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Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 10-01-2011 and ending 09-30-2012

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

Northwestern Medical Center

Doing Business As

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

133 Fairfield St

Room/suite

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

St Albans, VT 05478

F Name and address of principal officer

Ted Sirotta
133 Fairfield St
St Albans, VT 05478

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.northwesternmedicalcenter.org

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1977

M State of legal domicile

VT

Part I

Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities Northwestern Medical Center's mission is to provide exceptional healthcare for our community		
	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	12
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	12
Revenue	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	687
	6	Total number of volunteers (estimate if necessary)	6	140
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
	b	Net unrelated business taxable income from Form 990-T, line 34	7b	0
	8	Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g)	536,175	269,562
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	78,541,161	90,628,893
Expenses	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,699,251	1,837,060
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	323,363	224,245
	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	81,099,950	92,959,760
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	36,000
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	0	0
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	37,434,844	43,889,920
	b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0	0	0
Net Assets or Fund Balances	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	0	0
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	35,115,470	39,030,966
	19	Revenue less expenses Subtract line 18 from line 12	72,550,314	82,956,886
			8,549,636	10,002,874
			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	89,040,961	103,010,670
	21	Total liabilities (Part X, line 26)	24,615,163	26,619,133
	22	Net assets or fund balances Subtract line 21 from line 20	64,425,798	76,391,537

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

2013-08-08

Date

Ted Sirotta CFO

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

Barbara J McGuan CPA

Date

2013-08-08

Check if self-employed

☐

Preparer's taxpayer identification number (see instructions)

P00219457

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

Berry Dunn McNeil & Parker LLC
PO Box 1100
Portland, ME 041041100

EIN

01-0523282

Phone no

(207) 775-2387

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 III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

Northwestern Medical Center's mission is to provide exceptional healthcare for our community

2

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

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

3

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

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 66,476,961 including grants of \$ 36,000) (Revenue \$ 90,843,672)

Providing inpatient and outpatient services to the general public in a full-service 70-bed hospital. The Hospital publishes an annual report. Please refer to the annual report for additional explanation of the Hospital's programs and achievements.

4b

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

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection or amounts determined to qualify as charity care they are not reported in revenue. The Hospital maintains records to identify and monitor the level of charity care it provides. The records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies and equivalent service statistics. The following information measures the level of charity care provided during the year ended September 30, 2012. See continuation on Schedule O. Estimated costs and expenses incurred to provide charity care: \$853,443. Number of charity care patients served: 714. The Hospital provides health care services to residents of St. Albans, Vermont, and the surrounding area, without regard to the individual's ability to pay for their services.

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 \$ 66,476,961

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)? <i>If "Yes," complete Schedule A.</i> 	1	Yes
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	2	Yes
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> 	3	No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	4	Yes
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> 	5	No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i> 	6	No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	8	No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	Yes
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	Yes
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c	No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e	Yes
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	Yes
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13	No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i>	14b	No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? <i>If "Yes," complete Schedule F, Part II and IV.</i>	15	No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? <i>If "Yes," complete Schedule F, Part III and IV.</i>	16	No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>	17	No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements 	20b	Yes

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	Yes	
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	Yes	
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	Yes	
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		No
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"/>		
		YesNo
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a125
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1cYes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return	2a687
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)	2bYes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3aNo
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)?	4aNo
b	If "Yes," enter the name of the foreign country <input type="text"/> 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? . . .	5aNo
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5bNo
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?	6aNo
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?	7aNo
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?	7cNo
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?	7eNo
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . .	7fNo
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?	14aNo
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		
1b	Enter the number of voting members included in line 1a, above, who are independent		
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?		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?	Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Did the organization have members or stockholders?	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?	Yes	
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	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		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?		No
10b	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?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	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	Yes	
12b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	Yes	
13	Did the organization have a written whistleblower policy?	Yes	
14	Did the organization have a written document retention and destruction policy?	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		No
16b	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?		

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. Ted Sirota, CFO 133 Fairfield Street St Albans, VT 05478 (802) 524-1042

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) Judy Ashley-McLaughlin President	5 00	X		X				0	0	0
(2) Peter Rath Past Member	5 00	X						0	0	0
(3) Kevin Manahan Treasurer	5 00	X		X				0	0	0
(4) Michelle Lawrence Member/Past Assistant Treasurer	5 00	X		X				0	0	0
(5) Paul Clark Secretary	5 00	X		X				0	0	0
(6) John Edwards Past Member	5 00	X						0	0	0
(7) John Hango Vice President	5 00	X		X				0	0	0
(8) Paula Kane Member	5 00	X						0	0	0
(9) Frank Zsoldos Member	5 00	X						0	0	0
(10) Patrick Talcott Member	5 00	X						0	0	0
(11) William O'Connor Member	5 00	X						0	0	0
(12) David Groening Member	5 00	X						0	0	0
(13) Janet McCarthy Member	5 00	X						0	0	0
(14) Marietta Scholten Member	5 00	X						0	0	0
(15) Jill Berry Bowen CEO	40 00			X				304,474	0	8,050
(16) Ted Sirotta CFO	40 00			X				209,329	0	4,685
(17) Michael Barnum MD Orthopedic Surgeon	40 00					X		773,218	0	17,190

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	3,073,533	0	98,903

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 34

		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	Yes

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
PC Construction Company 193 Tilley Drive South Burlington, VT 05403	Construction	1,288,251
Fletcher Allen Health Care PO Box 1902 Burlington, VT 05402	Lab & Stress Test Services	1,098,725
Quorum Health Resources 105 Continental Place Brentwood, TN 37027	Mgmt/Consulting (incl Officers' comp)	1,075,000
Brandthropology 266 Pine Street Suite 5 Burlington, VT 05401	Community Communications	771,539
Clinical Colleagues 1121 N Bethlehem Pike Suite 60-23 Spring House, PA 19477	Anesthesia Services	769,980

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 72

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	194,294				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	75,268				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		269,562				
Program Service Revenue			Business Code					
	2a	Patient Service Revenue	900099	164,809,242	164,809,242			
	b	Other Operating Revenue	900099	859,977	859,977			
	c	Cafeteria	900099	459,163	459,163			
	d	Provision for Bad Debt	900099	-3,794,239	-3,794,239			
	e	Contractual Allowances	900099	-71,705,250	-71,705,250			
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		90,628,893				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		750,304			750,304	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
		Gross rents	233,048					
		b Less rental expenses	18,269					
		c Rental income or (loss)	214,779					
	d	Net rental income or (loss)		214,779	214,779			
	7a	(i) Securities		(ii) Other				
		Gross amount from sales of assets other than inventory	21,675,195	49,600				
		b Less cost or other basis and sales expenses	20,618,255	19,784				
		c Gain or (loss)	1,056,940	29,816				
	d	Net gain or (loss)		1,086,756			1,086,756	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18						
	a	9,466						
	b	Less direct expenses	b	0				
	c	Net income or (loss) from fundraising events . .		9,466			9,466	
	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					
	a							
b	Less cost of goods sold	b						
c	Net income or (loss) from sales of inventory . .							
Miscellaneous Revenue		Business Code						
11a								
b								
c								
d	All other revenue							
e	Total. Add lines 11a-11d							
12	Total revenue. See Instructions		92,959,760	90,843,672	0	1,846,526		

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	36,000	36,000		
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	526,538		526,538	
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	34,504,321	27,957,065	6,547,256	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,209,740	1,045,705	164,035	
9	Other employee benefits	5,396,691	4,657,558	739,133	
10	Payroll taxes	2,252,630	1,926,900	325,730	
11	Fees for services (non-employees)				
a	Management	594,631		594,631	
b	Legal	143,768		143,768	
c	Accounting	75,951		75,951	
d	Lobbying	17,280		17,280	
e	Professional fundraising See Part IV, line 17				
f	Investment management fees	60,028		60,028	
g	Other	8,215,908	6,373,276	1,842,632	
12	Advertising and promotion	551,293		551,293	
13	Office expenses	331,535	211,168	120,367	
14	Information technology				
15	Royalties				
16	Occupancy	663,894	524,900	138,994	
17	Travel	404,341	243,615	160,726	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	555,621		555,621	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	3,542,262	3,030,051	512,211	
23	Insurance	1,192,691	493,299	699,392	
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	10,071,817	9,821,908	249,909	
b	Provider Tax	4,761,645	4,761,645		
c	NOH	2,365,019	2,365,019	0	
d	Maintenance Contracts	1,482,410	547,825	934,585	
e					
f	All other expenses	4,000,872	2,481,027	1,519,845	
25	Total functional expenses. Add lines 1 through 24f	82,956,886	66,476,961	16,479,925	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				1	3,996
	2	Savings and temporary cash investments			20,164,203	2	14,095,875
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			7,398,595	4	8,976,447
	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			40,461	7	163,278
	8	Inventories for sale or use			1,654,532	8	1,658,371
	9	Prepaid expenses and deferred charges			1,440,174	9	1,546,538
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	70,435,741			
	b	Less: accumulated depreciation	10b	39,014,677	29,601,509	10c	31,421,064
	11	Investments—publicly traded securities			27,976,234	11	44,349,812
	12	Investments—other securities. See Part IV, line 11			659,389	12	693,340
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			105,864	15	101,949
	16	Total assets. Add lines 1 through 15 (must equal line 34)			89,040,961	16	103,010,670
Liabilities	17	Accounts payable and accrued expenses			7,318,985	17	9,121,895
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			12,772,390	20	12,356,580
	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			188,000	23	178,371
	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			4,335,788	25	4,962,287
26	Total liabilities. Add lines 17 through 25			24,615,163	26	26,619,133	
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			62,639,492	27	74,444,181
	28	Temporarily restricted net assets			901,676	28	1,050,485
	29	Permanently restricted net assets			884,630	29	896,871
	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			64,425,798	33	76,391,537
	34	Total liabilities and net assets/fund balances			89,040,961	34	103,010,670

