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Form 990

Return of Organization Exempt From Income Tax

2011

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

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

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

PARTNERS IN HEALTHCARE INC

Doing Business As

NORTH CANYON MEDICAL CENTER

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

267 NORTH CANYON DRIVE

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

GOODING, ID 83330

D Employer identification number

26-1938641

E Telephone number

(208) 934-8765

G Gross receipts \$ 19,348,761

F Name and address of principal officer

DAVID BUTLER CEO
267 NORTH CANYON DRIVE
GOODING, ID 83330

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

 Yes NoH(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 NCM-C.ORG

K Form of organization Corporation Trust Association Other ►

L Year of formation 2008

M State of legal domicile ID

Part I Summary

1 Briefly describe the organization's mission or most significant activities

TO PROVIDE A WIDE RANGE OF QUALITY HEALTHCARE SERVICES CLOSE TO HOME AND IMPROVE THE HEALTHCARE OF PEOPLE IN OUR REGION

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

3 Number of voting members of the governing body (Part VI, line 1a)

3 11

4 Number of independent voting members of the governing body (Part VI, line 1b)

4 10

5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)

5 175

6 Total number of volunteers (estimate if necessary)

6 1

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

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	1,911,668	1,152,894
9	Program service revenue (Part VIII, line 2g)	15,618,636	18,061,470
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,089	-16,745
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	169,381	132,417
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	17,701,774	19,330,036

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	1,911,668	1,152,894
9	Program service revenue (Part VIII, line 2g)	15,618,636	18,061,470
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,089	-16,745
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	169,381	132,417
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	17,701,774	19,330,036
13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	550	3,371
14	Benefits paid to or for members (Part IX, column (A), line 4)		0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	5,625,191	6,160,619
16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
b	Total fundraising expenses (Part IX, column (D), line 25) ► 0		
17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	11,815,165	12,453,270
18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	17,440,906	18,617,260
19	Revenue less expenses Subtract line 18 from line 12	260,868	712,776

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	35,287,940	35,465,220
21	Total liabilities (Part X, line 26)	26,615,867	26,080,371
22	Net assets or fund balances Subtract line 21 from line 20	8,672,073	9,384,849

Part II Signature Block

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

Sign Here	*****	2013-03-12
	Signature of officer	

Paid Preparer's Use Only	Preparer's signature ► THOMAS DINGUS	Date 2013-03-18	Check if self-employed ►	Preparer's taxpayer identification number (see instructions)
	Firm's name (or yours if self-employed), address, and ZIP + 4 ► DINGUS ZARECOR & ASSOCIATES 12015 E MAIN STE A SPOKANE VALLEY, WA 99206		EIN ►	Phone no ► (509) 242-0874

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

Part III Statement of Program Service AccomplishmentsCheck if Schedule O contains a response to any question in this Part III **1** Briefly describe the organization's mission

TO PROVIDE A WIDE RANGE OF QUALITY HEALTHCARE SERVICES CLOSE TO HOME AND IMPROVE THE HEALTHCARE OF PEOPLE IN OUR REGION

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 \$ 1,375,593 including grants of \$) (Revenue \$ 6,547,364)

NORTH CANYON MEDICAL CENTER IS A 15 BED HOSPITAL THAT PROVIDES SERVICES THAT INCLUDE ACUTE CARE, SWING BED CARE FOR THOSE PATIENTS DISCHARGED FROM ACUTE CARE BUT REQUIRE A FEW DAYS ADDITIONAL SKILLED CARE, DIAGNOSTIC IMAGING, DIABETIC EDUCATION, EMERGENCY CARE, LABORATORY SERVICES, REHABILITATION SERVICES, RESPIRATORY THERAPY, SLEEP STUDIES, SOCIAL SERVICES, AND SURGICAL SERVICES. NCMC OFFERS STATE OF THE ART RADIOLOGY EQUIPMENT NOT NORMALLY FOUND IN A RURAL SETTING. NCMC EMPLOYS ONLY CERTIFIED RADIOLOGIC TECHNOLOGISTS TO PERFORM EXAMS, EACH HAVING SPECIALIZED TRAINING IN THE TYPE OF EXAM BEING GIVEN. ALSO, NORTH CANYON MEDICAL CENTER RECEIVED GRANT MONEY FROM THE SUSAN B. KOMEN FOUNDATION THAT WAS USED TO FURTHER BREAST CANCER AWARENESS BY PROVIDING FREE BREAST IMAGING TO WOMEN WHO ARE UNINSURED OR UNDERINSURED

4b (Code) (Expenses \$ 1,453,720 including grants of \$) (Revenue \$ 6,311,343)

NORTH CANYON MEDICAL CENTER'S MEDICAL/SURGICAL DEPARTMENT HANDLES ACUTE CARE AS WELL AS SWING BED CARE. SWING BED CARE IS FOR THOSE PATIENTS DISCHARGED FROM ACUTE CARE BUT REQUIRE A FEW DAYS ADDITIONAL SKILLED CARE. THE HOSPITAL HAD 639 ADMISSIONS IN 2012, OF WHICH 72% WERE MEDICARE. THE INPATIENT AVERAGE DAILY CENSUS FOR THE YEAR WAS 6.3 AND THE ACUTE AVERAGE LENGTH OF STAY WAS 2.9 DAYS

4c (Code) (Expenses \$ 1,086,255 including grants of \$) (Revenue \$ 4,084,587)

NORTH CANYON MEDICAL CENTER OFFERS A FULL SERVICE LABORATORY DEPARTMENT STAFFED BY A TEAM OF SPECIALISTS. THE LABORATORY UTILIZES CUTTING EDGE ANALYZERS AND EQUIPMENT TO ENSURE QUALITY, ACCURATE RESULTS. LABORATORY STAFF IS AVAILABLE 24 HOURS A DAY TO ASSIST IN THE CARE OF EMERGENCY ROOM PATIENTS AND PATIENTS ADMITTED TO THE NURSING FLOOR, AS WELL AS OUTPATIENT SERVICES. OUR LABORATORY PERFORMS THE FOLLOWING AREAS OF TESTING: HEMATOLOGY, CLINICAL CHEMISTRY, IMMUNOASSAY, SEROLOGY, COAGULATION, URINALYSIS AND MICROBIOLOGY. EACH YEAR, THE HOSPITAL SPONSORS A HEALTH FAIR AND OFFERS LAB WORK TO PARTICIPANTS AT A DISCOUNTED PRICE

(Code) (Expenses \$ 10,895,146 including grants of \$ 3,371) (Revenue \$ 1,118,176)

NCMC PROVIDES A WIDE RANGE OF HEALTHCARE SERVICES IN TECHNOLOGICALLY ADVANCED FACILITIES. SERVICES INCLUDE OTOLARYNGOLOGY (ENT), GASTROINTESTINAL (GI), ORTHOPEDICS, GYNECOLOGY, GENERAL SURGERY, PAIN MANAGEMENT, AND UROLOGY. NORTH CANYON FITNESS AND REHABILITATION CENTER IS THE REHABILITATION SERVICES DEPARTMENT OF NCMC. OUR REHABILITATION SERVICES ARE PROVIDED BY TRAINED, LICENSED PROFESSIONALS WHO SPECIALIZE IN PHYSICAL, AQUATIC, OCCUPATIONAL, AND SPEECH THERAPY. WE PROVIDE INPATIENT THERAPY AT NCMC AND OUTPATIENT THERAPY AT THE NCMC FITNESS AND REHABILITATION CENTER. ADDITIONAL SERVICES PROVIDED BY NCMC INCLUDE NUTRITION SERVICES, A SPECIALTY CLINIC, AND A DURABLE MEDICAL EQUIPMENT LICENSE SO THE HOSPITAL CAN PROVIDE EQUIPMENT TO PATIENTS FOR THEIR HOME USE. NCMC PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT BELOW COST AND TO INDIVIDUALS WHO ARE UNABLE TO PAY. THE UNREIMBURSED VALUE OF PROVIDING CARE TO THESE PATIENTS WAS 360,662 FOR CHARITY CARE, 6,072,229 FOR MEDICARE, 1,568,107 FOR MEDICAID, AND 2,330,623 FOR OTHER THIRD PARTY PAYORS FOR THE YEAR

4d Other program services (Describe in Schedule O)

(Expenses \$ 10,895,146 including grants of \$ 3,371) (Revenue \$ 1,118,176)

4e Total program service expenses \$ 14,810,714

Part IV Checklist of Required Schedules

1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A

2 Is the organization required to complete Schedule B, *Schedule of Contributors* (see instructions)?

3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I

4 **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II

5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III

6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I

7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II

8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III

9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV

10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V

11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable

a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI

b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII

c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII

d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX

e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X

f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X

12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII

b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional

13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

14a Did the organization maintain an office, employees, or agents outside of the United States?

b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I

15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U.S.? If "Yes," complete Schedule F, Part II and IV

16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U.S.? If "Yes," complete Schedule F, Part III and IV

17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I

18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II

19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III

20a Did the organization operate one or more hospitals? If "Yes," complete Schedule H

b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements

	Yes	No
1	Yes	
2	Yes	
3		No
4		No
5		No
6		No
7		No
8		No
9	Yes	
10		No
11a	Yes	
11b		No
11c		No
11d	Yes	
11e		No
11f	Yes	
12a		No
12b	Yes	
13		No
14a		No
14b		No
15		No
16		No
17		No
18		No
19		No
20a	Yes	
20b	Yes	

Part IV Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	19
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return	2a	175
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b	Yes
<p>Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)</p>			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a	No
b	If "Yes," enter the name of the foreign country ► See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).	7a	No
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?	7b	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7c	No
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7d	
d	If "Yes," indicate the number of Forms 8282 filed during the year	7e	No
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7f	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7g	
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7h	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	8	
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?	9a	
9	Sponsoring organizations maintaining donor advised funds.	9b	
a	Did the organization make any taxable distributions under section 4966?	10a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	10b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12	11a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	11b	
11	Section 501(c)(12) organizations. Enter	12a	
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?	12b	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.	13a	
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	13b	
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	13c	
c	Enter the aggregate amount of reserves on hand		
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b	

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

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

Section A. Governing Body and Management

1a Enter the number of voting members of the governing body at the end of the tax year

1a	11
1b	10

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?

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?

4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?

5 Did the organization become aware during the year of a significant diversion of the organization's assets?

6 Did the organization have members or stockholders?

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?

b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?

8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following

a The governing body?

b Each committee with authority to act on behalf of the governing body?

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

	Yes	No
1a		
1b		
2		No
3	Yes	
4		No
5		No
6	Yes	
7a	Yes	
7b	Yes	
8a	Yes	
8b	Yes	
9		No

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

10a Did the organization have local chapters, branches, or affiliates?

b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?

11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?

b Describe in Schedule O the process, if any, used by the organization to review the Form 990

12a Did the organization have a written conflict of interest policy? If "No," go to line 13

b Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?

c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done

13 Did the organization have a written whistleblower policy?

14 Did the organization have a written document retention and destruction policy?

15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?

a The organization's CEO, Executive Director, or top management official

b Other officers or key employees of the organization

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?

b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?

