



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



Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

LIVINGSTON HEALTHCARE

Doing Business As

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

504 S 13TH STREET

Room/suite

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

LIVINGSTON, MT 59047

F Name and address of principal officer

SAM PLESHAR
504 S 13TH STREET
LIVINGSTON,MT 59047

H(a) Is this a group return for affiliates?

☐ Yes ☒ No

H(b) Are all affiliates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () ☐ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website:

WWW.LIVINGSTONHEALTHCARE.ORG

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1955

M State of legal domicile

MT

Part I

Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities LHC IS A PHYSICIAN / HOSPITAL INTEGRATED NOT-FOR-PROFIT HEALTHCARE ORGANIZATION LHC IS COMPRISED OF A 25 BED CRITICAL ACCESS HOSPITAL, TWO PHYSICIAN CLINICS, HOME HEALTH AND DME SERVICES			
	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	10
	4	Number of independent voting members of the governing body (Part VI, line 1b)		4	8
	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)		5	352
	6	Total number of volunteers (estimate if necessary)		6	25
	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)		902,798	455,179
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)		32,523,781	32,169,946
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		81,273	53,986
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		131,326	197,990
				33,639,178	32,877,101
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)		0	0
	14	Benefits paid to or for members (Part IX, column (A), line 4)		0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		17,423,258	17,566,216
	16a	Professional fundraising fees (Part IX, column (A), line 11e)		0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ⁰			
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		15,227,058	14,413,966
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)		32,650,316	31,980,182
Net Assets or Fund Balances	19	Revenue less expenses Subtract line 18 from line 12		988,862	896,919
				Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)		15,734,942	16,646,207
	21	Total liabilities (Part X, line 26)		5,511,501	5,551,958
	22	Net assets or fund balances Subtract line 21 from line 20		10,223,441	11,094,249

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

2013-03-12

Date

KYLE GEE CFO

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

NATHAN D MCCARTHY CPA

Date

2013-03-12

Check if self-employed

☐

Preparer's taxpayer identification number (see instructions)

P00368408

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

GALUSHA HIGGINS & GALUSHA PC
PO BOX 1699
HELENA, MT 596241699

EIN

81-0272932

Phone no

(406) 442-5520

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 II

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

LHC IS A PHYSICIAN / HOSPITAL INTEGRATED NOT-FOR-PROFIT HEALTHCARE ORGANIZATION COMPRISED OF A 25 BED CRITICAL ACCESS HOSPITAL, TWO PHYSICIAN CLINICS, HOME HEALTH AND DURABLE MEDICAL EQUIPMENT SERVICES

2

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

☐ Yes

☒ No

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

3

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

☐ Yes

☒ No

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 27,558,469 including grants of \$) (Revenue \$ 32,169,946)

MEDICAL TREATMENT OF SICK AND INJURED PATIENTS REGARDLESS OF ABILITY TO PAY INCLUDES PRIVATE PAYORS, INSURED PAYORS, MEDICARE, MEDICAID AND CHARITY CARE

4b

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

4c

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

4d

Other program services (Describe in Schedule O)


















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

4e

Total program service expenses \$ 27,558,469

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. 		No
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	Yes	
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		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	56
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return	2a	352
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a	No
b	If "Yes," enter the name of the foreign country  _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . .	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . .	7f	
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	10		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	8
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	Yes
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	No
14	Did the organization have a written document retention and destruction policy?	14	No
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	No
	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 ▶ KYLE GEE LIVINGSTON HEALTHCARE 504 S 13TH LIVINGSTON, MT 59047 (406) 222-5006

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) JOSEPH SWINDLEHURST TREASURER	4 00	X		X				0	0	0
(2) BILLIE KAYE HARMS SECRETARY	2 00	X		X				0	0	0
(3) MARCENE HUSON BOARD MEMBER	2 00	X						0	0	0
(4) DANA TAYLOR BOARD MEMBER	2 00	X						0	0	0
(5) STAN CORNELL DIRECTOR	2 00	X						0	0	0
(6) MICHELLE BECKER PRESIDENT	15 00	X		X				0	0	0
(7) DOUGLAS WADLE MD BOARD MEMBER/PHYSICIAN	40 00	X						213,076	0	0
(8) LAUREL DESNICK MD BOARD MEMBER/PHYSICIAN	40 00	X						80,121	0	0
(9) ANNA DEYOUNG VICE PRESIDENT	2 00	X		X				0	0	0
(10) GLYNNA FREEMAN BOARD MEMBER	2 00	X						0	0	0
(11) BREN LOWE CHIEF EXECUTIVE OFFICER	40 00			X				0	0	0
(12) KYLE GEE CHIEF FINANCIAL OFFICER	2 00			X				0	0	0
(13) MICHELLE DONALDSON MD BOARD MEMBER/PHYSICIAN	40 00					X		666,841	0	0
(14) CHRISTOPHER LEE MD PHYSICIAN	40 00					X		297,038	0	0
(15) DOYLE S COLEMAN MD PHYSICIAN	40 00					X		237,323	0	0
(16) TED R SCOFIELD MD PHYSICIAN	40 00					X		321,145	0	0
(17) HOLLY POAG PHYSICIAN	40 00					X		244,668	0	0

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	2,060,212	0	

2 Total number of individuals (including but not limited to those listed in Item 1) who received or accrued more than \$100,000 of reportable compensation from the organization. ▶ 16

		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
DEACONESS BILLINGS CLINIC PO BOX 37000 BILLINGS, MT 59101	MANAGEMENT CONTRACT	616,986
DEACONESS BILLINGS CLINIC PO BOX 37000 BILLINGS, MT 59101	IMAGING INTERPRETATION FEE	452,962
GRANT I PALM 1750 CARRIE NY TRAIL BOZEMAN, MT 59715	ANESTHESIA SERVICE	279,300
JULIE HIGGS 430 FLESHMAN RD LIVINGSTON, MT 59047	ANESTHESIA SERVICE	171,290
FREESTONE REHAB 1532 ELLIS 103 BOZEMAN, MT 59715	OCCUPATIONAL THERAPY SERVICES	123,066
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 5		

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	169,341				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	285,838				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		455,179				
Program Service Revenue			Business Code					
	2a	NET PATIENT REVENUE	621110	31,610,971	31,610,971			
	b	SWEETGRASS PHYSICIANS	621110	354,985	354,985			
	c	NON-PATIENT REVENUE	446110	203,990	203,990			
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		32,169,946				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		23,763	23,763			
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	Gross rents	(i) Real	(ii) Personal				
				26,062				
				0				
				26,062				
	d	Net rental income or (loss)		26,062	26,062			
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			324,554					
			294,331					
			30,223					
	d	Net gain or (loss)		30,223	30,223			
	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	PHARMACY SALES	446110	91,712	91,712			
	b	CAFETERIA SALES	621110	55,806	55,806			
	c	CHP PHYSICIANS	621110	15,375	15,375			
d	All other revenue		9,035	9,035				
e	Total. Add lines 11a-11d		171,928					
12	Total revenue. See Instructions		32,877,101	32,421,922	0	0		