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	92,959,760
2	Total expenses (must equal Part IX, column (A), line 25)	2	82,956,886
3	Revenue less expenses Subtract line 2 from line 1	3	10,002,874
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	64,425,798
5	Other changes in net assets or fund balances (explain in Schedule O)	5	1,962,865
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	76,391,537

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 type="checkbox"/> Consolidated basis <input checked="" 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 Northwestern Medical Center	Employer identification number 03-0266986
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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 C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below.

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

OMB No 1545-0047

2011

Open to Public Inspection

If the organization answered “Yes,” to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered “Yes,” to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered “Yes,” to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization Northwestern Medical Center	Employer identification number 03-0266986
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

Part I-B Complete if the organization is exempt under section 501(c)(3).

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," describe in Part IV	

Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Part II-A

Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check
- ☐
- if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		17,280
	j Total lines 1c through 1i			17,280
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	Northwestern Medical Center is a member of the Vermont Association of Hospitals and Health Systems and the American Hospital Association. A portion of the dues paid to these organizations is available for lobbying expenditures on behalf of Northwestern Medical Center and other member organizations in furtherance of their exempt purposes. Northwestern Medical Center does not directly perform any lobbying activities.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Northwestern Medical Center

Employer identification number
03-0266986

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><input type="checkbox"/> Yes <input type="checkbox"/> 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><input type="checkbox"/> Yes <input type="checkbox"/> 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

► \$ _____

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2011

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a Beginning of year balance	884,630	847,600	806,185	913,985	
b Contributions					
c Investment earnings or losses	34,994	37,030	41,415	-107,800	
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses	22,753				
g End of year balance	896,871	884,630	847,600	806,185	

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶ 100 000 %

c

Term endowment ▶

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,020,531		1,020,531
b Buildings		38,136,237	19,013,388	19,122,849
c Leasehold improvements				
d Equipment		28,828,130	18,660,326	10,167,804
e Other		2,450,843	1,340,963	1,109,880
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				31,421,064

Schedule D (Form 990) 2011

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	92,959,760
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	82,956,886
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	10,002,874
4	Net unrealized gains (losses) on investments	4	2,055,044
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-92,179
9	Total adjustments (net) Add lines 4 - 8	9	1,962,865
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	11,965,739

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	94,862,597
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	2,055,044
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	33,951
e	Add lines 2a through 2d	2e	2,088,995
3	Subtract line 2e from line 1	3	92,773,602
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	60,028
b	Other (Describe in Part XIV)	4b	126,130
c	Add lines 4a and 4b	4c	186,158
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	92,959,760

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	82,896,858
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	82,896,858
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	60,028
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	60,028
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	82,956,886

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 organization intends to use the endowment funds in the manner prescribed by the donors.
Part XI, Line 8 - Other Adjustments		Unrealized Loss on Interest Rate Swaps -126,130 Increase in Perpetual Trusts 33,951 Total to Schedule D, Part XI, Line 8 - 92,179
Part XII, Line 2d - Other Adjustments		Increase in Perpetual Trusts 33,951
Part XII, Line 4b - Other Adjustments		Unrealized Loss on Interest Rate Swaps 126,130

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
Northwestern Medical Center

Employer identification number
03-0266986

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 type="checkbox"/> 100%</div> <div><input type="checkbox"/> 150%</div> <div><input type="checkbox"/> 200%</div> <div><input checked="" type="checkbox"/> Other <u>300.000000000000 %</u></div> 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 type="checkbox"/> 200%</div> <div><input type="checkbox"/> 250%</div> <div><input checked="" type="checkbox"/> 300%</div> <div><input type="checkbox"/> 350%</div> <div><input type="checkbox"/> 400%</div> <div><input type="checkbox"/> Other _____%</div> c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care	3a	Yes	
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a		No
6b	If "Yes," did the organization make it available to the public?	6b		
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)			853,443		853,443	1 030 %
b Medicaid (from Worksheet 3, column a)			20,966,207	16,340,465	4,625,742	5 580 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			21,819,650	16,340,465	5,479,185	6 610 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			4,421,415	1,435,788	2,985,627	3 600 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			57,298		57,298	0 070 %
j Total Other Benefits			4,478,713	1,435,788	3,042,925	3 670 %
k Total. Add lines 7d and 7j			26,298,363	17,776,253	8,522,110	10 280 %

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
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1Yes	
2	Enter the amount of the organization's bad debt expense	21,772,289	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	524,233,542	
6	Enter Medicare allowable costs of care relating to payments on line 5	624,029,973	
7	Subtract line 6 from line 5. This is the surplus or (shortfall).	7203,569	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

Schedule H (Form 990) 2011

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.)

Northwestern Medical Center

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 checked="" type="checkbox"/> A definition of the community served by the hospital facility b <input checked="" type="checkbox"/> Demographics of the community c <input checked="" 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 checked="" type="checkbox"/> How data was obtained e <input checked="" type="checkbox"/> The health needs of the community f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests i <input checked="" 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 Yes	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11		
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 Yes	
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	No
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 checked="" type="checkbox"/> Hospital facility's website b <input checked="" type="checkbox"/> Available upon request from the hospital facility c <input checked="" type="checkbox"/> Other (describe in Part VI)	5 Yes	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input checked="" type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input checked="" 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 checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input checked="" type="checkbox"/> Prioritization of health needs in the community h <input checked="" 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 Yes	
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 300 0000000000000% 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>300 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 type="checkbox"/> Insurance status e <input 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 checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input checked="" type="checkbox"/> The policy was attached to all billing invoices c <input checked="" 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 checked="" 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 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 type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

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

Name and address		Type of Facility (Describe)
1	Northwestern Walk-in Clinic 927 Ethan Allen Hwy Ste 2 Georgia, VT 05468	Diagnostic Imaging, Physical Therapy & Urgent Care
2	Branon's Pools & Spa 248 North Main Street St Albans, VT 05478	Physical Therapy
3	Physical Therapy Services 44 Center Street Enosburg, VT 05450	Physical Therapy
4	Northwestern Georgia Health Center 4178 Highbridge Road Georgia, VT 05486	Primary Care
5	Northwestern Ophthalmology 53 Fairfax Road St Albans, VT 05478	Ophthalmology
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 7g Subsidized health services includes the Medicare shortfall from physician practices that are not included in the Hospital's cost reporting reflected on Part III, Line 7

Identifier	ReturnReference	Explanation
		Part III, Line 4 Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of individual accounts and historical adjustments Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable

Identifier	ReturnReference	Explanation
		Part III, Line 8 The cost was determined using the cost to charge ratio

Identifier	ReturnReference	Explanation
		Part III, Line 9b During the collection process, financial assistance, a payment plan or a discount may be offered to the patient, if appropriate, and in accordance with established hospital policy

Identifier	ReturnReference	Explanation
Northwestern Medical Center		Part V, Section B, Line 3 As part of our 2012 Community Health Needs Assessment, NMC used two initiatives to take into account input from persons who represent the community served We deployed a Community Health Needs Assessment survey within the local population for any resident to complete We received community input from 258 anonymous area residents which came in response to communication efforts including paid advertisements in the local newspaper and distributed to local civic and health organizations with a request for participation by their members and clients Additional input was received by a local group of experts, who were asked to validate the assessments and to establish priority among various identified issues The composition of this group of community members aligns with the Federal regulations for the involvement of community leaders with specified skills or representing specified constituencies or professions