	Yes	No
10a		No
10b		
11a	Yes	
12a	Yes	
12b	Yes	
12c	Yes	
13	Yes	
14	Yes	
15a	Yes	
15b		No
16a		No
16b		

Section C. Disclosure

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

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

Own website Another's website Upon request

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

TIM POWERS
267 NORTH CANYON DRIVE
GOODING, ID 83330
(208) 934-8765

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
		Or Director	Individual Trustee	Institutional Trustee	Officer	Key Employee			
(1) DAVID BUTLER CEO/MEMBER	40 00	X		X			94,523	19,496	0
(2) BOB PHILIPS INTERIM CEO/	40 00	X		X			93,600	0	0
(3) LUCY OSBORNE CHAIR	1 00	X		X			0	0	0
(4) HELEN EDWARDS VICE CHAIR	1 00	X		X			0	0	0
(5) CHRISTINE NEUHOFF SECRETARY	1 00	X		X			0	0	0
(6) RICK BASTERRECHEA TREASURER	1 00	X		X			0	0	0
(7) ELAINE BRYANT BOARD MEMBER	1 00	X					0	0	0
(8) KEN RUBY BOARD MEMBER	1 00	X					0	0	0
(9) JIM MCCAGHEY BOARD MEMBER	1 00	X					0	0	0
(10) JEFF TAYLOR MEMBER	1 00	X					0	0	0
(11) DICK GRAVES MEMBER	1 00	X					0	0	0
(12) F JOHN GIES MD MEMBER	1 00	X					0	0	0
(13) TIM POWERS CFO	40 00			X			119,728	0	9,075

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

2 Total number of individuals (including but not limited to those listed above) who received more than

		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	No
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	5	No

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
EMPA 134 4TH AVE WEST GOODING, ID 83330	ER PAS	594,094
G RICK ALBERTSON MD PC 2537 E 3800 N TWIN FALLS, ID 83301	DIAGNOSTIC IMAG	307,185
CENTRAL IDAHO ANESTHESIA 85 HORSESHOE CIRCLE JEROME, ID 83338	ANESTHESIA	168,200
SAWTOOTH DIAGNOSTIC IMAGING PLLC 115 W MAIN STREET 202 BOISE, ID 83702	DIAGNOSTIC IMAG	148,154

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. **14**

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	1,055,736					
	f All other contributions, gifts, grants, and similar amounts not included above	1f	97,158					
	g Noncash contributions included in lines 1a-1f \$							
	h Total. Add lines 1a-1f		1,152,894					
Program Service Revenue	Business Code							
			2a PATIENT SERVICE REVENUE, NET	624100	18,037,750	18,037,750		
			b RENTAL INCOME	621110	23,720	23,720		
			c					
			d					
			e					
			f All other program service revenue					
			g Total. Add lines 2a-2f		18,061,470			
Other Revenue								
			3 Investment income (including dividends, interest and other similar amounts)		1,980		1,980	
			4 Income from investment of tax-exempt bond proceeds					
			5 Royalties					
			6a Gross rents	(I) Real	(II) Personal			
			b Less rental expenses					
			c Rental income or (loss)					
			d Net rental income or (loss)					
7a Gross amount from sales of assets other than inventory	(I) Securities (II) Other							
			b Less cost or other basis and sales expenses		18,725			
			c Gain or (loss)		-18,725			
			d Net gain or (loss)		-18,725		-18,725	
			8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c)					
			See Part IV, line 18					
			b Less direct expenses	b				
			c Net income or (loss) from fundraising events					
9a Gross income from gaming activities								
See Part IV, line 19								
b Less direct expenses	b							
c Net income or (loss) from gaming activities								
10a Gross sales of inventory, less returns and allowances .								
b Less cost of goods sold	b							
c Net income or (loss) from sales of inventory								
Miscellaneous Revenue		Business Code						
11a FRC MEMERSHIP		900099	61,098		61,098			
b CAFETERIA		722210	38,512		38,512			
c OTHER REVENUE		900099	32,807		32,807			
d All other revenue								
e Total. Add lines 11a-11d		132,417						
12 Total revenue. See Instructions		19,330,036	18,061,470		115,672			

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	3,371	3,371		
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	332,313		332,313	
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	4,621,663	3,693,254	928,409	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	105,178	81,030	24,148	
9 Other employee benefits	656,357	497,534	158,823	
10 Payroll taxes	445,108	332,677	112,431	
11 Fees for services (non-employees)				
a Management	214,010		214,010	
b Legal	34,653		34,653	
c Accounting	62,265		62,265	
d Lobbying				
e Professional fundraising See Part IV, line 17				
f Investment management fees				
g Other	3,255,353	2,505,918	749,435	
12 Advertising and promotion	105,866		105,866	
13 Office expenses	870,742	524,337	346,405	
14 Information technology				
15 Royalties				
16 Occupancy	1,691,295	1,450,496	240,799	
17 Travel	52,332	22,285	30,047	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	47,463	28,353	19,110	
20 Interest	431,657	302,344	129,313	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	2,826,750	2,201,901	624,849	
23 Insurance	58,654	43,656	14,998	
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 BAD DEBT EXPENSE	1,501,660	1,501,660		
b MEDICAL EXPENSES	987,798	987,798		
c OTHER EXPENSES	279,030	120,807	158,223	
d HEALTH FAIR	33,742	33,742		
e				
f All other expenses		479,551	-479,551	
25 Total functional expenses. Add lines 1 through 24f	18,617,260	14,810,714	3,806,546	0
26 Joint costs. Check here <input type="checkbox"/> <input checked="" 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) Beginning of year	(B) End of year
Assets	1 Cash—non-interest-bearing	2,992,898	1 6,029,025
	2 Savings and temporary cash investments	69,493	2 214,631
	3 Pledges and grants receivable, net	3	
	4 Accounts receivable, net	1,851,085	4 2,316,288
	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	7	
	8 Inventories for sale or use	418,205	8 509,852
	9 Prepaid expenses and deferred charges	145,677	9 312,141
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	32,398,942
	b Less accumulated depreciation	10b	8,405,479
		26,603,555	10c 23,993,463
	11 Investments—publicly traded securities	11	
	12 Investments—other securities See Part IV, line 11	12	
	13 Investments—program-related See Part IV, line 11	13	
	14 Intangible assets	14	
	15 Other assets See Part IV, line 11	3,207,027	15 2,089,820
	16 Total assets. Add lines 1 through 15 (must equal line 34)	35,287,940	16 35,465,220
Liabilities	17 Accounts payable and accrued expenses	1,564,132	17 1,365,655
	18 Grants payable	18	
	19 Deferred revenue	19	
	20 Tax-exempt bond liabilities	20	
	21 Escrow or custodial account liability Complete Part IV of Schedule D	21	
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L	22	
	23 Secured mortgages and notes payable to unrelated third parties	25,051,735	23 24,714,716
	24 Unsecured notes and loans payable to unrelated third parties	24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	25	
	26 Total liabilities. Add lines 17 through 25	26,615,867	26 26,080,371
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.		
	27 Unrestricted net assets	8,672,073	27 9,384,849
	28 Temporarily restricted net assets	28	
	29 Permanently restricted net assets	29	
	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	8,672,073	33 9,384,849
	34 Total liabilities and net assets/fund balances	35,287,940	34 35,465,220

Part XI Reconciliation of Net AssetsCheck 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	19,330,036
2 Total expenses (must equal Part IX, column (A), line 25)	2	18,617,260
3 Revenue less expenses Subtract line 2 from line 1	3	712,776
4 Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	8,672,073
5 Other changes in net assets or fund balances (explain in Schedule O)	5	
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	9,384,849

Part XII Financial Statements and ReportingCheck 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?	2a	No
2b Were the organization's financial statements audited by an independent accountant?	2b	Yes
2c If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes
2d If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	Yes
3b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	Yes

2011

Open to Public
Inspection**SCHEDULE A**
(Form 990 or 990EZ)**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.

Department of the Treasury
Internal Revenue ServiceName of the organization
PARTNERS IN HEALTHCARE INC

Employer identification number

26-1938641

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

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

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

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

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

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

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

h Provide the following information about the supported organization(s)

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

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

Part II Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

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

Section B. Total Support

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

Section C. Computation of Public Support Percentage

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

Part 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

2011

Open to Public
Inspection**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.

Name of the organization
PARTNERS IN HEALTHCARE INC**Employer identification number**

26-1938641

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

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

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

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

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

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

Preservation of land for public use (e.g., recreation or pleasure) Preservation of an historically importantly land area

Protection of natural habitat Preservation of a certified historic structure

Preservation of open space

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

	Held at the End of the Year
2a	
2b	
2c	
2d	

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

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

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

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

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

► \$ _____

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

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

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

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

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

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

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

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

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

b Assets included in Form 990, Part X ► \$ _____

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

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

a <input type="checkbox"/> Public exhibition	d <input type="checkbox"/> Loan or exchange programs
b <input type="checkbox"/> Scholarly research	e <input type="checkbox"/> Other
c <input type="checkbox"/> Preservation for future generations	

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

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

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

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

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

	Amount
1c	21,143
1d	28,147
1e	29,248
1f	20,042

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

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

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

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

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

a Board designated or quasi-endowment ►

b Permanent endowment ►

c Term endowment ►

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

(i) unrelated organizations	Yes	No
--	------------	-----------

(ii) related organizations	Yes	No
---	------------	-----------

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

	Yes	No
3a(i)		
3a(ii)		
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		394,396			394,396
b Buildings		13,964,242	2,068,592		11,895,650
c Leasehold improvements					
d Equipment		17,908,302	6,336,887		11,571,415
e Other		132,002			132,002
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)					23,993,463

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		

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	19,330,036
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	18,617,260
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	712,776
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	712,776

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	17,828,376
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	17,828,376
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	1,501,660
c	Add lines 4a and 4b	4c	1,501,660
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	19,330,036

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

1	Total expenses and losses per audited financial statements	1	17,115,600
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	17,115,600
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	1,501,660
c	Add lines 4a and 4b	4c	1,501,660
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	18,617,260

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
EXPLANATION FOR UNREPORTED CONTRIBUTIONS OR ASSETS	SCHEDULE D, PAGE 2, PART IV, LINE 1B	NCMC HAS AN AUXILIARY THAT OPERATES USING THE EIN OF NCMC. THE INCOME AND EXPENSES OF THE AUXILIARY ARE EXCLUDED FROM THE 990, PART VIII AND IX. THE ASSETS, LIABILITIES, AND EQUITIES ARE ALSO EXCLUDED FROM THE 990, PART X.
LIABILITY UNDER FIN 48 FOOTNOTE	SCHEDULE D, PAGE 3, PART X	THE ORGANIZATION'S COMPONENT UNIT, PIH, HAS BEEN DETERMINED TO BE EXEMPT FROM FEDERAL INCOME TAXES UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE ACCORDINGLY, NO PROVISION FOR INCOME TAX IS NECESSARY. THE ORGANIZATION EVALUATES UNCERTAIN TAX POSITIONS WHEREBY THE EFFECT OF THE UNCERTAINTY WOULD BE RECORDED IF THE OUTCOME WAS CONSIDERED PROBABLE AND REASONABLY ESTIMABLE AS OF SEPTEMBER 30, 2012 AND 2011, THE ORGANIZATION HAD NO UNCERTAIN TAX POSITIONS REQUIRING ACCRUAL.
RECONCILIATION OF CHANGES - OTHER	SCHEDULE D, PAGE 4, PART XI, LINE 8	BAD DEBT EXPENSE NETTED IN REVENUE ON THE FINANCIALS -1,501,660 BAD DEBT EXPENSE NETTED IN REVENUE ON THE FINANCIALS 1,501,660
REVENUE AMOUNTS INCLUDED ON RETURN - OTHER	SCHEDULE D, PAGE 4, PART XII, LINE 4B	BAD DEBT EXPENSE NETTED IN REVENUE ON THE FINANCIALS 1,501,660
EXPENSE AMOUNTS INCLUDED ON RETURN - OTHER	SCHEDULE D, PAGE 4, PART XIII, LINE 4B	BAD DEBT EXPENSE NETTED IN REVENUE ON THE FINANCIALS 1,501,660

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.Name of the organization
PARTNERS IN HEALTHCARE INC

Employer identification number

26-1938641

Part I Charity Care and Certain Other Community Benefits at Cost

1a Did the organization have a charity care policy? If "No," skip to question 6a

b If "Yes," is it a written policy?

