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Form 990



Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 01-01-2012 , 2012, and ending 12-31-2012

B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization OLMSTED MEDICAL CENTER		D Employer identification number 41-0855367	
	Doing Business As			
	Number and street (or P O box if mail is not delivered to street address) 210 NINTH STREET SE		Room/suite	
	City or town, state or country, and ZIP + 4 ROCHESTER, MN 55904			
	F Name and address of principal officer ROY YAWN 210 NINTH STREET SE ROCHESTER, MN 55904		H(a) Is this a group return for affiliates? ☐ Yes ☒ No	
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ☐ (Insert no) ☐ 4947(a)(1) or ☐ 527		H(b) Are all affiliates included? ☐ Yes ☐ No If "No," attach a list (see instructions)		
J Website:  HTTP //WWW.OLMMED.ORG		H(c) Group exemption number 		
K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other 			L Year of formation 1949	M State of legal domicile MN

Part I

Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities THE DELIVERY OF EXCEPTIONAL PATIENT CARE FOCUSING ON CARING, QUALITY, SAFETY AND SERVICE		
	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	16
	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 2012 (Part V, line 2a)	5	1,262
	6	Total number of volunteers (estimate if necessary)	6	95
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
	b	Net unrelated business taxable income from Form 990-T, line 34	7b	0
	Revenue	8	Contributions and grants (Part VIII, line 1h)	Prior Year
9		Program service revenue (Part VIII, line 2g)	2,330,720	3,762,761
10		Investment income (Part VIII, column (A), lines 3, 4, and 7d)	157,809,553	167,158,167
11		Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,885,878	1,078,270
12		Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	733,162	1,311,050
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	162,759,313	173,310,248
	14	Benefits paid to or for members (Part IX, column (A), line 4)	471,938	365,190
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	0	0
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	92,827,255	100,089,456
	b	Total fundraising expenses (Part IX, column (D), line 25)  343,391	0	0
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	50,516,373	57,183,363
	19	Revenue less expenses Subtract line 18 from line 12	143,815,566	157,638,009
Net Assets or Fund Balances			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	18,943,747	15,672,239
	21	Total liabilities (Part X, line 26)		
	22	Net assets or fund balances Subtract line 21 from line 20	163,081,129	182,634,017
			58,805,266	61,997,354
		104,275,863	120,636,663	

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	 *****			2013-10-23	
	Signature of officer			Date	
Paid Preparer Use Only	 TIM WEIR CHIEF EXECUTIVE OFFICER				
	Type or print name and title				
	Prnt/Type preparer's name KATHY FAIRCHILD		Preparer's signature	Date	Check ☐ if self-employed
Firm's name  MCGLADREY LLP		Firm's EIN  42-0714325			
Firm's address  400 LOCUST ST STE 640 DES MOINES, IA 503092354		Phone no (515) 558-6600			

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

Part III

Statement of Program Service Accomplishments

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

☐

☒

1

Briefly describe the organization’s mission

THE DELIVERY OF EXCEPTIONAL PATIENT CARE FOCUSING ON CARING, QUALITY, SAFETY AND SERVICE

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 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 \$ 140,212,365 including grants of \$ 365,190) (Revenue \$ 167,158,166)

PATIENT CARE PERSONAL APPROACH TO CARE THROUGH MORE THAN 25 SPECIALTIES ALL OF OUR SPECIALTY SERVICES COMPLIMENT PRIMARY CARE AND OFFER PATIENTS GREATER CONVENIENCE AND PEACE OF MIND OUR TARGETED GROWTH HAS BEEN BASED ON A STRATEGIC PLANNING PROCESS THAT INVOLVES MORE STAFF THAN EVER BEFORE AND, WE SAW POSITIVE RESULTS IN OUR PATIENT SATISFACTION AND CARE QUALITY REPORTS AS A RESULT OF OUR EFFORTS IN 2012 WE CONTINUED WORKING TO POSITION OMC AS A PREFERRED HEALTHCARE PROVIDER FOR PRIMARY AND SECONDARY CARE AMONG SOUTHEASTERN MINNESOTA RESIDENTS SOME IMPORTANT NEXT STEPS INCLUDE INCREASING THE AMOUNT OF DIRECT PATIENT INPUT IN IMPROVING EXPERIENCES AT OMC THROUGH PATIENT ADVISORY GROUPS THIS INPUT SUPPORTS OMC'S ON-GOING CUSTOMER SERVICE EXCELLENCE INIATIVE, WHICH INCREASINGLY GUIDES THE WAY OUR EMPLOYEES ARE EVALUATED FOR THEIR WORK WE CONTINUE TO MAKE CLINICAL SERVICE, FACILITIES, AND INFRASTRUCTURE UPGRADES IN OUR PATIENTS' BEST INTERESTS, AND WE PROUDLY CARRY ON OUR SUPPORT OF THE COMMUNITIES WE SERVE OUR PATIENT SURVEY RANKED HIGHER THAN 14 OF 15 HOSPITALS IN THE REGION WE WERE RECOGNIZED BY THE MINNESOTA HOSPITAL ASSOCIATION FOR OUR CONTINUED SUCCESSFUL PARTICIPATION IN THE PATIENT SAFETY CAMPAIGNS WE ARE PARTICIPATING IN THE BEACON GRANT AIMED AT IMPROVING THE CARE OF DIABETIC AND ASTHMATIC PATIENTS OMC RECEIVED IT SIXTH ANNUAL "BUSINESS GIVES" AWARD FROM THE MINNESOTA GOVERNER'S OFFICE AND THE ROCHESTER AREA CHAMBER OF COMMERCE IN RECOGNITION OF OUR COMMITMENT TO BE AN ACTIVE, CONTRIBUTING PARTNER IN THE COMMUNITIES WE SERVE OMC VOLUNTARILY ENTERED INTO AN AGREEMENT WITH THE MINNESOTA ATTORNEY GENERAL RELATING TO CHARITY CARE THE TERMS OF THE AGREEMENT INCLUDE AN AUTOMATIC DISCOUNT FOR UNINSURED PATIENTS, A PAYMENT CAP FOR THOSE UNINSURED PATIENTS THAT MEET THE HOSPITAL'S CHARITY CARE CRITERIA, AND A COMMITMENT TO MAKE INFORMATION AVAILABLE TO PATIENTS REGARDING THE CHARITY CARE PROGRAM ADDITIONALLY, THE MINNESOTA ATTORNEY GENERAL REVIEWED AND APPROVED THE HOSPITAL'S BILLING AND COLLECTION POLICIES AND PRACTICES

4b

(Code) (Expenses \$ 239,105 including grants of \$) (Revenue \$)

COMMUNITY OUTREACH AND SUPPORT ACTIVITES OMC WELCOMES ITS MANY OPPORTUNITIES TO BE AN ACTIVE, CONTRIBUTING PARTNER TO SOUTHEASTERN MINNESOTA'S HEALTH AND WELLNESS EFFORTS AS A 501(C)3 NON-PROFIT ORGANIZATION, OMC ACTIVELY SUPPORTS SOUTHEASTERN MINNESOTA'S HEALTH AND WELLNESS EFFORTS THROUGH THE CONTRIBUTION OF STAFF TIME/TALENT, IN-KIND RESOURCES, AND FINANCIAL ASSISTANCE IN 2012, OUR COMMUNITY CONTRIBUTIONS MADE UP 24 63% OF OUR ANNUAL OPERATING EXPENSES-MORE THAN \$37 MILLION IN SUPPORT OF OUR COMMITMENT TO BE AN ACTIVE, CONTRIBUTING PARTNER IN THE COMMUNITIES WE SERVE ANOTHER WAY OMC ACTIVELY SUPPORTS COMMUNITY HEALTH IS THROUGH ITS PARTNERSHIP WITH MAYO CLINIC, OLMSTED COUNTY PUBLIC HEALTH, AND SEVERAL OTHER COMMUNITY-SERVICE ORGANIZATIONS AS THEY UNDERTAKE THE NEW FEDERALLY MANDATED REQUIREMENT TO PRODUCE A COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) AND RELATED ACTION PLAN BY THE END OF TAX YEAR 2013 CLOSE COLLABORATION IS NOTHING NEW FOR US AND OUR LEAD PARTNERS, AND OUR WORK TOGETHER WILL PRODUCE RESULTS THAT MORE EFFICIENTLY AND EFFECTIVELY ADDRESS OUR COMMUNITY'S HEALTH NEEDS IN 2012, OMC HOSTED HUNDREDS OF SCHOOL-AGED CHILDREN AND COLLEGE STUDENTS FOR EDUCATION EXPERIENCES DESIGNED TO CULTIVATE THE NEXT GENERATION OF CAREGIVERS IN ADDITION, OMC'S COMMUNITY INVESTMENT ACTIVITIES SUPPORTED 95 LOCAL AND REGIONAL ORGANIZATIONS DELIVERING FITNESS AND SAFETY, YOUTH, ARTS AND CULTURE, EDUCATION, CIVIC, AND HUMAN SERVICE PROGRAMS THROUGHOUT SOUTHEASTERN MINNESOTA OUR SUPPORT FOR THOSE COMMUNITY ORGANIZATIONS REMAINS CONSISTENT WITH THE WAY OUR EMPLOYEES CONTINUED TO REACH OUT TO THEIR OWN COMMUNITIES BY VOLUNTEERING MANY OMC EMPLOYEES SHARE PERSONAL TIME AND TALENT IN VARIOUS COMMUNITY-BASED PROGRAMS, SPENDING APPROXIMATELY 12 PERSONAL HOURS AND 6 WORK HOURS PER MONTH ENGAGED IN VOLUNTEER SERVICE USING THE INDEPENDENT SECTOR'S 2011 ESTIMATED DOLLAR VALUE OF VOLUNTEER TIME (\$21 79), THIS MEANS THAT THE AVERAGE OMC VOLUNTEER CONTRIBUTES BETWEEN \$130 AND \$250 IN TIME AND EFFORT EACH MONTH, OR BETWEEN \$1,564 AND \$3,002 PER YEAR THE TOTAL ANNUAL VALUE OF VOLUNTEER TIME SPENT BY THE 345 EMPLOYEES WHO INDICATED ON THIS SURVEY THAT THEY'RE INVOLVED IN NON-PROFIT OR COMMUNITY WORK, THEN, IS \$899,533

4c

(Code) (Expenses \$ 3,418,349 including grants of \$) (Revenue \$ 3,699,572)

RESEARCH AT OLMSTED MEDICAL CENTER, WE HAVE STUDIED SCREENING FOR ASTHMA, SCOLIOSIS, NEAR-SIGHTEDNESS, AND COPD WE HAVE LEARNED HOW TO IMPROVE CHILDHOOD IMMUNIZATION RATES, DEVELOPED WAYS TO FIND AND TREAT POSTPARTUM DEPRESSION, CREATED NEW TOOLS TO IMPROVE ASTHMA CARE, LOOKED AT TWO TYPES OF SURGERY FOR CARPAL TUNNEL PROBLEMS, AND STUDIED SHINGLES RESEARCH USING MEDICAL RECORDS IS VERY IMPORTANT TO MEDICAL SCIENCE AND MEDICAL CARE USE OF ANONYMOUS INFORMATION IN MEDICAL RECORDS HAS HELPED RESEARCHERS FIND BETTER WAYS TO TREAT HEART ATTACKS, LEARN ABOUT SIDE EFFECTS OF SEVERAL DRUGS, AND FIND RISK FACTORS FOR COMMON PROBLEMS SUCH AS STROKES, HEART ATTACKS, AND CANCER THE ROCHESTER EPIDEMIOLOGY PROJECT (REP) - THE ROCHESTER EPIDEMIOLOGY PROJECT IS AN INITIATIVE TO COLLECT, ARCHIVE, AND LINK MEDICAL INFORMATION FOR THE APPROXIMATELY 120,000 PEOPLE LIVING IN OLMSTED COUNTY, MN THIS PROJECT ALLOWS MEDICAL RESEARCHERS TO STUDY HEALTH AND ILLNESSES IN THE PEOPLE LIVING IN THIS COMMUNITY WE USE THE ACRONYM REP FOR BREVITY OLMSTED MEDICAL CENTER, THE MAYO CLINIC, THE ROCHESTER FAMILY MEDICINE CLINIC, AND OTHER MEDICAL CARE PROVIDERS IN OLMSTED COUNTY, MN, HAVE AGREED TO WORK TOGETHER AND SHARE THEIR MEDICAL RECORDS WITH RESEARCHERS TO BETTER UNDERSTAND THE CAUSES AND OUTCOMES OF DIFFERENT ILLNESSES AND TO IMPROVE THE HEALTH AND HEALTH CARE OF THE ENTIRE COUNTY THIS COLLABORATION AND SHARING OF MEDICAL INFORMATION MAKES OLMSTED COUNTY ONE OF THE FEW PLACES IN THE UNITED STATES, AND ONE OF THE FEW PLACES IN THE WORLD, WHERE "POPULATION-BASED" RESEARCH CAN BE ACCOMPLISHED THIS IS VERY IMPORTANT BECAUSE HEALTH RESEARCH BASED ON PEOPLE WHO ARE SEEN BY A SINGLE DOCTOR OR AT A SINGLE CLINIC HAS LIMITATIONS AND CANNOT BE GENERALIZED USING REP, WE CAN FIGURE OUT THE TRUE FREQUENCY OF CERTAIN CONDITIONS (E G HOW MANY NEW PATIENTS DEVELOP HEART DISEASE EACH YEAR AMONG 100 PERSONS AGED 70 TO 79 YEARS) AND THE TRUE SUCCESS OF TREATMENTS (E G HOW MANY PERSONS WILL RESPOND POSITIVELY TO A NEW ANTI-DEPRESSANT MEDICATION) THIS PROJECT HAS BEEN SUPPORTED BY FUNDS FROM THE NATIONAL INSTITUTES OF HEALTH FOR OVER 40 YEARS BEACON COMMUNITY PROJECT - OMC ASSUMED A LEADERSHIP ROLE IN THE FEDERALLY FUNDED \$12 2 MILLION SOUTHEAST MINNESOTA REGION BEACON COMMUNITY PROJECT AND ITS GOAL OF CREATING A NATIONAL MODEL FOR THE SECURE EXCHANGE OF PATIENTS' HEALTH INFORMATION AT ANY POINT OF CLINICAL SERVICE