Identifier	ReturnReference	Explanation
Northwestern Medical Center		Part V, Section B, Line 5c In addition to making the Community Health Needs Assessment widely available via the hospital website and in response to requests, Northwestern Medical Center provided overviews of the Community Health Needs Assessment to members of the community through presentations at groups such as the NMC Incorporators (150 local members who elect the hospital Board) and the Franklin Grand Isle Community Partnership (40+ health, education, and social service agencies who meet on a regular basis to address concerns within the community) The priorities of the Community Health Needs Assessment are frequently referenced in other hospital documents, plans, publications, and presentations as we work to integrate these findings into our efforts to care for our community

Identifier	ReturnReference	Explanation
		Part VI, Line 2 In alignment with the new Federal mandate, Northwestern Medical Center completed a comprehensive community health needs assessment in September of 2012 The document was formally approved by the hospital's Board of Directors at their October 3, 2012 meeting The 2012 assessment identified 11 high priorities and 13 additional priorities facing the community The top 5 most pressing priorities were Mental Health & Substance Abuse, access/availability to healthcare and physicians, obesity, smoking, and cancer The findings influenced many of the strategic initiatives contained within the hospital's Strategic Plan for Fiscal Year's 2014-2016 The 2012 Community Health Needs Assessment is available free of charge to the public via the Northwestern Medical Center website The hospital also collaborates in smaller, more focused community needs assessments through our partnerships with agencies such as the Franklin Grand Isle United Way

Identifier	ReturnReference	Explanation
		Part VI, Line 3 The Hospital uses a variety of methods of communication to inform and educate patients about the eligibility requirements for financial assistance and charity care. For example, information related to financial assistance and charity care is available on the Hospital's website, included on the back of patient statements, posted on signs at registration areas, and patients may speak on the phone with a collection specialist.

Identifier	ReturnReference	Explanation
		Part VI, Line 4 The Hospital serves the greater Franklin and Grand Isle counties in northwestern Vermont The service area consists of approximately 54,000 people and the area is primarily rural and agricultural in nature with some light industry

Identifier	ReturnReference	Explanation
		Part VI, Line 5 The Hospital maintains an open medical staff and a community based Board of Directors The Hospital's Board of Directors is elected by the Hospital's Board of Incorporators, which consists of approximately 150 local residents The Hospital created and funds a program known as The Center for Health and Wellness, which is committed to a collaborative approach to community health improvement

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
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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 Northwestern Medical Center	Employer identification number 03-0266986
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Part I

Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Jill Berry Bowen	(i)	269,974	34,500	0	8,050	0	312,524	0
	(ii)	0	0	0	0	0	0	0
(2) Ted Sirota	(i)	209,329	0	0	4,685	0	214,014	0
	(ii)	0	0	0	0	0	0	0
(3) Michael Barnum MD	(i)	742,718	30,500	0	0	17,190	790,408	0
	(ii)	0	0	0	0	0	0	0
(4) Robert Beattie MD	(i)	664,630	300	205	6,625	0	671,760	0
	(ii)	0	0	0	0	0	0	0
(5) Jeremy Hatch MD	(i)	415,391	500	0	8,333	13,346	437,570	0
	(ii)	0	0	0	0	0	0	0
(6) Peter Burke MD	(i)	376,107	500	335	7,641	20,190	404,773	0
	(ii)	0	0	0	0	0	0	0
(7) Thomas Suppan MD	(i)	328,044	500	0	6,588	6,255	341,387	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
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	(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
	Part I, Line 1a	Northwestern Medical Center provides fitness club membership automatically for all employees. The employees are required to sign in at the fitness club and those records are provided regularly to the Hospital to determine the amount of payment due to the fitness club.
	Part I, Line 7	Dr. Michael Barnum received a \$30,000 bonus to recognize his high level of productivity during the year. His salary is not contingent upon his productivity, organizational revenues or net income.
Supplemental Information	Part III	Jill Berry Bowen, CEO, was compensated through a contract with Quorum Health Resources. Her total salary for the period ended December 31, 2011 was \$304,474, and deferred compensation was \$8,050. Ted Sirota, CFO, was compensated through a contract with Quorum Health Resources. His total salary for the period ended December 31, 2011 was \$209,329, and deferred compensation was \$4,685.

Schedule K (Form 990)	Supplemental Information on Tax Exempt Bonds ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.										OMB No 1545-0047	
											2011	
	Department of the Treasury Internal Revenue Service	Name of the organization Northwestern Medical Center										Employer identification number 03-0266986

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A Vermont Educational & Health Building Financing Agency	22-7154467		09-01-2010	13,200,000	Refund 2005A Bond and new capital projects		X		X		X

Part II Proceeds											
			A		B		C		D		
1	Amount of bonds retired		843,420								
2	Amount of bonds defeased										
3	Total proceeds of issue		13,200,000								
4	Gross proceeds in reserve funds										
5	Capitalized interest from proceeds										
6	Proceeds in refunding escrow		10,795,501								
7	Issuance costs from proceeds		110,300								
8	Credit enhancement from proceeds										
9	Working capital expenditures from proceeds										
10	Capital expenditures from proceeds		2,294,199								
11	Other spent proceeds										
12	Other unspent proceeds										
13	Year of substantial completion		2012								
		Yes	No	Yes							
14	Were the bonds issued as part of a current refunding issue?		X								
15	Were the bonds issued as part of an advance refunding issue?			X							
16	Has the final allocation of proceeds been made?			X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?		X								

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
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Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Northwestern Medical Center

Employer identification number

03-0266986

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Jane Catton	Chief Quality Officer	135,940	Northwestern Medical Center leases space in the doctors' office buildings owned by Jane Catton. The lease has a four-year term, has provisions for early termination without cause and is made at a market rate.		No
(2) Lowrey Sullivan	Chief Medical Officer	263,843	Northwestern Medical Center leases space, purchases services and equipment from a company owned by Lowrey Sullivan. The support agreement has a two-year term, has a provision for early termination without cause and is made at market rate.		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Northwestern Medical Center

Employer identification number
03-0266986

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 3	The CEO and CFO are employees of Quorum Health Resources
	Form 990, Part VI, Section A, line 6	The organization has a maximum of 150 members, elected at the annual meeting from a slate of candidates nominated by the Nominating Committee Other candidates for membership may be nominated from the floor at the annual meeting Any person whose term as a Corporation Director has expired shall automatically become a member if that person consents to become a member
	Form 990, Part VI, Section A, line 7a	The membership elects a presiding membership officer, an alternate presiding membership officer and a membership secretary Said officers are designated as Chair, Vice Chair and Recording Secretary of the membership
	Form 990, Part VI, Section B, line 11	The CFO reviews the 990 and compares it to the audited financial statements In addition, a copy of the 990 is provided to all members of the Hospital's Board of Directors before it is filed
	Form 990, Part VI, Section B, line 12c	Regular monitoring occurs at a minimum annually when each individual must complete the annual disclosure form
	Form 990, Part VI, Section B, line 15	The CEO and CFO are not employees of Northwestern Medical Center They are employees of Quorum Health Resources and their respective contracts, including compensation, are approved by the Board of Directors on an annual basis
	Form 990, Part VI, Section C, line 19	Northwestern Medical Center does not formally make its governing documents and conflict of interest policy available to the public Financial information is available to the public through the annual tax return filing, annual Medicare and Medicaid cost report filing, and financial data published by the Green Mountain Care Board and available on the Hospital's website, as well as summarized financial information and statistics published in the Hospital's annual report distributed to local communities and published on the Hospital's website
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 2,055,044 Unrealized Loss on Interest Rate Swaps -126,130 Increase in Perpetual Trusts 33,951 Total to Form 990, Part XI, Line 5 1,962,865
	Form 990, Part XII, Line 2c	No change was made in the way the independent auditor was selected or in the oversight of the 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
Northwestern Medical Center

Employer identification number
03-0266986

Part I

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) Northwest Occupational Health LLC 133 Fairfield street St Albans, VT 05478 03-0360669	Medical rehabilitative and urgent care services	VT	2,419,470	1,458,348	Northwestern Medical Center

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

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	

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

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)			
(2)			
(3)			
(4)			
(5)			
(6)			

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

with

SUPPLEMENTARY INFORMATION

September 30, 2012 and 2011

With Independent Auditors' Report



**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

September 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Northwestern Medical Center, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Northwestern Medical Center, Inc. and Subsidiaries as of September 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of Northwestern Medical Center, Inc. and Subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northwestern Medical Center, Inc. and Subsidiaries as of September 30, 2012 and 2011, and the consolidated results of their operations, consolidated changes in their net assets and their consolidated cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
December 20, 2012