2 If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals

Applied uniformly to all hospitals Applied uniformly to most hospitals
 Generally tailored to individual hospitals

3 Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year

a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care

100% 150% 200% Other _____%

b Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care

200% 250% 300% 350% 400% Other 1.25000 %

c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care

4 Did the organization's policy provide free or discounted care to the "medically indigent"?

5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?

b If "Yes," did the organization's charity care expenses exceed the budgeted amount?

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?

6a Did the organization prepare a community benefit report during the tax year?

6b If "Yes," did the organization make it available to the public?

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

	Yes	No
1a	Yes	
1b	Yes	
3a	Yes	
3b	Yes	
4	Yes	
5a	Yes	
5b		No
5c		
6a	Yes	
6b	Yes	

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)			212,791		212,791	1 240 %
b Medicaid (from Worksheet 3, column a)			1,542,806	1,046,819	495,987	2 900 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			1,755,597	1,046,819	708,778	4 140 %
e Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			227,756	51,405	176,351	1 030 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			254,659	233,253	21,406	0 130 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			2,480		2,480	0 010 %
j Total Other Benefits			484,895	284,658	200,237	1 170 %
k Total . Add lines 7d and 7j			2,240,492	1,331,477	909,015	5 310 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support			11,158		11,158	0 070 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total			11,158		11,158	0 070 %

Part III Bad Debt, Medicare, & Collection Practices
Section A. Bad Debt Expense

1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?

2 Enter the amount of the organization's bad debt expense

3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy

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

	Yes	No
1	Yes	
2	885,979	
3		
4		

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)

6 Enter Medicare allowable costs of care relating to payments on line 5

7 Subtract line 6 from line 5. This is the surplus or (shortfall)

8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used

 Cost accounting system

 Cost to charge ratio

 Other

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year?

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

9a	Yes
9b	Yes

Part IV Management Companies and Joint Ventures (see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

Name and address

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)

PARTNERS IN HEALTHCAREINC

Name of Hospital Facility: _____

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1	
If "Yes," indicate what the Needs Assessment describes (check all that apply)		
a <input type="checkbox"/> A definition of the community served by the hospital facility		
b <input type="checkbox"/> Demographics of the community		
c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input type="checkbox"/> How data was obtained		
e <input type="checkbox"/> The health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public?	5	
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)		
a <input type="checkbox"/> Hospital facility's website		
b <input type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility		
d <input type="checkbox"/> Participation in community-wide community benefit plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input type="checkbox"/> Prioritization of health needs in the community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes
If "Yes," indicate the FPG family income limit for eligibility for free care <u>100</u> 0%		
If "No," explain in Part VI the criteria the hospital facility used		

Part V Facility Information (continued)

	Yes	No
10 Used FPG to determine eligibility for providing discounted care?	10 Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>125 0%</u> If "No," explain in Part VI the criteria the hospital facility used		
11 Explained the basis for calculating amounts charged to patients?	11 Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)		
a <input checked="" type="checkbox"/> Income level		
b <input type="checkbox"/> Asset level		
c <input 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)		
12 Explained the method for applying for financial assistance?	12 Yes	
13 Included measures to publicize the policy within the community served by the hospital facility?	13 Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		
a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site		
b <input checked="" type="checkbox"/> The policy was attached to all billing invoices		
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility		
f <input checked="" type="checkbox"/> The policy was available upon request		
g <input type="checkbox"/> Other (describe in Part VI)		
Billing and Collections		
14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14 Yes	
15 Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP		
a <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?	16 Yes	
If "Yes," check all actions in which the hospital facility or a third party engaged		
a <input checked="" type="checkbox"/> Reporting to credit agency		
b <input type="checkbox"/> Lawsuits		
c <input type="checkbox"/> Liens on residences		
d <input type="checkbox"/> Body attachments		
e <input type="checkbox"/> Other similar actions (describe in Part VI)		
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)		
a <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission		
b <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge		
c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills		
d <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy		
e <input type="checkbox"/> Other (describe in Part VI)		

Part V Facility Information (continued)**Policy Relating to Emergency Medical Care**

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

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
18	Yes	

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

20		No
21	Yes	

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

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

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? _____

Name and address	Type of Facility (Describe)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
EXCLUSIONS FROM PERCENT OF TOTAL EXPENSE	PART I LINE 7 COLUMN F	BAD DEBT EXPENSE INCLUDED ON FORM 990 PART IX LINE 25 COLUMN A OF 1501660 WAS SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN PART I LINE 7 COLUMN F

Identifier	ReturnReference	Explanation
COSTING METHODOLOGY EXPLANATION	PART I LINE 7	THE HOSPITAL APPLIES THE RATIO OF PATIENT CARE COST TO CHARGES FOR AMOUNTS REPORTED IN THE TABLE TOTAL OPERATING EXPENSES LESS BAD DEBT NONPATIENT CARE ACTIVITIES TOTAL COMMUNITY BENEFIT AND TOTAL COMMUNITY BUILDING EXPENSES

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE EXPLANATION	PART III LINE 4	THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNTS REPORTED ON SCHEDULE H PART III LINE 2 INCLUDES THE COST TO CHARGE RATIO OF PATIENT CARE FOR PART III LINE 3 THE HOSPITAL DOES NOT OFFER DISCOUNTS FOR PAYMENT ON BAD DEBT THE HOSPITAL APPLIES FUNDS COLLECTED ON BAD DEBT AGAINST THE PATIENT ACCOUNT WE ESTIMATE THAT OF THE CHARITY CARE APPLICATIONS GIVEN OUT ABOUT HALF OF THEM COME BACK DURING THE YEAR WE RECORDED 360662 OF CHARITY CARE AT GROSS PATIENT CHARGES WHICH WAS CONVERTED TO 212791 UTILIZING THE COST TO CHARGE RATIO OF PATIENT CARE THEREFORE WE ESTIMATE AN ADDITIONAL 147871 OF BAD DEBT EXPENSE WHICH COULD BE ATTRIBUTABLE TO PATIENTS UNDER THE CHARITY CARE POLICY FOR PART III LINE 4 THE PATIENT ACCOUNTS RECEIVABLE FOOTNOTE OF THE AUDITED FINANCIAL STATEMENTS READS AS FOLLOWS PATIENT RECEIVABLES ARE UNCOLLATERALIZED PATIENT AND THIRDPARTY PAYOR OBLIGATIONS PAYMENTS OF PATIENT RECEIVABLES ARE ALLOCATED TO THE SPECIFIC CLAIMS IDENTIFIED ON THE REMITTANCE ADVICE OR IF UNSPECIFIED ARE APPLIED TO THE EARLIEST UNPAID CLAIM THE CARRYING AMOUNT OF PATIENT RECEIVABLES IS REDUCED BY A VALUATION ALLOWANCE THAT REFLECTS MANAGEMENTS ESTIMATE OF AMOUNTS THAT WILL NOT BE COLLECTED FROM PATIENTS AND THIRDPARTY PAYORS MANAGEMENT REVIEWS PATIENT RECEIVABLES BY PAYOR CLASS AND APPLIES PERCENTAGES TO DETERMINE ESTIMATED AMOUNTS THAT WILL NOT BE COLLECTED FROM THIRD PARTIES UNDER CONTRACTUAL AGREEMENTS AND AMOUNTS THAT WILL NOT BE COLLECTED FROM PATIENTS DUE TO BAD DEBTS MANAGEMENT CONSIDERS HISTORICAL WRITE OFF AND RECOVERY INFORMATION IN DETERMINING THE ESTIMATED BAD DEBT PROVISION

Identifier	ReturnReference	Explanation
MEDICARE EXPLANATION	PART III LINE 8	ANY MEDICARE ALLOWABLE COSTS ARE OBTAINED FROM THE MEDICARE COST REPORT FOR THE YEAR

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES EXPLANATION	PART III LINE 9B	THE BILLING DEPARTMENT BILLS PATIENTS WITHIN 4 DAYS FROM THE DATE OF SERVICE ON THE 10TH DAY SELF PAY OUTSTANDING ACCOUNTS ARE SENT TO OUR THIRD PARTY BILLER HRMG THE SAME IS TRUE AFTER INSURANCE PAYMENTS ARE MADE AND THE OPEN ACCOUNT GOES TO SELF PAY STATUS THROUGHOUT A FULL 120 DAYS VARIOUS PHONE CALLS AND LETTERS ARE USED TO CONTACT THE PATIENT IN ORDER TO FOLLOW THROUGH WITH COLLECTION PROCESSES AND TO TRY TO QUALIFY PATIENTS FOR CHARITY CARE OR FINANCIAL ASSISTANCE AFTER 120 DAYS HRMG SENDS A BAD DEBT RECOMMENDATION LIST TO THE HOSPITAL TO REVIEW THE DIRECTOR OF PATIENT FINANCIAL SERVICES REVIEWS THIS LIST PRIOR TO SENDING TO AN OUTSIDE COLLECTION AGENCY ANY COLLECTIONS FROM THE OUTSIDE COLLECTION AGENCY ARE APPLIED AS A RECOVERY AGAINST BAD DEBT

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI	THE HOSPITAL ASSESSES THE HEALTH CARE NEEDS OF THE COMMUNITY IT SERVES BY CONSIDERING SERVICES BEYOND THE TYPICAL SCOPE OF A CRITICAL ACCESS HOSPITAL TO DETERMINE WHICH SERVICES TO PROVIDE BASED UPON STATISTICAL ANALYSIS AND SERVICE REQUIREMENTS THAT THE COMMUNITY IS DEMANDING

Schedule H (Form 990) 2011

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI	THE HOSPITAL HAS A PATIENT FINANCIAL SERVICES PFS DEPARTMENT THAT STRIVES TO TREAT ALL PATIENTS EQUITABLY WITH DIGNITY RESPECT AND COMPASSION PFS INFORMS PATIENTS ABOUT PROGRAMS AVAILABLE INCLUDING THE CHARITY CARE PROGRAM IF THE PATIENT IS INTERESTED IN THE PROGRAM PFS WILL VERBALLY INFORM THE PATIENT ABOUT THE GUIDELINES AND OR SEND FORMS THAT ARE REQUIRED TO JOIN THE PROGRAMS

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI	GOODING IDAHO IS A RURAL COMMUNITY WITH APPROXIMATELY 3400 RESIDENTS THERE ARE TWO OTHER HOSPITALS IN COMMUNITIES WITHIN 35 MILES THE MARKET PLACE IS PRIMARILY COMPRISED OF MEDICAID AND MEDICARE RESIDENTS DEMONSTRATED BY THE HOSPITALS PAYOR MIX MEDICAID AND MEDICARE MAKE UP APPROXIMATELY 75 OF THIS MIX

Identifier	ReturnReference	Explanation
HEALTH OF COMMUNITY IN RELATION TO EXEMPT PURPOSE	PART VI	THE HOSPITALS BOARD OF DIRECTORS IS PRIMARILY MADE UP OF RESIDENTS IN THE SURROUNDING COMMUNITY THE HOSPITAL DOES EXTEND MEDICAL STAFF PRIVELEGES TO QUALIFIED PHYSICIANS IN THE COMMUNITY THE MEDICAL STAFF IS RESPONSIBLE FOR PAYING FOR THEIR OWN MEDICAL EDUCATION AND MONEY IS NOT SPENT ON RESEARCH THEREFOR THE HOSPITAL DOES NOT SPEND SURPLUS FUNDS IN THIS MANNER HOWEVER IF THERE ARE SURPLUS FUNDS THE ORGANIZATION WOULD EVALUATE SPENDING ON ADDITIONAL SERVICES TO PATIENTS THE HOSPITAL ALSO PROMOTES HEALTH IN THE COMMUNITY BY OFFERING THE FOLLOWING SERVICES THE HOSPITAL OPERATES AN EMERGENCY ROOM THAT IS AVAILABLE TO ALL REGARDLESS OF ABILITY TO PAY THE HOSPITAL PARTICIPATES IN EDUCATION OF HEALTHCARE PROFESSIONALS THE HOSPITAL PARTICIPATES IN GOVERNMENT SPONSORED HEALTH PROGRAMS SUCH AS MEDICARE AND MEDICAID THE HOSPITAL HAS VOLUNTEER OPPORTUNITIES AVAILABLE THE HOSPITAL SPONSORS AN ANNUAL HEALTH FAIR THAT GIVES COMMUNITY MEMBERS OPPORTUNITIES TO HAVE TESTS PERFORMED

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE INFORMATION	PART VI	NA

Schedule H (Form 990) 2011

Identifier	ReturnReference	Explanation
ADDITIONAL INFORMATION	PART VI	THE COMMUNITY BENEFIT REPORT IS MADE PUBLIC AT THE REQUEST OF GOODING MEMORIAL HOSPITAL DISTRICT IT IS AVAILABLE UPON REQUEST

Schedule H (Form 990) 2011

Identifier	ReturnReference	Explanation
PARTNERS IN HEALTHCAREINC LINE NUMBER 1 PART V LINE 19D	PART V LINE 19D	SEE RESPONSE TO SCHEDULE H PART V LINE 21

Schedule H (Form 990) 2011

Identifier	ReturnReference	Explanation
PARTNERS IN HEALTHCAREINC LINE NUMBER 1 PART V LINE 21	PART V LINE 21	PATIENTS ARE BILLED THE GROSS CHARGE FOR ALL SERVICES RECEIVED IF THE PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE THE BILL IS ADJUSTED AS DETERMINED BY OUR CHARITY CARE POLICY GUIDELINES

Schedule H (Form 990) 2011

2011

Open to Public
Inspection**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.

