the state special revenue collected through the utilization fee, thereby providing increased Medicaid reimbursement for Montana hospitals.

The total utilization fees paid by the Hospital for the fiscal years ended June 30, 2012 and 2011 amounted to \$208,650 and \$236,858, respectively, and are included in other direct expenses in the statement of operations. The increased Medicaid payments received by the Hospital from the state special revenue amounted to \$1,410,190 and \$1,536,465 for the fiscal years ended June 30, 2012 and 2011, respectively, and are included in net patient service revenues in the statements of operations. Thus the net impact of the Montana State Bed Tax on the changes in net assets in the accompanying statements of operations was \$1,201,540 and \$1,299,607 for the years ended June 30, 2012 and 2011, respectively.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 4 NET PATIENT SERVICE REVENUE (CONTINUED)

Montana State Bed Tax (Continued)

Net revenue from the Medicare and Medicaid programs accounted for approximately 35% and 10%, respectively, of the Hospital's net patient revenue for the year ended 2012, and 33% and 10%, respectively, of the Hospital's net patient revenue for the year ended 2011. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2012 and 2011 net patient service revenue decreased by approximately \$155,000 and \$52,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated.

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

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

	2012	2011
Gross Patient Service Revenue	\$ 83,721,027	\$ 76,768,599
Contractual Adjustments		
Medicare	25,491,668	23,486,797
Medicaid	3,115,414	2,953,008
Other Insurance	5,850,792	5,089,058
Total Contractual Adjustments	<u>34,457,874</u>	<u>31,528,863</u>
Net Patient Service Revenue	<u>\$ 49,263,153</u>	<u>\$ 45,239,736</u>

NOTE 5 ASSETS LIMITED AS TO USE

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

	2012	2011
Principal of Permanently Restricted Donations	\$ 313,190	\$ 313,190
Held by Trustee for Debt Service	1,478,768	1,648,123
Temporarily Restricted Donations	800,210	594,311
Auxiliary Funds	50,374	36,662
Total Assets Limited as to Use	<u>\$ 2,642,542</u>	<u>\$ 2,592,286</u>

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 5 ASSETS LIMITED AS TO USE (CONTINUED)

The carrying value includes cash and cash equivalents and certificates of deposit at June 30, 2012 and 2011 and is set forth in the following table

	2012	2011
Cash and Cash Equivalents	\$ 902,039	\$ 909,893
Certificates of Deposit	1,740,503	1,682,393
Total	<u>\$ 2,642,542</u>	<u>\$ 2,592,286</u>

NOTE 6 PROPERTY AND EQUIPMENT

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

	2012	2011
Land	\$ 1,462,528	\$ 1,415,098
Land Improvements	695,752	695,752
Buildings	31,234,942	29,431,724
Fixed Equipment	1,104,976	1,104,976
Major Moveable Equipment	15,557,341	15,323,817
Construction in Progress	2,228,351	318,144
Total Property and Equipment	<u>52,283,890</u>	<u>48,289,511</u>
Less Accumulated Depreciation	<u>(24,706,822)</u>	<u>(21,509,276)</u>
Property and Equipment, Net	<u>\$ 27,577,068</u>	<u>\$ 26,780,235</u>

During fiscal year 2012 the Hospital capitalized the Lab Remodel project at an approximate total cost of \$1,375,000, which was funded externally. The amount of interest capitalized during fiscal year 2012 related to this project was \$13,225. The Hospital also capitalized an Office Remodel project during fiscal year 2012 at an approximate total cost of \$274,000, which was funded internally.

During fiscal year 2011 the Hospital capitalized an Electronic Health Records project at an approximate total cost of \$3,660,000, which was funded internally. The Hospital received an incentive payment from Medicare in fiscal year 2012 based on actual costs incurred (see Note 3). The project is intended to help the Hospital provide greater access to care for patients, improve the quality of care provided, and reduce the costs of providing care.

Construction in progress at June 30, 2012 relates to the boiler project and various remodeling projects that are planned to be completed and capitalized in fiscal year 2013 at an approximate total cost of \$4,790,000. These projects are being financed from a combination of funds from the USDA debt issuance and a planned future debt issuance.