Part IX

Statement of Functional Expenses

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

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21				
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,516,721	1,242,787	273,934	
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	13,018,908	10,667,572	2,351,336	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9	Other employee benefits	3,030,587	2,483,235	547,352	
10	Payroll taxes				
11	Fees for services (non-employees)				
a	Management	143,929		143,929	
b	Legal	38,051		38,051	
c	Accounting	49,597		49,597	
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other				
12	Advertising and promotion	56,947	56,947		
13	Office expenses				
14	Information technology				
15	Royalties				
16	Occupancy	420,640	420,640		
17	Travel				
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	43,003	43,003		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	652,976	652,976		
23	Insurance	497,980	497,980		
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	SUPPLIES - PROGRAM SERV	5,152,909	4,222,246	930,663	
b	PROVISIONS FOR BAD DEBT	2,771,970	2,771,970		
c	PURCHASED SERVICES - PR	2,607,494	2,607,494		
d	PROFESSIONAL FEES	569,044	569,044		
e					
f	All other expenses	1,409,426	1,322,575	86,851	
25	Total functional expenses. Add lines 1 through 24f	31,980,182	27,558,469	4,421,713	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			2,473,721	1	2,584,103
	2	Savings and temporary cash investments			229,055	2	140,432
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			4,876,427	4	5,498,550
	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			2,393,052	7	2,669,830
	8	Inventories for sale or use			708,194	8	512,096
	9	Prepaid expenses and deferred charges			262,807	9	403,008
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	14,584,467			
	b	Less: accumulated depreciation	10b	11,127,388	3,485,457	10c	3,457,079
	11	Investments—publicly traded securities			570,262	11	570,866
	12	Investments—other securities. See Part IV, line 11				12	
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			735,967	15	810,243
16	Total assets. Add lines 1 through 15 (must equal line 34)			15,734,942	16	16,646,207	
Liabilities	17	Accounts payable and accrued expenses			5,149,203	17	4,937,968
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities				20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				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			362,298	23	613,990
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D				25	
	26	Total liabilities. Add lines 17 through 25			5,511,501	26	5,551,958
	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			8,202,473	27	10,120,080
28		Temporarily restricted net assets			737,091	28	588,786
29		Permanently restricted net assets			1,283,877	29	385,383
Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.							
30		Capital stock or trust principal, or current funds				30	
31		Paid-in or capital surplus, or land, building or equipment fund				31	
32		Retained earnings, endowment, accumulated income, or other funds				32	
33		Total net assets or fund balances			10,223,441	33	11,094,249
34		Total liabilities and net assets/fund balances			15,734,942	34	16,646,207

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	32,877,101
2	Total expenses (must equal Part IX, column (A), line 25)	2	31,980,182
3	Revenue less expenses Subtract line 2 from line 1	3	896,919
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	10,223,441
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-26,111
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	11,094,249

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 type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization LIVINGSTON HEALTHCARE	Employer identification number 81-0378200
---	--

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

Section B. Total Support						
Calendar year	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	
13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage						
14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14					
15 Public Support Percentage for 2010 Schedule A, Part II, line 14	15					
16a 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						
b 33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						
17a 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization						
b 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization						
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions						

Part IIIPart III

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

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

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.

Name of the organization LIVINGSTON HEALTHCARE	Employer identification number 81-0378200
---	--

Part I

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

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

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

Number of states where property subject to conservation easement is located

5

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

Yes

No

6

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

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year

\$

8

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

Yes

No

9

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

Part III

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

1a

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

b

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

(i)

Revenues included in Form 990, Part VIII, line 1

\$

(ii)

Assets included in Form 990, Part X

\$

2

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

a

Revenues included in Form 990, Part VIII, line 1

\$

b

Assets included in Form 990, Part X

\$

Part III

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

3

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

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

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	353,535				
b Contributions					
c Investment earnings or losses	9,385				
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	362,920				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶ 97 410 %

c

Term endowment ▶ 2 590 %

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

	Yes	No
3a(i)		No
3a(ii)		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		671,977		671,977
b Buildings		6,139,941	4,720,589	1,419,352
c Leasehold improvements		383,485	370,830	12,655
d Equipment		7,239,322	5,886,227	1,353,095
e Other		149,742	149,742	0
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				3,457,079

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements				
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	32,877,101	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	31,980,182	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	896,919	
4	Net unrealized gains (losses) on investments	4	-18,301	
5	Donated services and use of facilities	5		
6	Investment expenses	6	-7,810	
7	Prior period adjustments	7		
8	Other (Describe in Part XIV)	8		
9	Total adjustments (net) Add lines 4 - 8	9	-26,111	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	870,808	
Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return				
1	Total revenue, gains, and other support per audited financial statements	1	32,807,999	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12			
a	Net unrealized gains on investments	2a	-18,302	
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIV)	2d	115,603	
e	Add lines 2a through 2d	2e	97,301	
3	Subtract line 2e from line 1	3	32,710,698	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIV)	4b	166,403	
c	Add lines 4a and 4b	4c	166,403	
5	Total Revenue Add lines 3 and 4c . (This should equal Form 990, Part I, line 12)	5	32,877,101	
Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return				
1	Total expenses and losses per audited financial statements	1	31,911,275	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25			
a	Donated services and use of facilities	2a		
b	Prior year adjustments	2b		
c	Other losses	2c		
d	Other (Describe in Part XIV)	2d	17,944	
e	Add lines 2a through 2d	2e	17,944	
3	Subtract line 2e from line 1	3	31,893,331	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIV)	4b	86,851	
c	Add lines 4a and 4b	4c	86,851	
5	Total expenses Add lines 3 and 4c . (This should equal Form 990, Part I, line 18)	5	31,980,182	
Part XIV Supplemental Information				
Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information				