4d

Other program services (Describe in Schedule O)

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

4e

Total program service expenses ▶ 143,869,819

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b 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.	238	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	1,262	
2b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		Yes	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?			No
3b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.			
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, securities account, or other financial account)?			No
4b 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?			No
5b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			No
5c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			
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 as charitable contributions?			No
6b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			
7 Organizations that may receive deductible contributions under section 170(c).			
7a 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?			No
7b If "Yes," did the organization notify the donor of the value of the goods or services provided?			
7c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			No
7d If "Yes," indicate the number of Forms 8282 filed during the year.			
7e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			No
7f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			No
7g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			
7h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			
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?			
9 Sponsoring organizations maintaining donor advised funds.			
9a Did the organization make any taxable distributions under section 4966?			
9b Did the organization make a distribution to a donor, donor advisor, or related person?			
10 Section 501(c)(7) organizations. Enter			
10a Initiation fees and capital contributions included on Part VIII, line 12.			
10b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.			
11 Section 501(c)(12) organizations. Enter			
11a Gross income from members or shareholders.			
11b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).			
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?			
12b 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 Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.			
13b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.			
13c Enter the amount of reserves on hand.			
14a Did the organization receive any payments for indoor tanning services during the tax year?			No
14b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.			

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	16	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	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?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	MN
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 ☐ Other (explain in Schedule O)	
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 during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	KEVIN HIGGINS 210 9TH STREET SE ROCHESTER, MN (507) 529-6600

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. 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 organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099- MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) RANDY HEMANN MD PHYSICIAN TRUSTEE	40.00	X						299,666	0	48,467
(2) JOHN DOYLE BOARD CHAIR/PUBLIC TRUSTEE	1.00 1.00	X		X				0	0	0
(3) ROY A YAWN MD PRESIDENT/PHYS TRUSTEE	40.00 1.00	X		X				435,200	0	35,682
(4) WENDY SHANNON PUBLIC TRUSTEE	1.00	X						0	0	0
(5) JAY HESLEY PUBLIC TRUSTEE	1.00	X						0	0	0
(6) JUSTIN MCNEILUS PUBLIC TRUSTEE	1.00	X						0	0	0
(7) JAMES MCPEAK JR PUBLIC TRUSTEE	1.00	X						0	0	0
(8) JULIE ANDERSON PUBLIC TRUSTEE	1.00	X						0	0	0
(9) MARY BENIKE KISILEWSKI PUBLIC TRUSTEE	1.00	X						0	0	0
(10) JAY MYERS MD PHYSICIAN TRUSTEE/SEC/TREA	40.00	X		X				536,128	0	48,940
(11) KATHRYN LOMBARDO MD PHYSICIAN TRUSTEE	40.00	X						397,852	0	31,025
(12) MELISSA BRINKMAN PUBLIC TRUSTEE	1.00	X						0	0	0
(13) TOM SLIGHTAM PUBLIC TRUSTEE	1.00	X						0	0	0
(14) SRDAN BABOVIC MD PHYSICIAN TRUSTEE	40.00	X						711,153	0	31,855
(15) STEVE YAGGY PUBLIC TRUSTEE	1.00	X						0	0	0
(16) KIMBERLY MCKEON MD PHYSICIAN TRUSTEE	40.00	X						299,095	0	48,408
(17) TIM WEIR CEO	40.00 1.00			X				448,778	0	48,160

Part VII

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) KEVIN HIGGINS CFO	40 00 1 00			X				309,303	0	48,300
(19) DAVID WESTGARD MD CHIEF MEDICAL OFFICER	40 00 1 00				X			410,455	0	42,283
(20) VIDHAN CHANDRA MD PHYSICIAN	40 00					X		746,196	0	35,636
(21) JEFFREY BECKENBAUGH DO PHYSICIAN	40 00					X		703,214	0	50,137
(22) ROBERT KURLAND MD PHYSICIAN	40 00					X		560,296	0	44,234
(23) JOSEPH TRICARICO MD PHYSICIAN	40 00					X		541,206	0	50,550
(24) MARCO SANTAMARIA MD PHYSICIAN	40 00					X		543,880	0	49,067
(25) JAMES HOFFMANN DO FORMER PHYSICIAN TRUSTEE	40 00						X	387,199	0	48,521
(26) LINDA WILLIAMS MD FORMER PHYSICIAN TRUSTEE	30 00						X	196,004	0	36,021
(27) CHARLES BRANCH MD FORMER PHYSICIAN TRUSTEE	40 00						X	505,282	0	50,314
(28) THOMAS ERBACH MD FORMER PHYSICIAN TRUSTEE	40 00						X	301,068	0	41,876
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								8,331,975	0	789,476

2

Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶133

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

Section B. Independent Contractors

1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year		
	(A) Name and business address	(B) Description of services	(C) Compensation
	CERNER CORPORATION 2800 ROCKCREEK PARKWAY PO BOX 4127 KANSAS CITY MO 64141	SOFTWARE SYSTEM	2,939,694
	MAYO COLLABORATIVE SERVICES 200 1ST STREET SW ROCHESTER MN 55905	MEDICAL SERVICES	1,250,740
	CONSTRUCTION COLLABORATIVE 320 SOUTH BROADWAY ROCHESTER MN 55904	CONSTRUCTION	973,140
	THE AFFILIATE GROUP INC PO BOX 7739 ROCHESTER MN 55903	BILLING & COLLECTION SERVICES	683,941
	HAMMEL GREEN & ABRAHAMSON SDS 12-1861 PO BOX 86 MINNEAPOLIS MN 554861861	ENGINEERING SERVICES	591,677
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 ▶57		

Part VIII

Statement of Revenue

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

				(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	63,189				
	e	Government grants (contributions)	1e	3,101,745				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	597,827				
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f			3,762,761			
Program Service Revenue	2a	NET PATIENT SERVICES	Business Code 621110	167,158,167	167,158,167			
	b							
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f			167,158,167			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		1,301,773			1,301,773
4		Income from investment of tax-exempt bond proceeds . . .						
5		Royalties						
6a		(i) Real		(ii) Personal				
		96,572						
		0						
		96,572						
d		Net rental income or (loss)		96,572			96,572	
7a		(i) Securities		(ii) Other				
		1,222,752		50,035				
		1,154,816		341,474				
		67,936		-291,439				
d		Net gain or (loss)		-223,503	-291,439		67,936	
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18						
b		Less direct expenses						
c		Net income or (loss) from fundraising events . . .						
9a		Gross income from gaming activities See Part IV, line 19						
b		Less direct expenses						
c		Net income or (loss) from gaming activities . . .						
10a		Gross sales of inventory, less returns and allowances						
b	Less cost of goods sold							
c	Net income or (loss) from sales of inventory . . .							
	Miscellaneous Revenue	Business Code						
11a	ELECTRONIC HEALTH RECORDS INCENTI	900099	727,684	727,684				
b	CAFETERIA REVENUE	722210	164,060			164,060		
c								
d	All other revenue		322,734	322,734				
e	Total. Add lines 11a-11d			1,214,478				
12	Total revenue. See Instructions			173,310,248	167,917,146	0	1,630,341	

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).

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.	365,190	365,190		
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.	4,285,924	2,724,341	1,561,583	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	2,246,657	2,246,657		
7	Other salaries and wages.	71,981,954	66,715,203	5,021,499	245,252
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	6,144,010	5,536,330	588,214	19,466
9	Other employee benefits.	9,758,175	8,808,021	889,639	60,515
10	Payroll taxes.	5,672,736	5,275,442	379,136	18,158
11	Fees for services (non-employees):				
a	Management.	206,981	130,391	76,590	
b	Legal.	106,304		106,304	
c	Accounting.	163,858		163,858	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	53,005	5,250	47,755	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	7,748,126	7,099,713	648,413	
12	Advertising and promotion.	310,446	3,797	306,649	
13	Office expenses.	3,269,090	2,828,894	440,196	
14	Information technology.	672,055	265,514	406,541	
15	Royalties.				
16	Occupancy.	4,739,308	4,126,738	612,570	
17	Travel.	69,993	63,887	6,106	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	903,612	694,631	208,981	
20	Interest.	1,769,480	1,769,480		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	6,525,281	6,525,281		
23	Insurance.	734,306	734,306		
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O).				
a	MEDICAL SUPPLIES	14,639,161	14,637,987	1,174	
b	PROVISION FOR BAD DEBTS	6,518,886	6,518,886		
c	EQUIPMENT & SOFTWARE MA	3,184,972	2,154,503	1,030,469	
d	MISCELLANEOUS	2,821,695	1,892,573	929,122	
e	All other expenses	2,746,804	2,746,804		
25	Total functional expenses. Add lines 1 through 24e.	157,638,009	143,869,819	13,424,799	343,391
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		64,577,957	2	68,189,740
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		24,394,812	4	25,888,778
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		1,263,932	8	1,251,128
	9	Prepaid expenses and deferred charges		1,616,650	9	2,777,873
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	105,359,751		
	b	Less accumulated depreciation	10b	40,524,482	61,138,011	10c 64,835,269
	11	Investments—publicly traded securities		9,231,207	11	18,890,020
	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		858,560	15	801,209
	16	Total assets. Add lines 1 through 15 (must equal line 34)		163,081,129	16	182,634,017
Liabilities	17	Accounts payable and accrued expenses		3,105,695	17	3,750,818
	18	Grants payable			18	
	19	Deferred revenue		673,586	19	232,256
	20	Tax-exempt bond liabilities		26,503,775	20	25,152,905
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		320,000	22	160,000
	23	Secured mortgages and notes payable to unrelated third parties		7,000,933	23	9,925,508
	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		21,201,277	25	22,775,867
	26	Total liabilities. Add lines 17 through 25		58,805,266	26	61,997,354
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		104,275,863	27	120,636,663
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		104,275,863	33	120,636,663
	34	Total liabilities and net assets/fund balances		163,081,129	34	182,634,017

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	173,310,248
2	Total expenses (must equal Part IX, column (A), line 25)	2	157,638,009
3	Revenue less expenses Subtract line 2 from line 1	3	15,672,239
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	104,275,863
5	Net unrealized gains (losses) on investments	5	688,561
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	120,636,663

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis	2a	No
b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis	2b	Yes
c	If "Yes," to line 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
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
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	Yes

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization OLMSTED MEDICAL CENTER	Employer identification number 41-0855367
--	--

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 described in **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 33¹/₃% 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 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- 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 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 monetary support |
|------------------------------------|----------|--|--|----|---|----|--|----|----------------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

Part II

Support Schedule for Organizations Described in Sections 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
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 2012 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2011 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2012. 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—2011. If the organization did not check a 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—2012. 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—2011. 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 IIISupport Schedule for Organizations Described in Section 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization OLMSTED MEDICAL CENTER	Employer identification number 41-0855367
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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 can 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 education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) 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 acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

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 XIII and complete the following table

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

☐

Part V

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance				
b	Contributions				
c	Net investment earnings, gains, and 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 current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

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

(i)

unrelated organizations

(ii)

related organizations

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 XIII 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	5,285,183		5,285,183
b	Buildings	63,810,351	17,539,578	46,270,773
c	Leasehold improvements			
d	Equipment	36,065,513	22,832,655	13,232,858
e	Other	198,704	152,249	46,455
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				64,835,269

Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements		1	
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 XIII)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
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 XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)		5	

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements		1	
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 XIII)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
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 XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)		5	

Part XIII

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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	OLMSTED MEDICAL CENTER AND THE OMC REGIONAL FOUNDATION ARE EXEMPT FROM FEDERAL INCOME TAXES AS TAX-EXEMPT ORGANIZATIONS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE, EXCEPT FOR INCOME ON CERTAIN UNRELATED BUSINESS INCOME. THERE IS NO MATERIAL UNRELATED BUSINESS INCOME FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011. THE MEDICAL CENTER AND FOUNDATION ARE ALSO EXEMPT FROM STATE INCOME TAXES UNDER APPLICABLE MINNESOTA STATUTES. THE MEDICAL CENTER AND FOUNDATION FILE FEDERAL AND STATE INCOME TAX RETURNS. GENERALLY, THE ORGANIZATION AND THE FOUNDATION ARE NO LONGER SUBJECT TO STATE AND FEDERAL INCOME TAX EXAMINATIONS BY TAX AUTHORITIES FOR THE YEAR ENDED DECEMBER 31, 2008, AND PRIOR.

