




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



Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)	OMB No 1545-0047 <div> <div>2012</div> <div>Open to Public Inspection</div> </div>
	▶ The organization may have to use a copy of this return to satisfy state reporting requirements	

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

B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization BOZEMAN DEACONESS HEALTH SERVICES		D Employer identification number 81-0232121
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) 915 HIGHLAND BOULEVARD	Room/suite	E Telephone number (406) 585-5000
	City or town, state or country, and ZIP + 4 BOZEMAN, MT 59715		G Gross receipts \$ 199,837,289
	F Name and address of principal officer GORDON DAVIDSON 915 HIGHLAND BOULEVARD BOZEMAN, MT 59715		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
J Website: ▶ WWW.BOZEMANDEACONESS.ORG			




K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other <input type="checkbox"/>	L Year of formation 1911	M State of legal domicile MT
---	---------------------------------	-------------------------------------

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities <u>TO IMPROVE COMMUNITY HEALTH AND QUALITY OF LIFE FOR RESIDENTS AND VISITORS OF THE BOZEMAN, MT AREA</u>		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	11
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	10
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	1,702
	6 Total number of volunteers (estimate if necessary)	6	258
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	3,440,956
b Net unrelated business taxable income from Form 990-T, line 34	7b	-417,788	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	1,506,716	5,147,781
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	184,227,479	189,866,074
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,706,737	3,596,072
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	-887,204	384,534
		188,553,728	198,994,461
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	916,074	723,800
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	80,728,682	85,703,925
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	89,819,043	94,685,237
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	171,463,799	181,112,962
	19 Revenue less expenses Subtract line 18 from line 12	17,089,929	17,881,499
	Net Assets or Fund Balances		Beginning of Current Year
20 Total assets (Part X, line 16)		309,285,614	325,034,056
21 Total liabilities (Part X, line 26)		88,857,449	88,587,723
22 Net assets or fund balances Subtract line 21 from line 20		220,428,165	236,446,333

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	*****			2013-10-24	
	Signature of officer			Date	
	GORDON DAVIDSON CFO/VP OF FINANCE				
	Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name KIM C HUNWARDSEN		Preparer's signature		Date 2013-10-24
	Check <input type="checkbox"/> if self-employed			PTIN P00484560	
	Firm's name  EIDE BAILLY LLP			Firm's EIN  45-0250958	
	Firm's address  800 NICOLLET MALL STE 1300 MINNEAPOLIS, MN 554027033			Phone no (612) 253-6500	

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

TO IMPROVE COMMUNITY HEALTH AND QUALITY OF LIFE

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 \$ 43,600,028 including grants of \$ 0) (Revenue \$ 39,692,297)

BOZEMAN DEACONESS HEALTH GROUP CONSISTS OF OUR DEPARTMENTS THAT PROVIDE PHYSICIAN SERVICES TO OUTPATIENTS THE NUMBER OF MEDICARE AND MEDICAID PATIENTS SEEN IN 2012 REMAINED FAIRLY CONSISTENT AT ABOUT 44% OF TOTAL VISITS REVENUE FOR THESE PATIENTS AND UNINSURED PATIENTS TOTALED 54% OF ALL CLINIC REVENUE TOTAL OPERATING REVENUES WERE \$39,692,297 WITH ASSOCIATED OPERATING EXPENSES OF \$43,600,028 THE LOSS OF \$3,907,731 IS REFLECTIVE OF OUR COMMITMENT TO PROVIDE ACCESS TO ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY

4b

(Code) (Expenses \$ 20,002,597 including grants of \$ 0) (Revenue \$ 47,325,549)

BOZEMAN DEACONESS SURGICAL SERVICES STRIVES TO OFFER A WIDE ARRAY OF SURGICAL OPTIONS USING STATE OF THE ART TECHNOLOGY OF THE 5,472 INPATIENT AND OUTPATIENT SURGERIES, ABOUT ONE THIRD WERE MEDICARE AND MEDICAID PATIENTS, WHICH COMPRISED 40% (\$18,974,409) OF TOTAL REVENUE FROM THESE SERVICES (\$47,325,549) OVER HALF OF THE MEDICARE/MEDICAID REVENUES (\$10,884,104) WERE UNREIMBURSED AND WRITTEN OFF, ALONG WITH ANOTHER \$5,480,928 FROM OTHER PAYORS OUR OPERATING ROOM ALSO RECORDED \$14,649,845 IN OPERATING EXPENSES PLUS ANOTHER \$5,352,752 OF INDIRECT OVERHEAD