Name of the organization
PARTNERS IN HEALTHCARE INC

Employer identification number

26-1938641

Identifier	Return Reference	Explanation
EXPLANATION ON VOLUNTEERS AND TYPES OF SERVICES OR BENEFITS	FORM 990, PAGE 1, PART I, LINE 6	VOLUNTEERS CONTRIBUTE THEIR TIME AND TALENTS TO ENHANCE THE HOSPITAL FOUNDATION, THRIFT STORE, AND INTERNAL VOLUNTEER POSITIONS
FIRST ACCOMPLISHMENT DESCRIPTION	FORM 990, PAGE 2, PART III, LINE 4A	FROM THE SUSAN B KOMEN FOUNDATION THAT WAS USED TO FURTHER BREAST CANCER AWARENESS BY PROVIDING FREE BREAST IMAGING TO WOMEN WHO ARE UNINSURED OR UNDERINSURED
ALL OTHER ACCOMPLISHMENT DESCRIPTION	FORM 990, PAGE 2, PART III, LINE 4D	NCMC PROVIDES A WIDE RANGE OF HEALTHCARE SERVICES IN TECHNOLOGICALLY ADVANCED FACILITIES SERVICES INCLUDE OTOLARYNGOLOGY (ENT), GASTROINTESTINAL (GI), ORTHOPEDICS, GYNECOLOGY, GENERAL SURGERY, PAIN MANAGEMENT, AND UROLOGY NORTH CANYON FITNESS AND REHABILITATION CENTER IS THE REHABILITATION SERVICES DEPARTMENT OF NCMC OUR REHABILITATION SERVICES ARE PROVIDED BY TRAINED, LICENSED PROFESSIONALS WHO SPECIALIZE IN PHYSICAL, AQUATIC, OCCUPATIONAL, AND SPEECH THERAPY WE PROVIDE INPATIENT THERAPY AT NCMC AND OUTPATIENT THERAPY AT THE NCMC FITNESS AND REHABILITATION CENTER ADDITIONAL SERVICES PROVIDED BY NCMC INCLUDE NUTRITION SERVICES, A SPECIALTY CLINIC, AND A DURABLE MEDICAL EQUIPMENT LICENSE SO THE HOSPITAL CAN PROVIDE EQUIPMENT TO PATIENTS FOR THEIR HOME USE NCMC PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT BELOW COST AND TO INDIVIDUALS WHO ARE UNABLE TO PAY THE UNREIMBURSED VALUE OF PROVIDING CARE TO THESE PATIENTS WAS 360,662 FOR CHARITY CARE, 6,072,229 FOR MEDICARE, 1,568,107 FOR MEDICAID, AND 2,330,623 FOR OTHER THIRD PARTY PAYORS FOR THE YEAR
MANAGEMENT DELEGATED	FORM 990, PAGE 6, PART VI, LINE 3	NCMC UTILIZES AN EMPLOYEE OF ST LUKE'S HEALTH SYSTEM FOR ITS CHIEF EXECUTIVE OFFICER
CLASSES OF MEMBERS OR STOCKHOLDERS	FORM 990, PAGE 6, PART VI, LINE 6	THERE ARE TWO CLASSES OF MEMBERS, CLASS A AND CLASS B THE CLASS A MEMBER IS GOODING COUNTY MEMORIAL HOSPITAL DISTRICT WHICH HAS 840 VOTING UNITS AND THE CLASS B MEMBER IS ST LUKE'S HEALTH SYSTEM, LTD WHICH HAS 160 VOTING UNITS
ELECTION OF MEMBERS AND THEIR RIGHTS	FORM 990, PAGE 6, PART VI, LINE 7A	CLASS A MEMBERS ELECT 84% OF THE DIRECTORS AND CLASS B MEMBERS ELECT 16% OF THE MEMBERS
DECISIONS SUBJECT TO APPROVAL OF MEMBERS	FORM 990, PAGE 6, PART VI, LINE 7B	THE MAJORITY OF THE CLASS A DIRECTORS AND THE CLASS B DIRECTORS MUST APPROVE THE FOLLOWING 1) AMENDMENT TO THE BYLAWS 2) ANY ACTIVITY OUTSIDE THE CORPORATION'S ORDINARY COURSE OF BUSINESS 3) ANNUAL BUDGET 4) ADOPTION OF THE CORPORATION'S THREE-YEAR STRATEGIC PLAN AND ANY MODIFICATIONS 5) CONTRACTING OR INCURRING OF ANY LIABILITY FOR OR ON BEHALF OF THE CORPORATION IN THE ORDINARY COURSE OF BUSINESS IN EXCESS OF 10,000 AT ANY ONE TIME 6) CAPITAL EXPENDITURES IN EXCESS OF 10,000 IF NOT IN THE BUDGET 7) TRANSFER OF VOTING RIGHTS, MERGERS, CONSOLIDATIONS OF OTHER BUSINESS COMBINATIONS 8) CONTRACTS WITH A MEMBER OR AN AFFILIATE OF A MEMBER OF WHICH THE MEMBER HAS DIRECT ECONOMIC INTEREST
ORGANIZATION'S PROCESS USED TO REVIEW FORM 990	FORM 990, PAGE 6, PART VI, LINE 11B	A COPY OF THE 990 IS PROVIDED TO THE CFO AND CONTROLLER WHO REVIEW THE FORM, SCHEDULES AND RELATED ATTACHMENTS ANY COMMENTS OR QUESTIONS ARE ADDRESSED WITH THE PREPARER AND A FINAL DRAFT IS PRESENTED TO THE FINANCE COMMITTEE OF THE BOARD THE FINANCE COMMITTEE MAKES A MOTION TO APPROVE THE 990 ONCE THE BOARD HAS APPROVED THE 990, THE CFO AUTHORIZES THE PREPARER TO FINALIZE THE RETURN
ENFORCEMENT OF CONFLICTS POLICY	FORM 990, PAGE 6, PART VI, LINE 12C	A CONFLICT OF INTEREST POLICY CERTIFICATION IS SIGNED BY OFFICERS AND BOARD MEMBERS OF THE ORGANIZATION WHEN THEY BECOME AN EMPLOYEE OR BOARD MEMBER, AND IS UPDATED ANNUALLY FOR ANY CHANGES OFFICERS AND BOARD MEMBERS ARE SUBJECT TO SELF DISCLOSURE IN THE INTERIM AT ALL LEVELS THE BOARD IS RESPONSIBLE TO ASSESS, REVIEW AND RESOLVE SUCH CONFLICTS WHERE A CONFLICT EXISTS, THE AFFECTED PARTIES MUST EXCUSE THEMSELVES FROM PARTICIPATION IN THE SITUATION
COMPENSATION PROCESS FOR TOP OFFICIAL	FORM 990, PAGE 6, PART VI, LINE 15A	ST LUKE'S HEALTH SYSTEM (SLHS) BOARD OF DIRECTORS HAS THE RESPONSIBILITY OF DETERMINING THE COMPENSATION OF THE CEO AND MAKES THE NCMC BOARD AWARE OF THE PAY IF THERE ARE ANY CONCERNs, THEY ARE TAKEN INTO CONSIDERATION SLHS PAY OFFER IS BASED ON MARKET EVALUATIONS AND CURRENT SLHS PAY PRACTICES THE EVALUATION PROCESS LAST TOOK PLACE IN APRIL 2012
GOVERNING DOCUMENTS DISCLOSURE EXPLANATION	FORM 990, PAGE 6, PART VI, LINE 19	NCMC MAKE ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2011

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization

PARTNERS IN HEALTHCARE INC

Employer identification number

26-1938641

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

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

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

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.)

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.)

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		No
1b		No
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j		No
1k		No
1l		No
1m		No
1n	Yes	
1o		No
1p		No
1q		No
1r		No

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)	GOODING COUNTY MEMORIAL HOSPITAL DISTRICT	C	759,418	FMV
(2)				
(3)				
(4)				
(5)				
(6)				

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

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

Part VII Supplemental Information

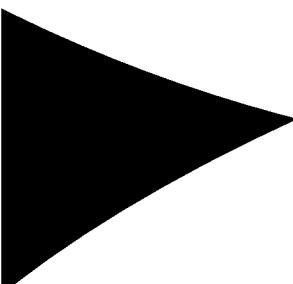
Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation
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**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as
North Canyon Medical Center**

Combined Basic Financial Statements
and Independent Auditors' Reports

September 30, 2012 and 2011



**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center**
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INDEPENDENT AUDITORS` REPORT

Board of Trustees
Gooding County Memorial Hospital District and
Partners in Healthcare, Inc
doing business as North Canyon Medical Center
Gooding, Idaho

We have audited the accompanying combined basic financial statements of Gooding County Memorial Hospital District and Partners in Healthcare, Inc doing business as North Canyon Medical Center (the Organization) as of and for the years ended September 30, 2012 and 2011, as listed in the table of contents. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the combined basic financial statements. Such information, although not a part of the combined basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined basic financial statements, and other knowledge we obtained during our audit of the combined basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the Organization's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the combined financial statements. The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
January 8, 2013

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Management's Discussion and Analysis
September 30, 2012 and 2011**

Our discussion and analysis of Gooding County Memorial Hospital District and Partners in Healthcare, Inc. doing business as North Canyon Medical Center's (the Organization) financial performance provides an overview of the Organization's financial activities for the fiscal years ended September 30, 2012 and 2011. Please read it in conjunction with the Organization's combined financial statements, which begin on page 8.

Financial Highlights

- The Organization's net assets increased by \$749,686, or 8.6%, in 2012 and increased by \$256,952, or 3%, in 2011.
- The Organization reported operating income of \$1,802,122 in 2012 and operating income of \$1,377,620 in 2011. Operating income in 2012 increased by \$424,502, or 30.8%, from 2011. Operating income in 2011 increased by \$2,627,517, or 210.2%, over the loss reported in 2010.
- Nonoperating revenues increased by \$13,949, or 1.8%, in 2012 compared to 2011. Nonoperating revenues increased in 2011 by \$72,131 or 10.4%, compared to 2010.