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☒ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☐ 200% ☒ Other <u>26000 0000000000 %</u> b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☒ Other <u>26000 0000000000 %</u> c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b	Yes	
b	If "Yes," did the organization make it available to the public?	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a	Yes	
		6b	Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance 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 Financial Assistance at cost (from Worksheet 1)			1,473,524		1,473,524	0 980 %
b Medicaid (from Worksheet 3, column a)			26,154,315	18,198,559	7,955,756	5 260 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			3,226,695	231,848	2,994,847	1 980 %
d Total Financial Assistance and Means-Tested Government Programs			30,854,534	18,430,407	12,424,127	8 220 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			239,105		239,105	0 160 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			701,257		701,257	0 460 %
h Research (from Worksheet 7)			3,764,261	3,699,572	64,689	0 040 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			440,055		440,055	0 290 %
j Total. Other Benefits			5,144,678	3,699,572	1,445,106	0 950 %
k Total. Add lines 7d and 7j			35,999,212	22,129,979	13,869,233	9 170 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

1

No

2Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

6,518,886

3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

900,298

4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements

Section B. Medicare

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

5

11,249,494

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

6

17,482,395

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

7

-6,232,901

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

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

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

9a

Yes

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

9b

Yes

Part IVManagement Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—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—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	OLMSTED MEDICAL CENTER-HOSPITAL 1650 4TH STREET SE ROCHESTER, MN 55904	X	X					X	X	URGENT CARE	

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

OLMSTED MEDICAL CENTER

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	No
a	☐ A definition of the community served by the hospital facility		
b	☐ Demographics of the community		
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	☐ How data was obtained		
e	☐ The health needs of the community		
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	☐ The process for consulting with persons representing the community's interests		
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	☐ Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 CHNA 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 CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a	☐ Hospital facility's website		
b	☐ Available upon request from the hospital facility		
c	☐ Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	☐ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	☐ Execution of the implementation strategy		
c	☐ Participation in the development of a community-wide plan		
d	☐ Participation in the execution of a community-wide plan		
e	☐ Inclusion of a community benefit section in operational plans		
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	☐ Prioritization of health needs in its community		
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	☐ Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>260 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>260 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a ☒ Income level			
b ☒ Asset level			
c ☒ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☒ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
a ☒ The policy was posted on the hospital facility's website			
b ☒ The policy was attached to billing invoices			
c ☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☒ The policy was posted in the hospital facility's admissions offices			
e ☒ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 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?		15	Yes
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged		17	No
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☐

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	☐ 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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?
17

Name and address	Type of Facility (describe)
1 See Additional Data Table	
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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART I, LINE 3C FEDERAL POVERTY GUIDELINES ARE USED FOR DETERMINING FINANCIAL ASSISTANCE
		PART I, LINE 7 LINE 7A-7C AMOUNTS SHOWN ARE BASED UPON A COST-TO-CHARGE RATIO FROM IRS WORKSHEET 2 LINE 7E-7I AMOUNTS SHOWN ARE BASED UPON THE ORGANIZATIONS COST ACCOUNTING SYSTEM
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 6518886
		PART I, LINE 6A THE OLMSTED MEDICAL CENTER ANNUAL REPORT IS MADE WIDELY AVAILABLE AND IS AVAILABLE ON THE WEBSITE
		PART III, LINE 4 THE FOOTNOTE FROM THE ORGANIZATION'S FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSE IS AS FOLLOWS PATIENT ACCOUNTS RECEIVABLE DUE DIRECTLY FROM THE PATIENTS ARE CARRIED AT THE ORIGINAL CHARGE FOR THE SERVICE PROVIDED, LESS AMOUNTS COVERED BY THIRD-PARTY PAYORS AND LESS AN ESTIMATED ALLOWANCE FOR DOUBTFUL RECEIVABLES MANAGEMENT DETERMINES THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BY IDENTIFYING TROUBLED ACCOUNTS AND BY HISTORICAL EXPERIENCE APPLIED TO AN AGING OF ACCOUNTS PATIENT ACCOUNTS RECEIVABLE ARE WRITTEN OFF WHEN DEEMED UNCOLLECTIBLE RECOVERIES OF PATIENT ACCOUNTS RECEIVABLE PREVIOUSLY WRITTEN OFF ARE RECORDED WHEN RECEIVED
		PART III, LINE 8 THE ORGANIZATION DERIVED ITS COSTING METHODOLOGY USED TO DETERMINE THE MEDICARE ALLOWABLE COSTS REPORTED IN THE ORGANIZATION'S MEDICARE COST REPORT BY USING COST REPORT WORKSHEETS MEDICARE COSTS ARE DETERMINED THROUGH THE MEDICARE COST FINDING PROCESS WHICH ALLOCATES GENERAL SERVICE CENTER COSTS TO REVENUE DEPARTMENTS THE METHODOLOGY DESCRIBED IN THE INSTRUCTIONS TO SCHEDULE H, PART III, SECTION B, LINE 6 DOES NOT TAKE INTO ACCOUNT ALL COSTS INCURRED BY THE HOSPITAL AND DOES NOT REPRESENT THE TOTAL COMMUNITY BENEFIT CONFERRED IN THIS AREA THE REASONS MEDICARE SHORTFALL SHOULD BE TREATED AS A COMMUNITY BENEFIT ARE ABSENT THE MEDICARE PROGRAM, IT IS LIKELY MANY OF THE INDIVIDUALS WOULD QUALIFY FOR FINANCIAL ASSISTANCE OR OTHER NEEDS-BASED GOVERNMENT PROGRAMS, BY ACCEPTING PAYMENT BELOW COST TO TREAT THESE INDIVIDUALS, THE BURDENS OF GOVERNMENT ARE RELIEVED WITH RESPECT TO THESE INDIVIDUALS, THERE IS A SIGNIFICANT POSSIBILITY THAT CONTINUED REDUCTION IN REIMBURSEMENT MAY ACTUALLY CREATE DIFFICULTIES IN ACCESS FOR THESE INDIVIDUALS, AND THE AMOUNT SPENT TO COVER MEDICARE SHORTFALL IS MONEY NOT AVAILABLE TO COVER FINANCIAL ASSISTANCE AND OTHER COMMUNITY BENEFIT NEEDS AS REPORTED ON THE AUDITED FINANCIAL STATEMENTS, THE COMMUNITY BENEFIT OF COSTS IN EXCESS OF MEDICARE PAYMENTS WAS \$13,835,040
		PART III, LINE 9B PATIENT FINANCIAL HARDSHIP POLICY TO SUPPORT THE ORGANIZATION'S MISSION AND PHILOSOPHY IN THAT THE PATIENT COMES FIRST AND PROVIDE A GUIDELINE IN IDENTIFYING PATIENT'S WHO HAVE AN EXCEPTIONAL PERSONAL FINANCIAL HARDSHIP AND REQUIRED NEEDED AND NECESSARY MEDICAL CARE AND THERE IS REMOTE OR NEGLIBLE CHANCE THAT THE INDIVIDUAL WILL BE ABLE TO REPAY PROCEDURE FACTORS THAT MAY CONTRIBUTE TO EXCEPTIONAL FINANCIAL HARDSHIP INCLUDE 1) UNEMPLOYMENT OR UNDEREMPLOYMENT THROUGH NO FAULT OF THE PATIENT AND/OR FAMILY, 2) THREATENED LOSS OF SHELTER THROUGH FORECLOSURE, ETC, 3) LOSS OF INCOME FROM FEDERAL, STATE OR OTHER GOVERNMENT BENEFITS INCLUDING, BUT NOT LIMITED TO SOCIAL SECURITY, SUPPLEMENTAL SECURITY INCOME, PUBLIC ASSISTANCE, ETC, 4) LOSS OF INCOME DUE TO DEATH OR DISABILITY, 5) EXCEPTIONAL EXPENSES INCURRED BECAUSE OF UNINSURED PROPERTY DAMAGE OR COSTLY REPAIRS TO PRINCIPAL RESIDENCE, 6) EXCEPTIONAL EXPENSES DUE TO TEMPORARY OR CHRONIC ILLNESS, 7) EXCEPTIONAL EXPENSES DUE TO INCREASE IN LIVING EXPENSES BECAUSE OF A DIVORCE, ABANDONMENT OR SEPARATION FROM SPOUSE OR INCOME EARNER, 8) LOSS OF INCOME DUE TO DECLARATION OF INCOMPETENCE OR IN PROCESS OF BEING DECLARED INCOMPETENT, 9) PATIENT OR FAMILY MEMBER IS CONFINED TO A CONVALESCENT HOME OR OTHER RESIDENCE OTHER THAN THEIR PRINCIPAL RESIDENCE, 10) NATURAL DISASTERS SUCH AS FLOODS, FIRES, HURRICANES AND EARTHQUAKES, 11) EVICTION, HOMELESSNESS, LOSS OF OWNED RESIDENCE, ARSON, THEFT, ETC, 12) DISCONTINUANCE OF UTILITIES OR HEAT, OR UNSAFE OR UNHEALTHY LIVING CONDITIONS, 13) ANY OTHER CONDITION CONSIDERED LIFE THREATENING DUE TO EXCEPTIONAL FINANCIAL HARDSHIP APPLICATION PROCESS THE FINANCIAL HARDSHIP APPLICATION, UTILIZING OMC'S FINANCIAL ASSISTANCE APPLICATION, CONTAINS THE NECESSARY INFORMATION TO DETERMINE ELIGIBILITY FOR THE OMC FINANCIAL HARDSHIP PROGRAM NO SEPARATE APPLICATION IS NECESSARY SUPPORTING DOCUMENTATION REQUIRED TO MAKE AN ELIGIBILITY DETERMINATION ARE 1) MOST RECENT TAX RETURNS, 2) CURRENT FAMILY PAYROLL STUB SHOWING YEAR-TO-DATE INCOME, 3) CURRENT TRANSUNION CREDIT REPORT AND OTHER FINANCIAL HARDSHIP DOCUMENTATION TO SUPPORT HARDSHIP, 4) EXPLANATION OF HARDSHIP SITUATION/NECESSITY AND RARE COMPLICATIONS ELIGIBILITY DETERMINATION BASED UPON PATIENT'S/FAMILY'S INCOME AND ASSETS AND COMPLETED FINANCIAL ASSISTANCE APPLICATION BASED UPON TAKING INTO CONSIDERATION ALL PERSONAL FACTORS IN DETERMINING EXCEPTIONAL FINANCIAL HARDSHIP THE BUSINESS SERVICES DEPARTMENT EVALUATES THE APPLICATIONS MEETING THE CRITERIA AND PRESENTS TO ADMINISTRATION FOR APPROVAL OMC RESERVES THE RIGHT TO MAKE ADJUSTMENT DETERMINATIONS ON A CASE-BY-CASE BASIS
		PART III, SECTION A, LINE 1 THE FILING ORGANIZATION REPORTS BAD DEBT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) HFMA STATEMENT 15 IS FOLLOWED TO THE EXTENT THAT IT ALIGNS WITH THE GUIDELINES SET FORTH BY GAAP
OLMSTED MEDICAL CENTER		PART V, SECTION B, LINE 12H OMC VOLUNTARILY ENTERED INTO AN AGREEMENT WITH THE MINNESOTA ATTORNEY GENERAL RELATING TO CHARITY CARE THE TERMS OF THE AGREEMENT INCLUDE AN AUTOMATIC DISCOUNT FOR UNINSURED PATIENTS, A PAYMENT CAP FOR THOSE UNINSURED PATIENTS THAT MEET THE HOSPITAL'S CHARITY CARE CRITERIA, AND A COMMITMENT TO MAKE INFORMATION AVAILABLE TO PATIENTS REGARDING THE CHARITY CARE PROGRAM ADDITIONALLY, OMC HAS SIGNED AN AGREEMENT WITH THE MINNESOTA STATE ATTORNEY GENERAL TO FOLLOW THE ATTORNEY GENERAL'S BILLING AND COLLECTION PRACTICES PER THE ATTORNEY GENERAL'S LETTER
OLMSTED MEDICAL CENTER		PART V, SECTION B, LINE 20D THERE WAS NO CAP ON THE AMOUNT OF PATIENT FAP
		PART V, SECTION B, LINE 14 OMC VOLUNTARILY ENTERED INTO AN AGREEMENT WITH THE MINNESOTA ATTORNEY GENERAL RELATING TO CHARITY CARE THE TERMS OF THE AGREEMENT INCLUDE AN AUTOMATIC DISCOUNT FOR UNINSURED PATIENTS, A PAYMENT CAP FOR THOSE UNINSURED PATIENTS THAT MEET THE HOSPITAL'S CHARITY CARE CRITERIA, AND A COMMITMENT TO MAKE INFORMATION AVAILABLE TO PATIENTS REGARDING THE CHARITY CARE PROGRAM ADDITIONALLY, OMC HAS SIGNED AN AGREEMENT WITH THE MINNESOTA STATE ATTORNEY GENERAL TO FOLLOW THE ATTORNEY GENERAL'S BILLING AND COLLECTION PRACTICES PER THE ATTORNEY GENERAL'S LETTER
		PART VI, LINE 2 OMC ACTIVELY WORKS WITH LOCAL GOVERNMENT IN ASSESSING AND ADDRESSING COMMUNITY NEEDS THROUGH MEETINGS, WORKSHOPS, AND COMMUNITY INPUT IN ADDITION, OMC IS ACTIVELY INVOLVED WITH LOCAL GOVERNMENTS IN EMERGENCY PREPAREDNESS AND DISEASE MANAGEMENT
		PART VI, LINE 3 OMC INFORMS PATIENTS OF THE FINANCIAL ASSISTANCE PROGRAMS AVAILABLE AND ASSISTS PATIENTS WHO INDICATE AN INABILITY TO PAY OMC INFORMS PATIENTS OF THE FINANCIAL ASSISTANCE PROGRAMS BY PROVIDING THE FINANCIAL ASSISTANCE POLICY ON BROCHURES IN THE NEW PATIENT PACKET AND AT THE FRONT DESK FOR ALL PATIENTS THE POLICY IS ALSO PROVIDED ON THE BACK OF THE HOSPITAL BILL STATEMENTS, ON THE HOSPITAL WEBSITE AND ON THE HOSPITAL'S ONLINE BILL-PAY SYSTEM OMC PATIENT FINANCIAL COUNSELORS PROVIDE INFORMATION TO PATIENTS REGARDING AVAILABLE HEALTHCARE FINANCIAL COVERAGE OPTIONS, SUCH AS 1) MEDICAL ASSISTANCE, 2) MINNESOTA CARE, 3) OTHER FINANCIAL SERVICES AVAILABLE FOR LOW INCOME FAMILIES IN THE COMMUNITY, 4) OMC'S FINANCIAL ASSISTANCE PROGRAM THE PATIENT FINANCIAL COUNSELORS ASSIST OMC PATIENTS IN THE APPLICATION PROCESS ALL APPLICATIONS ARE PROCESSED IN A TIMELY MANNER PATIENT APPLICATIONS ARE CONSIDERED FOR CURRENT PATIENT RESPONSIBLE BALANCES, AS WELL AS NEAR FUTURE SCHEDULED MEDICAL SERVICES PATIENTS MAY QUALIFY FOR FULL OR PARTIAL FINANCIAL ASSISTANCE PATIENT FINANCIAL COUNSELORS NOTE PATIENT'S ACCOUNT VIA ON-LINE NOTES REGARDING APPLICATIONS SENT, APPLICATIONS IN PROCESS, AND WHETHER APPLICATIONS HAVE BEEN APPROVED, DENIED, OR ADDITIONAL INFORMATION IS REQUIRED THE PATIENT FINANCIAL COUNSELORS INFORM THE PATIENT VIA A LETTER REGARDING THE DETERMINATION (APPROVED, DENIED, OR PARTIAL COVERAGE APPROVED) OF THE RECEIVED AND COMPLETED APPLICATION PRIOR TO TURNING ACCOUNTS OVER THE THIRD PARTY COLLECTION, THE ACCOUNT WILL BE REVIEWED FOR POSSIBLE FINANCIAL ASSISTANCE PROGRAM QUALIFICATION THROUGH THE E-BUREAU PROCESS
		PART VI, LINE 4 OMC IS A REGIONAL HEALTH CARE FACILITY SERVING PATIENTS WITHIN A FORTY FIVE MILE RADIUS OF ROCHESTER, MN
		PART VI, LINE 5 THE FILING ORGANIZATION MAINTAINS AN EMERGENCY ROOM 24 HOURS A DAY, 7 DAYS A WEEK WHICH IS OPEN TO ALL WITHOUT REGARD TO THE ABILITY TO PAY MEDICAL STAFF PRIVILEGES ARE OPEN TO ALL QUALIFIED PHYSICIANS IN THE AREA THE ORGANIZATION UTILIZES ITS SURPLUS FUNDS TO INCREASE THE SERVICES OFFERED TO ITS PATIENTS THE ORGANIZATION HAS EXPANDED THE OPERATIONS AT FASTCARE FACILITIES AND ADDED CARDIOLOGY AND ENDOCRINOLOGY SERVICES FOR ITS PATIENTS
		PART VI, LINE 6 N/A
		PART VI, LINE 7 THE ORGANIZATION DOES NOT FILE A COMMUNITY BENEFIT REPORT WITH THE STATE OF MINNESOTA HOWEVER, COMMUNITY BENEFIT INFORMATION IS PROVIDED TO THE MINNESOTA HOSPITAL ASSOCIATION WHICH IS THEN USED IN A STATEWIDE SUMMARY REPORT OF COMMUNITY BENEFITS PROVIDED BY MINNESOTA HOSPITALS