4c

(Code) (Expenses \$ 8,394,683 including grants of \$ 0) (Revenue \$ 8,511,043)

THE EMERGENCY ROOM AT BOZEMAN DEACONESS HOSPITAL IS ONE OF THE BUSIEST DEPARTMENTS IN OUR ORGANIZATION, WITH JUST UNDER 24,000 VISITS IN 2012 APPROXIMATELY 32% OF THESE VISITS WERE FROM MEDICARE AND MEDICAID PATIENTS, COMPRISING \$5,320,911 OF THE \$15,504,868 OF THE GROSS REVENUE OVER HALF OF THE MEDICARE/MEDICAID REVENUE IS UNREIMBURSED (57%) AND WRITTEN OFF, ALONG WITH ALMOST 40% OF THE REMAINING REVENUE (TOTAL WRITE-OFFS OF \$6,993,825) DIRECT AND INDIRECT EXPENSES INCURRED IN SUPPORTING THE OPERATION OF THIS EMERGENCY ROOM ACCUMULATED TO \$8,394,683

(Code) (Expenses \$ 72,094,468 including grants of \$ 723,800) (Revenue \$ 94,337,185)

BOZEMAN DEACONESS HEALTH SERVICES OPERATES AN 86 BED HOSPITAL FACILITY (HOSPITAL), ALONG WITH A 43 UNIT ASSISTED LIVING HOME AND A 115 UNIT INDEPENDENT LIVING HOME (HILLCREST SENIOR LIVING OR HSL) ALL PATIENT AND RESIDENT SERVICE REVENUE IS USED TO PROVIDE HEALTH CARE SERVICES, HEALTH CARE PROMOTION, AND HEALTH CARE EDUCATION TO BOZEMAN AND THE SURROUNDING COMMUNITIES

4d

Other program services (Describe in Schedule O)





















(Expenses \$ 72,094,468 including grants of \$ 723,800) (Revenue \$ 94,337,185)

4e

Total program service expenses

144,091,776

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 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? 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 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	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 Yes	
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		No
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		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
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.	174	
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c	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.	1,702	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	Yes	
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
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
c	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
b	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).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	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.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	11	
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	Yes
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	No
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
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	Yes
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	Yes

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> 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 GORDON DAVIDSON 915 HIGHLAND BLVD BOZEMAN, MT (406) 585-1036

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) TERRY CUNNINGHAM CHAIR	1 00	X		X				0	0	0
(2) JULIE JACKSON 1ST VICE CHAIR	1 00	X		X				0	0	0
(3) KIRK MILLER 2ND VICE CHAIR	1 00	X		X				0	0	0
(4) JOHN MURDOCH SECRETARY	1 00	X		X				0	0	0
(5) JOHN ROBBINS MD TREASURER/DOCTOR	50 00	X		X				141,823	0	41,895
(6) BRIAN BROWN TRUSTEE	1 00	X						0	0	0
(7) KATIE DAUGHENBAUGH TRUSTEE	1 00	X						0	0	0
(8) JAYNEE GROSETH TRUSTEE	1 00	X						0	0	0
(9) LEN LUTZ TRUSTEE	1 00	X						0	0	0
(10) REV DAVE MCCONNELL TRUSTEE	1 00	X						0	0	0
(11) TOM MILLESON TRUSTEE	1 00	X						0	0	0
(12) KERRY PETITT TRUSTEE	1 00	X						0	0	0
(13) STAN MOSER CEO/PRESIDENT	50 00			X				829,983	0	15,353
(14) GORDON DAVIDSON CFO/VP FINANCE/INTERIM CEO	50 00			X				385,965	0	51,486
(15) ELIZABETH LEWIS SENIOR VP OPERATIONS/LEGAL	50 00				X			383,048	0	51,181
(16) HUGH HETHERINGTON MD DOCTOR	50 00					X		616,001	0	53,314
(17) ANNE CASTILLO MD DOCTOR	50 00					X		658,881	0	15,000

Part VII

[illegible]