Using This Annual Report

The Organization's combined financial statements consist of three statements — the Combined Balance Sheets, the Combined Statements of Revenues, Expenses, and Changes in Net Assets, and the Combined Statements of Cash Flows. These combined financial statements and related notes provide information about the activities of the Organization, including resources held by the Organization but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Combined Balance Sheets and Combined Statements of Revenues, Expenses, and Changes in Net Assets

Our analysis of the Organization's finances begins on page 8. One of the most important questions asked about the Organization's finances is, "Is the Organization as a whole better or worse off as a result of the year's activities?" The Combined Balance Sheets and the Combined Statements of Revenues, Expenses, and Changes in Net Assets report information about the Organization's resources and its activities in a way that helps answer this question. These combined statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two combined statements report the Organization's net assets and changes in them. You can think of the Organization's net assets — the difference between assets and liabilities — as one way to measure the Organization's financial health, or financial position. Over time, increases or decreases in the Organization's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Organization's patient base and measures of the quality of service it provides to the community, as well as the local economic factors to assess the overall health of the Organization.

The Combined Statements of Cash Flows

The final required statements are the Combined Statements of Cash Flows. The combined statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Management's Discussion and Analysis (Continued)
September 30, 2012 and 2011**

The Organization's Net Assets

The Organization's net assets are the difference between its assets and liabilities reported in the Combined Balance Sheets on pages 8 and 9. The Organization's net assets increased by \$749,686, or 8.6%, in 2012 and increased by \$256,952, or 3%, in 2011, as shown in Table 1

Table 1: Assets, Liabilities, and Net Assets

	2012	2011	2010
<i>Assets</i>			
Current assets	\$ 9,643,921	\$ 7,118,702	\$ 4,155,460
Capital assets, net	24,044,442	26,657,624	29,109,870
Other long-term assets	1,827,836	1,565,683	1,270,717
Total assets	35,516,199	35,342,009	34,536,047
<i>Liabilities</i>			
Long-term debt outstanding	24,714,716	25,051,735	24,159,906
Other current and noncurrent liabilities	1,325,655	1,564,132	1,906,951
Total liabilities	26,040,371	26,615,867	26,066,857
<i>Net assets</i>			
Invested in capital assets	202,092	2,528,053	5,418,739
Restricted	659,074	425,883	140,412
Unrestricted	8,614,662	5,772,206	2,910,039
Total net assets	9,475,828	8,726,142	8,469,190
Total liabilities and net assets	\$ 35,516,199	\$ 35,342,009	\$ 34,536,047

Significant components of the change in the Organization's assets are the increases in cash and cash equivalents and patient accounts receivable. Cash and cash equivalents increased by \$2,866,736, or 111.68%, in 2012. Patient accounts receivable increased by \$465,203, or 25.13%, in 2012.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Management's Discussion and Analysis (Continued)
September 30, 2012 and 2011**

Operating Results and Changes in the Organization's Net Assets

In 2012, the Organization's operating income increased by \$424,502, or 30.8%, over 2011. Operating income in 2011 increased by \$2,627,517, or 210.2%. The Organization's net assets increased by \$749,686, or 8.6%, in 2012 and increased by \$256,952, or 3%, in 2011, as shown in Table 2.

Table 2: Operating Results and Changes in Net Assets

	2012	2011	2010
<i>Operating revenues</i>			
Net patient service revenues	\$ 16,536,090	\$ 14,293,231	\$ 10,983,604
Electronic health records incentive payment	296,318	1,115,151	-
Grants and other operating revenues	194,902	209,434	115,081
Total operating revenues	17,027,310	15,617,816	11,098,685
<i>Operating expenses</i>			
Salaries and benefits	6,160,619	5,475,529	5,481,499
Medical supplies and drugs	1,651,842	1,377,755	1,323,165
Depreciation and amortization	2,829,840	2,743,491	1,793,253
Other operating expenses	4,582,887	4,643,421	3,750,665
Total operating expenses	15,225,188	14,240,196	12,348,582
<i>Operating gain (loss)</i>	1,802,122	1,377,620	(1,249,897)
<i>Nonoperating revenues and expenses</i>			
Property taxes	759,418	766,635	689,413
Investment income	1,980	2,089	7,180
Interest expense	(1,893,502)	(1,889,392)	(1,026,868)
Gain/(Loss) on disposal of fixed assets	21,275	-	(421,473)
Total nonoperating revenues (expenses), net	(1,110,829)	(1,120,668)	(751,748)
Revenues in excess of (less than)			
expenses before capital contributions	691,293	256,952	(2,001,645)
<i>Capital grants</i>	58,393	-	23,160
Increase (decrease) in net assets	749,686	256,952	(1,978,485)
Net assets, beginning of year	8,726,142	8,469,190	10,447,675
Net assets, end of year	\$ 9,475,828	\$ 8,726,142	\$ 8,469,190

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Management's Discussion and Analysis (Continued)
September 30, 2012 and 2011**

Operating Income (Loss)

The first component of the overall change in the Organization's net assets is its operating income. The Organization has reported an operating gain of \$1,802,122 in 2012, and an operating gain of \$1,377,620 in 2011. This is consistent with the Organization's entire operating history. The Organization's hospital operations began in 1987 as a municipal hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, allowing the facility to offset bad debt and charity care costs. The operating gain in 2012 increased by \$424,502, or 30.8%, from 2011. The operating gain in 2011 increased by \$2,627,517, or 210.2%, over the loss reported in 2010.

The primary component of the increased operating gain is the increase in net patient service revenue of \$2,242,859, or 16%, in 2012. Net patient service revenue increased by \$3,309,627, or 30.1%, in 2011.

The hospital's primary insurance payer is Medicare. While the percent of total gross patient revenue from 2011 to 2012 for Medicare remained at approximately 50%, the reimbursement rate associated with Medicare claims decreased because of the facility's decreased cost to charge ratio associated with the dramatic increase in gross patient revenue associated with Medicare and swing bed patients. The increase in the aggregate contractual allowances from 28.4% in 2011 to 35.1% in 2012 is directly associated with this decrease in reimbursement rates from Medicare.

Employee salary and benefits costs increased by \$685,090, or 12.5%, in 2012 and decreased by \$5,970, or 0.1%, in 2011. This increase was partly due to the increased staffing levels as a result of the increase in acute and swing bed patients. Also, the hospital was self-insured for a full year in 2012 compared to only nine months in 2011, resulting in higher medical claims. FTE's from 2011 to 2012 increased by 8 from 101 to 109.

The rate of healthcare inflation has a direct effect on the cost of services provided by the Organization. A component of the Organization's costs are expenses for medical supplies and prescription drugs. In 2012, medical supplies and prescription drug costs totaled approximately \$1.7 million, or 10.8%, of total operating expenses and an increase of 19.9% over 2011. Some of the major factors contributing to the increase in medical supplies in 2012 were an increase in surgeries performed during the year, as well as an increase in inpatient and swing bed admissions. In 2011, medical supplies and prescription drug costs totaled approximately \$1.4 million, or 9.7%, of total operating expenses and an increase of 4.1% over 2010.

The Organization sometimes provides care for patients who have little or no health insurance or other means of repayment. As discussed, this service to the community is consistent with the goals established for the Organization when it was established in 1987. The level of services provided to these patients increased by \$165,382 in 2012 compared to 2011. In 2011, the costs of uncompensated care increased by \$155,334. Because there is no expectation of repayment, charity care is not reported as patient service revenues of the Organization.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of property taxes levied by the Organization and grants and contributions. Tax revenue funded by the Gooding County Memorial Hospital District totaled \$759,418 and \$766,635 in 2012 and 2011, respectively. The District began operations in 1918 as a county hospital and in 1987 converted to a government district hospital. Both as a county and district hospital it was understood that a portion of its costs would be subsidized by property tax revenues, making services accessible to the County's lower income residents.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Management's Discussion and Analysis (Continued)
September 30, 2012 and 2011**

Grants, Contributions, and Endowments

The Organization receives both capital and operating grants from various state and federal agencies for specific programs. These are discussed in detail in Note 1(b) to the combined financial statements. Grants received in 2012 totaled \$97,158 of which \$58,393 were classified as capital grants.

The Organization's Cash Flows

Cash and cash equivalents increased in 2012 by \$2,866,736 from 2011. This increase was primarily from Meaningful Use incentive payments and an increase in receipts from patient accounts.

Capital Asset and Debt Administration

Capital Assets

At the end of 2012, the Organization had \$24 million invested in capital assets, net of accumulated depreciation, as detailed in Note 7 to the combined financial statements. In 2012, the Organization purchased new capital assets costing \$337,988. In 2011, the Organization purchased new capital assets costing \$291,245. The Organization does not anticipate significant capital additions during fiscal 2013.

Debt

At year end, the Organization had \$24,714,716 in mortgage note payable. The Organization incurred no additional debt in 2012 and approximately \$1.3 million of additional debt in 2011. The \$1.3 million was comprised of an additional \$773,880 received from the mortgage lender as an additional line item transfer, \$442,963 retainage to the general contractor, and \$43,391 of costs associated with closing.

Other Economic Factors

The Organization is located in a small rural community that has an agriculture-based economy. Like many small rural communities, economic and population growth is slight at best, if not declining. At this time, changes in the area economy are more realignments within agriculture such as larger but fewer farms and dairies, with the consequence being fewer people consuming health care services. In summary, the Organization is not located in a robust economic environment. Increase in hospital service revenue will likely be more the result of added or enhanced services, rather than increased volume through population growth. There are two other hospitals within a 50-mile radius. One is a brand new replacement facility with 186 beds and is a referral hospital for the area. The other hospital is also a Critical Access Hospital which provides surgical and obstetrical services, of which obstetrical is not available at this organization. The Organization is the only independent hospital in this 50-mile radius.

Contacting the Organization's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional information, contact the Organization's Administrative Office at North Canyon Medical Center, 267 North Canyon Drive, Gooding, ID 83330.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Combined Balance Sheets
September 30, 2012 and 2011**

ASSETS	2012	2011
<i>Current assets</i>		
Cash and cash equivalents	\$ 5,433,751	\$ 2,567,015
Receivables		
Patient, net of estimated uncollectibles of \$777,763 and \$919,251, respectively	2,316,288	1,851,085
Estimated third-party payor settlements	615,534	980,000
Electronic health records incentive payment receivable	411,775	1,115,151
Other	44,580	41,569
Inventories	509,852	418,205
Prepaid expenses	312,141	145,677
Total current assets	9,643,921	7,118,702
<i>Noncurrent assets</i>		
Cash and cash equivalents restricted by mortgage agreement	659,074	425,883
Cash and cash equivalents designated by Board for funded depreciation	150,831	69,493
Deferred financing costs, net of accumulated amortization	1,017,931	1,070,307
Capital assets, net	24,044,442	26,657,624
Total noncurrent assets	25,872,278	28,223,307
Total assets	\$ 35,516,199	\$ 35,342,009

See accompanying notes to combined basic financial statements

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Combined Balance Sheets (Continued)
September 30, 2012 and 2011**

LIABILITIES AND NET ASSETS	2012	2011
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 490,106	\$ 458,202
Accounts payable	696,442	929,432
Accrued compensation and related liabilities	483,648	486,557
Accrued interest payable	145,565	148,143
Total current liabilities	1,815,761	2,022,334
<i>Long-term debt, less current maturities</i>	24,224,610	24,593,533
<i>Total liabilities</i>	26,040,371	26,615,867
<i>Net assets</i>		
Invested in capital assets, net of related debt	202,092	2,528,053
Restricted	659,074	425,883
Unrestricted	8,614,662	5,772,206
Total net assets	9,475,828	8,726,142
Total liabilities and net assets	\$ 35,516,199	\$ 35,342,009

See accompanying notes to combined basic financial statements

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Combined Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended September 30, 2012 and 2011**