Additional Data

Software ID:

Software Version:

EIN: 41-0855367

Name: OLMSTED MEDICAL CENTER

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?

17

Name and address	Type of Facility (describe)
1 OLMSTED MEDICAL CENTER - MAIN CLINIC 210 NINTH STREET SE ROCHESTER, MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
2 OLMSTED MEDICAL - BYRON CLINIC 846 HIGH POINT DR NE BYRON, MN 55920	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
3 OLMSTED MEDICAL - CHATFIELD CLINI 207 TWIFORD STREET SW CHATFIELD, MN 55923	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
4 OLMSTED MEDICAL - CENTER FOR WELLNESS 4303 HIGHWAY 52N ROCHESTER, MN 55901	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
5 OLMSTED MEDICAL - PINE ISLAND CLINIC 111 COUNTY ROAD 11 NW PINE ISLAND, MN 55963	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
6 OLMSTED MEDICAL - PLAINVIEW CLINIC 20 2ND AVENUE NE PLAINVIEW, MN 55964	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
7 OLMSTED MEDICAL - PRESTON CLINIC 405 KANSAS STREET NW PRESTON, MN 55965	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
8 OLMSTED MEDICAL - ST CHARLES CLINIC 403 W FOURTH STREET ST CHARLES, MN 55972	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
9 OLMSTED MEDICAL - SPRING VALLEY CLINIC 302 WEST TRACY ROAD SPRING VALLEY, MN 55975	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
10 OLMSTED MEDICAL - STEWARTVILLE CLINIC 208 CENTERTOWN PLAZA STEWARTVILLE, MN 55976	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
11 OLMSTED MEDICAL - WANAMINGO CLINIC 217 MAIN STREET STE B WANAMINGO, MN 55983	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
12 OLMSTED MEDICAL - FASTCARE NORTH CLINIC 3708 HIGHWAY 63N ROCHESTER, MN 55906	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
13 OLMSTED MEDICAL - FASTCARE SOUTH CLINIC 2820 S BROADWAY ROCHESTER, MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
14 OLMSTED MEDICAL - NW CLINIC 5067 55TH STREET NW ROCHESTER, MN 55901	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
15 OLMSTED MEDICAL - SKYWAY CLINIC 318 1ST AVENUE SW SUITE 203 ROCHESTER, MN 55902	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
16 OLMSTED MEDICAL - PHYSICAL THERAPY 102 ELTON HILLS DRIVE ROCHESTER, MN 55901	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC
17 OLMSTED MEDICAL - RESEARCH DEPT 829 3RD AVE SE KINGS ROW ROCHESTER, MN 55904	MAIN CLINIC - OUTPATIENT PHYSICIAN CLINIC

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

2012

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

41-0855367

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) OLMSTED MEDICAL CENTER REGIONAL FOUNDATION 210 9TH STREET SE ROCHESTER, MN 55904	26-0022777	501(C)(3)	223,975				PROVIDE FUNDING TO OMC REGIONAL FOUNDATION FOR HEALTHCARE EDUCATION AND COMMUNITY PURPOSES
(2)							PROVIDE FUNDING TO UNDERWRITE CHILDREN'S PROGRAM

[illegible]

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

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

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

Part IV

Supplemental Information.

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 MOST OF GRANT EXPENDITURES ARE PROVIDED TO OLMSTED MEDICAL CENTER REGIONAL FOUNDATION, A RELATED ORGANIZATION OMC PROVIDES FUNDS TO THE FOUNDATION FOR HEALTHCARE EDUCATION AND COMMUNITY PURPOSES AS NEEDED THERE ARE NUMEROUS WAYS TO MONITOR THE USE OF THE GRANT FUNDS MANY OF THE EVENTS ARE OPEN TO THE PUBLIC AND EASILY VERIFIABLE STAFF OFTEN ASSIST AS VOLUNTEERS THE FILING ORGANIZATION CONSIDERS REQUESTS FOR FUNDING TO ORGANIZATIONS IN THE COMMUNITY WITH PROGRAMS THAT ENHANCE ITS MISSION THE FILING ORGANIZATION ONLY CONSIDERS REQUESTS FOR FUNDING TO ORGANIZATIONS IN THE COMMUNITY THAT ADDRESS COMMUNITY NEEDS IN THE HEALTH CARE AREA NO ADDITIONAL MONITORING IS PERFORMED

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. ☒ Compensation committee ☒ Written employment contract ☒ Independent compensation consultant ☒ Compensation survey or study ☐ Form 990 of other organizations ☒ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:			
a	Receive a severance payment or change-of-control payment?	4a		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b		No
c	Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.	4c		No
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:			
a	The organization?	5a		No
b	Any related organization? If "Yes," to line 5a or 5b, describe in Part III.	5b		No
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:			
a	The organization?	6a		No
b	Any related organization? If "Yes," to line 6a or 6b, describe in Part III.	6b		No
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.	7		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II

Also complete this part for any additional information

Identifier	Return Reference	Explanation
SUPPLEMENTAL INFORMATION	PART III	COMPENSATION PAID TO PHYSICIAN TRUSTEES IS PRIMARILY FOR PROFESSIONAL RESPONSIBILITIES AS EMPLOYED PHYSICIANS OF THE ORGANIZATION
SUPPLEMENTAL INFORMATION	PART III	SEE CORE 990 PART VI SECTION B LINE 15 FOR FURTHER INFORMATION REGARDING THE PROCESS UTILIZED FOR DETERMINING COMPENSATION