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	5,383,374	0	375,600

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: 88

		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
MC BUILDERS JV 1203 S CHURCH BOZEMAN MT 59715	CONSTRUCTION	7,280,065
ABSAROKA EMERGENCY PHYSICIANS 1184 N 15TH STREET SUITE 1 BOZEMAN MT 59715	ER PHYSICIANS FEE	3,475,898
GALLATIN VALLEY ANESTHESIA 10150 S CENTENNIAL PKWY SUITE 230 SANDY UT 84070	ANESTHESIOLOGY	789,528
ARBOR MEDIC PO BOX 10305 BOZEMAN MT 59715	LANDSCAPING/LAWN/SNOW REMOVAL	783,328
PERSNICKETY DRY CLEANERS 2020 W BABCOCK BOZEMAN MT 59715	LAUNDRY SERVICE	680,263

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 ▶27	
---	--

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	3,871,567			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,276,214			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		5,147,781			
Program Service Revenue	2a	PATIENT SERVICE REVENUE	Business Code 622110	170,468,207	170,072,070	396,137	
	b	RESIDENT SERVICE REVEN	623000	5,626,913	5,626,913		
	c	PHARMACY REVENUE	446110	3,172,185	1,631,124	1,541,061	
	d	CAFETERIA REVENUE	722210	1,314,146	1,314,146		
	e						
	f	All other program service revenue		9,284,623	8,165,399	1,119,224	
	g	Total. Add lines 2a-2f		189,866,074			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		2,545,400		2,545,400
4		Income from investment of tax-exempt bond proceeds . . .					
5		Royalties					
6a		Gross rents	(i) Real	(ii) Personal			
			1,227,362				
			842,828				
			384,534				
d		Net rental income or (loss)		384,534		384,534	
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
			399,162	651,510			
			0	0			
			399,162	651,510			
d		Net gain or (loss)		1,050,672		1,050,672	
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
b		Less direct expenses	b				
c		Net income or (loss) from fundraising events . . .					
9a		Gross income from gaming activities See Part IV, line 19	a				
b		Less direct expenses	b				
c		Net income or (loss) from gaming activities . . .					
10a		Gross sales of inventory, less returns and allowances	a				
b	Less cost of goods sold	b					
c	Net income or (loss) from sales of inventory . . .						
	Miscellaneous Revenue	Business Code					
11a							
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d						
12	Total revenue. See Instructions		198,994,461	186,809,652	3,440,956	3,596,072	

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.	723,800	723,800		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	1,881,233	178,688	1,702,545	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	496,983		496,983	
7	Other salaries and wages.	68,265,567	55,767,496	12,498,071	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	2,838,873	2,292,793	546,080	
9	Other employee benefits.	7,224,386	5,718,380	1,506,006	
10	Payroll taxes.	4,996,883	3,936,790	1,060,093	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	228,924		228,924	
c	Accounting.	79,292		79,292	
d	Lobbying.	46,850		46,850	
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	437,369		437,369	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	15,288,277	8,196,533	7,091,744	
12	Advertising and promotion.	969,066	118,492	850,574	
13	Office expenses.	3,518,236	1,072,583	2,445,653	
14	Information technology.				
15	Royalties.				
16	Occupancy.	2,365,547	371,878	1,993,669	
17	Travel.	443,582	304,148	139,434	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	295,722	202,766	92,956	
20	Interest.	2,272,769	2,272,769		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	13,323,005	13,323,005		
23	Insurance.	1,965,951	618,119	1,347,832	
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	33,828,034	33,764,907	63,127	
b	PROVISION FOR BAD DEBTS	10,465,697	10,465,697		
c	TAXES & LICENSES	5,658,967	4,456,871	1,202,096	
d	EQUIPMENT RENT & MAINTENANCE	2,850,842		2,850,842	
e	All other expenses	647,107	306,061	341,046	
25	Total functional expenses. Add lines 1 through 24e.	181,112,962	144,091,776	37,021,186	0
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 <input type="checkbox"/> 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		25,543,416	2	28,992,288
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		20,584,585	4	24,171,929
	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		406,123	7	374,082
	8	Inventories for sale or use		5,227,112	8	5,505,814
	9	Prepaid expenses and deferred charges		2,064,705	9	1,733,947
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	237,294,610		
	b	Less accumulated depreciation	10b	114,896,440	117,922,661	10c 122,398,170
	11	Investments—publicly traded securities		48,051,003	11	96,277,961
	12	Investments—other securities See Part IV, line 11		44,678,793	12	3,089,376
	13	Investments—program-related See Part IV, line 11		17,671,871	13	17,009,133
	14	Intangible assets		9,678,992	14	9,718,401
	15	Other assets See Part IV, line 11		17,456,353	15	15,762,955
	16	Total assets. Add lines 1 through 15 (must equal line 34)		309,285,614	16	325,034,056
Liabilities	17	Accounts payable and accrued expenses		19,066,668	17	22,728,234
	18	Grants payable			18	
	19	Deferred revenue		628,404	19	
	20	Tax-exempt bond liabilities		51,463,674	20	54,896,740
	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			22	
	23	Secured mortgages and notes payable to unrelated third parties		7,044,537	23	866,191
	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		10,654,166	25	10,096,558
	26	Total liabilities. Add lines 17 through 25		88,857,449	26	88,587,723
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		210,501,099	27	228,739,587
	28	Temporarily restricted net assets		8,334,508	28	6,102,205
	29	Permanently restricted net assets		1,592,558	29	1,604,541
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		220,428,165	33	236,446,333
	34	Total liabilities and net assets/fund balances		309,285,614	34	325,034,056