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidated Balance Sheets

September 30, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 4,230,424	\$ 3,545,562
Patient accounts receivable, net	8,976,447	7,398,595
Other receivables, net	747,344	773,372
Supplies	1,658,371	1,654,532
Short-term investments	11,217,338	8,561,571
Other current assets	799,194	666,802
Notes receivable, current portion	<u>10,125</u>	<u>8,944</u>
Total current assets	27,639,243	22,609,378
Assets limited as to use	19,309,608	18,088,748
Investments	23,625,903	17,865,958
Beneficial interest in perpetual trusts	693,340	659,389
Property and equipment, net	31,421,064	29,601,509
Notes receivable, less current portion	153,153	31,517
Other long-term assets, net	<u>168,359</u>	<u>184,462</u>
Total assets	<u>\$ 103,010,670</u>	<u>\$ 89,040,961</u>

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

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
Current liabilities		
Accounts payable	\$ 3,789,126	\$ 3,086,094
Salaries, wages and payroll taxes	3,857,712	3,096,269
Accrued retirement plan contributions	319,389	293,996
Other accrued expenses	1,155,668	842,626
Estimated third-party settlements	3,127,369	2,627,000
Current portion of long-term debt	<u>445,291</u>	<u>423,710</u>
Total current liabilities	12,694,555	10,369,695
Long-term debt, net of current portion	12,089,660	12,536,680
Interest rate swaps	<u>1,834,918</u>	<u>1,708,788</u>
Total liabilities	<u>26,619,133</u>	<u>24,615,163</u>
Commitments and contingencies (Notes 8, 10, 12 and 17)		
Net assets		
Unrestricted	74,444,181	62,639,492
Temporarily restricted	1,050,485	901,676
Permanently restricted	<u>896,871</u>	<u>884,630</u>
Total net assets	<u>76,391,537</u>	<u>64,425,798</u>
Total liabilities and net assets	<u>\$103,010,670</u>	<u>\$ 89,040,961</u>

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidated Statements of Operations

Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	\$ 93,103,992	\$ 82,356,120
Less provision for bad debts	<u>3,794,239</u>	<u>4,770,898</u>
Net patient service revenue	89,309,753	77,585,222
Other operating revenue	1,094,634	957,298
Net assets released from restrictions for operations	<u>395,194</u>	<u>348,233</u>
Total unrestricted revenues, gains and other support	<u>90,799,581</u>	<u>78,890,753</u>
Expenses		
Salaries and wages	35,695,310	31,263,486
Employee benefits	9,160,583	7,325,462
Supplies and expenses	11,297,695	10,019,432
Contracted services	10,957,177	11,034,211
Depreciation and amortization	3,596,390	3,406,094
Travelers' expense	1,525,293	238,695
Health care improvement tax	4,761,645	3,964,661
Other operating expense	5,321,941	4,568,644
Interest expense	<u>580,824</u>	<u>629,458</u>
Total expenses	<u>82,896,858</u>	<u>72,450,143</u>
Income from operations	<u>7,902,723</u>	<u>6,440,610</u>
Nonoperating gains (losses)		
Net investment income	1,724,857	1,605,388
Net gain from rental activities	214,779	310,463
Unrealized loss on interest rate swaps	(126,130)	(300,659)
Unrealized gain (loss) on investments	2,055,044	(2,265,331)
Other	<u>33,416</u>	<u>11,541</u>
Nonoperating gain (loss), net	<u>3,901,966</u>	<u>(638,598)</u>
Increase in unrestricted net assets	<u>\$ 11,804,689</u>	<u>\$ 5,802,012</u>

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

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidated Statements of Changes in Net Assets

Years Ended September 30, 2012 and 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balances, October 1, 2010	\$ <u>56,837,480</u>	\$ <u>719,941</u>	\$ <u>847,600</u>	\$ <u>58,405,021</u>
Increase in unrestricted net assets	5,802,012	-	-	5,802,012
Contributions	-	536,175	-	536,175
Increase in perpetual trusts	-	-	37,131	37,131
Net investment loss	-	(6,207)	(101)	(6,308)
Net assets released from restrictions used for operations	<u>-</u>	<u>(348,233)</u>	<u>-</u>	<u>(348,233)</u>
Net increase in net assets	<u>5,802,012</u>	<u>181,735</u>	<u>37,030</u>	<u>6,020,777</u>
Balances, September 30, 2011	<u>62,639,492</u>	<u>901,676</u>	<u>884,630</u>	<u>64,425,798</u>
Increase in unrestricted net assets	11,804,689	-	-	11,804,689
Contributions	-	499,934	-	499,934
Increase in perpetual trusts	-	-	33,951	33,951
Net investment income	-	21,316	1,043	22,359
Net assets released from restrictions used for operations	<u>-</u>	<u>(372,441)</u>	<u>-</u>	<u>(372,441)</u>
Redirection of donor intent	<u>-</u>	<u>-</u>	<u>(22,753)</u>	<u>(22,753)</u>
Net increase in net assets	<u>11,804,689</u>	<u>148,809</u>	<u>12,241</u>	<u>11,965,739</u>
Balances, September 30, 2012	<u>\$ <u>74,444,181</u></u>	<u>\$ <u>1,050,485</u></u>	<u>\$ <u>896,871</u></u>	<u>\$ <u>76,391,537</u></u>

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

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 11,965,739	\$ 6,020,777
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	3,596,390	3,406,094
Gain on disposal of property and equipment	(29,816)	-
Net realized and unrealized (gains) losses on investments	(3,111,984)	1,552,807
Net gain on beneficial interest in perpetual trusts	(33,951)	(37,131)
Provision for bad debts	3,794,239	4,770,898
Unrealized loss on interest rate swaps	126,130	300,659
Decrease (increase) in		
Patient accounts receivable, net	(5,372,091)	(6,040,995)
Other receivables, net	26,026	(92,655)
Supplies, other assets and notes receivable, net	(249,245)	34,380
Increase (decrease) in		
Accounts payable and accrued expenses	1,802,910	(284,468)
Estimated third-party settlements	<u>500,369</u>	<u>128,679</u>
Net cash provided by operating activities	<u>13,014,716</u>	<u>9,759,045</u>
Cash flows from investing activities		
Purchase of property and equipment	(5,429,427)	(2,734,783)
Net proceeds from sale of property and equipment	49,600	-
Purchase of investments	(28,199,783)	(16,370,907)
Proceeds from sale of investments	<u>21,675,195</u>	<u>9,872,740</u>
Net cash used by investing activities	<u>(11,904,415)</u>	<u>(9,232,950)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	-	188,000
Principal payments on long-term debt	<u>(425,439)</u>	<u>(427,610)</u>
Net cash used by financing activities	<u>(425,439)</u>	<u>(239,610)</u>
Net increase in cash and cash equivalents	684,862	286,485
Cash and cash equivalents, beginning of year	<u>3,545,562</u>	<u>3,259,077</u>
Cash and cash equivalents, end of year	<u>\$ 4,230,424</u>	<u>\$ 3,545,562</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	<u>\$ 580,824</u>	<u>\$ 629,458</u>

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

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Organization

Northwestern Medical Center, Inc (the Hospital) is a 70-bed, not-for-profit hospital in St. Albans, Vermont. The Hospital is a tax-exempt corporation pursuant to Section 501(c)(3) of the Internal Revenue Code and related state statutes and, as such, is not subject to certain income and property taxes. The Hospital is the sole owning member of Northwestern Occupational Health, LLC (NOH), a for-profit entity that provides medical rehabilitative services and operates an urgent care walk-in clinic. As a single member LLC, NOH is considered a disregarded tax entity and its results of operations are consolidated with the Hospital.

The Hospital financial statements also include the accounts of the Northwestern Medical Center Auxiliary, Inc. (the Auxiliary). The Auxiliary, which is a tax-exempt corporation pursuant to Section 501(c)(3) of the Internal Revenue Code and related state statutes, is organized specifically for the promotion and support of the Hospital. Auxiliary volunteers provide the Hospital approximately 20,000 hours of support annually, as well as financial support.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Hospital and its subsidiaries, NOH and Auxiliary (collectively, the "Organization"). All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include money market funds with a maturity of three months or less when purchased and exclude assets whose use is limited. The Hospital maintains its cash in deposit accounts which, at times, may exceed federal depository insurance limits. Management believes credit risk related to these investments is minimal. The Hospital has not experienced any losses in such accounts.

Patient Accounts Receivable

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of individual accounts and historical adjustments. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

In evaluating the collectibility of accounts receivable, the Hospital analyzes past results and identifies trends for each major payor source of revenue for the purpose of estimating the appropriate amounts of the allowance for doubtful accounts and the provision for bad debts. Data in each major payor source are regularly reviewed to evaluate the adequacy of the allowance for doubtful accounts. For receivables relating to services provided to patients having third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a corresponding provision for bad debts at varying levels based on the age of the receivables and the payor source. For receivables relating to self-pay patients (which includes both patients without insurance and patients with deductibles, and copayment balances due for which third-party coverage exists for part of the bills), the Hospital records a provision for bad debts in the period of service based on past experience which indicates patients are unable or unwilling to pay amounts for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or eligible) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

Supplies

Supplies are carried at the lower of cost (determined by the first-in, first-out method) or market.