Identifier	Return Reference	Explanation
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	THE ENDOWMENT CONSISTS OF NUMEROUS INDIVIDUAL FUNDS ESTABLISHED FOR A VARIETY OF PURPOSES THE CENTER'S ENDOWMENT INCLUDES BOTH DONOR-RESTRICTED ENDOWMENT FUNDS AND FUNDS DESIGNATED BY THE BOARD OF DIRECTORS TO FUNCTION AS ENDOWMENTS AS REQUIRED BY GAAP, NET ASSETS ASSOCIATED WITH ENDOWMENT FUNDS, INCLUDING FUNDS DESIGNATED BY THE BOARD OF DIRECTORS TO FUNCTION AS ENDOWMENTS, ARE CLASSIFIED AND REPORTED BASED UPON THE EXISTENCE OR ABSENCE OF DONOR-IMPOSED RESTRICTIONS INTERPRETATION OF RELEVANT LAW THE BOARD OF DIRECTORS OF THE CENTER HAS INTERPRETED THE MONTANA UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (MUPMIFA) 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 CENTER CLASSIFIES AS PERMANENTLY RESTRICTED NET ASSETS (A) THE ORIGINAL VALUE OF GIFTS DONATED TO THE PERMANENT ENDOWMENT, (B) THE ORIGINAL VALUE OF SUBSEQUENT GIFTS TO THE PERMANENT ENDOWMENT, AND (C) ACCUMULATIONS TO THE PERMANENT ENDOWMENT MADE IN ACCORDANCE WITH THE DIRECTION OF THE APPLICABLE DONOR GIFT INSTRUMENT AT THE TIME THE ACCUMULATION IS ADDED TO THE FUND THE REMAINING PORTION OF 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 THE PRUDENCE PRESCRIBED BY THE MUPMIFA IN ACCORDANCE WITH THE MUPMIFA, THE HOSPITAL CONSIDERS THE FOLLOWING FACTORS IN MAKING A DETERMINATION TO APPROPRIATE OR ACCUMULATE DONOR-RESTRICTED ENDOWMENT FUNDS 1 THE DURATION AND PRESERVATION OF THE FUND, 2 THE PURPOSES OF HOSPITAL AND THE DONOR-RESTRICTED ENDOWMENT FUND, 3 GENERAL ECONOMIC CONDITIONS, 4 THE EXPECTED TOTAL RETURN FROM INCOME AND THE APPRECIATION OF INVESTMENTS, 5 OTHER RESOURCES OF THE HOSPITAL, AND 6 THE INVESTMENT POLICIES OF THE HOSPITAL 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 MUPMIFA REQUIRES THE HOSPITAL TO RETAIN AS A FUND OF PERPETUAL DURATION IN ACCORDANCE WITH GAAP, DEFICIENCIES OF THIS NATURE THAT ARE REPORTED IN UNRESTRICTED NET ASSETS WERE \$74,832 AND \$106,098 AS OF JUNE 30, 2012 AND JUNE 30, 2011, RESPECTIVELY THESE DEFICIENCIES RESULTED FROM UNFAVORABLE MARKET FLUCTUATIONS THAT OCCURRED SHORTLY AFTER THE INVESTMENT OF NET PERMANENTLY RESTRICTED CONTRIBUTIONS AND APPROPRIATION FOR CERTAIN PROGRAMS THAT WAS DEEMED PRUDENT BY THE BOARD OF DIRECTORS 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 WHILE SEEKING TO MAINTAIN THE PURCHASING POWER OF THE ENDOWMENT ASSETS ENDOWMENT ASSETS INCLUDE THOSE ASSETS OF DONOR-RESTRICTED FUNDS THAT THE HOSPITAL MUST HOLD IN PERPETUITY OR FOR A DONOR-SPECIFIED PERIOD(S) AS WELL AS BOARD-DESIGNATED FUNDS UNDER THIS POLICY, AS APPROVED BY THE BOARD OF DIRECTORS, THE ENDOWMENT ASSETS ARE INVESTED IN A MANNER THAT IS INTENDED TO PRESERVE ENDOWMENT CAPITAL FUNDS SHALL BE INVESTED SUCH THAT NO LESS THAN 30% AND NO MORE THAN 70% OF SUCH FUNDS SHALL BE INVESTED IN EQUITIES, WITH THE BALANCE INVESTED IN FIXED INCOME SECURITIES, WHILE ASSUMING A MODERATE LEVEL OF INVESTMENT RISK THE HOSPITAL EXPECTS ITS ENDOWMENT FUNDS, OVER TIME, TO PROVIDE A REASONABLE CURRENT RATE OF RETURN 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 GAINS) AND CURRENT YIELD (INTEREST AND DIVIDENDS) THE HOSPITAL TARGETS A DIVERSIFIED ASSET ALLOCATION INCLUDING CASH EQUIVALENTS, FIXED INCOME, AND EQUITY SECURITIES TO ACHIEVE ITS LONG-TERM RETURN OBJECTIVES WITHIN PRUDENT RISK CONSTRAINTS SPENDING POLICY AND HOW INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY STAFFORD HOSPICE ENDOWMENT - THE HOSPITAL BOARD OF DIRECTORS, BASED ON RECOMMENDATIONS BY HOSPITAL ADMINISTRATION, APPROVES APPROPRIATIONS FOR DISTRIBUTION LIMITED TO 7% OF THE TOTAL FUND VALUE IN ANY GIVEN YEAR IN ESTABLISHING THIS POLICY, THE HOSPITAL CONSIDERED THE LONG-TERM EXPECTED RETURN ON ITS ENDOWMENT THIS IS CONSISTENT WITH THE HOSPITAL'S OBJECTIVE TO MAINTAIN THE PURCHASING POWER OF THE ENDOWMENT ASSETS HELD IN PERPETUITY OR FOR A SPECIFIED TERM AS WELL AS TO PROVIDE ADDITIONAL REAL GROWTH THROUGH NEW GIFTS AND INVESTMENT RETURN THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS SHOW THE CONSOLIDATED TOTAL FOR THE ENDOWMENT FUNDS THE AMOUNTS ENTERED ON SCHEDULE D ONLY REFLECT LIVINGSTON HEALTHCARE'S ENDOWMENT FUNDS
PART XII, LINE 2D - OTHER ADJUSTMENTS		RECLASS NON-OPERATING EXPENSE -86,851 LIVINGSTON HEALTHCARE FOUNDATION ACTIVITY 155,029 THE OUGH CHARITABLE TRUST ACTIVITY 47,425
PART XII, LINE 4B - OTHER ADJUSTMENTS		LIVINGSTON HEALTHCARE FOUNDATION GRANTS 152,733 THE OUGH CHARITABLE TRUST GRANTS 13,670
PART XIII, LINE 2D - OTHER ADJUSTMENTS		LIVINGSTON HEALTHCARE FOUNDATION ACTIVITY 53 INVESTMENT EXPENSE 7,810 OUGH INVESTMENT EXPENSE 10,080 ROUNDING 1
PART XIII, LINE 4B - OTHER ADJUSTMENTS		RECLASS NON-OPERATING EXPENSE 86,851

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
LIVINGSTON HEALTHCARE

Employer identification number
81-0378200

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____%</div>	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input checked="" type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____%</div>	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		
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)			550,982	0	550,982	1 890 %
b Medicaid (from Worksheet 3, column a)			2,185,954	3,263,756	-1,077,802	0 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			2,736,936	3,263,756	-526,820	1 890 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			80,987	11,604	69,383	0 240 %
f Health professions education (from Worksheet 5)			3,971		3,971	0 010 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			4,050		4,050	0 010 %
j Total Other Benefits			89,008	11,604	77,404	0 260 %
k Total. Add lines 7d and 7j			2,825,944	3,275,360	-449,416	2 150 %

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

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	1,808,726	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	1,808,726	
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	7,450,737	
6Enter Medicare allowable costs of care relating to payments on line 5	6	7,450,737	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7		
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	
bIf "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 1 BILLINGS CLINIC	MANAGES THE HOSPITAL	0 %		
2 2 LIVINGSTON IMAGING CENTER LLC	CT SCANNER THAT OPERATES AT THE HOSPITAL	50.000 %		
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

LIVINGSTON HEALTHCARE

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		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>100 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 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 type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input 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 checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input checked="" 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 checked="" 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	Yes	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" 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		No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 4

Name and address		Type of Facility (Describe)
1	WEST CRAWFORD LHC CLINIC 1315 WEST CRAWFORD LIVINGSTON, MT 59047	CLINIC
2	RIVER DRIVE LHC CLINIC 1001 RIVER DRIVE LIVINGSTON, MT 59047	CLINIC
3	LIVINGSTON HEALTHCARE HOME CAREHOSPICE 1429 WEST MONTANA LIVINGSTON, MT 59047	HOME CARE
4	LIVINGSTON HEALTHCARE HOME OXYGENHOME 1429 WEST MONTANA LIVINGSTON, MT 59047	HOME OXYGEN
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		PART I, LINE 3C FINANCIAL ASSISTANCE WILL BE PROVIDED TO LIVINGSTON HEALTHCARE PATIENTS WHO MEET SPECIFIED FINANCIAL CRITERIA AND REQUEST SUCH ASSISTANCE

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 \$ 2771970

Identifier	ReturnReference	Explanation
		PART II COMMUNITY BUILDING ACTIVITIES - NA

Identifier	ReturnReference	Explanation
		PART III, LINE 4 ACCOUNTS RECEIVABLE - ACCOUNTS RECEIVABLE ARE STATED AT UNPAID BALANCES, LESS AN ALLOWANCE FOR DOUBTFUL ACCOUNTS THE HOSPITAL PROVIDES FOR LOSSES ON ACCOUNTS RECEIVABLE USING THE ALLOWANCE METHOD THE ALLOWANCE IS BASED ON EXPERIENCE, THIRD-PARTY CONTRACTS, AND OTHER CIRCUMSTANCES, WHICH MAY AFFECT THE ABILITY OF PATIENTS TO MEET THEIR OBLIGATIONS RECEIVABLES ARE CONSIDERED IMPAIRED IF FULL PRINCIPAL PAYMENTS ARE NOT RECEIVED IN ACCORDANCE WITH THE CONTRACTUAL TERMS IT IS THE HOSPITAL'S POLICY TO CHARGE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE WHEN MANAGEMENT DETERMINES THE RECEIVABLE WILL NOT BE COLLECTED CHARITY CARE - THE HOSPITAL PROVIDES CARE TO PATIENTS WHO MEET CERTAIN CRITERIA UNDER ITS CHARITY CARE POLICY WITHOUT CHARGE OR AT AMOUNTS LESS THAN ITS ESTABLISHED RATES BECAUSE THE HOSPITAL DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS CHARITY CARE, THEY ARE NOT REPORTED AS REVENUE