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	198,994,461
2	Total expenses (must equal Part IX, column (A), line 25)	2	181,112,962
3	Revenue less expenses Subtract line 2 from line 1	3	17,881,499
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	220,428,165
5	Net unrealized gains (losses) on investments	5	2,533,240
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	-4,396,571
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	236,446,333

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? 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 <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2a	No
2b	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 <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2b	Yes
2c	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	No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	

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 BOZEMAN DEACONESS HEALTH SERVICES	Employer identification number 81-0232121
---	--

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 C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.

▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization BOZEMAN DEACONESS HEALTH SERVICES	Employer identification number 81-0232121
---	--

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

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

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

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

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

Part II-A

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		46,850
j	Total. Add lines 1c through 1i.			46,850
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912.			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912.			
d	If the filing organization incurred a section 4912 tax, did it file Form 720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	HIRED CONSULTANT TO PROVIDE LOBBYING SERVICES IN CONNECTION WITH GOVERNMENTAL AFFAIRS. REPRESENTATION TO ENSURE HOSPITAL, COMMUNITY, AND EMPLOYEE INTERESTS AND NEEDS ARE REPRESENTED. BOZEMAN DEACONESS HEALTH SERVICES REIMBURSES CERTAIN PROFESSIONAL MEMBERSHIP DUES OF EMPLOYEES. A PORTION OF SUCH MEMBERSHIP DUES ARE USED BY THE PROFESSIONAL ASSOCIATIONS FOR LOBBYING ACTIVITIES.

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
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number
81-0232121

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

Part II

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

1

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

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

▶ \$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

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	9,765,686	9,735,942	8,337,197	7,225,497	9,844,389
b Contributions	385,183	398,579	383,010	36,288	75,363
c Net investment earnings, gains, and losses	873,051	-284,159	1,071,551	1,087,324	-1,797,068
d Grants or scholarships					
e Other expenditures for facilities and programs	110,901	84,676	55,816	11,912	897,187
f Administrative expenses					
g End of year balance	10,913,019	9,765,686	9,735,942	8,337,197	7,225,497

2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

75 220 %

b

Permanent endowment

18 660 %

c

Temporarily restricted endowment

6 120 %

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

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

b

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

3b

Yes

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		7,715,596		7,715,596
b Buildings		143,561,562	66,548,784	77,012,778
c Leasehold improvements				
d Equipment		79,376,185	48,347,656	31,028,529
e Other		6,641,267		6,641,267
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				122,398,170