Short-Term Investments and Assets Limited as to Use

Short-term investments include money market funds, certificates of deposit and highly liquid debt instruments with a maturity of one year or less when purchased.

Assets limited as to use include donor-restricted investments, cash collateralizing property financed by a bank loan, bond proceeds to be used for capital projects, and designated assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may, at its discretion, use for other purposes.

Investments and Investment Income

Investments in equity securities are reported at readily determinable fair values and all investments in debt securities are measured at fair values in the consolidated balance sheets. The Hospital has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 825-10 and has elected the fair value option relative to its investments which consolidates all investment performance activity within nonoperating gains (losses) in the statements of operations.

Investment income or loss earned on unrestricted investments, including realized gains and losses on investments, unrealized gains and losses on investments, and interest and dividends are included in nonoperating gains (losses), unless the income or loss is restricted by donor or law.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Employee Fringe Benefits

The Hospital has an "earned time" plan to provide certain fringe benefits for its employees; however, certain employees are not eligible for this plan. Under this plan, each employee "earns" paid leave for each payroll period. Accumulated hours may be used for vacations, holidays or illnesses. Hours earned, but not used, vest with the employees up to established limits. The Hospital accrues the cost of these benefits as they are earned.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if contributed, at fair market value determined at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Hospital reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

Bond Issuance Costs

The costs incurred to obtain financing for the Hospital's capital program are amortized over the repayment period of the bonds and are included in other long-term assets, net of amortization on the consolidated balance sheets.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital have been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as either net assets released from restrictions used for operations or net assets released from restrictions used for capital acquisition.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity. Generally, income earned on permanently restricted net assets, including net realized appreciation (depreciation) on investments, is included as a change in unrestricted net assets or as directed by the donor.

Interest Rate Swaps

The Hospital uses interest rate swap contracts to eliminate the cash flow exposure of interest rate movements on variable-rate debt. The Hospital has adopted FASB ASC 815, *Derivatives and Hedging*, to account for its interest rate swap contracts. The interest rate swaps do not qualify as cash flow hedges. Gains and losses on derivative financial instruments that do not qualify as hedges are required to be included in the performance indicator. As a result, the unrealized losses on the interest rate swaps for 2012 and 2011 have been included in nonoperating gains (losses)

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. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem rates. 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.

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 collections of amounts determined to qualify as charity care, they are not reported as revenue

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Subsequent Events

For purposes of the preparation of these financial statements in conformity with GAAP, the Organization has considered transactions of events occurring through December 20, 2012, which was the date the financial statements were issued.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

2. Net Patient Service Revenue

Patient service revenue, contractual allowances and other discounts, and the provision for bad debts are as follows for the years ended September 30:

	<u>2012</u>	<u>2011</u>
Gross patient service revenue		
Inpatient services	\$ 38,104,845	\$ 31,225,316
Outpatient services	<u>126,704,397</u>	<u>109,275,037</u>
	<u>164,809,242</u>	140,500,353
Less contractual allowances and discounts	<u>71,705,250</u>	<u>58,144,233</u>
	<u>93,103,992</u>	82,356,120
Patient service revenue (net of contractual allowances and discounts)	<u>93,103,992</u>	82,356,120
Less provision for bad debts	<u>(3,794,239)</u>	<u>(4,770,898)</u>
Net patient service revenue	<u>\$ 89,309,753</u>	<u>\$ 77,585,222</u>

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

- Medicare - Due to its geographic location, the Hospital is deemed to be a sole community hospital. Under this designation, they are reimbursed at a prospectively determined rate per discharge based upon their historic costs from a base period. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to an ambulatory payment classification system that is based on clinical, diagnostic, and other factors. Final settlements have been determined for all years through September 30, 2006.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at acuity-based prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. The Hospital's Medicaid cost reports have been audited by the fiscal intermediary through September 30, 2006.

Blue Cross and Commercial

Inpatient and outpatient services rendered to Blue Cross and Cigna subscribers are reimbursed at submitted charges less a discount. Physician professional fees are reimbursed on a fee schedule. The amounts paid to the Hospital are not subject to any retroactive adjustments.

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

Revenue from the Medicare and Medicaid programs accounted for approximately 30% and 16%, respectively, of the Hospital's patient revenue (net of contractual allowances and discounts) for the year ended 2012, and 27% and 15%, respectively, of the Hospital's patient revenue (net of contractual allowances and discounts) for the year ended 2011. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2012 net patient service revenue increased approximately \$890,000 and the 2011 net patient service revenue increased by approximately \$52,000 due to differences in retroactive adjustments compared to amounts previously estimated.

The Organization recognizes patient service revenue relating to services rendered to patients who have third-party payor coverage on the basis of contractual rates for such services. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates less established discounts promulgated by the Patient Protection and Affordable Care Act. Based on historical trends, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services rendered. Thus, the Organization records a provision for bad debts related to uninsured patients in the period the services are rendered. Patient service revenue, net of contractual allowances and discounts, but before the provision for bad debts, recognized from these major payor sources is as follows:

	<u>2012</u>	<u>2011</u>
Revenue from third-party payors	\$ 90,834,271	\$ 79,949,410
Revenue from self-pay patients	<u>2,269,721</u>	<u>2,406,710</u>
	<u>\$ 93,103,992</u>	<u>\$ 82,356,120</u>

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3. Net Patient Accounts Receivable and Estimated Allowance for Doubtful Accounts

Patient accounts receivable is stated net of estimated contractual allowances and allowance for doubtful accounts as follows as of September 30:

	<u>2012</u>	<u>2011</u>
Patient accounts receivable	\$ 20,641,490	\$ 16,653,394
Estimated contractual allowances	(7,591,228)	(5,881,398)
Estimated allowance for doubtful accounts	<u>(4,073,815)</u>	<u>(3,373,401)</u>
Patient accounts receivable, net	<u>\$ 8,976,447</u>	<u>\$ 7,398,595</u>
	<u>2012</u>	<u>2011</u>
Estimated allowance for doubtful accounts, beginning of year	\$ 3,373,401	\$ 2,707,027
Self-pay write-offs, net	(3,093,825)	(4,104,524)
Provision for bad debts	<u>3,794,239</u>	<u>4,770,898</u>
Estimated allowance for doubtful accounts, end of year	<u>\$ 4,073,815</u>	<u>\$ 3,373,401</u>

4. Charity Care and Community Services

Consistent with its tax-exempt status and community service responsibility, the Hospital provides services at no charge or at discounted rates to patients who are uninsured or underinsured and meet certain criteria. The criteria for charity care consider family income, net worth, and extent of financial obligations, including health care costs.

The net cost of charity care provided was \$853,443 in 2012 and \$702,985 in 2011. The total cost estimate is based on the Hospital's cost accounting system.

In 2012, the Hospital provided 714 patients charity care assistance while in 2011, 504 patients received charity care assistance. The largest proportion of services provided on a charity basis for 2012 and 2011 was for emergency department services.

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As part of its mission, the Hospital underwrites a number of health-care related programs that may not be otherwise available to the community. Some examples of these programs are described below

- Activities of The Center for Health & Wellness, an informal community partnership providing more than 100 educational lectures, media pieces, health screenings and special events each year.
- The Chronic Disease Department's assistance with smoking cessation and the provision of health-related support groups within the community.
- A scholarship and work experience program, providing high school graduates enrolled in specific collegiate health care career programs with scholarships and part-time work throughout their undergraduate experience.
- Local United Way programs and other related community health initiatives.

5. Property and Equipment

The major categories of property and equipment are as follows as of September 30.