	2012	2011
<i>Operating revenues</i>		
Net patient service revenue, net of provision for bad debts of \$1,501,660 and \$1,315,234, respectively	\$ 16,536,090	\$ 14,293,231
Electronic health records incentive payment	296,318	1,115,151
Grants	38,765	29,882
Other revenue	156,137	179,552
Total operating revenues	17,027,310	15,617,816
<i>Operating expenses</i>		
Salaries and wages	4,941,417	4,521,686
Employee benefits	1,219,202	953,843
Professional fees	1,810,120	1,879,792
Supplies	1,651,842	1,377,755
Purchased services	1,756,161	1,850,954
Utilities	208,027	202,060
Rental and leases	154,138	117,526
Depreciation and amortization	2,829,840	2,743,491
Insurance	100,819	195,844
Other	553,622	397,245
Total operating expenses	15,225,188	14,240,196
<i>Operating income</i>	1,802,122	1,377,620
<i>Nonoperating revenues (expenses)</i>		
Taxes	759,418	766,635
Investment income	1,980	2,089
Gain on disposal of capital assets	21,275	-
Interest expense	(1,893,502)	(1,889,392)
Total nonoperating revenues (expenses), net	(1,110,829)	(1,120,668)
Excess of revenues over expenses before capital grants	691,293	256,952
<i>Capital grants</i>	58,393	-
Change in net assets	749,686	256,952
Net assets, beginning of year	8,726,142	8,469,190
Net assets, end of year	\$ 9,475,828	\$ 8,726,142

See accompanying notes to combined basic financial statements

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Combined Statements of Cash Flows
Years Ended September 30, 2012 and 2011**

	2012	2011
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 16,435,353	\$ 13,987,545
Electronic health records incentive payment	999,694	-
Grant receipts	38,765	29,882
Other receipts and payments	140,167	189,297
Payments to or on behalf of employees	(6,163,528)	(5,428,328)
Payments to suppliers, contractors, and others	(6,623,225)	(5,889,841)
Net cash provided by operating activities	4,827,226	2,888,555
<i>Cash flows from noncapital financing activities</i>		
Taxes received	772,377	721,164
<i>Cash flows from capital and related financing activities</i>		
Payments for capital assets	(337,988)	(734,208)
Repayment of long-term debt	(337,019)	(368,405)
Proceeds from long-term debt	-	1,260,234
Interest paid on long-term debt, net of amount capitalized	(1,843,704)	(1,852,818)
Proceeds from the sale of fixed assets	40,000	-
Payments for debt issuance costs	-	(47,000)
Capital grant receipts	58,393	-
Net cash used in capital and related financing activities	(2,420,318)	(1,742,197)
<i>Cash flows from investing activities</i>		
Investment income	1,980	2,089
Increase in cash and cash equivalents	3,181,265	1,869,611
Cash and cash equivalents, beginning of year	3,062,391	1,192,780
Cash and cash equivalents, end of year	\$ 6,243,656	\$ 3,062,391

See accompanying notes to combined basic financial statements

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Combined Statements of Cash Flows (Continued)
Years Ended September 30, 2012 and 2011**

	2012	2011
Cash and cash equivalents in current assets	\$ 5,433,751	\$ 2,567,015
Cash and cash equivalents restricted by mortgage agreement	659,074	425,883
Cash and cash equivalents designated by Board for funded depreciation	150,831	69,493
Total cash and cash equivalents	\$ 6,243,656	\$ 3,062,391
<i>Reconciliation of operating income to net cash provided by operating activities</i>		
Operating income	\$ 1,802,122	\$ 1,377,620
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation and amortization	2,829,840	2,743,491
Provision for bad debts	1,501,660	1,315,234
Decrease (increase) in assets		
Receivables		
Patient, net	(1,966,863)	(932,388)
Estimated third-party payor settlements	364,466	(515,000)
Electronic health records incentive payment	703,376	(1,115,151)
Other	(15,970)	9,745
Inventories	10,958	(82,125)
Prepaid expenses	(166,464)	(19,957)
Increase (decrease) in liabilities		
Accounts payable	(232,990)	233,417
Estimated third-party payor settlements payable	-	(173,532)
Accrued compensation and related liabilities	(2,909)	47,201
Net cash provided by operating activities	\$ 4,827,226	\$ 2,888,555

See accompanying notes to combined basic financial statements

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements
Years Ended September 30, 2012 and 2011**

1. Description of Reporting Entity and Summary of Significant Accounting Policies:

The combined financial statements include the accounts of Gooding County Memorial Hospital District (the District), and its component unit, Partners in Healthcare, Inc. doing business as North Canyon Medical Center (PIH), collectively referred to as the Organization. These combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The significant accounting policies of the Organization are described below.

a. Reporting Entity

Gooding County Memorial Hospital District is the primary government taxing entity. Partners in Healthcare, Inc. doing business as North Canyon Medical Center owns and operates a 15-bed critical access hospital located in Gooding, Idaho. The District is empowered to levy property taxes to sustain PIH's operations. The District also reviews how PIH utilizes taxes received from the District. The District is not a component unit of another reporting entity and is under no continuing obligation to distribute property taxes to PIH, unless a two-thirds majority vote is reached. The Board of Trustees consists of seven community members elected to seven-year terms.

The accompanying combined financial statements include the activities of the District and its component unit, PIH. The District maintains control over PIH through a majority voting member position of the Board of Directors. Generally accepted accounting principles provide guidance to determine whether certain organizations should be reported as a component unit based on the nature and significance of the relationship. The District has determined that PIH meets this definition for inclusion in the District's financial statements as a blended component unit. PIH's fiscal year ends on September 30 and the accompanying financial statements include financial information for its fiscal years ended September 30, 2012 and 2011. Although it is a separate legal entity from the District, PIH is reported as if it were part of the primary government because of control features contained within the bylaws of PIH.

b. Summary of Significant Accounting Policies

Enterprise fund accounting – The Organization utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Organization has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011**

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents – Cash and cash equivalents include highly liquid investments with an original maturity of three months or less

Patient receivables – Patient receivables are uncollateralized patient and third-party pay or obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice, or, if unspecified, are applied to the earliest unpaid claim

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision

Inventories – Inventories are stated at lower of cost (first-in, first-out) or market. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the Organization's operations

Deferred financing costs and interest rate buy-down – Deferred financing costs are to be amortized over the term of the related obligation, which is 25 years, using a straight-line method. The interest rate buy-down costs are amortized over the term of the related obligation, which is 25 years, using the effective interest method. Amortization began on September 1, 2010, when the construction note payable converted to a permanent loan financing as provided for in the loan agreement

Capital assets – Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Donated capital assets are stated at estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each depreciable asset and computed on the straight-line method. The estimated useful lives of capital assets are as follows

Land improvements	5-25 years
Buildings and fixed equipment	5-40 years
Major movable equipment	3-20 years

Compensated absences – The Organization's employees earn paid time off and sick leave at varying rates depending on years of service. Paid time off and sick leave accumulate up to a specified maximum depending on length of service. Employees are paid for accumulated paid time off upon termination. Sick leave accumulated is forfeited upon termination. Paid time off is accrued as earned. Sick leave is expensed when taken

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011**

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Net assets – Net assets are presented in the following three components

Net assets invested in capital assets, net of related debt – Invested capital assets, net of related debt consist of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding debt used to finance the purchase or construction of those assets

Restricted net assets – Restricted net assets are assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Organization, including amounts deposited with Trustees as required by bond indentures

Unrestricted net assets – Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets

Operating revenues and expenses – The Organization's combined statements of revenues, expenses, and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Organization's principal activity. Nonexchange revenues, including taxes, investment income, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are expenses incurred to provide health care services, other than financing costs.

Grants and contributions – From time to time, the Organization receives grants from the state of Idaho as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or capital purposes. Grants that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Restricted resources – When the Organization has both restricted and unrestricted resources available to finance a particular program, it is the Organization's policy to use restricted resources before unrestricted resources.

Income taxes – The Organization's component unit, PIH, has been determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is necessary. The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of September 30, 2012 and 2011, the Organization had no uncertain tax positions requiring accrual.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011**

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Reclassifications – Certain amounts have been reclassified in the 2011 combined financial statements in order to be consistent with the 2012 combined financial statements. These reclassifications had no effect on the previously reported change in net assets.

Subsequent Events – The Organization has evaluated subsequent events through January 8, 2013, the date on which the combined financial statements were available to be issued.

2. Net Patient Service Revenue:

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

Medicare – The Organization has been designated a critical access hospital by Medicare and is reimbursed for inpatient and outpatient services on a cost basis as defined and limited by the Medicare program. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare administrative contractor. Physician services are reimbursed on a fee schedule.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a cost basis as defined by the state of Idaho subject to certain limitations. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicaid fiscal intermediary. Physician services are reimbursed on a fee schedule.

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

Revenue from the Medicare and Medicaid programs accounted for approximately 53% and 9%, respectively, of the Organization's net patient revenue for the year ended September 30, 2012. Revenue from the Medicare and Medicaid programs accounted for approximately 50% and 12%, respectively, of the Organization's net patient revenue for the year ended September 30, 2011.

Laws and regulations governing the Medicare, Medicaid, and other 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. Net patient service revenue for the year ended September 30, 2012, decreased approximately \$150,000 due to changes in estimates and final settlements of prior years cost reports. Net patient service revenue for the year ended September 30, 2011, increased approximately \$835,000 due to changes in estimates and final settlements of prior years cost reports.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011**

2. Net Patient Service Revenue (continued):

The Organization provides charity care to patients who are financially unable to pay for the health care services they receive. The Organization's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Organization does not report these amounts in net operating revenues or in the allowance for doubtful accounts. The Organization determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended September 30, 2012 and 2011, were approximately \$218,000 and \$143,000, respectively.

A summary of patient service revenue, contractual adjustments, and bad debts for the years ended September 30, 2012 and 2011, is as follows:

	Years Ended September 30,	
	2012	2011
<i>Gross patient service revenue</i>	\$ 28,369,371	\$ 22,084,936
Less charity care	(360,662)	(195,280)
	28,008,709	21,889,656
<i>Contractual adjustments</i>		
Medicare	(6,072,229)	(3,529,971)
Medicaid	(1,568,107)	(861,795)
Other	(2,330,623)	(1,889,425)
Total contractual adjustments	(9,970,959)	(6,281,191)
<i>Provision for bad debts</i>	(1,501,660)	(1,315,234)
Net patient service revenue	\$ 16,536,090	\$ 14,293,231

3. Electronic Health Records Incentive Payment:

The Organization has recorded a receivable of \$411,775 and \$1,115,151 at September 30, 2012 and 2011, respectively, as an incentive payment for the meaningful use of electronic health records. The amount recorded is based on the Organization meeting the meaningful use criteria and the days and discharge data for the years ended September 30, 2012 and 2011, respectively. The amounts recorded are estimates and subject to audit by the Medicare administrative contractor. The revenue is reported as operating income. The Organization received \$999,694 related to this incentive payment during the year ended September 30, 2012. Management believes the Organization will receive the remaining amount when the data is audited by the Medicare administrative contractor.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011**

4. Patient Accounts Receivable:

Patient accounts receivable reported as a current asset by the Organization at September 30, 2012 and 2011, consisted of these amounts

	September 30,	
	2012	2011
Receivable from patients and their insurance carriers	\$ 1,954,955	\$ 1,994,856
Receivable from Medicare	722,407	630,454
Receivable from Medicaid	416,689	145,026
Total patient accounts receivable	3,094,051	2,770,336
Less allowance for uncollectible amounts	(777,763)	(919,251)
Patient accounts receivable, net	\$ 2,316,288	\$ 1,851,085

5. Bank Deposits:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a depository institution failure, the Organization's deposits may not be returned to it. The Organization does not have a deposit policy for custodial credit risk. At September 30, 2012 and 2011, the Organization had uncollateralized deposit balances of \$409,074 and \$175,883, respectively.