Software ID:
Software Version:
EIN: 41-0855367
Name: OLMSTED MEDICAL CENTER

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
RANDY HEMANN MD	(i)	287,467	10,410	1,789	26,950	21,517	348,133	0
	(ii)	0	0	0	0	0	0	0
ROY A YAWN MD	(i)	360,134	66,700	8,366	26,950	8,732	470,882	0
	(ii)	0	0	0	0	0	0	0
JAY MYERS MD	(i)	528,005	6,405	1,718	26,950	21,990	585,068	0
	(ii)	0	0	0	0	0	0	0
KATHRYN LOMBARDO MD	(i)	382,353	13,661	1,838	26,950	4,075	428,877	0
	(ii)	0	0	0	0	0	0	0
SRDAN BABOVIC MD	(i)	709,635	0	1,518	26,950	4,905	743,008	0
	(ii)	0	0	0	0	0	0	0
KIMBERLY MCKEON MD	(i)	297,540	0	1,555	26,950	21,458	347,503	0
	(ii)	0	0	0	0	0	0	0
TIM WEIR	(i)	351,325	96,600	853	26,950	21,210	496,938	0
	(ii)	0	0	0	0	0	0	0
KEVIN HIGGINS	(i)	262,849	45,859	595	26,950	21,350	357,603	0
	(ii)	0	0	0	0	0	0	0
DAVID WESTGARD MD	(i)	313,033	90,850	6,572	26,950	15,333	452,738	0
	(ii)	0	0	0	0	0	0	0
VIDHAN CHANDRA MD	(i)	743,000	2,206	990	26,950	8,686	781,832	0
	(ii)	0	0	0	0	0	0	0
JEFFREY BECKENBAUGH DO	(i)	702,224	0	990	26,950	23,187	753,351	0
	(ii)	0	0	0	0	0	0	0
ROBERT KURLAND MD	(i)	551,728	3,212	5,356	26,950	17,284	604,530	0
	(ii)	0	0	0	0	0	0	0
JOSEPH TRICARICO MD	(i)	538,063	1,625	1,518	26,950	23,600	591,756	0
	(ii)	0	0	0	0	0	0	0
MARCO SANTAMARIA MD	(i)	540,042	0	3,838	26,950	22,117	592,947	0
	(ii)	0	0	0	0	0	0	0
JAMES HOFFMANN DO	(i)	379,119	6,076	2,004	26,950	21,571	435,720	0
	(ii)	0	0	0	0	0	0	0
LINDA WILLIAMS MD	(i)	173,005	20,700	2,299	22,885	13,136	232,025	0
	(ii)	0	0	0	0	0	0	0
CHARLES BRANCH MD	(i)	499,926	0	5,356	26,950	23,364	555,596	0
	(ii)	0	0	0	0	0	0	0
THOMAS ERBACH MD	(i)	296,975	0	4,093	26,950	14,926	342,944	0
	(ii)	0	0	0	0	0	0	0

Schedule K (Form 990)	Supplemental Information on Tax Exempt Bonds ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI. ▶ Attach to Form 990. ▶ See separate instructions.	OMB No 1545-0047
		2012
		Open to Public Inspection

Name of the organization OLMSTED MEDICAL CENTER		Employer identification number 41-0855367
--	--	--

Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	CITY OF CHATFIELD MINNESOTA	41-6005045	161817CE9	11-15-2004	8,000,000	HOSPITAL CONSTRUCTION		X		X		X
B	CITY OF CHATFIELD MINNESOTA	41-6005045		04-13-2006	2,651,915	HOSPITAL CONSTRUCTION		X		X		X
C	CITY OF ROCHESTER MINESOTA	41-6005494	771902FY4	07-07-2010	20,360,000	CLINIC CONSTRUCTION		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds legally defeased								
3	Total proceeds of issue	8,000,000		2,651,915		20,202,546			
4	Gross proceeds in reserve funds	768,795				1,736,608			
5	Capitalized interest from proceeds	240,400		48,898		1,341,608			
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	160,000		51,915		407,200			
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	6,831,495		2,551,102		17,968,405			
11	Other spent proceeds	275,180				275,180			
12	Other unspent proceeds								
13	Year of substantial completion	2005		2006		2011			
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
			X		X		X		
			X		X		X		
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X		X		
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 00000%		0 00000%		0 00000%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 00000%		0 00000%		0 00000%		%	
6	Total of lines 4 and 5	0 00000%		0 00000%		0 00000%		%	
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X		X			

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X		X		
b	Exception to rebate?		X		X		X		
c	No rebate due?		X		X		X		
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X		X		X		
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X		
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X		X		
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
7	Has the organization established written procedures to monitor the requirements of section 148?		X		X		X		

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?		X		X		X		

Part VI

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

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

Transactions with Interested Persons

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number

41-0855367

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

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

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2

Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958

\$

3

Enter the amount of tax, if any, on line 2, above, reimbursed by the organization

\$

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
(1) STERLING STATE BANK - SEE BELOW			X		800,000	160,000		No	Yes		Yes	
Total												

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) JULIE WINKELS	FAMILY MEMBER OF THOMAS WINKELS, FORMER TRUSTEE	41,068	EMPLOYEE OF ORGANIZATION		No
(2) DR LOUIS WAGNER	FAMILY MEMBER OF DR LINDA WILLIAMS, TRUSTEE	446,369	EMPLOYEE OF ORGANIZATION		No
(3) DR BARBARA YAWN	FAMILY MEMBER OF DR ROY YAWN, PRESIDENT	192,935	EMPLOYEE OF ORGANIZATION		No
(4) MERCHANTS BANK	JOHN DOYLE, BOARD CHAIR, SERVES AS PRESIDENT OF MERCHANTS BANK	551,566	OPERATING LEASE PAYMENTS ON RIS/PACS SYSTEM		No
(5) EXPRESS SERVICES INCTAZ INC	NORM DOTY, FORMER TRUSTEE	67,946	TEMP STAFFING SERVICES		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
PART II	INTERESTED PERSON DESCRIPTION	STERLING STATE BANK - JUSTIN MCNEILUS, TRUSTEE, IS FAMILY MEMBER OF MAJORITY OWNER OF BANK, ROY YAWN, PRESIDENT, IS BOARD MEMBER OF BANK, TOM WINKELS, FORMER TRUSTEE, IS PRESIDENT OF BANK

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	THE BOARD OF GOVERNORS IS ELECTED BY PHYSICIAN VOTE
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS PREPARED BY AN EXTERNAL ACCOUNTANT. A DRAFT OF THE FORM 990 IS REVIEWED IN DETAIL BY THE FINANCIAL SERVICES MANAGER, CONTROLLER AND CFO. ANY NECESSARY CORRECTIONS AND ADJUSTMENTS ARE MADE. THE FORM 990 IS REVIEWED BY THE CEO AND CFO AND PRESENTED TO THE COMPENSATION COMMITTEE. THE FINAL FORM 990 IS MADE AVAILABLE TO THE BOARD MEMBERS FOR THEIR REVIEW PRIOR TO FILING WITH THE IRS.
	FORM 990, PART VI, SECTION B, LINE 12C	PER OMC POLICY, THE BOARD OF TRUSTEES AND PRINCIPAL OFFICERS ANNUALLY SIGN CONFLICT OF INTEREST STATEMENTS. SIGNED CONFLICT OF INTEREST STATEMENTS ARE OBTAINED AND REVIEWED BY SENIOR MANAGEMENT ANNUALLY.
	FORM 990, PART VI, SECTION B, LINE 15	IN ORDER TO ENSURE THAT ALL OLMSTED MEDICAL CENTER (OMC) EXECUTIVE COMPENSATION DECISIONS ARE COMPETITIVE, EQUITABLE, UNIFORMLY ADMINISTERED, AND CONSISTENT WITH MARKET PRACTICES, OMC FOLLOWS RECOMMENDED BEST PRACTICES. THE GOALS OF EXECUTIVE COMPENSATION ARE TO ATTRACT AND RETAIN HIGHLY QUALIFIED PERSONNEL, TO MAINTAIN COMPENSATION LEVELS COMMENSURATE WITH THE SCOPE OF RESPONSIBILITIES FOR EACH POSITION, AND TO REWARD OUTSTANDING PERFORMANCE. OMC WILL SEEK MANAGEMENT TALENT BY CONDUCTING NATIONAL SEARCHES FOR QUALIFIED APPLICANTS FOR ANY VACANCIES AT THE CMO AND CEO POSITIONS IN ADDITION TO VICE PRESIDENT POSITIONS AS NECESSARY. THE SAME PHILOSOPHY IS APPLICABLE TO THE POSITION OF OMC PRESIDENT. PEER GROUPS FOR EXECUTIVE COMPENSATION, WHICH INCLUDES BASE SALARIES, INCENTIVE AND BENEFITS, WILL BE INTEGRATED HEALTH DELIVERY SYSTEMS WITH A MINIMUM OF A HOSPITAL AND AN EMPLOYED PHYSICIAN NETWORK AND NET REVENUES ROUGHLY SIMILAR TO THE REVENUES OF OLMSTED MEDICAL CENTER. OMC ENGAGES AN EXTERNAL CONSULTANT WHO COMPILES A PEER GROUP COMPENSATION AND BENEFIT ANALYSIS ON A TWO YEAR BASIS. MOST RECENTLY IN DECEMBER 2012, A COMPENSATION PEER REVIEW STUDY WAS COMPLETED FOR THE CEO, PRESIDENT AND CMO AND PRESENTED TO THE BOARD OF GOVERNORS. THE EXECUTIVE COMPENSATION COMMITTEE OF THE OLMSTED MEDICAL CENTER CONSISTS OF FIVE ELECTED MEMBER OF THE BOARD OF GOVERNORS. THE EXECUTIVE COMPENSATION COMMITTEE WILL SET THE COMPENSATION OF THE PRESIDENT, CEO AND CMO AND MINUTES ARE KEPT OF THESE DISCUSSIONS. THE BOARD OF TRUSTEES, ACTING THROUGH THE BOARD OF TRUSTEES COMPENSATION COMMITTEE, MUST APPROVE THE EXECUTIVE COMPENSATION POLICY AND PROCESS OF DETERMINING EXECUTIVE COMPENSATION AND BENEFITS. IN ADDITION, THE PHYSICIAN SALARIES ARE CALCULATED ANNUALLY, USING REGIONAL PHYSICIAN SALARY COMPARISON GUIDES FACTORING IN PRODUCTIVITY AND QUALITY MEASURES, AND REVIEWED ON AN ANNUAL BASIS FOR MARKET REASONABLENESS BY MCGRADREY. THE PHYSICIANS RECEIVE NO COMPENSATION AS ATTENDING BOARD MEMBERS. THESE DISCUSSIONS ARE NOTED IN THE MINUTES OF THE BOARD OF TRUSTEES COMPENSATION COMMITTEE ANNUAL MEETING. THE BOARD OF TRUSTEES COMPENSATION COMMITTEE REPORTS TO THE FULL BOARD OF TRUSTEES ON AN ANNUAL BASIS THE COMPLETION OF SUCH DUTIES AND ARE ALSO NOTED IN THE MINUTES.
	FORM 990, PART VI, SECTION C, LINE 19	THE GOVERNING DOCUMENTS AND CONFLICT OF INTEREST STATEMENTS ARE NOT MADE AVAILABLE TO THE PUBLIC. THE ANNUAL FORM 990 & ATTACHED AUDITED FINANCIAL STATEMENT REPORT IS AVAILABLE IN ACCORDANCE WITH THE PUBLIC INSPECTION OF THE RETURN REQUIREMENTS.
	FORM 990, PART VII, SECTION A	BOARD MEMBERS ARE NOT COMPENSATED FOR THEIR SERVICES TO THE ORGANIZATION. COMPENSATION SHOWN FOR PHYSICIAN TRUSTEES IS RELATED TO THEIR POSITION AS AN EMPLOYED PHYSICIAN OF THE ORGANIZATION.

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
OLMSTED MEDICAL CENTER

Employer identification number
41-0855367

Part I

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

(a) Name, address, and EIN (if applicable) 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" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) OLMSTED MEDICAL CENTER REGIONAL FOUNDATION 210 9TH STREET SE ROCHESTER, MN 55904 26-0022777	HEALTHCARE EDUCATION AND COMMUNITY PURPOSES	MN	501(C)(3)	LINE 11A, I	OLMSTED MEDICAL CENTER	Yes	
(2) OLMSTED MEDICAL CENTER AUXILIARY 1650 4TH STREET SE ROCHESTER, MN 55904 36-3382873	SUPPORT OLMSTED MEDICAL CENTER	MN	501(C)(3)	LINE 11C, III-FI	OLMSTED MEDICAL CENTER	Yes	

Part III

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

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

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

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

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

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 or (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 Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

No

No

No

No

Yes

No

No

No

No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) OLMSTED MEDICAL CENTER REGIONAL FOUNDATION	B	666,098	GAAP
(2) OLMSTED MEDICAL CENTER REGIONAL FOUNDATION	C	44,119	GAAP
(3) OLMSTED MEDICAL CENTER AUXILIARY	C	19,070	GAAP
(4) OLMSTED MEDICAL CENTER REGIONAL FOUNDATION	O	300,908	GAAP

Schedule R (Form 990) 2012

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

[illegible]

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Software ID:
Software Version:
EIN: 41-0855367
Name: OLMSTED MEDICAL CENTER



March 26, 2013

Mr. Kevin Higgins
Olmsted Medical Center
1650 Fourth Street
Rochester, MN 55904

Dear Kevin

In accordance with your request, we are attaching the accompanying PDF file, which contains an electronic final version of the consolidated financial statements of Olmsted Medical Center as of December 31, 2012. We understand that your request for the electronic copy has been made as a matter of convenience. You understand that electronic transmissions are not entirely secure and that it is possible for confidential financial information to be intercepted by others.