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE SOURCE USED TO DETERMINE THE AMOUNT OF MEDICARE ALLOWABLE COSTS REPORTED WAS THE COST REPORT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B ONCE A PATIENT IS APPROVED FOR FINANCIAL ASSISTANCE, IT IS EXPECTED THAT THE PATIENT CONTINUE TO MEET HIS/HER FINANCIAL COMMITMENTS TO LIVINGSTON HEALTHCARE IF A PATIENT IS APPROVED FOR A PERCENTAGE ALLOWANCE DUE TO FINANCIAL HARDSHIP AND THE PATIENT DOES NOT MAKE THE REQUIRED INITIAL PAYMENT WITHIN 60 DAYS TOWARD THEIR PART OF THE BILL, THE FINANCIAL ASSISTANCE ALLOWANCE WILL BE REVERSED AND THE PATIENT WILL OWE THE ENTIRE AMOUNT THE ORGANIZATION RECOMMENDS THAT THE PATIENT MAKE A GOOD FAITH PAYMENT AT THE BEGINNING OF THE FINANCIAL ASSISTANCE PERIOD

Identifier	ReturnReference	Explanation
LIVINGSTON HEALTHCARE		PART V, SECTION B, LINE 11H AN APPLICATION FOR FINANCIAL ASSISTANCE IS AVAILABLE ON LIVINGSTON HEALTHCARE'S WEBSITE ALONG WITH CONTACT INFORMATION FOR MORE INFORMATION

Identifier	ReturnReference	Explanation
LIVINGSTON HEALTHCARE		PART V, SECTION B, LINE 19D THE HOSPITAL FACILITY USES THE AVERAGE COMMERCIAL INSURANCE RATE

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 SINCE 1955, LIVINGSTON HEALTHCARE HAS PROVIDED PREMIER QUALITY HEALTHCARE TO THE RESIDENTS OF PARK COUNTY AND SURROUNDING COMMUNITIES THE ORGANIZATION KEEPS ITS COMMUNITY HEALTHY WITH A BROAD SCOPE OF SERVICES, PROVIDED BY WELL-TRAINED AND HIGHLY-SKILLED PROFESSIONALS INCLUDED IN THOSE SERVICES ARE A 25-BED CRITICAL ACCESS HOSPITAL (CAH), A MULTI-SPECIALTY PHYSICIAN PRACTICE, HOME CARE, HOME OXYGEN, HOSPICE CARE, AND THE REGIONALLY-REOWNED ORTHOPEDIC AND REHABILITATION INSTITUTE

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 FINANCIAL ASSISTANCE WILL BE PROVIDED TO LIVINGSTON HEALTHCARE PATIENTS WHO MEET SPECIFIED FINANCIAL CRITERIA AND REQUEST SUCH ASSISTANCE A NOTICE OF THE AVAILABILITY OF FINANCIAL ASSISTANCE PROGRAM WILL BE POSTED AT PATIENT REGISTRATION SITES WITHIN EACH FACILITY AND PRESENTED TO PATIENTS UPON REQUEST

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 LIVINGSTON IS A CITY IN AND THE COUNTY SEAT OF PARK COUNTY, MONTANA, UNITED STATES THE POPULATION WAS APPROXIMATELY 7,380 PEOPLE IN 2009 LIVINGSTON IS LOCATED IN SOUTHWESTERN MONTANA, ON THE YELLOWSTONE RIVER, NORTH OF YELLOWSTONE NATIONAL PARK THE MEDIAN INCOME FOR A HOUSEHOLD IN LIVINGSTON IS ABOUT \$35,907

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 LIVINGSTON HEALTHCARE IS ALSO THE LARGEST EMPLOYER IN PARK COUNTY AS SUCH, WE HAVE A SIGNIFICANT ECONOMIC IMPACT ON THIS AREA SOME OF THE EFFECTS OF THAT IMPACT INCLUDE (1) FOR EVERY 3 FULL-TIME JOBS AT LIVINGSTON HEALTHCARE, ANOTHER FULL-TIME JOB IS SUPPORTED IN PARK COUNTY (2) FOR EVERY \$1 IN WAGES AND BENEFITS PAID TO LIVINGSTON HEALTHCARE EMPLOYEES, ANOTHER \$0.19 IS GENERATED IN WAGES AND BENEFITS IN THE COMMUNITY (3) FOR EACH \$10 SPENT ON HEALTHCARE SERVICES PROVIDED BY LIVINGSTON HEALTHCARE AN ESTIMATED \$2.50 OF LOCAL ECONOMIC ACTIVITY IS PRODUCED IN THE COMMUNITY

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

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
LIVINGSTON HEALTHCARE

Employer identification number

81-0378200

Part I

Questions Regarding Compensation

	Yes	No
<div>1a</div> <div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div> <div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div>		
<div>1b</div> <div>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</div>		
<div>2</div> <div>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?</div>		
<div>3</div> <div>Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply</div> <div><div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div>		
<div>4</div> <div>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</div>		
<div>4a</div> <div>Receive a severance payment or change-of-control payment?</div>		No
<div>4b</div> <div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div>		No
<div>4c</div> <div>Participate in, or receive payment from, an equity-based compensation arrangement?</div>		No
<div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>		
<div></div> <div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div>		
<div>5</div> <div>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</div>		
<div>5a</div> <div>The organization?</div>		No
<div>5b</div> <div>Any related organization?</div>		No
<div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>		
<div>6</div> <div>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</div>		
<div>6a</div> <div>The organization?</div>		No
<div>6b</div> <div>Any related organization?</div>		No
<div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>		
<div>7</div> <div>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</div>		No
<div>8</div> <div>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</div>		No
<div>9</div> <div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div>		

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) DOUGLAS WADLE MD	(i)	213,076	0	0	0	0	213,076	0
	(ii)	0	0	0	0	0	0	0
(2) MICHELLE DONALDSON MD	(i)	666,841	0	0	0	0	666,841	0
	(ii)	0	0	0	0	0	0	0
(3) CHRISTOPHER LEE MD	(i)	297,038	0	0	0	0	297,038	0
	(ii)	0	0	0	0	0	0	0
(4) DOYLE S COLEMAN MD	(i)	237,323	0	0	0	0	237,323	0
	(ii)	0	0	0	0	0	0	0
(5) TED R SCOFIELD MD	(i)	321,145	0	0	0	0	321,145	0
	(ii)	0	0	0	0	0	0	0
(6) HOLLY POAG	(i)	244,668	0	0	0	0	244,668	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							
	(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
------------	------------------	-------------

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
LIVINGSTON HEALTHCARE**Employer identification number**

81-0378200

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 3	LHC HAS A MANAGEMENT CONTRACT WITH THE BILLINGS CLINIC THE CEO AND CLINIC DIRECTOR ARE EMPLOYEES OF BILLINGS CLINIC
	FORM 990, PART VI, SECTION A, LINE 6	THE ORGANIZATION HAS MEMBERS
	FORM 990, PART VI, SECTION A, LINE 7A	THE ORGANIZATION'S MEMBERS HAVE THE AUTHORITY TO ELECT MORE MEMBERS PER THE BY-LAWS
	FORM 990, PART VI, SECTION B, LINE 11	THE FINANCE COMMITTEE REVIEWS THE 990 PRIOR TO ITS ISSUING
	FORM 990, PART VI, SECTION B, LINE 12C	THROUGH OPEN COMMUNICATION AND REVIEW OF THE POLICY
	FORM 990, PART VI, SECTION B, LINE 15A	LHC'S CEO IS EMPLOYED BY THE BILLINGS CLINIC, AS PART OF THE MANAGEMENT CONTRACT THEY RECOMMEND THE SALARY, AND THE LHC BOARD MAKES FINAL APPROVAL
	FORM 990, PART VI, SECTION C, LINE 19	FORMS ARE AVAILABLE UPON REQUEST THE ORGANIZATION ALSO HAS AN ANNUAL REPORT AVAILABLE ON ITS WEBSITE
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -18,301 INVESTMENT EXPENSES - 7,810 TOTAL TO FORM 990, PART XI, LINE 5 -26,111
		LHC HAS NOT CHANGED ITS METHOD FOR OVERSIGHT OF THE EXTERNAL AUDIT

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
LIVINGSTON HEALTHCARE

Employer identification number
81-0378200

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) LIVINGSTON HEALTHCARE FOUNDATION 504 S 13TH STREET LIVINGSTON, MT 59047 81-0621997	TO SUPPORT LIVINGSTON HEALTHCARE PROGRAMS	MT	501(C)(3)	LINE 11A, I			No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) LIVINGSTON IMAGING CENTER LLC 504 S 13TH STREET LIVINGSTON, MT 59047 45-0539644	MEDICAL IMAGING AND CANCER SCREENING	MT		RELATED	67,671	653,163		No			No	50 000 %

Part IV

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

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

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

No

No

No

No

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) LIVINGSTON HEALTHCARE FOUNDATION	C	152,733	
(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	
------------	------------------	-------------	--

Form

4562

Depreciation and Amortization
(Including Information on Listed Property)

OMB No 1545-0172

2011

Attachment
Sequence No 179

Department of the Treasury
Internal Revenue Service (99)

See separate instructions. Attach to your tax return.