Capital Leases – Equipment

The Hospital has entered into a capital lease contract for the use of medical and office equipment, maturing in 2014. The lease is collateralized by the leased equipment with a cost of \$145,447 and accumulated depreciation of \$59,374 and \$44,830 as of June 30, 2012 and 2011, respectively.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 7 CONCENTRATION OF CREDIT RISK

The Hospital 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 patients and third-party payors at June 30, 2012 and 2011 is as follows:

	2012	2011
Medicare	21 %	30 %
Medicaid	7	6
Other Third-Party Payors	18	22
Patients	54	42
Total	100 %	100 %

FDIC Coverage

During the year ended June 30, 2012, the Hospital had cash balances in individual financial institutions in excess of FDIC insurance limits. Effective October 3, 2008 FDIC insurance coverage increased from \$100,000 per depositor account to \$250,000 per account and has subsequently been extended indefinitely. In addition, all non-interest bearing accounts are entirely covered by FDIC insurance through December 2012. Prior to the changes in FDIC insurance coverage, at times, cash balances may have been in excess of insured limits.

NOTE 8 OTHER ASSETS

A summary of other assets as of June 30 follows:

	2012	2011
Physician Agreement Receivable	\$ 9,261	\$ 108,523
Deferred Financing Costs	458,867	403,453
Other	-	40,789
Total Other Assets	\$ 468,128	\$ 552,765

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 9 LONG-TERM DEBT

A summary of long-term debt at June 30, 2012 and 2011 follows

<u>Notes Payable</u>	<u>2012</u>	<u>2011</u>
Montana Health Facility Authority Revenue Bonds, dated 1996, due in varying annual principal installments of \$140,000 in 2008, to \$170,000 in 2011, payable August 1st each year plus interest at varying rates from 5 25% to 5 6%, payable February 1 and August 1 each year	\$ -	\$ 170,000
Montana Health Facility Authority Revenue Bonds, dated 2000, due in varying annual principal installments of \$130,000 in 2008, to \$1,800,000 in 2020, payable August 1st each year plus interest at varying rates from 4 5% to 6 0%, payable February 1 and August 1 of each year	1,970,000	2,130,000
Note payable to the Montana Facility Finance Authority, due in monthly installments of \$21,152, including interest at 6 21%, collateralized by a CT Scan	381,796	604,266
Montana Facility Finance Authority Bonds, dated January 1, 2007, due in varying monthly principal installments of \$20,000 to \$42,000, and interest at varying rates from 4 0% to 4 25%, payable monthly beginning February 1, 2007 through July 1, 2027	6,115,000	6,385,000
Promissory Note, Farmers State Bank, Secured by real property, Fixed monthly interest and principal payments of \$6,640, including interest of 5% and a balloon payment of \$869,777 on June 2013, Note was refinanced into the Farmers State Bank Promissory Note issued during fiscal year 2012	-	930,739
Business Loan Agreement, First Security Bank of Missoula, Secured by real property, Monthly payments of \$6,494 including interest of 6% and a balloon payment for remaining balance on February 2015, Note was refinanced into the Farmers State Bank Promissory Note issued during fiscal year 2012	-	865,189
Real estate note, Ravalli County Bank, Secured by Real Property, Monthly payments of \$3,348 including interest of 6 39% through October 2033	412,259	425,546
Real estate note, Ravalli County Bank, Monthly payments of \$7,168 including interest of 6% and a balloon payment for remaining balance on March 2014, Note was refinanced into the Consolidated Rehab Loan during fiscal year 2012	-	937,632
Note Payable, Ravalli County Bank, Secured by real property, Monthly payments of \$6,504 including 7% interest until September of 2018	756,333	780,519

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 9 LONG-TERM DEBT (CONTINUED)

<u>Notes Payable</u>	<u>2012</u>	<u>2011</u>
Note Payable, Farmers State Bank, Secured by real property, Monthly payments of \$3,351 including 4% interest until May of 2020	266,359	295,211
Promissory Note, First Security Bank of Missoula, Secured by real property, Fixed monthly interest and principal payments of \$3,018, including interest of 6% and a balloon payment of \$424,000 on April 2020	488,914	495,685
Promissory Note, Farmers State Bank, Secured by real property, due in monthly principal installments of \$21,000 through October 2014 and \$21,484 for the remaining term of the loan which is due October 2036, Variable interest rate is at Prime Rate plus three percentage points, Rate can reset once per 36 months, Interest rate was 7% as of 6/30/12	2,773,649	-
USDA Loan, Farmers State Bank, Secured by real property, Maximum borrowing amount of \$5,300,000, Due in one balloon payment in October 2013, Interest payments due monthly at 7%	2,326,068	-
<u>Capital Lease Obligations</u>		
Capital lease obligation for equipment with monthly payments of \$4,313, 4 5% interest rate and matures in September 2011	-	8,413
Capital lease obligation for equipment with monthly payments of \$1,763, 3 9% interest rate and matures in July 2013	20,086	38,312
Total Long-Term Debt	15,510,464	14,066,512
Less Current Maturities	(844,098)	(1,013,649)
Long-Term Debt	<u>\$ 14,666,366</u>	<u>\$ 13,052,863</u>