These consolidated financial statements and our report(s) on them are not to be modified in any manner. This final version supersedes all prior drafts. Any preliminary draft version of the consolidated financial statements previously provided to you in an electronic format should be deleted from your computer, and all printed copies of any superseded preliminary draft versions should likewise be destroyed.

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors or "experts," in a document used in a public or private offering of equity or debt securities. Accordingly, as provided for and agreed to in the terms of our arrangement letter, Olmsted Medical Center will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, Olmsted Medical Center also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when Olmsted Medical Center seeks such consent, we will be under no obligation to grant such consent or approval.

Thank you for the opportunity to serve you.

Sincerely,

A handwritten signature in black ink that reads 'Dan Vandenberghe'.

Daniel A. Vandenberghe, Partner
612 376 9267

wpd
Attachment

Consolidated Financial and Compliance Report
December 31, 2012

Consolidated Financial and Compliance Report
December 31, 2012

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Independent Auditor's Report

To the Board of Trustees
Olmsted Medical Center

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Olmsted Medical Center and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Olmsted Medical Center and its subsidiaries as of December 31, 2012 and 2011, and the changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 27, 2013, and March 28, 2012, on our consideration of Olmsted Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of those reports 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 the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Olmsted Medical Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Rochester, Minnesota
March 27, 2013

Olmsted Medical Center

**Consolidated Statements of Financial Position
December 31, 2012 and 2011**

Assets	2012	2011
Current Assets		
Cash and cash equivalents	\$ 52,116,344	\$ 49,059,269
Current portion of assets limited as to use (Note 4)	7,915,252	8,454,850
Patient accounts receivable, net of allowance for doubtful accounts of \$15,712,000 in 2012 and \$14,326,000 in 2011 (Note 2)	25,888,778	24,394,812
Inventories	1,251,128	1,263,932
Prepaid expenses and other	2,777,873	1,616,650
Total current assets	89,949,375	84,789,513
Assets Limited as to Use (Note 4)	14,167,337	12,718,610
Investments (Note 4)	16,384,617	6,734,285
Bond Issuance and Other Costs, net of amortization	801,209	858,561
Property and Equipment (Note 5)		
Land and land improvements	5,996,944	5,996,944
Buildings	57,541,541	56,594,760
Equipment	36,264,255	31,815,649
Construction in process	5,564,600	1,005,123
Total property and equipment	105,367,340	95,412,476
Less accumulated depreciation	40,532,071	34,274,465
Net property and equipment	64,835,269	61,138,011
Total assets	\$ 186,137,807	\$ 166,238,980

See Notes to Consolidated Financial Statements

Liabilities and Net Assets	2012	2011
Current Liabilities		
Current maturities of long-term debt (Note 5)	\$ 3,039,046	\$ 2,512,843
Accounts payable		
Trade	3,650,467	3,105,695
Construction and retainage	100,351	-
Accrued expenses		
Compensation and related benefits	13,949,736	12,961,879
Estimated third-party payor settlements	1,051,634	1,204,025
Real estate taxes	901,096	678,948
Interest	689,113	739,845
Other	6,416,544	6,290,166
Total current liabilities	29,797,987	27,493,401
Long-Term Debt, less current maturities (Note 5)	32,199,367	31,311,865
Commitments and Contingencies (Notes 8 and 9)		
Net Assets		
Temporarily restricted	279,350	205,858
Permanently restricted	1,446,689	1,427,156
Unrestricted	122,414,414	105,800,700
Total net assets	124,140,453	107,433,714
Total liabilities and net assets	\$ 186,137,807	\$ 166,238,980

Olmsted Medical Center

Consolidated Statements of Activities and Changes in Net Assets Years Ended December 31, 2012 and 2011

	2012	2011
Changes in unrestricted net assets		
Operations		
Revenues		
Patient service revenue (net of contractual allowances and discounts) (Note 2)	\$ 167,158,167	\$ 157,809,553
Provision for bad debts	6,518,886	7,202,874
Net patient service revenue	160,639,281	150,606,679
Other operating revenues, primarily research grants	4,950,504	2,818,143
Net assets released from restriction	48,562	198,984
Total revenues	165,638,347	153,623,806
Expenses		
Salaries and wages	78,185,401	72,658,892
Employee benefit costs	23,755,845	22,159,858
Drugs and supplies	15,354,994	14,286,060
Purchased services	11,848,939	9,148,461
Occupancy	8,541,733	7,818,378
Other	1,459,894	1,342,380
MinnesotaCare tax/MA surcharge	3,638,096	3,479,675
Depreciation	6,525,281	4,470,934
Interest	1,769,480	1,067,268
Total expenses	151,079,663	136,431,906
Operating income	14,558,684	17,191,900
Nonoperating gains		
Investment income and other	2,055,030	1,577,783
Change in unrestricted net assets	16,613,714	18,769,683
Temporarily restricted net assets		
Investment income	2,435	36,498
Contributions	119,619	143,157
Net assets released from restriction	(48,562)	(198,984)
Change in temporarily restricted net assets	73,492	(19,329)
Permanently restricted net assets		
Loss in beneficial interest in perpetual trust	(1,361)	(14,160)
Contributions	20,894	7,615
Change in permanently restricted net assets	19,533	(6,545)
Change in net assets	16,706,739	18,743,809
Net assets at beginning of year	107,433,714	88,689,905
Net assets at end of year	\$ 124,140,453	\$ 107,433,714

See Notes to Consolidated Financial Statements

Olmsted Medical Center

Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	\$ 16,706,739	\$ 18,743,809
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	6,525,281	4,470,934
(Gain) loss on disposal of property and equipment	291,439	(486,800)
Contributions restricted for capital	(20,894)	(7,615)
Provision for bad debts	6,518,886	7,202,874
Change in unrealized (gains) losses	(688,564)	523,835
Changes in assets and liabilities		
Patient accounts receivable	(8,012,852)	(11,374,719)
Inventories, prepaid expenses and other assets	(1,091,067)	(119,177)
Estimated third-party payor settlements	(152,391)	(242,839)
Accounts payable	544,772	551,191
Accrued expenses	1,285,651	2,941,614
Net cash provided by operating activities	21,907,000	22,203,107
Cash Flows From Investing Activities		
Purchase of property and equipment	(6,132,632)	(17,140,604)
Proceeds from sale of property and equipment	-	1,349,105
Proceeds from sale of investments	1,222,796	1,687,550
Purchase of investments	(10,184,564)	(2,122,426)
Increase in assets limited as to use	(35,906)	(94,119)
Decrease in assets limited as to use	366,852	11,621,474
Net cash used in investing activities	(14,763,454)	(4,699,020)
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	-	345,649
Principal payments on long-term debt	(2,867,290)	(2,836,835)
Proceeds from restricted contributions	20,894	7,615
Net cash used in financing activities	(2,846,396)	(2,483,571)
Net increase in cash and cash equivalents	4,297,150	15,020,516
Cash and Cash Equivalents		
Beginning	64,691,821	49,671,305
Ending	\$ 68,988,971	\$ 64,691,821
Cash and Cash Equivalents Are Reported Within the Consolidated Statements of Financial Position as Follows		
Cash and cash equivalents	\$ 52,116,344	\$ 49,059,269
Assets limited as to use (Note 4)	16,872,627	15,632,552
	\$ 68,988,971	\$ 64,691,821

(Continued)

Olmsted Medical Center

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2012 and 2011

	2012	2011
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest, including interest capitalized of \$-0- in 2012 and \$797,345 in 2011	\$ 1,820,212	\$ 1,861,364
Supplemental Schedule of Noncash Investing and Financing Activities		
Property and equipment acquisitions included in accounts payable	\$ 100,351	\$ -
Capital lease obligations incurred for use of equipment	4,280,995	-
Change in the fair value of beneficial interest in perpetual trust	(1,361)	(14,160)

See Notes to Consolidated Financial Statements

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business: Olmsted Medical Center (the Medical Center) is a not-for-profit organization consisting of a multispecialty medical clinic and an acute care hospital. The Medical Center employs approximately 160 clinicians. It operates health care sites serving patients in the communities and surrounding areas of Byron, Chatfield, Pine Island, Plainview, Preston, St. Charles, Spring Valley, Stewartville, Wanamingo and Rochester, Minnesota.

The Medical Center is governed by a Board of Trustees and a Board of Governors. The Board of Trustees consists of 16 members. Five members are clinic trustees elected by the voting staff of the Medical Center. Ten public trustees are appointed by the nominating committee of the Board of Trustees. The Medical Center's president is an ex-officio member of the Board of Trustees. The Board of Governors consists of eight members. Five members are the clinic trustees elected by the voting staff of the Medical Center. The Medical Center's president is an ex-officio member of the Board of Governors and is the chairman of the Board. The Medical Center's chief executive officer and chief medical officer are voting ex-officio members of the Board of Governors.

The consolidated financial statements include the operations of the Medical Center and the net assets and activities of the OMC Regional Foundation (the Foundation) (collectively, the Organization). The Foundation began operations in 2002 and is controlled by the Medical Center. All significant intercompany balances and transactions have been eliminated in consolidation.

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

Cash and cash equivalents: For the purpose of reporting the consolidated statements of cash flows, the Organization considers all cash accounts and all highly liquid debt instruments purchased with original maturities of three months or less as cash and cash equivalents, excluding amounts subject to withdrawal restrictions or penalties, amounts held by trustees, deferred compensation accounts and long-term investment accounts. The Organization maintains its cash accounts in one financial institution. Amounts on deposit may exceed federal depository insurance limits. No losses have resulted from this policy.

Patient accounts receivable: Patient receivables, where a third-party payer is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payers.

Patient accounts receivable due directly from the patients are carried at the original charge for the service provided, less amounts covered by third-party payers and less an estimated allowance for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. Patient accounts receivable are written off when deemed uncollectible. Recoveries of patient accounts receivable previously written off are recorded when received.

Inventories: Inventories consist primarily of medical supplies and pharmaceuticals and are stated at the lower of cost (first in, first out) or market.

Investments: Investments in equity mutual funds and debt securities are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) and unrealized gains and losses on investments are included in the change in unrestricted net assets unless the income or loss is restricted by donor or law.

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. It is reasonably possible that changes in the value of investments could occur, and such changes would affect the amounts reported.

The Organization continually monitors the difference between the cost and fair value of its investments. If any investments experience a decline in value that the Organization believes is other than temporary, the Organization records a realized loss.

Assets limited as to use: Assets limited as to use primarily include assets held by trustees under revenue bond indenture agreements, beneficial interest in perpetual trust, amounts held for research activities, and other designated assets set aside for future uses by the Board of Trustees. Amounts available to meet current liabilities of the Organization have been classified as current assets in the consolidated statements of financial position at December 31, 2012 and 2011. Assets limited as to use are stated at fair value. The beneficial interest in perpetual trust is stated at the Organization's share of the fair value of trust assets, which approximates the present value of future estimated cash flows.

Property and equipment: Property and equipment acquisitions are stated at cost. Depreciation is computed using the straight-line method over estimated useful lives of three to 40 years. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Impairment: The Organization evaluates the carrying value of its long-lived assets for impairment periodically or whenever an event occurs that makes it likely that an impairment may have occurred. Based on management's analysis, no material write-downs of long-lived assets occurred for the years ended December 31, 2012 or 2011.

Bond issuance and other costs: Underwriter, legal and other costs incurred in connection with procuring long-term financing are deferred and amortized to expense over the life of the related financing by the interest method.

Self-insurance claims: The Organization self-insures its employees' health insurance program and estimates its liability based on an estimate of health claims incurred and not reported as of year-end.

Net assets: Unrestricted net assets are those funds presently available for use by or on behalf of the Organization, including amounts available for general and administrative expenses. These unrestricted net assets may also include Board-designated funds. Temporarily restricted net assets are those whose use by the Organization has been limited by donors or grantors to a specific time period or purpose. When the donor-imposed restriction is fulfilled, the temporarily restricted net assets are reclassified to unrestricted. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Performance indicator: The Organization's performance indicator is the change in unrestricted net assets.

Net patient services revenue: The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient services revenue is reported at the estimated net realizable amounts due from patients, third-party payers and others for services provided.

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Provisions for contractual adjustments arising under reimbursement agreements with third-party payers are recognized on an estimated basis in the period the related services are provided. Certain reimbursement arrangements are subject to retroactive audit and adjustment. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. Differences between amounts originally recorded and final settlements are recorded in the year the differences become known.

Charity care: The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Organization does not pursue collection of these amounts, they are excluded from net patient services revenue.

Research grant revenue: The Organization receives grants relating to research activities. Grant revenue is recognized as allowable expenses are incurred. Amounts received in advance of eligible expenses are recognized as deferred revenues.