	<u>2012</u>	<u>2011</u>
Land	\$ 1,020,531	\$ 1,020,531
Land improvements	1,525,863	1,525,863
Buildings	38,136,237	36,655,983
Major moveable equipment	<u>28,828,130</u>	<u>25,510,274</u>
	69,510,761	64,712,651
Less accumulated depreciation	<u>39,014,677</u>	<u>35,875,421</u>
	30,496,084	28,837,230
Construction-in-progress	<u>924,980</u>	<u>764,279</u>
	<u>\$ 31,421,064</u>	<u>\$ 29,601,509</u>

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6. Assets Limited as to Use and Investments

The composition of assets limited as to use and investments as of September 30 is as follows:

	<u>2012</u>	<u>2011</u>
Assets Limited as to Use		
Internally designated for capital acquisition		
Cash and cash equivalents	\$ 81,218	\$ 147,810
Equities	12,192,547	8,528,034
Fixed income	4,909,376	6,504,194
	<u>17,183,141</u>	<u>15,180,038</u>
 Donor-restricted		
Cash and cash equivalents	764,794	699,821
Equities	215,895	214,910
Fixed income	273,327	212,186
	<u>1,254,016</u>	<u>1,126,917</u>
 Held by bank as collateral on property		
Cash and cash equivalents	197,068	193,000
 Bond proceeds to be used for capital projects		
Cash and cash equivalents	675,383	1,588,793
	<u>\$ 19,309,608</u>	<u>\$ 18,088,748</u>
 Investments		
Cash and cash equivalents	\$ 2,850,836	\$ 8,960,922
Certificates of deposit with maturity dates exceeding three months	5,300,148	5,028,295
Fixed income	7,524,856	6,597,786
Equities	19,167,401	5,840,526
 Total	34,843,241	26,427,529
Less short-term investments	<u>11,217,338</u>	<u>8,561,571</u>
 Long-term investments	<u>\$ 23,625,903</u>	<u>\$ 17,865,958</u>

Investment income and gains (losses) for assets limited as to use and investments are comprised of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 667,917	\$ 892,864
Realized gains	<u>1,056,940</u>	<u>712,524</u>
	1,724,857	1,605,388
Unrealized gains (losses)	<u>2,055,044</u>	<u>(2,265,331)</u>
	<u>\$ 3,779,901</u>	<u>\$ (659,943)</u>

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On May 5, 2009, the Governor of Vermont signed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as regulation over donor-restricted endowment funds. Under UPMIFA, the amount of the original gifts and any required accumulations is not expendable, although the value of the investments purchased may occasionally fall below that amount. Future appreciation of the investments generally restores the value to the required level. UPMIFA describes "historic dollar value" as the amount that is not expendable.

7. Beneficial Interest in Perpetual Trusts

The Hospital is the beneficiary of various trusts for which it is not the trustee, including \$693,340 and \$659,389 in irrevocable perpetual trusts at September 30, 2012 and 2011, respectively. The Hospital has reflected as assets in the balance sheets the fair value of the underlying investments in the trusts. Receipts of income are included as unrestricted investment income when received. Receipts from the trusts were approximately \$24,500 and \$24,600 for the years ended September 30, 2012 and 2011, respectively, and were recorded in net investment income.

8. Borrowings

Long-term debt consisted of the following as of September 30:

	<u>2012</u>	<u>2011</u>
Vermont Educational and Health Buildings Financing Agency (VEHBFA) Hospital Revenue Bonds (Northwestern Medical Center Project) 2010 Series A, interest payable monthly at a variable rate based on one-month LIBOR (2.19% at September 30, 2012); annual principal payments are of varying amounts from \$435,310 in 2013 to \$1,018,397 in 2030 and due through 2030, callable September 1, 2020; collateralized by substantially all of the Hospital's assets.	\$ 12,356,580	\$ 12,772,390
Bank loan, fixed interest rate of 3.6%, monthly principal and interest payments of \$1,353, with a balloon payment due September 2016 of \$137,143; collateralized by a certificate of deposit.	<u>178,371</u>	<u>188,000</u>
	12,534,951	12,960,390
Less current portion	<u>445,291</u>	<u>423,710</u>
	<u>\$ 12,089,660</u>	<u>\$ 12,536,680</u>

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In September 2011, the Hospital entered into a commercial promissory note agreement with a bank. The proceeds were used to purchase property adjacent to the Hospital.

Maturities on long-term debt for fiscal years subsequent to September 30, 2012, are as follows:

2013	\$ 445,291
2014	467,973
2015	491,814
2016	653,071
2017	531,680
Thereafter	<u>9,945,122</u>
	<u>\$ 12,534,951</u>

The bank loan and 2010A bond issue require the Hospital to meet certain covenants. As of September 30, 2012 and 2011, the Hospital was in compliance with these covenants.

Effective December 3, 2012, the Hospital entered into a loan agreement with VEHBFA issuing \$19.9 million in bonds. The new issue (Series 2012 A) will be used to refund the Hospital's Series 2010A bonds, to provide funds for various capital projects, and to pay bond issuance costs. In connection with this transition, a nonoperating loss on refunding of bonds payable of \$89,000 for the write-off of deferred financing costs relating to the Series 2010 A bonds will be recognized. Interest on the Series 2012 A bonds will be payable monthly at a variable rate based on 75% of the one-month LIBOR rate plus 1.14%.

Interest Rate Swaps

The Hospital has a swap agreement which was effective April 10, 2006 on \$6,155,000, and terminates October 2030 or earlier at the Hospital's option. The Hospital pays a fixed rate of 3.77% and receives 68% of USD-LIBOR-BBA. The Hospital has a second swap agreement that was effective October 8, 2008 on \$6,155,000 and terminates October 2030. The Hospital has the option of paying 61.25% of USD-ISDA-swap-rate or 68% of USD-LIBOR-BBA. A third swap was entered into during 2008 (replacing a previous swap) with a notional amount of \$5,600,000. The Hospital pays a fixed rate of 2.906% and receives 68% of the one-month USD LIBOR-BBA on this swap. During 2012 and 2011, the interest rate swap agreements did not qualify for hedge accounting.

Effective September 1, 2011, the Hospital terminated its swap agreement that had an original effective date of October 8, 2008 and a notional amount of \$6,155,000. In consideration of the termination and discharge of this swap agreement, the fixed rate on the swap with an original effective date of April 10, 2006 was amended from 3.77% to 3.23%.

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The Hospital is required to include the fair value of the swaps in the balance sheet, and annual changes, if any, in the fair value of the swaps in the statement of operations. For example, during the Bonds' holding period, the annually calculated value of the swaps will be reported as assets if interest rates increase above those in effect on the date the swaps were entered into (and as an unrealized gain in the statement of operations), which will generally be indicative that the net fixed rate the Hospital is paying is below market expectations of rates during the remaining term of the swap. The swaps will be reported as a liability (and as an unrealized loss in the statement of operations) if interest rates decrease below those in effect on the date the swaps were entered into, which will generally be indicative that the net fixed rate the Hospital is paying on the swap is above market expectations of rates during the remaining term of the swap. These annual accounting adjustments of value changes in the swap transaction are non-cash recognition requirements. The Hospital retains the sole right to terminate the swap agreements should the need arise. The Hospital recorded the swaps at their liability positions of \$1,834,918 and \$1,708,788 at September 30, 2012 and 2011, respectively.

Letter of Credit

The Hospital is required to maintain a letter of credit in the amount of \$220,000 in favor of Employers Insurance Company of Wausau in connection with workers' compensation claims. The letter of credit amount was \$190,000 for the period from July 2011 to July 2012, and \$207,919 from July 2010 to July 2011.

9. Retirement Plans

The Hospital sponsors a 403(b) retirement plan for its employees. To be eligible to participate in the 403(b) plan, an employee must meet certain requirements as specified in the Plan documents. The Hospital matches 1% if the employee contributes 2% or 3% of their annual salary and the Hospital contributes 2% if the employee contributes 4% or more of their annual salary.

The subsidiary of the Hospital sponsors a 401(k) retirement plan for its employees. To be eligible to participate in the 401(k) plan, an employee must meet certain requirements as specified in the Plan documents. Subject to annual review, the subsidiary contributes 2% of gross annual salary (subject to maximum limits) for all employees who work at least 1,000 hours during a calendar year. This portion of the employer contribution to the 401(k) plan has a step vesting schedule. In addition, the subsidiary contributes 3% of gross annual pay in matching funds for employees who contribute at least 3% and who work at least 1,000 hours in a calendar year.

The Hospital sponsors a Money Purchase Pension Plan covering substantially all of its employees. The Hospital's contributions are determined for, and allocated to, eligible participants based on a predetermined percent of compensation paid. Individual benefits at retirement are the amounts which can be provided by the sums contributed to each participant's account. The plan, which may be terminated at any time by the Board of Trustees, provides for employee vesting over a six-year period. Retirement plan expenses charged to operations were \$800,323 and \$676,533 in 2012 and 2011, respectively.

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10. Commitments and Contingencies

The Hospital has leases for medical care space, and has various leases for medical and office equipment with original terms through September 2014. Certain of these leases have renewal options and contain an annual Consumer Price Index increase provision. Future minimum payments under these leases are as follows:

Years ending September 30,	
2013	\$ 312,000
2014	142,000
2015	57,000
2016	59,000
2017	<u>20,000</u>
	<u>\$ 590,000</u>

Rental expense for the years ended September 30, 2012 and 2011 was \$663,896 and \$619,996, respectively.

Professional Liability Insurance and Litigation

The Hospital carries malpractice insurance coverage under a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured. The Hospital intends to renew its coverage on a claims-made basis and has no reason to believe that it may be prevented from renewing such coverage.