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 INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	EACH ENDOWMENT FUND IS PRIVY TO A SEPARATE AGREEMENT. DONATIONS MADE FOR EACH PURPOSE SHALL BE RECEIVED, HELD, AND INVESTED BY THE BOZEMAN DEACONESS FOUNDATION ACCORDING TO ESTABLISHED POLICIES GOVERNING GIFT ACCEPTANCE, INVESTMENT, AND DISTRIBUTION. THE PRINCIPAL OF THE FUND SHALL BE RETAINED IN PERPETUITY. THE INTEREST INCOME IS UTILIZED FOR THE GREATEST NEEDS OF THE DESIGNATED DEPARTMENT. POLICY SAYS THE ORGANIZATION CAN USE A PORTION OF INTEREST FOR OPERATIONS.
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THE ORGANIZATION, WHICH INCLUDES THE HOSPITAL, CONSISTS OF MONTANA NONPROFIT CORPORATIONS AND HAS BEEN RECOGNIZED BY THE INTERNAL REVENUE SERVICE (IRS) AS EXEMPT FROM FEDERAL INCOME TAXES UNDER INTERNAL REVENUE CODE SECTION 501(C)(3). THE ORGANIZATION IS ANNUALLY REQUIRED TO FILE A RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX (FORM 990) WITH THE IRS. IN ADDITION, THE ORGANIZATION IS SUBJECT TO INCOME TAX ON NET INCOME THAT IS DERIVED FROM BUSINESS ACTIVITIES THAT ARE UNRELATED TO ITS EXEMPT PURPOSE. THE ORGANIZATION FILES AN EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURN (FORM 990T) WITH THE IRS TO REPORT ITS UNRELATED BUSINESS TAXABLE INCOME. BOZEMAN DEACONESS REAL ESTATE DEVELOPMENT CORP. IS A FOR-PROFIT ENTITY FOR WHICH INCOME TAXES ARE PROVIDED FOR THE TAX EFFECTS OF TRANSACTIONS REPORTED IN THE FINANCIAL STATEMENTS AND CONSIST OF TAXES CURRENTLY DUE PLUS DEFERRED TAXES. THERE WAS NO TAXABLE INCOME IN 2012 AND 2011. THE ORGANIZATION BELIEVES THAT IT HAS APPROPRIATE SUPPORT FOR ANY TAX POSITIONS TAKEN AFFECTING ITS ANNUAL FILING REQUIREMENTS, AND AS SUCH, DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT ARE MATERIAL TO THE FINANCIAL STATEMENTS. THE ORGANIZATION WOULD RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AND LIABILITIES IN INCOME TAX EXPENSE IF SUCH INTEREST AND PENALTIES ARE INCURRED. THE ORGANIZATION'S FEDERAL FORM 990T AND BOZEMAN DEACONESS REAL ESTATE DEVELOPMENT CORP.'S TAX FILINGS ARE NO LONGER SUBJECT TO FEDERAL AND STATE TAX EXAMINATIONS BY TAX AUTHORITIES FOR YEARS BEFORE 2009.

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number
81-0232121

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 <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> 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 <input type="checkbox"/> 100% <input checked="" type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %	3a	Yes	
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 <input type="checkbox"/> 200% <input checked="" type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	3b	Yes	
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"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.				

7

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)			7,144,156	373,916	6,770,240	3 970 %
b Medicaid (from Worksheet 3, column a)			9,238,433	6,032,851	3,205,582	1 880 %
c Costs of other means-tested government programs (from Worksheet 3, column b) .			593,058	858,823	-265,765	0 %
d Total Financial Assistance and Means-Tested Government Programs .			16,975,647	7,265,590	9,710,057	5 850 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			677,273	188,859	488,414	0 290 %
f Health professions education (from Worksheet 5)			186,524		186,524	0 110 %
g Subsidized health services (from Worksheet 6)			35,212,289	27,935,002	7,277,287	4 260 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			321,947		321,947	0 190 %
j Total Other Benefits			36,398,033	28,123,861	8,274,172	4 850 %
k Total. Add lines 7d and 7j .			53,373,680	35,389,451	17,984,229	10 700 %

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			2,832		2,832	0 %
2Economic development			7,788		7,788	0 %
3Community support			472		472	0 %
4Environmental improvements						
5Leadership development and training for community members			4,808		4,808	0 %
6Coalition building			2,957		2,957	0 %
7Community health improvement advocacy						
8Workforce development			708		708	0 %
9Other						
10Total			19,565		19,565	

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

10,954,255

3

Enter 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

0

4

Provide 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

5

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

5

30,856,438

6

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

6

34,594,141

7

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

7

-3,737,703

8

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

Section C. Collection Practices

9a

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

9a

Yes

b

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

9b

No

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	BOZEMAN DEACONESS HOSPITAL 915 HIGHLAND BLVD BOZEMAN, MT 59107	X	X					X			

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)