State statutes limit the investments in bonds, debentures, or notes of any corporation to be rated "A" or higher by nationally recognized statistical rating organizations.

6. Property Taxes:

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Under Idaho law, all property taxes become due and payable in the year following that in which they are levied. Property taxes are levied annually on November 1 on property values assessed as of January 1 of the same year. Tax levy notices are issued in November and payments are due on December 20 and June 20. The billings are considered past due one day after the respective payment dates, at which time penalties and interest are assessed.

Assessed values are established by the County Assessor at 100% of fair market value. A revaluation of all property is required every five years. Property taxes are recorded as receivables when levied. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011**

6. Property Taxes (continued):

Collections are distributed monthly to the Organization by the County Treasurer. The Organization is permitted by law to levy up to a 3% increase over the highest levy amount for the previous three years plus an additional \$0.77 per \$1,000 of assessed new construction property valuation. The Organization's property tax levy was \$0.79 and \$0.75 per \$1,000 on a total assessed valuation of \$879,652,727 and \$877,017,741 for a total levy of \$692,184 and \$643,729 in 2012 and 2011, respectively.

7. Capital Assets:

Capital asset additions, retirements, and balances for the year ended September 30, 2012, were as follows

	Balance September 30, 2011	Additions	Retirements	Balance September 30, 2012
<i>Capital assets not being depreciated</i>				
Land	\$ 431,077	\$ -	\$ -	\$ 431,077
Construction in progress	- -	132,002	- -	132,002
Total nondepreciable capital assets	431,077	132,002	- -	563,079
<i>Capital assets being depreciated</i>				
Land improvements	2,579,848	- -	- -	2,579,848
Building and fixed equipment	19,394,673	16,892	- -	19,411,565
Major movable equipment	9,964,830	189,094	(189,824)	9,964,100
Total cost. depreciable capital assets	31,939,351	205,986	(189,824)	31,955,513
<i>Less accumulated depreciation for</i>				
Land improvements	(395,408)	(211,840)	- -	(607,248)
Building and fixed equipment	(1,556,106)	(1,128,446)	- -	(2,684,552)
Major movable equipment	(3,761,290)	(1,489,554)	68,494	(5,182,350)
Total accumulated depreciation	(5,712,804)	(2,829,840)	68,494	(8,474,150)
<i>Total capital assets being depreciated, net</i>	<i>26,226,547</i>	<i>(2,623,854)</i>	<i>(121,330)</i>	<i>23,481,363</i>
Capital assets, net	\$ 26,657,624	\$ (2,491,852)	\$ (121,330)	\$ 24,044,442

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011**

7. Capital Assets (continued):

Construction in progress relates to various equipment purchases not yet placed into service at September 30, 2012. The remaining expected cost to place this equipment into service is approximately \$29,000. The equipment is expected to be placed into service in December 2012.

Capital asset additions, retirements, and balances for the year ended September 30, 2011, were as follows

	Balance				Balance
	September 30,				September 30,
	2010	Additions	Retirements		2011
<i>Capital assets not being depreciated</i>					
Land	\$ 431,077	\$ -	\$ -	\$ -	431,077
Construction in progress	-	-	-	-	-
Total nondepreciable capital assets	431,077	-	-	-	431,077
<i>Capital assets being depreciated</i>					
Land improvements	2,565.938	13,910	-	-	2,579,848
Building and fixed equipment	19,378.210	16,463	-	-	19,394,673
Major movable equipment	9,703.958	260,872	-	-	9,964,830
Total cost, depreciable capital assets	31,648.106	291,245	-	-	31,939,351
<i>Less accumulated depreciation for</i>					
Land improvements	(183,113)	(212,295)	-	-	(395,408)
Building and fixed equipment	(593,921)	(962,185)	-	-	(1,556,106)
Major movable equipment	(2,192,279)	(1,569,011)	-	-	(3,761,290)
Total accumulated depreciation	(2,969,313)	(2,743,491)	-	-	(5,712,804)
Total capital assets being depreciated, net	28,678,793	(2,452,246)	-	-	26,226,547
Capital assets, net	\$ 29,109.870	\$ (2,452,246)	\$ -	\$ -	\$ 26,657,624

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011**

8. Long-Term Debt and Other Noncurrent Liabilities:

A schedule of changes in the Organization's long-term debt and other noncurrent liabilities for the years ended September 30, 2012 and 2011, follows

	Balance September 30, 2011	Additions	Reductions	Balance September 30, 2012	Amounts Due Within One Year
Long-term debt					
Mortgage note payable	\$ 26,336,511	\$ -	\$ (458,202)	\$ 25,878,309	\$ 490,106
Interest rate buy-down, less accumulated amortization of \$214,376	(1,284,776)	-	121,183	(1,163,593)	-
Total long-term debt and other noncurrent liabilities	\$ 25,051,735	\$ -	\$ (337,019)	\$ 24,714,716	\$ 490,106
	Balance September 30, 2010	Additions	Reductions	Balance September 30, 2011	Amounts Due Within One Year
Long-term debt					
Mortgage note payable	\$ 25,512,663	\$ 1,260,234	\$ (436,386)	\$ 26,336,511	\$ 458,202
Interest rate buy-down, less accumulated amortization of \$93,193	(1,370,743)	-	85,967	(1,284,776)	-
Capital lease obligation	17,986	-	(17,986)	-	-
Total long-term debt and other noncurrent liabilities	\$ 24,159,906	\$ 1,260,234	\$ (368,405)	\$ 25,051,735	\$ 458,202

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011**

8. Long-Term Debt and Other Noncurrent Liabilities (continued):

The terms and due dates of the Organization's long-term debt at September 30, 2012 and 2011, are as follows

- The mortgage note payable was entered into by the Organization for the construction of a new hospital facility. The total amount borrowed on the note was \$26,799,300. The note bears interest at 6 75%. The Organization made monthly interest only payments during the construction period. Payments on the permanent loan commenced in September 2010 with a term of 25 years maturing in August 2035. Monthly interest and principal payments on the permanent loan are \$185,159. The note is secured by a mortgage on the new hospital facility and is insured by the U.S. Department of Housing and Urban Development (HUD) under Section 242 of the National Housing Act.

The terms of the loan require monthly deposits to a mortgage reserve fund through 2020. The required balance in the mortgage reserve fund at September 30, 2012 and 2011, was \$658,297 and \$238,944, respectively. Required year end reserve fund balances for each of the next five years are as follows

Years Ending September 30,

2013	\$ 1,094,735
2014	1,548,954
2015	2,021,679
2016	2,460,857
2017	2,880,210

The reserve fund is available for debt payments by the approval of HUD.

In addition, the note also places limits on the incurrence of additional borrowings and requires the Organization to satisfy certain measures of financial performances and reporting requirements as long as the note is outstanding. As of September 30, 2012, the Organization had complied with the required covenants.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011**

8. Long-Term Debt and Other Noncurrent Liabilities (continued):

Scheduled principal and interest payments are as follows

Years Ending September 30,	Long-Term Debt			Total
	Principal	Interest		
2013	\$ 490,106	\$ 1,731,807		2,221,913
2014	524,231	1,697,682		2,221,913
2015	560,732	1,661,181		2,221,913
2016	599,775	1,622,139		2,221,914
2017	641,536	1,580,378		2,221,914
2018-2022	3,943,255	7,166,312		11,109,567
2023-2027	5,521,010	5,588,557		11,109,567
2028-2032	7,730,049	3,379,518		11,109,567
2033-2035	5,867,615	612,966		6,480,581
	\$ 25,878,309	\$ 25,040,540		\$ 50,918,849

9. Deferred Compensation Plan:

The Organization provides employees with a deferred compensation pension plan in accordance with Internal Revenue Code Section 403(b). The Partners in Healthcare, Inc. 403(b) Retirement Plan (the 403(b) Plan) is a defined contribution plan and is available to eligible Organization employees who have completed three months of service and permits them to defer a portion of their salary until withdrawn in future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Organization also provides employees with a deferred compensation pension plan in accordance with Internal Revenue Code Section 401(a). The Partners in Healthcare, Inc. Retirement Plan (the Plan) is a defined contribution plan and is available to eligible Organization employees who have met the requirements of the 403(b) Plan and have elective deferrals to that plan. The Organization contributed \$1 for each \$1 the employees contributed up to 6% of deferred compensation until October 8, 2010.

On October 8, 2010, the Finance Committee voted unanimously to recommend to the Board that the Organization temporarily suspend the matching contributions to the Plan. In November 2011, the employee match on the retirement plan was reinstated at the same 6% rate. The Organization's contributions vest evenly over a five-year period from the employee's date of entry into the 403(b) Plan. The 403(b) Plan participants contributed approximately \$148,000 and \$176,000 to the plan for the years ended September 30, 2012 and 2011, respectively. The Organization contributed approximately \$92,000 and \$-0- to the Plan for the years ended September 30, 2012 and 2011, respectively.

The assets for the 403(b) Plan and the Plan are invested within various fund pools established and maintained by the Variable Annuity Life Insurance Company. The 403(b) Plan and the Plan are administered by the Organization. The Organization may amend the provisions of the plans at its discretion.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011**

10. Concentration of Credit Risk:

Receivables – The Organization grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Gooding County.

The mix of receivables from third-party payors and patients at September 30, 2012 and 2011, was as follows

	2012	2011
Medicare	27 %	27 %
Medicaid	11	7
Blue Cross	17	11
Commercial insurance and other third-party payors	25	22
Patients	20	33
	100 %	100 %

Physicians – The Organization is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on hospital operations.

11. Commitment and Contingencies:

Risk management – The Organization is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Medical malpractice claims – The Organization obtains medical malpractice insurance through Hudson Specialty Insurance Company (Hudson). Hudson offers the Organization a professional and general liability policy on a "claims made" basis with primary limits of \$2,000,000 per claim and an annual aggregate limit of \$6,000,000. The policy has a \$25,000 deductible per claim. The renewal date of the policy is August 1, 2013.

Litigation – The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of litigations, claims, and disputes in process will not be material to the financial position of the Organization.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Notes to Combined Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011**

11. Commitment and Contingencies (continued):

Industry regulations – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services. Management believes that the Organization is in substantial compliance with current laws and regulations.

Health care reform – As a result of recently enacted federal health care reform legislation, substantial changes are anticipated in the United States of America's health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers, and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over approximately the next decade. The federal health care reform legislation does not affect the 2012 financial statements.

12. Related-Party Transactions:

St Luke's Health System (St Luke's) maintains 16% of the voting power of the Organization's Board of Directors. The Organization has a management services agreement (Agreement) with St Luke's. The agreement gives St Luke's, through the Administrator/CEO, full authority to implement and fulfill the policy decisions of the Board of Directors. The Agreement may be terminated by mutual agreement of both parties at any time.

During the years ended September 30, 2012 and 2011, the Organization purchased approximately \$594,000 and \$320,000, respectively, in services from St Luke's.

The Organization's aggregated future commitment related to the management services agreement is approximately \$276,000.