The Hospital is subject to complaints, claims and litigation due to potential claims which arise in the normal course of business. U.S. generally accepted accounting principles require the Hospital to accrue the ultimate cost of malpractice claims when the incident that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset. The Hospital has evaluated its exposure to losses arising from potential claims and determined that no such accrual is necessary for the year ended September 30, 2012.

QHR, LLC

The Hospital contracts with QHR, LLC for management advisory services. Total expenses related to the QHR, LLC contract, and charged to operations, were \$1,108,434 and \$1,059,087 for the years ended September 30, 2012 and 2011, respectively.

Self-Funded Health Insurance

The Hospital maintains a self-funded health insurance plan. A reserve of \$653,041 and \$606,390 in 2012 and 2011, respectively, has been established to allow for incurred but not reported claims for health care services based on claim history. The self-funded policy had an individual stop loss of \$100,000. The Hospital's aggregate stop loss coverage begins at 125% of expected claims, excluding claim amounts which are paid under the individual stop loss coverage.

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11. Meaningful Use Revenues

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The criteria for meaningful use will be staged in three steps from fiscal year 2012 through 2016. The Hospital plans to attest to stage 1 meaningful use certification from the Centers of Medicare and Medicaid Services (CMS) in 2013. Accordingly, no revenues associated with meaningful use have been recorded in the 2012 consolidated statements of operations.

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

12. Rental Income

The Hospital leases land and buildings to various organizations under operating leases. Rental income under these leases was \$235,896 in 2012 and \$309,663 in 2011. The leases expire on various dates ranging from 2013 to 2043 and certain leases contain an annual Consumer Price Index provision.

Included under property and equipment are the following amounts applicable to the leased space:

	<u>2012</u>	<u>2011</u>
Land improvements	\$ 4,189	\$ 4,189
Building	<u>868,287</u>	<u>868,287</u>
	<u>872,476</u>	872,476
Accumulated depreciation	<u>(362,783)</u>	<u>(329,633)</u>
Net book value	<u>\$ 509,693</u>	<u>\$ 542,843</u>

Minimum future rentals on noncancelable leases are as follows:

Years ending September 30,

2013	\$ 173,000
2014	106,000
2015	81,000
2016	76,000
2017	60,000
Thereafter	<u>1,696,000</u>
	<u>\$ 2,192,000</u>

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13. Health Care Improvement Tax

A health care improvement tax is imposed on hospitals, nursing homes, and home health agencies as part of a program to upgrade services in Vermont. Hospitals in Vermont are assessed as a percentage of net patient revenue which is determined annually by the General Assembly. Hospital tax rates were 6.0% 2012 and 5.5% in 2011.

14. Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Medicare	35 %	33 %
Medicaid	13	11
Blue Cross	12	14
Other third-party payors	20	21
Patients	<u>20</u>	<u>21</u>
	<u>100 %</u>	<u>100 %</u>

15. Functional Expenses

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

	<u>2012</u>	<u>2011</u>
Health care services	\$ 66,067,896	\$ 57,470,281
General and administrative	<u>16,828,962</u>	<u>14,979,862</u>
	<u>\$ 82,896,858</u>	<u>\$ 72,450,143</u>

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16. Restrictions on Net Assets

Temporarily restricted net assets consisted of donor contributions to the following programs and purposes at September 30:

	<u>2012</u>	<u>2011</u>
Community wellness initiatives	\$ 547,858	\$ 411,595
Capital expenditures	188,128	188,128
Education assistance	93,708	90,940
Free care assistance	87,039	76,517
Other community programs	<u>133,752</u>	<u>134,496</u>
	<u>\$ 1,050,485</u>	<u>\$ 901,676</u>

Permanently restricted net assets include endowment fund assets to be held in perpetuity and consisted of the following at September 30:

	<u>2012</u>	<u>2011</u>
Beneficial Interest in Trusts; income is unrestricted	\$ 693,340	\$ 659,389
Sowles Memorial Fund; income to be used for charity care	203,531	203,530
Leon Sample Endowment	<u>-</u>	<u>21,711</u>
	<u>\$ 896,871</u>	<u>\$ 884,630</u>

In November 2011, the Leon Sample Endowment fund was authorized by the Superior Court of Vermont to release the funds before meeting the donor's intent and invest the funds accumulated thus far into the endowment of the Hospital. Previously, income was permanently restricted until the value of the fund would reach \$50,000.

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17. Related Parties

The Hospital leases space in doctors' office buildings owned by Hospital employees. The original lease terms range from one to five years. Rental expense under these leases for the years ended September 30, 2012 and 2011 was \$195,859 and \$129,114, respectively.

The Hospital also purchases doctors' office staff support from companies owned by Hospital employees. The original support agreement terms range from one to five years. Expenses incurred related to these agreements, which are included in contracted services expense in the accompanying consolidated statements of operations, for the years ended September 30, 2012 and 2011, were \$203,923 and \$266,766, respectively.

18. Fair Value Measurements

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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Assets and liabilities measured at fair value on a recurring basis are summarized below. Fair values were primarily determined using market and income approaches.

<u>Fair Value Measurements at September 30, 2012</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Assets limited as to use				
Cash and cash equivalents	\$ 1,718,463	\$ -	\$ -	\$ 1,718,463
Fixed Income				
Intermediate duration	5,170,402	-	-	5,170,402
U.S. Government bonds	<u>12,301</u>	<u>-</u>	<u>-</u>	<u>12,301</u>
Total fixed income	<u>5,182,703</u>	<u>-</u>	<u>-</u>	<u>5,182,703</u>
Equities				
Index funds	51,949	-	-	51,949
Strategic value	4,539,556	-	-	4,539,556
Strategic growth	5,106,014	-	-	5,106,014
International	1,677,125	-	-	1,677,125
Emerging markets	476,846	-	-	476,846
Global real estate	<u>556,952</u>	<u>-</u>	<u>-</u>	<u>556,952</u>
Total equities	<u>12,408,442</u>	<u>-</u>	<u>-</u>	<u>12,408,442</u>
Assets limited as to use	19,309,608	-	-	19,309,608
Investments				
Cash and cash equivalents	2,850,836	-	-	2,850,836
Certificates of deposit > three months	5,300,148	-	-	5,300,148
Fixed Income				
Intermediate duration	6,203,508	-	-	6,203,508
Short duration plus	1,054,586	-	-	1,054,586
Government bonds	<u>266,762</u>	<u>-</u>	<u>-</u>	<u>266,762</u>
Total fixed income	<u>7,524,856</u>	<u>-</u>	<u>-</u>	<u>7,524,856</u>
Equities				
Strategic value	12,284,278	-	-	12,284,278
Strategic growth	4,689,253	-	-	4,689,253
International portfolio	1,528,314	-	-	1,528,314
Emerging markets	152,104	-	-	152,104
Global real estate	<u>513,452</u>	<u>-</u>	<u>-</u>	<u>513,452</u>
Total equities	<u>19,167,401</u>	<u>-</u>	<u>-</u>	<u>19,167,401</u>
Total investments	34,843,241	-	-	34,843,241
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>693,340</u>	<u>693,340</u>
Total assets	<u>\$ 54,152,849</u>	<u>\$ -</u>	<u>\$ 693,340</u>	<u>\$ 54,846,189</u>
Liabilities				
Interest rate swaps	<u>\$ -</u>	<u>\$ 1,834,918</u>	<u>\$ -</u>	<u>\$ 1,834,918</u>

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	Fair Value Measurements at September 30, 2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Assets limited as to use				
Cash and cash equivalents	\$ 2,629,424	\$ -	\$ -	\$ 2,629,424
Fixed income				
Intermediate duration	6,579,953	-	-	6,579,953
U S Government bonds	<u>136,427</u>	<u>-</u>	<u>-</u>	<u>136,427</u>
Total fixed income	<u>6,716,380</u>	<u>-</u>	<u>-</u>	<u>6,716,380</u>
Equities				
Index funds	79,944	-	-	79,944
Strategic value	2,600,146	-	-	2,600,146
Strategic growth	2,864,647	27,266	-	2,891,913
International	1,976,911	-	-	1,976,911
Emerging markets	416,374	-	-	416,374
Global real estate	<u>777,656</u>	<u>-</u>	<u>-</u>	<u>777,656</u>
Total equities	<u>8,715,678</u>	<u>27,266</u>	<u>-</u>	<u>8,742,944</u>
Total assets limited as to use	18,061,482	27,266	-	18,088,748
Investments				
Cash and cash equivalents	8,960,922	-	-	8,960,922
Certificates of deposit > three months	5,028,295	-	-	5,028,295
Fixed income				
Intermediate duration	1,188,917	-	-	1,188,917
Short duration plus	5,132,537	-	-	5,132,537
Government bonds	<u>276,332</u>	<u>-</u>	<u>-</u>	<u>276,332</u>
Total fixed income	<u>6,597,786</u>	<u>-</u>	<u>-</u>	<u>6,597,786</u>
Equities				
Strategic value	1,870,805	-	-	1,870,805
Strategic growth	1,987,242	14,124	-	2,001,366
International portfolio	1,273,349	-	-	1,273,349
Emerging markets	222,803	-	-	222,803
Global real estate	<u>472,203</u>	<u>-</u>	<u>-</u>	<u>472,203</u>
Total equities	<u>5,826,402</u>	<u>14,124</u>	<u>-</u>	<u>5,840,526</u>
Total investments	26,413,405	14,124	-	26,427,529
Beneficial interest in perpetual trusts	-	-	659,389	659,389
Total assets	<u>\$ 44,474,887</u>	<u>\$ 41,390</u>	<u>\$ 659,389</u>	<u>\$ 45,175,666</u>
Liabilities:				
Interest rate swaps	<u>\$ -</u>	<u>\$ 1,708,788</u>	<u>\$ -</u>	<u>\$ 1,708,788</u>