Name(s) shown on return LIVINGSTON HEALTHCARE	Business or activity to which this form relates FORM 990 PAGE 10	Identifying number 81-0378200
--	---	--------------------------------------

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount (see instructions)	1	500,000
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000
4 Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5 Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost	
7 Listed property Enter the amount from line 29	7		
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8		
9 Tentative deduction Enter the smaller of line 5 or line 8	9		
10 Carryover of disallowed deduction from line 13 of your 2010 Form 4562	10		
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11		
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12		
13 Carryover of disallowed deduction to 2012 Add lines 9 and 10, less line 12	13		

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property) (See instructions)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A		
17 MACRS deductions for assets placed in service in tax years beginning before 2011	17	
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B—Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (see instructions)

21 Listed property Enter amount from line 28	21	
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	652,976
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V

Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)
Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input type="checkbox"/> No						24b If "Yes," is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No			
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost	
25Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)							25		
26 Property used more than 50% in a qualified business use									
		%							
		%							
		%							
27 Property used 50% or less in a qualified business use									
		%				S/L -			
		%				S/L -			
		%				S/L -			
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						28			
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1							29		

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

30 Total business/investment miles driven during the year (do not include commuting miles)	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
31 Total commuting miles driven during the year												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions)					
43 Amortization of costs that began before your 2011 tax year				43	
44 Total. Add amounts in column (f) See the instructions for where to report				44	

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Livingston Healthcare and Subsidiary

June 30, 2012 and 2011

Livingston Healthcare and Subsidiary

June 30, 2012 and 2011

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6-21



GALUSHA
HIGGINS
& GALUSHA, PC
EST. 1919

A PROFESSIONAL CORPORATION OF
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

910 N Last Chance Gulch, Helena, MT 59601
P O Box 1699, Helena, MT 59624

Phone (406) 442-5520
Fax (406) 443-1017

www.ghg-cpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Livingston Healthcare and Subsidiary
Livingston, Montana

We have audited the accompanying consolidated statements of financial position of Livingston Healthcare and Subsidiary (the Hospital) (a tax-exempt corporation) as of June 30, 2012 and 2011, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended. These consolidated 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 our audits 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 accompanying consolidated financial statements referred to above, present fairly, in all material respects, the financial position of the Hospital as of June 30, 2012 and 2011, and the results of its operations, changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GALUSHA, HIGGINS & GALUSHA, PC
Certified Public Accountants and Advisors

Helena, Montana
January 8, 2013

Livingston Healthcare and Subsidiary
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
as of June 30.

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,584,103	\$ 2,473,721
Patient accounts receivable, net of estimated uncollectibles and contractual allowances of \$2,587,735 and \$2,424,555, respectively	5,498,550	4,876,427
Livingston Imaging Center accounts receivable	2,295,101	1,998,515
Other accounts receivable	374,729	394,537
Inventories	512,096	708,194
Other current assets	403,008	262,807
Total current assets	11,667,587	10,714,201
ASSETS WHOSE USE IS LIMITED OR RESTRICTED		
By board for designated purposes	1,454,408	1,534,239
By donor for specific purposes	1,612,483	1,592,685
Total assets whose use is limited or restricted	3,066,891	3,126,924
INVESTMENTS	26,626	28,696
PROPERTY AND EQUIPMENT, net	3,207,079	3,235,457
OTHER ASSETS		
Other assets	810,243	735,967
Total other assets	810,243	735,967
TOTAL ASSETS	<u>\$ 18,778,426</u>	<u>\$ 17,841,245</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 688,317	\$ 644,139
Accrued salaries and benefits	890,927	993,216
Bank line of credit loan	-	52,446
Current portion of long-term debt	6,895	6,412
Current portion of obligation under capital leases	175,488	177,630
Estimated third party settlements (receivable) payable	25,569	(170,121)
Livingston Imaging Center accounts payable	3,113,924	2,985,089
Other liabilities	50,266	(21,103)
Total current liabilities	4,951,386	4,667,708
Long-term debt, excluding current installments	290,982	297,877
Capital lease obligation, excluding current installments	220,990	396,482
Deferred compensation	88,600	149,434
TOTAL LIABILITIES	5,551,958	5,511,501
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	11,035,603	10,308,776
Temporarily restricted	906,988	737,091
Permanently restricted	1,283,877	1,283,877
Total net assets	13,226,468	12,329,744
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,778,426</u>	<u>\$ 17,841,245</u>

The accompanying notes are an integral part of these financial statements

Livingston Healthcare and Subsidiary
CONSOLIDATED STATEMENTS OF ACTIVITIES
for the years ended June 30.

UNRESTRICTED REVENUES, GAINS AND

OTHER SUPPORT

	2012	2011
Net patient service revenue	\$ 31,610,976	\$ 32,059,626
Other revenue	676,749	658,021
Total revenues, gains and other support	32,287,725	32,717,647

EXPENSES

Salaries and wages	14,535,629	14,398,294
Medical supplies	4,088,066	4,136,599
Employee benefits	3,030,587	3,024,964
Provision for bad debts	2,771,970	3,401,052
Purchased services	2,607,494	2,675,658
Other supplies	1,064,844	1,066,949
Depreciation and amortization	652,976	670,519
Professional fees	569,044	561,868
Insurance	497,980	493,555
Utilities	420,640	395,614
Other operating expenses	448,458	379,420
Rents and leases	343,447	349,742
Repairs and maintenance	362,227	345,877
Other fees	231,577	293,880
Education and travel	103,322	121,838
Recruitment expenses	65,174	114,521
Promotion expense	56,947	62,633
Interest	43,003	54,480
Total expenses	31,893,385	32,547,463
Operating (loss) income	394,340	170,184

NON-OPERATING GAINS (LOSSES)

Non-operating income	162,701	88,348
Contributions	73,133	96,670
Net realized/unrealized gains (losses) on other than trading securities	33,524	161,675
Earnings on investments	53,037	54,928
Investment expenses	(17,890)	(17,079)
Total non-operating gains	304,505	384,542
Excess of revenues, gains and other support over expenses	\$ 698,845	\$ 554,726

The accompanying notes are an integral part of these financial statements

Livingston Healthcare and Subsidiary
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
for the years ended June 30.

	2012	2011
UNRESTRICTED NET ASSETS		
Excess (deficit) of revenues, gains and other support over expenses	\$ 698,845	\$ 554,726
Net assets released from restriction	27,982	17,493
Change in unrestricted net assets	726,827	572,219
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	209,674	273,374
Change in value of split-interest agreement	(11,795)	13,651
Net assets released from restriction	(27,982)	(17,493)
Change in temporarily restricted net assets	169,897	269,532
CHANGE IN NET ASSETS	896,724	841,751
NET ASSETS, BEGINNING OF YEAR	12,329,744	11,487,993
NET ASSETS, END OF YEAR	\$ 13,226,468	\$ 12,329,744

The accompanying notes are an integral part of these financial statements

Livingston Healthcare and Subsidiary
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30.