BOZEMAN DEACONESS HOSPITAL

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	
a <input type="checkbox"/> A definition of the community served by the hospital facility		
b <input type="checkbox"/> Demographics of the community		
c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input type="checkbox"/> How data was obtained		
e <input type="checkbox"/> The health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a 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 <input type="checkbox"/> Hospital facility's website		
b <input type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a <input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input type="checkbox"/> Prioritization of health needs in its community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted 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>150 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>250 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 <input checked="" type="checkbox"/> Income level			
b <input type="checkbox"/> Asset level			
c <input checked="" type="checkbox"/> Medical indigency			
d <input checked="" type="checkbox"/> Insurance status			
e <input type="checkbox"/> Uninsured discount			
f <input checked="" type="checkbox"/> Medicaid/Medicare			
g <input type="checkbox"/> State regulation			
h <input type="checkbox"/> 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 <input type="checkbox"/> The policy was posted on the hospital facility's website			
b <input type="checkbox"/> The policy was attached to billing invoices			
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
f <input type="checkbox"/> The policy was available upon request			
g <input checked="" type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			
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 <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			

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	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	<input checked="" type="checkbox"/> Other (describe in Part VI)			
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	21		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	22	Yes	

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?

6

Name and address	Type of Facility (describe)
1 DEACONESS INTERCITY IMAGING LLC 915 HIGHLAND BLVD BOZEMAN, MT 59715	OUTPATIENT IMAGING CENTER
2 ROCKY MOUNTAIN SURGERY CENTER LLC 1450 ELLIS ST SUITE 101 BOZEMAN, MT 59715	OUTPATIENT SURGICAL CENTER
3 BOZEMAN DIALYSIS CENTER 931 HIGHLAND BLVD SUITE 3105 BOZEMAN, MT 59715	OUTPATIENT DIALYSIS CENTER
4 HILLCREST SENIOR LIVING 1201 HIGHLAND BLVD BOZEMAN, MT 59715	INDEPENDENT AND ASSISTED LIVING FACILITY
5 HOSPICE OF SOUTHWEST MONTANA LLC 1600 ELLIS STREET SUITE 3A BOZEMAN, MT 59715	HOSPICE SERVICES
6 FAMILY DOCTORS URGENT CARE LLC 120 N 18TH AVENUE BOZEMAN, MT 59715	OUTPATIENT HEALTH CARE