SUPPLEMENTAL INFORMATION

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Combining Balance Sheets
September 30, 2012**

ASSETS	Gooding County Memorial Hospital District		Partners in Healthcare	Eliminations	Combined
<i>Current assets</i>					
Cash and cash equivalents	\$	-	\$ 5 433 751	\$ -	\$ 5,433,751
<i>Receivables</i>					
Patient net of estimated uncollectibles of \$777 763	-	2 316 288	\$ -	2,316,288	-
Due from Partners in Healthcare	40 000	(40 000)	\$ -	-	-
Estimated third-party favor settlements	-	615 534	\$ -	615,534	-
Electronic health records incentive payment receivable	-	411 775	\$ -	411,775	-
Other	-	44 580	\$ -	44,580	-
Inventories	-	509 852	\$ -	509,852	-
Prepaid expenses	-	312 141	\$ -	312,141	-
Total current assets	40 000	9 643 921	(40 000)	9,643,921	-
<i>Noncurrent assets</i>					
Cash and cash equivalents restricted by mortgage agreement	-	659 074	\$ -	659,074	-
Cash and cash equivalents designated by Board for funded depreciation	-	150 831	\$ -	150,831	-
Deferred financing costs net of accumulated amortization	-	1 017 931	\$ -	1,017,931	-
Capital assets net	50 979	23 993 463	\$ -	24,044,442	-
Total noncurrent assets	50 979	25 821 299	\$ -	25,872,278	-
Total assets	\$ 90 979	\$ 35 465 220	\$ (40 000)	\$ 35,516,199	-
LIABILITIES AND NET ASSETS					
<i>Current liabilities</i>					
Current maturities of long-term debt	\$	-	\$ 490 106	\$ -	\$ 490,106
Accounts payable	-	696 442	\$ -	696,442	-
Due to Gooding County Memorial Hospital District	-	40 000	(40 000)	\$ -	-
Accrued compensation and related liabilities	-	483 648	\$ -	483,648	-
Accrued interest payable	-	145 565	\$ -	145,565	-
Total current liabilities	-	1 855 761	(40 000)	1,815,761	-
Long-term debt less current maturities	-	24 224 610	\$ -	24,224,610	-
Total liabilities	-	26 080 371	\$ (40 000)	26,040,371	-
<i>Net assets</i>					
Invested in capital assets net of related debt	50 979	151 113	\$ -	202,092	-
Restricted	-	659 074	\$ -	659,074	-
Unrestricted	40 000	8 574 662	\$ -	8,614,662	-
Total net assets	90 979	9 384 849	\$ -	9,475,828	-
Total liabilities and net assets	\$ 90 979	\$ 35 465 220	\$ (40 000)	\$ 35,516,199	-

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Combining Statements of Revenues, Expenses, and Changes in Net Assets
Year Ended September 30, 2012**

	Gooding County Memorial Hospital District	Partners in Healthcare	Combined
<i>Operating revenues</i>			
Net patient service revenue, net of provision for bad debts of \$1,501,660	\$ -	\$ 16,536,090	\$ 16,536,090
Electronic health records incentive payment	-	296,318	296,318
Grants	-	38,765	38,765
Other revenue	-	156,137	156,137
Total operating revenues	-	17,027,310	17,027,310
<i>Operating expenses</i>			
Salaries and wages	-	4,941,417	4,941,417
Employee benefits	-	1,219,202	1,219,202
Professional fees	-	1,810,120	1,810,120
Supplies	-	1,651,842	1,651,842
Purchased services	-	1,756,161	1,756,161
Utilities	-	208,027	208,027
Rental and leases	-	154,138	154,138
Depreciation and amortization	3,090	2,826,750	2,829,840
Insurance	-	100,819	100,819
Other	-	553,622	553,622
Total operating expenses	3,090	15,222,098	15,225,188
<i>Operating income (loss)</i>	(3,090)	1,805,212	1,802,122
<i>Nonoperating revenues (expenses)</i>			
Taxes	-	759,418	759,418
Investment income	-	1,980	1,980
Gain (loss) on disposal of capital assets	40,000	(18,725)	21,275
Interest expense	-	(1,893,502)	(1,893,502)
Total nonoperating revenues (expenses), net	40,000	(1,150,829)	(1,110,829)
Excess of revenues over expenses before capital grants	36,910	654,383	691,293
<i>Capital grants</i>		58,393	58,393
Change in net assets	36,910	712,776	749,686
Net assets, beginning of year	54,069	8,672,073	8,726,142
Net assets, end of year	\$ 90,979	\$ 9,384,849	\$ 9,475,828

SINGLE AUDIT

AUDITORS' SECTION



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Gooding County Memorial Hospital District and
Partners in Healthcare, Inc
doing business as North Canyon Medical Center
Gooding, Idaho

We have audited the combined financial statements of Gooding County Memorial Hospital District and Partners in Healthcare, Inc doing business as North Canyon Medical Center (the Organization), as of and for the year ended September 30, 2012, and have issued our report thereon dated January 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of audit findings and questioned costs, as item 2012-01, that we consider to be significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Organization in a separate letter dated January 8, 2013.

The Organization's response to the finding identified in our audit is described in the accompanying schedule of audit findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by any one other than these specified parties.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
January 8, 2013



DINGUS | ZARECOR & ASSOCIATES PLC
Certified Public Accountants

INDEPENDENT AUDITORS` REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Gooding County Memorial Hospital District and
Partners in Healthcare, Inc
doing business as North Canyon Medical Center
Gooding, Idaho

Compliance

We have audited Gooding County Memorial Hospital District and Partners in Healthcare, Inc doing business as North Canyon Medical Center's (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on the Organization's major federal program for the year ended September 30, 2012. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion the Organization, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by any one other than these specified parties.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
January 8, 2013

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Schedule of Audit Findings and Questioned Costs
Year Ended September 30, 2012**

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors` report issued	<i>Unqualified</i>		
Internal control over financial reporting	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> X no
• Material weakness(es) identified ⁹	<input checked="" type="checkbox"/> X	yes	<input type="checkbox"/> none reported
• Significant deficiency(ies) identified that are not considered to be material weakness(es) ⁹			
Noncompliance material to financial statements noted ⁹	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> X no

Federal Awards:

Internal control over major programs			
• Material weakness(es) identified ⁹	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> X no
• Significant deficiency(ies) identified that are not considered to be material weakness(es) ⁹	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> X none reported

Type of auditors` report issued on compliance for major programs	<i>Unqualified</i>		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 ⁹	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> X no

Identification of major programs

CFDA Number(s) *Name of Federal Program or Cluster*

14 128 U S Department of Housing and Urban Development
Mortgage Insurance - Hospitals

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee⁹ yes X no

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended September 30, 2012**

Section II – Financial Statements Findings

2012-01 Auditor-Detected Adjusting Journal Entry

Condition	There was a significant adjusting journal entry, related to health insurance stop loss receivable and health insurance expense that was identified and proposed by the audit team to achieve accurate account balances
Criteria	<input type="checkbox"/> Compliance Finding <input checked="" type="checkbox"/> Significant Deficiency <input type="checkbox"/> Material Weakness No significant or material adjusting journal entries should be detected by the auditors during the audit process
Context	This finding appears to be an isolated incident
Cause	The Organization was unaware of the necessity to record the receivable for health insurance stop loss insurance payments
Effect	Financial reports may be inaccurate and could affect management and Board decision making
Recommendation	We recommend management obtain a report from their health insurance third-party administrator to identify claims in excess of the stop loss amount. Such stop loss payments related to dates of service within the fiscal year should be recorded as a receivable

Section III – Federal Award Findings and Questioned Costs

No matters were reported

AUDITEE'S SECTION

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2012**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
Direct Program from:			
U S Department of Housing and Urban Development Mortgage Insurance - Hospitals	14 128	Not applicable	\$ 25,878,309
Pass-through Program from:			
South Central Public Health District National Bioterrorism Hospital Preparedness Program	93 889	PCA 15895	20,863
Pass-through Program from:			
State of Idaho Department of Health and Welfare Small Rural Hospital Improvement Grant Program	93 301	HC735800	8,627
Pass-through Program from:			
State Office of Rural Health and Primary Care State Rural Hospital Flexibility Program	93 241	HC739100	13,500
Total expenditures of federal awards			\$ 25,921,299

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Gooding County Memorial Hospital District and Partners in Healthcare, Inc. doing business as North Canyon Medical Center in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the combined basic financial statements.

2. Loan Guarantee:

Nonmonetary assistance in the form of a loan guarantee is included in the accompanying schedule of expenditures of federal awards. The related loan balance was \$25,878,309 at September 30, 2012.

See accompanying independent auditors' report

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Corrective Action Plan
Year Ended September 30, 2012**

2012-01 Auditor-Detected Adjusting Journal Entry

During the close of the fiscal year, management will generate the Meritain Health Specific Analysis Report for claims incurred between January 1 of the calendar year and September 30, the last day of the fiscal year. Any claims paid over the specific limit with paid dates after the end of the fiscal year, will be recorded as a stop loss receivable.

**Gooding County Memorial Hospital District and
Partners in Healthcare, Inc.
doing business as North Canyon Medical Center
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2012**

Prior Year Audit Findings:

2011-01 Auditor-Detected Adjusting Journal Entries

This finding was a financial statement finding in which there were significant adjusting journal entries, related to patient accounts receivable, property taxes receivable, health insurance claims liability, and other current liabilities, that were identified, proposed, and prepared by the audit team to achieve accurate account balances

Status Repeated as 2012-01

2011-02 Reconciliation of Patient Accounts Receivable

This finding was a financial statement finding in which the patient receivable balances in the billing system did not match the general ledger, resulting in a significant unreconciled variance

Status Resolved

2011-03 Compliance with Mortgage Covenants

This finding was a financial statement finding in which the Organization's Board of Directors did not submit a written report to the U S Department of Housing and Urban Development (HUD) describing what measures are being taken to improve the Organization's financial operations as a result of a negative overall change in net assets on the September 30, 2010, audited financial statements or the March 31, 2011, interim financial statements

Status Resolved

2011-04 Timely Filing of Reports

This was a Federal Award finding, in which the Organization did not comply with its applicable compliance requirements related to the timely filing of reports during the year ended September 30, 2011

Status Resolved

2011-05 Annual Verification of Compliance with Loan Covenants Conditions

This finding was a Federal Award finding in which the Organization did not comply with its applicable special tests and provisions compliance requirement related to having its independent auditor provide an unqualified opinion, that in connection with the September 30, 2010, audit, nothing came to the auditor's attention to cause the auditor to believe that the Organization is not in compliance with the applicable covenants of the Regulatory Agreement, or, if the auditor is unable to provide an unqualified opinion, the auditor should have provided a listing of any items of noncompliance along with an explanation

Status Resolved

Additional Data

Software ID:
Software Version:
EIN: 26-1938641
Name: PARTNERS IN HEALTHCARE INC

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

4d. Other program services

(Code) (Expenses \$	10,895,146	including grants of \$	3,371) (Revenue \$	1,118,176)
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NCMC PROVIDES A WIDE RANGE OF HEALTHCARE SERVICES IN TECHNOLOGICALLY ADVANCED FACILITIES SERVICES INCLUDE OTOLARYNGOLOGY (ENT), GASTROINTESTINAL (GI), ORTHOPEDICS, GYNECOLOGY, GENERAL SURGERY, PAIN MANAGEMENT, AND UROLOGY. NORTH CANYON FITNESS AND REHABILITATION CENTER IS THE REHABILITATION SERVICES DEPARTMENT OF NCMC. OUR REHABILITATION SERVICES ARE PROVIDED BY TRAINED, LICENSED PROFESSIONALS WHO SPECIALIZE IN PHYSICAL, AQUATIC, OCCUPATIONAL, AND SPEECH THERAPY. WE PROVIDE INPATIENT THERAPY AT NCMC AND OUTPATIENT THERAPY AT THE NCMC FITNESS AND REHABILITATION CENTER. ADDITIONAL SERVICES PROVIDED BY NCMC INCLUDE NUTRITION SERVICES, A SPECIALTY CLINIC, AND A DURABLE MEDICAL EQUIPMENT LICENSE SO THE HOSPITAL CAN PROVIDE EQUIPMENT TO PATIENTS FOR THEIR HOME USE. NCMC PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT BELOW COST AND TO INDIVIDUALS WHO ARE UNABLE TO PAY. THE UNREIMBURSED VALUE OF PROVIDING CARE TO THESE PATIENTS WAS 360,662 FOR CHARITY CARE, 6,072,229 FOR MEDICARE, 1,568,107 FOR MEDICAID, AND 2,330,623 FOR OTHER THIRD PARTY PAYORS FOR THE YEAR.