	2012	2011
NET CASH FLOWS FROM OPERATING ACTIVITIES AND GAINS AND LOSSES		
Change in net assets	\$ 896,724	\$ 841,751
Adjustments to reconcile changes in net assets to net cash from operating activities and gains and losses		
Depreciation and amortization of property and equipment	652,976	670,519
Contribution of land	-	(250,000)
Provision for estimated uncollectibles and contractual allowances	163,180	(78,253)
Realized and unrealized (gains) losses on investments	(21,729)	(175,327)
(Increase) decrease in		
Patient accounts receivable	(785,303)	1,355,765
Livingston Imaging Center accounts receivable	(296,586)	(308,936)
Other accounts receivable	19,808	(59,605)
Inventories	196,098	20,463
Other current assets	(140,201)	204,835
Other assets	(74,276)	(45,882)
Increase (decrease) in		
Accounts payable	44,178	(165,650)
Livingston Imaging Center accounts payable	128,835	240,796
Accrued salaries and benefits	(102,289)	(935,014)
Estimated third-party settlements payable	195,690	203,931
Other liabilities	10,535	(137,187)
Net cash from operating activities and gains and losses	887,640	1,382,206
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(691,471)	(935,061)
Sale of investments	775,303	993,218
Capital expenditures	(624,598)	(583,418)
Net cash from investment activities	(540,766)	(525,261)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank line of credit loan	(52,446)	(100,653)
Repayment of long-term debt	(6,412)	(6,061)
Repayment of obligations under capital leases	(177,634)	(167,994)
Proceeds from capital leases	-	-
Net cash from financing activities	(236,492)	(274,708)
Change in cash and cash equivalents	110,382	582,237
Cash and cash equivalents, beginning of year	2,473,721	1,891,484
Cash and cash equivalents, end of year	\$ 2,584,103	\$ 2,473,721
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 43,020	\$ 54,497
Non-cash item - land received through donation	\$ -	\$ 250,000

The accompanying notes are an integral part of these financial statements

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1 Organization - Livingston Memorial Hospital, Inc., DBA Livingston Healthcare (the Hospital) is a not-for-profit 25-bed acute care hospital providing inpatient, outpatient, clinical, and emergency services in Livingston, Montana, and the surrounding area. Livingston Healthcare Foundation is a not-for-profit organization with the purpose of soliciting and receiving gifts and distributing them to the Hospital.
- 2 Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards FASB ASC 958-205, Financial Statements of Not-for-Profit Organizations. Under those provisions, net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations
Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Hospital pursuant to those stipulations or that expire by the passage of time
Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Hospital
- 3 Basis of Consolidation - The consolidated financial statements include the accounts of the Hospital and its subsidiary Livingston Healthcare Foundation. All significant intercompany balances and transactions have been eliminated in consolidation. The Hospital consolidates subsidiaries in which it exercises control.
- 4 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.
- 5 Cash and Cash Equivalents - Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.
- 6 Inventories - Inventories are stated at the lower of cost (average cost) or market.
- 7 Assets Whose Use is Limited - Assets whose use is limited include assets set aside by the board of directors for future capital improvements and deferred compensation, over which the board retains control and may, at its discretion, subsequently use for other purposes and assets held by trustees for management and endowment purposes.

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. continued

- 8 Investments - The Hospital carries investments in marketable equity securities and all debt securities with readily determinable fair values at their fair market values. Unrealized gains and losses are included in the change in net assets unless the income or loss is restricted by donor or law.
- 9 Accounts Receivable - Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Hospital provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Hospital's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.
- 10 Property and Equipment - Property and equipment acquisitions are recorded at cost. Property and equipment donated for Hospital operations are recorded as unrestricted support and are included in the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. The Hospital capitalizes long-lived assets with a cost in excess of \$3,000.
- Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method. Equipment under capital leases 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.
- 11 Statements of Activities and Changes in Net Assets - For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses.
- 12 Net Patient Service Revenue - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.
- 13 Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Since the Organization does not expect payment, estimated charges for charity care are not included in revenue. The Organization calculates the amount of charity care based on an estimate of the cost of providing the services using a cost to charge ratio.

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. continued

Charity Care. continued

The total amount of charity care provided by the Livingston Healthcare Financial Assistance Program for the years ended June 30, 2012 and 2011 totaled \$844,410 and \$935,752, respectively

- 14 Contributions - The Hospital accounts for contributions in accordance with the recommendations of the FASB ASC 958-605-15, *Revenue Recognition for Contributions Received*. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, types of contribution, and nature of fund-raising activity. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Net Assets as net assets released from restrictions.

- 15 Costs of Borrowing - Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Deferred financing costs are amortized over the period the obligation is outstanding using the interest method.

Amortization of deferred financing costs is capitalized during the period of construction of capital assets.

- 16 Income Taxes - The Hospital and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Certain income considered unrelated to its exempt purpose may be subject to tax.

As a matter of law, the Hospital and the Foundation are subject to examination by federal and state taxing authorities for the year. Although management believes that the amounts reflected in their tax returns substantially comply with the applicable federal and state tax regulations, both the IRS and the various state taxing authorities can take positions contrary to their position based on IRS interpretation of the law. The Hospital and the Foundation have determined that they are subject to examination of their federal information return filings in the United States for

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes, continued

the 2009 through 2011 tax years. A tax position that is challenged by a taxing authority could result in an adjustment. In the event that the Company is assessed penalties and or interest, penalties will be charged to the other operating expense and interest will be charged to the interest expense.

- 17 Reclassifications - Certain prior year items have been reclassified to conform to current year presentation without effect on the increase in net assets or total net assets.
- 18 Subsequent Events - Management has performed an analysis of the activities and transactions subsequent to June 30, 2012 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2012, see Note X. Management has performed this analysis through January 8, 2013, the date the financial statements were available to be issued.

NOTE B - BUSINESS COMBINATION

On May 31, 1998, the Hospital entered into several agreements with Park Clinic, P.C., the essence of which was a business combination accounted for by the purchase method. The Hospital agreed to lease the physician's office building from the Park Clinic Building Partnership. The Partnership includes six physicians employed by the Hospital under employment agreements. The lease was effective June 1, 1998 for a five-year period, was renewed twice and since June 30, 2007 the lease has been month to month with no long term agreement.

NOTE C - 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 follows:

Medicare and Medicaid - Effective March 1, 2001, the Hospital qualified as a critical access hospital (CAH). As a CAH, inpatient services are paid based on a cost of care reimbursement system for Medicare and Medicaid patients. On May 6, 2001, Park Clinic qualified as a rural health clinic (RHC), and as such, physician services are reimbursed under a cost-based formula for Medicare and Medicaid rather than on a schedule of approved fees. On February 13, 2012, the West Crawford Clinic qualified as a provider based clinic (PBC). As a PBC, the technical component of services are reimbursed under a cost-based formula for Medicare and Medicaid, and the physician component of services continues to be reimbursed under a schedule of approved fees.

Inpatient non-acute services, certain outpatient services, and defined capital costs related to beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE C - NET PATIENT SERVICE REVENUE. continued

The Hospital's classification of patients under the Medicare and Medicaid programs and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's cost reports have been audited and settled by the Medicare and Medicaid fiscal intermediaries through June 30, 2011.