Future principal payment requirements are as follows

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>	<u>Obligations Under Capital Lease</u>
2013	\$ 824,175	\$ 21,161
2014	3,083,615	177
2015	641,770	-
2016	681,613	-
2017	712,120	-
Thereafter	9,547,085	-
Total	<u>\$ 15,490,378</u>	21,338
Less Amount Representing Interest on Obligation Under Capital Leases		(1,252)
Total		<u>\$ 15,510,464</u>

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 10 LINE OF CREDIT

The Hospital has a revolving line of credit with a local bank. Amounts can be advanced up to the principal balance of \$600,000, plus interest from the date of disbursement, on the unpaid outstanding principal. The line of credit matures on October 11, 2013 and carries a fixed interest rate of 5.5%. At June 30, 2012 and 2011, the Hospital had outstanding balances of \$426,904 and \$600,000, respectively.

NOTE 11 PENSION PLAN

The Hospital provides a defined contribution retirement plan for all employees 20 years of age or older for each 12-month period in which the employee completes 1,000 hours or more of service. This plan is subject to the provisions and requirements of the Employee Retirement Income Security Act of 1974 and IRS Section 401(a) and 408(a). Under the terms of the plan, the Hospital contributes 5% of the participating employee's gross wages to the plan. A participant may make after-tax contributions up to 10% of their compensation. Retirement plan expense was \$763,778 and \$793,906 for the years ended June 30, 2012 and 2011, respectively.

NOTE 12 RELATED-PARTY TRANSACTIONS

Daly Hospital Foundation, Inc.

The Foundation is a Montana nonprofit corporation established to provide charitable services and receive and maintain funds for the improvement of health care services specifically benefiting the Hospital.

The Foundation exists to build a wealth of resources and relationships to ensure that the Hospital has the best facilities and services for the residents of Ravalli County now and in the future.

The Hospital pays certain expenses such as salaries, related benefits and other miscellaneous expenses on behalf of the Foundation. The amounts paid by the Hospital are shown as donated services on the financial statements of the Foundation. At June 30, 2012 and 2011, the Foundation had \$163,402 and \$145,953 recorded as donated services received from the Hospital, respectively. These amounts are included in Support and Revenue.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 12 RELATED-PARTY TRANSACTIONS (CONTINUED)

Daly Hospital Foundation, Inc. (Continued)

The Foundation's unrestricted net assets, which represent the Foundation's unrestricted resources, are used for internal operation and administration and to benefit the Hospital at the discretion of the Foundation's Board of Directors. Current restricted funds and assets obtained from income from endowment funds of the Foundation are distributed to the Hospital as required to comply with the purposes specified by the donor.

A summary of the Foundation's assets, liabilities, and results of operations and changes in net assets as of June 30, 2012 and 2011 follows:

	2012	2011
Assets	<u>\$ 1,505,260</u>	<u>\$ 1,431,569</u>
Liabilities	\$ 52,572	\$ 62,793
Net Assets		
Unrestricted	251,774	240,213
Temporarily Restricted	529,921	458,110
Permanently Restricted	670,993	670,453
Total Net Assets	<u>1,452,688</u>	<u>1,368,776</u>
Total Liabilities and Net Assets	<u>\$ 1,505,260</u>	<u>\$ 1,431,569</u>
Support and Revenue including donated services from the Hospital	\$ 356,992	\$ 396,742
Less: Expenses including Distributions to the Hospital	(201,837)	(281,822)
Excess of Support and Revenue over Expenses	155,155	114,920
Net Unrealized Gains (Losses) on Investments	(71,243)	96,143
Change in Net Assets	<u>\$ 83,912</u>	<u>\$ 211,063</u>

NOTE 13 FUNCTIONAL EXPENSES

The Hospital provides general healthcare services in the Ravalli County area. All of the fundraising expenses are included in general and administrative as they are immaterial in nature. At June 30, 2012 and 2011, expenses related to providing these services are as follows:

	2012	2011
Health Care Services	\$ 43,760,424	\$ 38,228,340
General and Administrative	8,748,831	8,087,363
Total	<u>\$ 52,509,255</u>	<u>\$ 46,315,703</u>

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 14 COMMUNITY BENEFITS AND CHARITY CARE

The mission of the Hospital is to provide quality, accessible, personalized healthcare to the Bitterroot Valley. The Hospital provides services to patients regardless of their ability to pay for those services.

The Hospital defines and measures their investment in and partnership with the community primarily through various community based services programs. The Hospital supports area school districts by providing funding for the school nurse program and encourages local students by providing a sport physical screening clinic. A number of health related educational programs and clinics are provided for the benefit of the community, such as but not limited to, women's heart health, diabetes education, and free cholesterol screening. Programs are designed to improve the general standard of the health and wellness of the community.