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

The fair value for strategic growth equities and interest rate swaps is primarily based on market prices of comparable securities, and credit rates. The beneficial interest in perpetual trusts is valued based on quoted market prices of the assets in the trusts multiplied by the Hospital's share of the trusts. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The following is a reconciliation of activity for assets measured at fair value on a recurring basis in which significant unobservable inputs (Level 3) were used in determining fair value.

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	\$ 659,389	\$ 622,258
Net changes in unrealized appreciation	<u>33,951</u>	<u>37,131</u>
Balance at end of year	<u>\$ 693,340</u>	<u>\$ 659,389</u>

19. Fair Value of Financial Instruments

The Hospital's financial instruments consist of cash and cash equivalents, investments, trade accounts receivable and payable, notes receivable, beneficial interest in perpetual trusts, estimated third-party settlements, interest rate swaps, and long-term debt. The fair values of all financial instruments approximate their carrying values at September 30, 2012 and 2011, respectively.

SUPPLEMENTARY INFORMATION

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidating Balance Sheet

**September 30, 2012
(With Comparative Totals for September 30, 2011)**

ASSETS

	2012				2011
	<u>NMC</u>	<u>NOH</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
Current assets					
Cash and cash equivalents	\$ 4,097,977	\$ 132,447	\$ -	\$ 4,230,424	\$ 3,545,562
Patient accounts receivable, net	8,545,233	431,214	-	8,976,447	7,398,595
Other receivables, net	852,738	11,811	(117,205)	747,344	773,372
Supplies	1,635,413	22,958	-	1,658,371	1,654,532
Short-term investments	11,217,338	-	-	11,217,338	8,561,571
Other current assets	758,639	40,555	-	799,194	666,802
Notes receivable, current portion, net	<u>33,411</u>	<u>-</u>	<u>(23,286)</u>	<u>10,125</u>	<u>8,944</u>
Total current assets	27,140,749	638,985	(140,491)	27,639,243	22,609,378
Assets limited as to use	19,309,608	-	-	19,309,608	18,088,748
Investments	23,625,903	-	-	23,625,903	17,865,958
Beneficial interest in perpetual trusts	693,340	-	-	693,340	659,389
Property and equipment, net	30,601,701	819,363	-	31,421,064	29,601,509
Notes receivable, less current portion	893,111	-	(739,958)	153,153	31,517
Other long-term assets, net	<u>533,388</u>	<u>-</u>	<u>(365,029)</u>	<u>168,359</u>	<u>184,462</u>
Total assets	<u>\$102,797,800</u>	<u>\$1,458,348</u>	<u>\$(1,245,478)</u>	<u>\$103,010,670</u>	<u>\$89,040,961</u>

NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES

Consolidating Balance Sheet (Concluded)

September 30, 2012
(With Comparative Totals for September 30, 2011)

LIABILITIES AND NET ASSETS

	2012				2011
	NMC	NOH	Eliminations	Total	Total
Current liabilities					
Accounts payable	\$ 3,737,581	\$ 168,750	\$ (117,205)	\$ 3,789,126	\$ 3,086,094
Salaries, wages and payroll taxes	3,696,387	161,325	-	3,857,712	3,096,269
Accrued retirement plan contributions	319,389	-	-	319,389	293,996
Other accrued expenses	1,155,668	-	-	1,155,668	842,626
Estimated third-party settlements	3,127,369	-	-	3,127,369	2,627,000
Current portion of long-term debt	<u>445,291</u>	<u>23,286</u>	<u>(23,286)</u>	<u>445,291</u>	<u>423,710</u>
Total current liabilities	12,481,685	353,361	(140,491)	12,694,555	10,369,695
Long-term debt, net of current portion	12,089,660	739,958	(739,958)	12,089,660	12,536,680
Interest rate swaps	<u>1,834,918</u>	<u>-</u>	<u>-</u>	<u>1,834,918</u>	<u>1,708,788</u>
Total liabilities	<u>26,406,263</u>	<u>1,093,319</u>	<u>(880,449)</u>	<u>26,619,133</u>	<u>24,615,163</u>
Net assets					
Unrestricted	74,444,181	-	-	74,444,181	62,639,492
Member's equity	-	365,029	(365,029)	-	-
Temporarily restricted	1,050,485	-	-	1,050,485	901,676
Permanently restricted	<u>896,871</u>	<u>-</u>	<u>-</u>	<u>896,871</u>	<u>884,630</u>
Total net assets	<u>76,391,537</u>	<u>365,029</u>	<u>(365,029)</u>	<u>76,391,537</u>	<u>64,425,798</u>
Total liabilities and net assets	<u>\$102,797,800</u>	<u>\$ 1,458,348</u>	<u>\$(1,245,478)</u>	<u>\$103,010,670</u>	<u>\$ 89,040,961</u>

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidating Statement of Operations

**Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)**

	2012				2011
	<u>NMC</u>	<u>NOH</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
Unrestricted revenues, gains and other support					
Patient service revenue (net of contractual allowances and discounts)	\$ 90,734,270	\$ 2,436,224	\$ (66,502)	\$ 93,103,992	\$ 82,356,120
Less provision for bad debts	<u>3,664,455</u>	<u>129,784</u>	<u>-</u>	<u>3,794,239</u>	<u>4,770,898</u>
Net patient service revenue	87,069,815	2,306,440	(66,502)	89,309,753	77,585,222
Other operating revenue	1,115,684	113,030	(134,080)	1,094,634	957,298
Net assets released from restrictions for operations	<u>395,194</u>	<u>-</u>	<u>-</u>	<u>395,194</u>	<u>348,233</u>
Total unrestricted revenues, gains and other support	<u>88,580,693</u>	<u>2,419,470</u>	<u>(200,582)</u>	<u>90,799,581</u>	<u>78,890,753</u>
Expenses					
Salaries and wages	34,396,247	1,181,343	117,720	35,695,310	31,263,486
Employee benefits	8,909,446	299,335	(48,198)	9,160,583	7,325,462
Supplies and expenses	11,196,860	100,835	-	11,297,695	10,019,432
Contracted services	10,713,662	458,251	(214,736)	10,957,177	11,034,211
Depreciation and amortization	3,542,262	54,128	-	3,596,390	3,406,094
Travelers' expense	1,525,293	-	-	1,525,293	238,695
Health care improvement tax	4,761,645	-	-	4,761,645	3,964,661
Other operating expense	5,210,683	245,922	(134,664)	5,321,941	4,568,644
Interest expense	<u>580,824</u>	<u>25,204</u>	<u>(25,204)</u>	<u>580,824</u>	<u>629,458</u>
Total expenses	<u>80,836,922</u>	<u>2,365,018</u>	<u>(305,082)</u>	<u>82,896,858</u>	<u>72,450,143</u>
Income from operations	<u>7,743,771</u>	<u>54,452</u>	<u>104,500</u>	<u>7,902,723</u>	<u>6,440,610</u>
Nonoperating gains (losses)					
Net investment income	1,804,513	-	(79,656)	1,724,857	1,605,388
Net gain from rental activities	294,075	-	(79,296)	214,779	310,463
Unrealized loss on interest rate swaps	(126,130)	-	-	(126,130)	(300,659)
Unrealized gain on investments	2,055,044	-	-	2,055,044	(2,265,331)
Other	<u>33,416</u>	<u>-</u>	<u>-</u>	<u>33,416</u>	<u>11,541</u>
Nonoperating gain (loss), net	<u>4,060,918</u>	<u>-</u>	<u>(158,952)</u>	<u>3,901,966</u>	<u>(638,598)</u>
Increase (decrease) in unrestricted net assets	<u>\$ 11,804,689</u>	<u>\$ 54,452</u>	<u>\$ (54,452)</u>	<u>\$ 11,804,689</u>	<u>\$ 5,802,012</u>