NOTE D - ASSETS WHOSE USE IS LIMITED

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

	2012		2011	
	FMV	Cost	FMV	Cost
By Board for Designated Purposes				
Cash and cash equivalents	\$ 1,350,802	\$ 1,350,802	\$ 1,436,878	\$ 1,436,878
Equity securities	103,606	96,824	97,361	93,808
	<u>\$ 1,454,408</u>	<u>\$ 1,447,626</u>	<u>\$ 1,534,239</u>	<u>\$ 1,530,686</u>
By Donors for Specific Purposes				
Cash	\$ 151,079	\$ 151,079	\$ 129,384	\$ 129,384
Land	250,000	250,000	250,000	250,000
Equity securities	688,330	645,216	739,232	674,254
Debt securities	228,682	207,387	201,735	185,374
U S Treasuries	294,392	277,915	272,334	263,506
	<u>\$ 1,612,483</u>	<u>\$ 1,531,597</u>	<u>\$ 1,592,685</u>	<u>\$ 1,502,518</u>

NOTE E - INVESTMENT RETURN

Investment return on all investments is summarized as follows:

	2012	2011
Dividend and interest income	\$ 53,037	\$ 54,928
Investment fees	(17,890)	(17,079)
Net realized and unrealized gains (losses) on investments carried at fair value	<u>33,524</u>	<u>161,675</u>
Total investment return included in non-operating gains (losses)	<u>\$ 68,671</u>	<u>\$ 199,524</u>

NOTE F - INVESTMENT IN LIVINGSTON IMAGING CENTER, LLC

In May 2004, the Hospital entered into a joint venture agreement with Billings Clinic (BC) to purchase a CT scanner and operate it at the Hospital. Each party has a 50% ownership interest in the initial capitalization of \$500,000. Profits and losses are split 50% to each party.

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE F - INVESTMENT IN LIVINGSTON IMAGING CENTER, LLC. continued

The Hospital's interest in the net assets of the joint venture is reported as part of other assets in the Statements of Financial Position. The un-audited financial statements of the joint venture for the years ended June 30 are summarized as follows:

	2012	2011
Assets	\$ 3,736,768	\$ 3,304,840
Liabilities	2,295,101	1,998,515
Net assets	<u>\$ 1,441,667</u>	<u>\$ 1,306,325</u>
 Hospital share	 <u>\$ 720,834</u>	 <u>\$ 653,163</u>
 Revenue	 \$ 710,829	 \$ 717,237
Expenses	575,487	638,303
Net Income	<u>\$ 135,342</u>	<u>\$ 78,934</u>
 Hospital share	 <u>\$ 67,671</u>	 <u>\$ 39,467</u>

Livingston Imaging Center, LLC – Related Transactions

	2012	2011
Receivable from Hospital	<u>\$ 3,113,924</u>	<u>\$ 2,985,089</u>
 Payable to Hospital	 <u>\$ 2,295,101</u>	 <u>\$ 1,998,515</u>

The Hospital entered into an affiliation agreement with BC January 2013 (see Note X). As part of this agreement, Livingston Imaging Center, LLC will be dissolved within 90 days of the effective date of the affiliation.

NOTE G - PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30 follows:

	2012	2011
Building and fixed equipment	\$ 6,523,426	\$ 6,344,957
Equipment and capitalized leases	7,389,064	7,067,417
Land	421,977	421,977
	<u>14,334,467</u>	<u>13,834,351</u>
Less: accumulated depreciation and amortization	<u>(11,127,388)</u>	<u>(10,598,894)</u>
Property and equipment, net	<u>\$ 3,207,079</u>	<u>\$ 3,235,457</u>

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE H - LINE OF CREDIT

The Hospital established a line of credit with First Interstate Bank on August 28, 2008. Under the terms of the financing agreement, the Hospital was granted a \$600,255 revolving line of credit with interest at 75% over prime. The interest rate at June 30, 2012 and 2011 was 4.0%. Payment of all outstanding accrued interest is due the first of each month. Substantially all of the Hospital's assets are pledged as collateral to this loan. The Hospital has paid off the line of credit as of June 30, 2012 and had a total outstanding balance of \$52,446 at June 30, 2011.

NOTE I - LONG-TERM DEBT

A summary of long-term debt as of June 30 follows:

	<u>2012</u>	<u>2011</u>
Original note payable dated September 30, 2004 due in monthly installments of \$728, interest at 6.75% per annum. This note was refinanced on September 1, 2009 with balloon payment due October 1, 2014.	\$ 99,909	\$ 102,061
Original note payable dated September 30, 2004 due in monthly installments of \$869, interest at 6.75% per annum. This note was refinanced on September 1, 2009 with balloon payment due October 1, 2014.	119,164	121,728
Original note payable dated September 30, 2004 due in monthly installments of \$574, interest at 6.75% per annum. This note was refinanced on September 1, 2009 with balloon payment due October 1, 2014.	<u>78,804</u>	<u>80,500</u>
Total long-term debt	<u>297,877</u>	<u>304,289</u>
Less: current installment of long-term debt	<u>6,895</u>	<u>6,412</u>
Long-term debt, excluding current installments	<u><u>\$ 290,982</u></u>	<u><u>\$ 297,877</u></u>

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE I - LONG-TERM DEBT. continued

The amortization of the long-term debt as of June 30 is

2013	6.895
2014	7.358
2015	283.624
2016	-
2017	-
Thereafter	-
Total	<u><u>\$ 297.877</u></u>

NOTE J - LEASE COMMITMENTS

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Rent paid in 2012 was \$343,447 and in 2011 was \$349,742 under operating leases for property and equipment.

The Hospital leases certain medical equipment under agreements that are classified as capital leases. The cost of equipment under capital leases is included in the statements of financial position as property, plant, and equipment and was \$945,145 at June 30, 2012 and 2011. Accumulated amortization of the leased equipment at June 30, 2012 and 2011 was \$615,765 and \$430,736, respectively. Amortization of assets under capital leases is included in depreciation expense.

The following is a schedule by years of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2012.

Year ending June 30,	
2013	\$ 187,695
2014	135,983
2015	42,441
2016	36,859
2017	9,216
Thereafter	-
Total minimum lease payments	<u>412,194</u>
Less the amount representing interest	(15,712)
Present value of net minimum lease payments	<u><u>\$ 396,482</u></u>

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE K - MEDICAL MALPRACTICE CLAIMS

The Hospital is insured under a medical malpractice insurance policy. Losses from asserted claims and from unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system has been made because the amount is not reasonably estimable. Based on the Hospital's malpractice experience, no liability has been accrued.

NOTE L - RETIREMENT PLAN

Effective November 1, 1983, the Hospital established a defined contribution retirement plan. Employees must meet certain age and length of service requirements to be eligible to participate in the plan. Contributions by the employer are discretionary, and normally have been three percent of eligible salaries. In March 2010 the Hospital suspended these employer contributions. Employees may contribute to the plan each year. Employer contributions and administrative fees to the plan were \$20,571 and \$10,233 during the years ending June 30, 2012 and 2011, respectively.

NOTE M - DEFERRED COMPENSATION PLAN

The Hospital entered into an agreement with an employee providing deferred compensation for that employee. The plan grants the employee deferred compensation based on the Hospital's work performance formula. The agreement was entered into on April 16, 2005. The agreement states that the employee will become 50% vested after five years and will gain an additional 10% of vesting each year after that until they become 100% vested at the end of year ten. The Hospital recognized \$22,054 and \$17,346 in expense for the years ended June 30, 2012 and 2011, respectively, in order to book deferred compensation assuming all contractual obligations of this agreement will ultimately be fulfilled. For the years ended June 30, 2012 and 2011 the employee took a distribution of \$60,834 and \$126,201, respectively, from the deferred compensation plan. The deferred compensation liability at June 30, 2012 and 2011 was \$88,600 and \$149,434, respectively.

NOTE N - CONCENTRATION OF CREDIT RISK

The Hospital is located in Livingston, Montana. The Hospital grants credit without collateral to its patients, most of who are regional residents and are insured under third-party payor agreements. The mix of receivables and revenues from patients and third-party payors at June 30 is as follows:

	Account Receivable		Revenue	
	2012	2011	2012	2011
Medicare/Medicaid	33%	26%	51%	50%
Other third-party payors	20%	23%	37%	40%
Patients	47%	51%	12%	10%
	100%	100%	100%	100%

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE N - CONCENTRATION OF CREDIT RISK. continued

The Hospital maintains its cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At June 30, 2012, the Hospital's uninsured bank balances totaled \$3,266,358.