Income taxes: The Medical Center and the Foundation are exempt from federal income taxes as tax-exempt organizations described in Section 501(c)(3) of the Internal Revenue Code, except for income on certain unrelated business income. There is no material unrelated business income for the years ended December 31, 2012 and 2011. The Medical Center and the Foundation are also exempt from state income taxes under applicable Minnesota statutes. The Medical Center and the Foundation file federal and state income tax returns. Generally, the Medical Center and the Foundation are no longer subject to state and federal income tax examinations by tax authorities for the year ended December 31, 2008, and prior.

New accounting guidance: The Organization adopted Accounting Standards Update (ASU) No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, during the year ended December 31, 2012. This ASU requires health care entities that recognize significant amounts of patient service revenue at the time services provided, even though they do not assess the patient's ability to pay, to present the provision for uncollectible accounts related to patient service revenue as a deduction from patient service revenue rather than an operating expense in the statements of activities. The ASU also requires additional disclosures related to sources of patient service revenue and changes in the allowance for doubtful accounts. The adoption of this ASU changed where the provision for uncollectible accounts is presented within the consolidated statements of activities and changes in net assets, however, it did not affect operating income or the change in unrestricted net assets. The prior-year provision for bad debts in the amount of \$7,202,900 has been retroactively reclassified in accordance with the guidance.

Reclassifications: Certain items in the 2011 consolidated financial statements have been reclassified to conform to the 2012 presentation. The reclassifications had no impact on the change in net assets or net assets as previously reported.

Subsequent events: The Organization has evaluated events and transactions through March 27, 2013, the date of issuance of the consolidated financial statements.

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 2. Net Patient Services Revenue

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

Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification system that is based on clinical, diagnostic and other factors. Outpatient services related to Medicare and Medicaid program beneficiaries are reimbursed based on a cost-reimbursement method or a fee schedule, depending on the service.

The laws and regulations under which the Medicare and Medicaid programs operate are complex, subject to frequent change and subject to interpretation. As part of operating under these programs, there is a reasonable possibility that governmental authorities may review the Organization's compliance with these laws and regulations. Such review may result in adjustments to reimbursement previously received and subject the Organization to fines and penalties. Although no assurances can be given, management believes they have complied with the requirements of these programs.

The Organization has reimbursement agreements with certain commercial insurance carriers and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's liability is determined. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides contractual allowances based on these amounts. Additionally, an allowance for doubtful accounts and a provision for uncollectible accounts is provided for expected receivables associated with self-pay patients. The Organization records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The provision for uncollectible accounts is presented on the consolidated statements of activities and changes in net assets as a component of net patient service revenue. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Organization's allowance for doubtful accounts was 29.4 percent of accounts receivable at December 31, 2012 and 2011. In addition, the Organization's write-offs were \$5,132,800 and \$5,736,800 for the years ended December 31, 2012 and 2011, respectively. The Organization has not significantly changed its charity care policies.

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 2. Net Patient Services Revenue (Continued)

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a portion of the Organization's patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a provision for uncollectible accounts related to patients in the period the services are provided. Net patient services revenue (before provision for bad debts) and patient accounts receivable as of and for the years ended December 31, 2012 and 2011, include amounts from the following payors:

	2012		2011	
	Net Patient Services Revenue	Patient Accounts Receivable	Net Patient Services Revenue	Patient Accounts Receivable
Medicare	17%	15%	16%	14%
Medicaid	11%	9%	11%	8%
Blue Cross/Blue Shield	32%	24%	34%	25%
All others	40%	52%	39%	53%
Total	100%	100%	100%	100%

Note 3. Community Benefit

In furtherance of its charitable purpose, the Organization provides a wide variety of benefits to the community. These services and donations account for a measurable portion of the Organization's costs and serve to promote healthy lifestyles, community development, health education and affordable access to care.

The Organization maintains records to identify and monitor the level of community benefit services it provides. Those records include management's estimate of the cost to provide charity care, the cost of services and supplies furnished for community benefit programs, and costs in excess of program payments for treating Medical Assistance patients. The Organization measures charity care by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients.

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 3. Community Benefit (Continued)

In addition to community benefit costs outlined below, the Organization provides additional community contributions, such as services to Medicare patients below the costs for treatment and other uncompensated care, and pays state-mandated taxes and fees

	Years Ended December 31	
	2012	2011
Charity care	\$ 1,713,614	\$ 2,308,141
Costs in excess of Medicaid payments	10,242,964	10,994,682
Medicaid surcharge and MinnesotaCare tax	3,638,096	3,479,675
Cash and in-kind donations	74,864	74,476
Total cost of community benefits	15,669,538	16,856,974
Other community contributions		
Costs in excess of Medicare payments	13,835,040	11,702,513
Charges for other care provided without compensation (bad debt)	6,518,886	7,202,874
Taxes and fees	1,188,083	442,961
Total value of community contributions	21,542,009	19,348,348
Total community benefits and community contributions	\$ 37,211,547	\$ 36,205,322

Note 4. Investments

Assets limited as to use:

Board-designated: The Board has designated funds for specific future uses. The Board retains control over these funds and may, at its discretion, change these designations in future periods.

Held by trustee under indenture agreement: Payments made in connection with the Organization's revenue bonds are held by trustees until disbursed to the bondholders or as a bond reserve for the protection of bondholders. Amounts received in connection with specific borrowings for construction of capital assets are held by trustees and disbursed as the project is completed.

Beneficial interest in perpetual trust, held by others: The Organization has been named as a beneficiary of a trust. The assets are held by a third party. The Organization receives income from the trust, which is restricted for specific purposes.

Permanently endowed funds: The Organization receives donations designated by donors to be maintained in perpetuity, with the earnings to be used for either specific purposes or the general use of the Organization.

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 4. Investments (Continued)

The composition of assets limited as to use at December 31, 2012 and 2011, is set forth in the following tables. Amounts are stated at fair value.

	2012	2011
Board-designated		
Retirement savings plan	\$ 6,482,070	\$ 6,358,490
Funded depreciation	8,158,469	7,065,685
Education	681,749	549,736
Research activities	175,313	479,530
Building development	1,375,026	1,179,111
	<u>16,872,627</u>	<u>15,632,552</u>
Held by trustee under indenture agreement		
Debt service reserve funds	2,505,403	2,496,922
Bond funds	1,257,870	1,341,655
Construction fund	-	275,175
Permanently endowed funds	287,579	266,685
Beneficial interest in perpetual trust, held by others	1,159,110	1,160,471
Total assets limited as to use	<u>22,082,589</u>	<u>21,173,460</u>
Less current portion	<u>7,915,252</u>	<u>8,454,850</u>
Long-term portion	<u>\$ 14,167,337</u>	<u>\$ 12,718,610</u>

	2012	2011
Cash and cash equivalents	\$ 16,872,627	\$ 15,632,552
Money market mutual funds	4,050,852	4,105,262
Money market funds—government	-	275,175
Beneficial interest in perpetual trust, held by others	1,159,110	1,160,471
Total assets limited as to use	<u>\$ 22,082,589</u>	<u>\$ 21,173,460</u>

The composition of other investments at December 31, 2012 and 2011, is set forth in the following table. Amounts are stated at fair value.

	2012	2011
Money market mutual funds	\$ 38,561	\$ 2,020
Certificates of deposit	2,008,976	-
Bond mutual funds	3,116,485	2,625,255
Equity mutual funds	4,565,320	4,107,010
Equity securities	1,437,052	-
Fixed-income securities	5,218,223	-
Total investments	<u>\$ 16,384,617</u>	<u>\$ 6,734,285</u>

The Organization's intent is to maintain these funds as part of a long-term investment strategy, therefore, such funds are classified as noncurrent in the consolidated statements of financial position.

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 4. Investments (Continued)

Investment income consists of the following for the years ended December 31, 2012 and 2011, and is included as investment income and other on the consolidated statements of activities and changes in net assets

	2012	2011
Interest and dividend income	\$ 1,328,848	\$ 1,165,328
Realized gains (losses)	67,980	260,295
Unrealized gains (losses)	688,564	(523,835)
	<u>\$ 2,085,392</u>	<u>\$ 901,788</u>

Investments are considered to be impaired when a decline in fair value is considered to be other than temporary. The Organization evaluates whether investments are impaired using, among other factors, the magnitude and duration of the decline in fair value, the financial health of and business outlook for the issuer, performance of the underlying assets, and the Organization's ability and intent to hold the investment. When it is determined an investment is other-than-temporarily impaired, the decline in fair value is recognized as a realized loss and included in the performance indicator. A realized loss has not been recognized on investments, as their decline in value does not meet the Organization's criteria for classification as other-than-temporary impairment. At December 31, 2012 and 2011, the Organization does not have any investments in a significant unrealized loss position.

Note 5. Long-Term Debt

Long-term debt at December 31, 2012 and 2011, consisted of the following

	2012	2011
\$20,360,000 Series 2010 Health Care Facilities Revenue Bonds, due in varying semiannual amounts, interest rate of 2.5% to 5.9%, maturing December 2030 (A)	\$ 19,030,000	\$ 19,695,000
\$8,000,000 Series 2004 Health Care Facilities Revenue Bonds, due in varying semiannual amounts, interest rate of 3.7% to 4.9%, maturing July 2019 (B)	4,390,000	4,915,000
\$2,600,000 Series 2006 Health Care Facilities Revenue Bonds, due in semiannual installments of \$125,859 through April 2021, including interest at 5.2% (C)	1,732,905	1,893,775
\$3,627,500 note payable, due in semiannual installments of \$288,527 through July 2017, including interest at 3.4%, collateralized by a security interest in the Organization's gross receipts on a parity basis with the bonds	2,389,104	2,872,565
\$3,162,000 note payable, due in semiannual installments of \$199,021 through August 2019, including interest at 4.6%, collateralized by a security interest in the Organization's gross receipts on a parity basis with the bonds	2,359,299	2,639,122
\$1,860,500 note payable, due in semiannual installments of \$203,348 through August 2014, including interest at 3.3%, collateralized by a security interest in the Organization's gross receipts on a parity basis with the bonds	780,915	1,152,616

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 5. Long-Term Debt (Continued)

	2012	2011
\$800,000 note payable, due in varying semiannual installments through November 2013, including interest at 6.5%, collateralized by certain property and equipment of the Organization	160,000	320,000
\$2,298,386 interim financing, interest-only payments at 1.25%, additional \$2,200,000 commitment by June 2013, at that time due in monthly installments of \$79,669, including interest at the five-year fixed-rate advance rate, currently 5.45%, collateralized by electronic medical record software	2,298,386	-
Capitalized ultrasound lease obligations, discounted at 4.25%, due in monthly installments of \$10,243	216,432	336,630
Capitalized CT scanner lease obligations, discounted at 3.24%, due in monthly installments of \$23,147	1,263,835	-
Capitalized centralized storage network lease obligations, discounted at 0%, due in annual installments of \$205,845	617,537	-
	<u>35,238,413</u>	<u>33,824,708</u>
Less current maturities	3,039,046	2,512,843
Long-term portion	<u>\$ 32,199,367</u>	<u>\$ 31,311,865</u>

(A) City of Rochester, Minnesota (City), Health Care Facilities Revenue Bonds, Series 2010 The bonds were issued pursuant to an indenture of trust between the City and Wells Fargo Bank, National Association, as trustee, and the proceeds were loaned to the Organization pursuant to a loan agreement between the City and the Organization. The proceeds were used to finance construction of a new clinic. The Organization's obligation is collateralized by the gross receipts and gross revenues of the Organization, as defined in the applicable bond document. The loan agreement contains certain covenant requirements that include, among other things: (1) that income available for debt service will be no less than 125 percent of the debt service requirements, (2) limits on the amount of additional short- and long-term debt that can be issued and (3) that the current ratio be maintained at certain levels, as defined in the agreement.

(B) City of Chatfield, Minnesota (City), Health Care Facilities Revenue Bonds, Series 2004 The bonds were issued pursuant to an indenture of trust between the City and Wells Fargo Bank, National Association, as trustee, and the proceeds were loaned to the Organization pursuant to a loan agreement between the City and the Organization. The proceeds were used for the purpose of expansion of facilities. The Organization's obligation is collateralized by the gross receipts of the Organization, as defined in the applicable bond document. The agreement contains certain covenants as disclosed under (A) above.

(C) City of Chatfield, Minnesota (City), Health Care Facilities Revenue Bonds, Series 2006 The bonds were issued pursuant to an indenture of trust between the City and Wells Fargo Bank, National Association, as trustee, and the proceeds were loaned to the Organization pursuant to a loan agreement between the City and the Organization. The Organization's obligation is collateralized by the gross receipts of the Organization, as defined in the applicable bond document.