The Hospital provides care, without charge, to patients who meet certain criteria under its financial assistance policy. Key elements used to determine eligibility include a patient's demonstrated inability to pay based on family size and household income related to federal income poverty guidelines. The Hospital's charity care guidelines use a sliding scale starting with full to partial assistance for those at or below 100% of the Federal Poverty Level, as adjusted for family size.

The Hospital has estimated its direct and indirect costs of providing charity care under its financial assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the per-diem rate from the most recently filed cost report to the Hospital's gross bill rate. The cost-to-charge ratio is applied to the charity care charges foregone to calculate the estimated direct and indirect cost of providing charity care. Using this methodology, the Hospital has estimated the costs foregone for services and supplies furnished under the Hospital's financial assistance policy aggregated approximately \$500,000 and \$343,000 for the years ended June 30, 2012 and 2011, respectively.

The Hospital did not receive any funds to subsidize the costs of providing charity care under its financial assistance policy for the years ended June 30, 2012 and 2011.

The Hospital also provides medical care without charge or at reduced charges to residents of the community through Bad Debts, which are services provided to patients expressing a willingness to pay but who are determined to be unable to pay because of socioeconomic factors.

The Hospital maintains records to identify and monitor the level of community benefits it provides. These records include management's estimate of the cost for bad debt services, and the cost of services, and supplies furnished for Community Service programs.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 15 FAIR VALUE MEASUREMENTS

The Hospital uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Hospital measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following tables present the fair value hierarchy for the balances of the assets of the Hospital measured at fair value on a recurring basis as of June 30, 2012 and 2011.

2012	Level 1	Level 2	Level 3	Total
Assets				
Beneficial Interest in Net Assets of Daly Hospital Foundation	\$ -	\$ 1,452,688	\$ -	\$ 1,452,688

2011	Level 1	Level 2	Level 3	Total
Assets				
Beneficial Interest in Net Assets of Daly Hospital Foundation	\$ -	\$ 1,368,776	\$ -	\$ 1,368,776

The following is a summary of financial instruments for which the Hospital did not elect the fair value option. The fair values of such instrument have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows, and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable value could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Hospital.

The following disclosures represent financial instruments in which the ending balances at June 30, 2012 and 2011 are not carried at fair value in their entirety on the balance sheet.

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt	\$ 15,490,378	\$ 14,200,370	\$ 14,019,787	\$ 13,559,772

The fair value of the Hospital's long-term debt is estimated based on the quoted market prices for similar issues or by discounting expected cash flows at the rates currently offered to the Hospital for debt of the same remaining maturities, as advised by investment bankers.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 16 RESTRICTIONS ON NET ASSETS

Interpretation of Relevant Law

The State of Montana has adopted the State Prudent Management of Institutional Funds Act (the Act). The Hospital has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard of prudence prescribed in the Act. In accordance with the Act, the Hospital considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Hospital and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Hospital
- The investment policy of the Hospital

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, June 30, 2010	\$ -	\$ -	\$ 313,190	\$ 313,190
Investment Return				
Investment Income	-	3,160	-	3,160
Apportioned to Operations	-	(3,160)	-	(3,160)
Endowment Net Assets, June 30, 2011	-	-	313,190	313,190
Investment Return				
Investment Income	-	1,997	-	1,997
Apportioned to Operations	-	(1,997)	-	(1,997)
Endowment Net Assets, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,190</u>	<u>\$ 313,190</u>

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 16 RESTRICTIONS ON NET ASSETS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Hospital to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. Amounts have been transferred from unrestricted to cover any deficit at June 30, 2012 and 2011.

Return Objectives and Risk Parameters

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve and grow capital, provide for appropriate liquidity, maximize the returns of the endowments, and diversify investments consistent with commonly accepted industry standard to minimize the risk of large losses.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital targets a diversified asset allocation that meets the Hospital's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Hospital has adopted a spending policy consistent with its objective of preservation of the fair market value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. The Hospital has a targeted rate of return that takes into account an inflationary factor, as defined by the consumer price index (CPI).

NOTE 17 COMMITMENTS AND CONTINGENCIES

The Hospital's professional liability coverage policy provides protection on an "occurrence" basis whereby malpractice claims related to services provided in the current year are covered by the current policy.

The current malpractice insurance provides \$1,000,000 per occurrence of primary coverage with a \$3,000,000 annual aggregate and an excess policy of \$5,000,000 annual aggregate limit. There are no significant deductibles or coinsurance clauses.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

The Hospital is also exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Hospital carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

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