NOTE O - RELATED PARTY TRANSACTIONS

The Hospital leased a physicians' office building for \$13,750 per month for one year effective June 30, 2007, from a partnership that includes physician members of the Hospital board (see Note B).

The Hospital entered into two-year physician employment agreements with two members of the board.

The Hospital entered into a management agreement with Billings Clinic (see Note U). Fees paid for the year ending June 30, 2012 related to this agreement were as follows: CEO reimbursement, \$211,623; Interim CEO Eagle Health Care \$48,510; clinic practice manager reimbursement, \$127,988; management fees, \$60,000; software, \$93,371; CIS project, \$93,663; 360 project \$8,535; radiology administration fee, \$17,188 and other, \$92,669. Fees paid for the year ending June 30, 2011 related to this agreement were as follows: CEO reimbursement, \$226,620; clinic practice manager reimbursement, \$122,234; management fees, \$60,000; software, \$87,604; CIS project, \$89,123; radiology administration fee, \$37,500 and other, \$64,693.

The Hospital entered into a joint venture, Livingston Imaging Center, LLC, with Billings Clinic, the Company managing the Hospital (see Note F and Note U).

The Hospital has agreed to the terms of an affiliation agreement with Billings Clinic (see Note X).

NOTE P - SPLIT-INTEREST AGREEMENT

Donors established two identical trusts with a trustee, naming the Hospital as the beneficiary of the charitable remainder unitrusts. Under the terms of the split-interest agreements, the donors will receive quarterly payments from the trusts for a period of ten years or until the deaths of the donors, whichever occurs later, at which time the balance will be distributed to the Hospital. Based on the minimum ten-year distribution period and the use of a six percent discount rate, the present value of future benefits expected to be received by the Hospital was estimated to be \$143,510, which was reported in 1999 as a temporarily restricted contribution and a contribution receivable from the charitable remainder unitrusts and was included in other assets. The Hospital also recorded an adjustment in the estimated fair market value of future benefits of \$(11,795) in 2012 and \$13,651 in 2011.

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE Q - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets available for the following purposes or periods at June 30 are restricted as to

	2012	2011
Time	\$ 144,922	\$ 156,717
Purpose - Building and Hospice	762,066	580,374
	<u>\$ 906,988</u>	<u>\$ 737,091</u>

Permanently restricted net assets at June 30 are restricted to

	2012	2011
Investments to be held in perpetuity, the income from which is expendable to support		
Education/Equipment	\$ 810,463	\$ 810,463
Gateway Hospice	473,414	473,414
	<u>\$ 1,283,877</u>	<u>\$ 1,283,877</u>

NOTE R - ENDOWMENT NET ASSETS

The endowment consists of numerous individual funds established for a variety of purposes. The Center's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Center has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) 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 Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of 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 the prudence prescribed by the MUPMIFA.

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE R - ENDOWMENT NET ASSETS. continued

In accordance with the MUPMIFA, the Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

- 1 The duration and preservation of the fund.
- 2 The purposes of Hospital and the donor-restricted endowment fund.
- 3 General economic conditions.
- 4 The expected total return from income and the appreciation of investments.
- 5 Other resources of the Hospital, and
- 6 The investment policies of the Hospital

Change in net asset composition by type of fund for the year ended June 30, 2012 is as follows

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets.				
June 30, 2011	<u>\$ (106,098)</u>	<u>\$ -</u>	<u>\$1,283,877</u>	<u>\$ 1,177,779</u>
Investment return				
Interest & dividends, net of investment expenses	40,783	-	-	40,783
Net appreciation (depreciation)	(9,517)	-	-	(9,517)
Total investment return	<u>31,266</u>	<u>-</u>	<u>-</u>	<u>31,266</u>
Appropriation of endowment				
assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets.				
June 30, 2012	<u>\$ (74,832)</u>	<u>\$ -</u>	<u>\$1,283,877</u>	<u>\$ 1,209,045</u>

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 MUPMIFA requires the Hospital to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$74,832 and \$106,098 as of June 30, 2012 and June 30, 2011, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of net permanently restricted contributions and appropriation for certain programs that was deemed prudent by the Board of Directors.

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 while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE R - ENDOWMENT NET ASSETS. continued

donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve endowment capital. Funds shall be invested such that no less than 30% and no more than 70% of such funds shall be invested in equities, with the balance invested in fixed income securities, while assuming a moderate level of investment risk. The Hospital expects its endowment funds, over time, to provide a reasonable current rate of return.

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 gains) and current yield (interest and dividends). The Hospital targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How Investment Objectives Relate to Spending Policy

Ough Trust – The Hospital Board of Directors, based on recommendations by a committee comprised of Hospital and community members, approves appropriations for distribution limited to the accumulated income of the fund.

Stafford Hospice Endowment - The Hospital Board of Directors, based on recommendations by Hospital administration, approves appropriations for distribution limited to 7% of the total fund value in any given year.

In establishing this policy, the Hospital considered the long-term expected return on its endowment. This is consistent with the Hospital's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE S - FAIR VALUE MEASUREMENTS

FASB ASC 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 5 - FAIR VALUE MEASUREMENTS. continued

- Level 2 Inputs to the valuation methodology include
- quoted prices for similar assets or liabilities in active markets.
 - quoted prices for identical or similar assets or liabilities in inactive markets.
 - inputs other than quoted prices that are observable for the asset or liability.
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

- *Equities, Debt Securities, and U.S. Treasuries* Valued at the closing price reported on the active market on which the individual securities are traded

The following are the Hospital's assets at fair value as of June 30:

Assets at fair value as of June 30, 2012				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equities	\$ 818,562	\$ -	\$ -	\$ 818,562
Debt Securities	228,682	-	-	228,682
U.S. Treasuries	294,392	-	-	294,392
Land Investment	-	-	250,000	250,000
	<u>\$ 1,341,636</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 1,591,636</u>

Assets at fair value as of June 30, 2011				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equities	\$ 865,289	\$ -	\$ -	\$ 865,289
Debt Securities	201,735	-	-	201,735
U.S. Treasuries	272,334	-	-	272,334
Land Investment	-	-	250,000	250,000
	<u>\$ 1,339,358</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 1,589,358</u>

Continued

Livingston Healthcare and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE T - FUNCTIONAL EXPENSES

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services as of June 30 are as follows:

	2012	2011
Health care services	\$ 27,558,522	\$ 28,817,665
General and administrative	4,334,863	3,729,798
	<u>\$ 31,893,385</u>	<u>\$ 32,547,463</u>

NOTE U - MANAGEMENT SERVICES AGREEMENT

On June 20, 2002, the Hospital entered into a management services agreement with Billings Clinic (BC) for a period of three years, and renewable annually after June 19, 2005, unless terminated by either party. The agreement authorizes BC to operate and manage Livingston Healthcare subject to certain conditions and limitations. BC is compensated for a chief executive officer, a clinic practice manager and a general management fee for its services.

NOTE V - CONTINGENCIES

The Hospital has potential claims pending arising in the normal course of business. While it is impossible to estimate the ultimate liability, if any, with respect to these matters, management believes the Hospital maintains adequate insurance coverage and there will be no material adverse effect on the financial position of the Hospital.

NOTE W - LIVINGSTON HEALTHCARE FOUNDATION FINANCIAL STATEMENTS AND RELATED PARTY TRANSACTIONS

The financial statements of Livingston Healthcare Foundation, which are included in the consolidated financial statements, for the years ended June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Assets	1,233,725	1,231,483
Liabilities	-	-
Net assets	<u>\$ 1,233,725</u>	<u>\$ 1,231,483</u>
Revenue	\$ 155,028	\$ 128,055
Expenses	152,786	397,320
Net Income	<u>\$ 2,242</u>	<u>\$ (269,265)</u>

Livingston Healthcare Foundation – Related Transactions

	2012	2011
Grants paid to the Hospital	<u>\$ 145,633</u>	<u>\$ 389,726</u>

Continued