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 5. Long-Term Debt (Continued)

A summary of scheduled future maturities of long-term debt as of December 31, 2012, is as follows

Years Ending December 31,

2013	\$ 3,039,046
2014	3,228,613
2015	2,820,103
2016	2,719,879
2017	2,819,402
Thereafter	20,611,370
	<u>\$ 35,238,413</u>

Note 6. Functional Expenses

The Organization provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2012 and 2011, are as follows

	2012	2011
Health care services	\$ 137,288,622	\$ 124,205,841
General and administrative	13,441,620	11,898,612
Fundraising	349,421	327,453
	<u>\$ 151,079,663</u>	<u>\$ 136,431,906</u>

Note 7. Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the consolidated statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Input levels, as defined by *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820*, Fair Value Measurements and Disclosures, are as follows

- Level 1 Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date
- Level 2 Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date
- Level 3 Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 7. Fair Value of Financial Instruments (Continued)

The following tables set forth the Organization's assets that are measured at fair value on a recurring basis as of December 31, 2012 and 2011, under the appropriate level of the fair value hierarchy. As required by ASC 820, financial instruments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Cash equivalents				
Certificates of deposit	\$ 2,008,976	\$ 2,008,976	\$ -	\$ -
Money market mutual funds	4,089,413	4,089,413	-	-
Total cash equivalents	6,098,389	6,098,389	-	-
Bond mutual funds				
Treasury inflation-protected securities	773,613	773,613	-	-
Broad domestic bond mutual funds	2,030,420	2,030,420	-	-
International bond mutual funds	312,452	312,452	-	-
Total bond mutual funds	3,116,485	3,116,485	-	-
Equity mutual funds				
Large cap equity mutual funds	1,464,275	1,464,275	-	-
Small/mid cap equity mutual funds	531,863	531,863	-	-
International equity mutual funds	1,238,512	1,238,512	-	-
Emerging-market equity mutual funds	537,970	537,970	-	-
Real estate investment trusts	547,770	547,770	-	-
International real estate investment trusts	244,930	244,930	-	-
Total equity mutual funds	4,565,320	4,565,320	-	-
Fixed-income securities				
U S government agency bonds	447,291	-	447,291	-
U S corporate bonds	2,151,505	-	2,151,505	-
Foreign corporate bonds	428,343	-	428,343	-
Municipal bonds	2,191,084	-	2,191,084	-
Total fixed-income securities	5,218,223	-	5,218,223	-
U S common stock	1,437,052	1,437,052	-	-
Beneficial interest in perpetual trust	1,159,110	-	-	1,159,110
	<u>\$ 21,594,579</u>	<u>\$ 15,217,246</u>	<u>\$ 5,218,223</u>	<u>\$ 1,159,110</u>

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 7. Fair Value of Financial Instruments (Continued)

	December 31, 2011			
	Total	Level 1	Level 2	Level 3
Money market mutual funds	\$ 4,107,282	\$ 4,107,282	\$ -	\$ -
Money market mutual funds—government	275,175	275,175	-	-
Bond mutual funds				
Treasury inflation-protected securities	652,938	652,938	-	-
Broad domestic bond mutual funds	1,716,834	1,716,834	-	-
International bond mutual funds	255,483	255,483	-	-
Total bond mutual funds	2,625,255	2,625,255	-	-
Equity mutual funds				
Large cap equity mutual funds	1,382,148	1,382,148	-	-
Small/mid cap equity mutual funds	510,630	510,630	-	-
International equity mutual funds	1,053,031	1,053,031	-	-
Emerging-market equity mutual funds	454,429	454,429	-	-
Real estate investment trusts	492,684	492,684	-	-
International real estate investment trusts	214,088	214,088	-	-
Total equity mutual funds	4,107,010	4,107,010	-	-
Beneficial interest in perpetual trust	1,160,471	-	-	1,160,471
	<u>\$ 12,275,193</u>	<u>\$ 11,114,722</u>	<u>\$ -</u>	<u>\$ 1,160,471</u>

Fair values of certificates of deposit, money market mutual funds, equity mutual funds, bond mutual funds and common stock are based on quoted market prices, if available, or estimated using quoted market prices for similar securities

Fair values of fixed-income securities are based on quoted prices for similar instruments in active markets

Fair value of the beneficial interest in perpetual trust is based on the Organization's share of the fair value of the trust assets, which approximates the present value of future estimated cash flows

The following table presents additional information about assets measured at fair value on a recurring basis for which the Organization has utilized Level 3 inputs to determine fair value

Balance, December 31, 2010	\$ 1,174,631
Valuation loss on perpetual trust	(14,160)
Balance, December 31, 2011	1,160,471
Valuation loss on perpetual trust	(1,361)
Balance, December 31, 2012	<u>\$ 1,159,110</u>

The fair value of long-term debt is estimated using discounted cash flow analyses based on the expected interest rate for a current financing with similar terms. The carrying value of long-term debt exceeded the fair value by approximately \$2,407,000 at December 31, 2012, while the fair value of long-term debt exceeded the carrying value by approximately \$553,000 at December 31, 2011.

Note 8. Commitments and Contingencies

Regulatory compliance: The health care industry is subject to numerous laws and regulations from federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursements for patient services, Medicare and Medicaid fraud and abuse, and the requirements of tax exemption. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes the Organization is in compliance with the fraud and abuse regulations as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Recovery audit contractors program: The Centers for Medicare & Medicaid Services (CMS) has implemented a program using recovery audit contractors (RACs) as part of CMS' further efforts to assure accurate payments. The program uses the RACs to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount equal to the overpayment or underpayment. The Organization will deduct from revenue amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. Future RAC assessments against the Organization are anticipated, however, the outcome of such assessments is unknown and cannot be reasonably estimated.

Health care reform: In March 2010, President Obama signed the Patient Protection and Affordable Care Act (PPACA) into law. PPACA will result in sweeping changes across the health care industry, including how care is provided and paid. A primary goal of this comprehensive reform legislation is to extend health care coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Given that the final regulations and interpretive guidelines have yet to be published, the Organization is unable to fully predict the impact of PPACA on its operations and financial results. The Organization's management expects that in the coming years, patients who were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payors will be reduced and made conditional on various quality measures. Management of the Organization is studying and evaluating the anticipated impacts and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement.

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

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 8. Commitments and Contingencies (Continued)

Professional liability: The Organization is covered by professional liability insurance on a claims-made basis. Individual and aggregate claims coverage is \$4,000,000 and \$6,000,000, respectively, for hospital and physicians' professional liability. The Organization has a deductible of \$100,000 per claim, \$500,000 in the aggregate. The Organization has obtained coverage to December 31, 2013. Should this claims-made policy not be renewed or replaced with equivalent insurance, claims based on incidents occurring during the term of this claims-made policy but reported in subsequent periods would be uninsured. The Organization has several claims and pending legal proceedings that generally involve professional liability issues. These are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the Organization. A liability for estimated amounts related to reported claims identified with specific policy years and for claims incurred but not reported is included in other accrued expenses in the consolidated statements of financial position. A receivable is recognized for insurance proceeds expected to be received on reported claims.

Self-funded health insurance: The Organization self-insures its employees' health insurance program. Stop-loss insurance has been obtained for nonorganization claims in excess of \$125,000 per individual and approximately \$5,252,000 in the aggregate. The amount recorded as expense was approximately \$3,907,000 and \$3,476,000 for the years ended December 31, 2012 and 2011, respectively.

Operating leases: The Organization leases eight health care sites, two administrative sites, and various medical and administrative equipment under agreements that expire at various dates through December 2022 and require various minimum annual rentals. Most of the site leases require payment of property taxes, normal maintenance, and insurance on the properties. Equipment leases also require additional rentals based on the number of patient days the equipment is utilized. The total minimum rental commitment is as follows:

Years Ending December 31,

2013	\$ 1,169,958
2014	533,601
2015	422,221
2016	411,708
2017	243,379
Due thereafter	195,250
	<u>\$ 2,976,117</u>

Total rental expense included in the consolidated statements of activities and changes in net assets for the years ended December 31, 2012 and 2011, is \$1,983,800 and \$1,946,000, respectively.

Purchase commitments: The Organization entered into purchase commitments for various equipment and electronic health record technology. The total commitment remaining for these items is approximately \$2,200,000, which will be financed. The equipment and technology is expected to be put into operation during 2013.

Olmsted Medical Center

Notes to Consolidated Financial Statements

Note 9. Employee Benefit Plans

The Organization has a retirement savings plan for the benefit of its employees who attain minimum qualification requirements as defined in the plan. Contributions are determined by the Board of Trustees annually. The contributions are made to a trust, which holds and invests such funds. Participating employees are eligible to withdraw their respective vested benefits upon retirement, termination or disability. Contributions to the trust by the Organization totaled approximately \$6,436,000 and \$6,353,000 for the years ended December 31, 2012 and 2011, respectively.

The Organization has a defined benefit plan for the benefit of employees who were formerly covered under the Public Employees Retirement Association (PERA) as employees of Olmsted Community Hospital (OCH). This plan was adopted in conjunction with the business combination with OCH. Only employees who were employed by OCH on December 31, 1995, and had accrued a benefit under PERA as of that date are eligible to participate in this plan. A contribution to the plan by Olmsted County was made in connection with the business combination. The amount contributed was based on an actuarial determination. The amount is intended to fully fund the plan. The plan assets are held by a trustee to provide retirement benefits as provided by the plan document. The plan is to provide protection of supplemental retirement income for this employee group, which when combined with the benefits available under the defined contribution plan, would be equivalent to the benefits these employees would have received if they had remained under the Public Employees Retirement Association. Based on the most recent actuarial calculation, the plan is overfunded.

Compliance



**Independent Auditor's 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***

To the Board of Trustees
Olmsted Medical Center

We have audited, in accordance with the 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, the consolidated financial statements Olmsted Medical Center (the Organization) as of and for the year ended December 31, 2012, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated March 27, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 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. 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.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Rochester, Minnesota
March 27, 2013



**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

To the Board of Trustees
Olmsted Medical Center

Report on Compliance for Each Major Federal Program

We have audited Olmsted Medical Center's (the Organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2012. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Compliance for Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of the Organization as of and for the year ended December 31, 2012, and have issued our report thereon dated March 27, 2013, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McGladrey LLP

Rochester, Minnesota
March 27, 2013

Olmsted Medical Center

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Research and Development Cluster			
Department of Health and Human Services Direct Programs			
Agency for Healthcare Research and Quality			
Research on Healthcare Costs, Quality and Outcomes	93 226	1R01HS018431-01A1	\$ 523,230
Department of Health and Human Services Pass-Through Programs From			
National Institutes of Health			
Mayo Clinic in Rochester			
Aging Research	93 866	9R01AG034676-45	68,018
Agency for Healthcare Research and Quality			
Harvard Clinical Research Institute, Inc			
ARRA—Comparative Effectiveness Research—AHRQ	93 715	R01HS019408	1,676,470
Subtotal Department of Health and Human Services Pass-Through Programs			1,744,488
Environmental Protection Agency Pass-Through Programs From			
Office of Research and Development			
MN Department of Health			
Science to Achieve Results Research Program	66 509	-	5
Total Research and Development Cluster			2,267,723
Department of Health and Human Services Pass-Through Programs From			
Office of the Secretary			
Mayo Clinic in Rochester			
ARRA—Health Information Technology—BEACON			
Communities	93 727	90BC0009/01	795,497
Total expenditures of federal awards			\$ 3,063,220

See Note to Schedule of Expenditures of Federal Awards

Olmsted Medical Center

Note to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the grant activity of Olmsted Medical Center and is presented on the accrual basis of accounting. The information in this schedule is presented 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, financial statements.

Olmsted Medical Center

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2012**

I SUMMARY OF AUDITOR'S RESULTS

A Financial Statements

- 1 Type of auditor's report issued on the financial statements Unqualified
- 2 Internal control over financial reporting
 - Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- 3 Noncompliance material to financial statements identified? ☐ Yes ☒ No

B Federal Awards

- 1 Internal control over major programs
 - Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- 2 Type of auditor's report issued on compliance for major programs Unqualified
 - Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

3 Identification of major programs

CFDA Number	Name of Federal Program
93 727	ARRA—Health Information Technology—Beacon Communities
Research and Development Cluster	
66 509	Science to Achieve Results Research Program
93 226	Research on Healthcare Costs, Quality and Outcomes
93 715	ARRA—Comparative Effectiveness Research—AHRQ
93 866	Aging Research

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

Auditee qualifies as a low-risk auditee? ☒ Yes ☐ No

(Continued)

Olmsted Medical Center

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2012

II FINANCIAL STATEMENT FINDINGS

A Internal Control

None reported

B Compliance

None

III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A Internal Control

None reported

B Compliance

None

Olmsted Medical Center

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2012**

No prior audit findings