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 ANY INDIVIDUAL AND THEIR DEPENDENTS WHO ARE AT 150% OF THE FEDERAL POVERTY INCOME LEVEL OR BELOW WILL BE ELIGIBLE TO RECEIVE A 100% WRITE-OFF OF THE SELF-PAY PORTION OF INCURRED CHARGES, UPON COMPLETION OF AN APPLICATION ANY UNINSURED INDIVIDUAL WITH INCOME UNDER 250% OF THE FEDERAL POVERTY GUIDELINES (FPG) WILL BE ELIGIBLE TO RECEIVE A DISCOUNT FROM CHARGES BASED ON CERTAIN GUIDELINES COMPLETION OF THE FINANCIAL ASSISTANCE APPLICATION WILL BE REQUIRED IN SOME CASES, FULL OR PARTIAL ASSISTANCE MAY BE PROVIDED TO INSURED INDIVIDUALS WITH GROSS FAMILY INCOMES ABOVE 250% OF THE FPG ADJUSTED FOR FAMILY SIZE CATASTROPHIC FINANCIAL ASSISTANCE IS AVAILABLE TO INDIVIDUALS WHO HAVE A LARGE BALANCE REMAINING AFTER ALL THIRD PARTY PAYMENTS HAVE BEEN TAKEN INTO ACCOUNT THE BALANCE UNDER CONSIDERATION IS THAT AMOUNT WHICH IS DEEMED TO BE THE PATIENT'S FINANCIAL RESPONSIBILITY IF SUCH RESPONSIBILITY IS GREATER THAN 50% OF THE FAMILY'S ANNUAL HOUSEHOLD INCOME, THE EXCESS AMOUNT WILL BE TREATED AS CATASTROPHIC FINANCIAL ASSISTANCE AND WRITTEN OFF OF THE PATIENT'S ACCOUNT THIS ASSISTANCE IS AVAILABLE WITHOUT RESPECT TO THE FPG, BUT THEY MUST FOLLOW THE SAME PROCESS AS ALL OTHER PATIENTS SEEKING FINANCIAL ASSISTANCE BASED UPON FPG ASSET TESTS ARE NOT USED FOR DETERMINING ANY LEVEL OF FINANCIAL ASSISTANCE ALL DECISIONS REGARDING FINANCIAL ASSISTANCE ARE IN THE SOLE DISCRETION OF BDH PRIOR TO PROVIDING SERVICES, BDH WILL MAKE AN EFFORT TO NOTIFY THE PATIENT REGARDING THEIR ELIGIBILITY FOR FINANCIAL ASSISTANCE
		PART I, LINE 6A THE ORGANIZATION'S COMMUNITY BENEFIT REPORT CAN BE FOUND ON ITS WEBSITE AT WWW.BOZEMANDEACONESS.ORG/REPORTS
		PART I, LINE 7 THE COST TO CHARGE RATIO FROM WORKSHEET 2 WAS USED TO OBTAIN THE COSTS RELATED TO CHARITY CARE, MEDICAID, AND OTHER MEANS-TESTED PROGRAMS ALL OTHER BENEFITS WERE CALCULATED USING OUR INTERNAL COSTING SYSTEM THIS SYSTEM ASSIGNS ALL DIRECT EXPENSES TO SEPARATE COST CENTERS (DEPARTMENTS) AND ACCOUNTS INDIRECT COSTS ARE THEN ALLOCATED TO APPLICABLE DEPARTMENTS BASED ON APPROPRIATE STATISTICS FOR EXAMPLE, ENGINEERING AND ENVIRONMENTAL SERVICES WOULD BE ALLOCATED BASED ON SQUARE FOOTAGE WHEREAS INFORMATION SYSTEMS AND BENEFITS ARE ALLOCATED BASED ON AN ACCUMULATED COST PERCENTAGE AS DETERMINED BY THE MEDICARE COST REPORT OUR INTERNAL SYSTEM DOES RECORD PATIENT REVENUES BASED ON TYPE (INPATIENT VS. OUTPATIENT VS. EMERGENCY) AND PAYOR (MEDICAID, MEDICARE, COMMERCIAL, SELF-PAY, ETC.) RELATED COSTS ARE THEN DETERMINED BASED ON THE PRO-RATED SHARE AS A PERCENTAGE OF THE TOTAL FOR EXAMPLE, IF MEDICAID COMPRISES 7% OF A DEPARTMENT'S REVENUE, MEDICAID EXPENSES ARE CALCULATED AT 7% OF THE TOTAL AS WELL
		PART I, LINE 7G AMOUNT OF COST ATTRIBUTABLE TO A PHYSICIAN CLINIC IS \$28,543,556 ALL COSTS ASSOCIATED WITH A PROVIDER-BASED CLINIC OPERATIONAL DEPARTMENT WERE CONSIDERED PART OF THIS TOTAL
		PART I, L7 COL(F) THE AMOUNT OF BAD DEBT EXPENSE REMOVED FROM THE DENOMINATOR IS \$10,465,697
		PART II BOZEMAN DEACONESS HEALTH SERVICES PROVIDED LEADERSHIP DEVELOPMENT TO ASPIRING HEALTHCARE PROFESSIONALS THROUGH THE JUNIOR ACHIEVEMENT PROGRAM BDHS EMPLOYEES SPOKE WITH HIGH SCHOOL STUDENTS ABOUT A CAREER AS A NURSE AND PROVIDED THEM WITH REAL LIFE EXAMPLES OF WHAT THE PROFESSION ENTAILS THESE ACTIVITIES PROMOTE HEALTHCARE BECAUSE THE INDIVIDUALS ARE DIRECTED TOWARD LEARNING ABOUT HEALTH CARE PROFESSIONS AND WILL HOPEFULLY ENCOURAGE FUTURE INTEREST IN THESE TYPES OF POSITIONS THAT PROMOTE HEALTHCARE ONE OF OUR ADMINISTRATORS PARTICIPATED IN ECONOMIC AND BUSINESS DEVELOPMENT THROUGH INVOLVEMENT IN SEVERAL ADVISORY BOARDS AND TASK FORCE PROJECTS AND INITIATIVES THE INVOLVEMENT IN THESE COMMUNITY INITIATIVES PROVIDES AWARENESS OF HEALTH ISSUES AND EDUCATION ON HOW TO ACCESS HEALTH SERVICES
		PART III, LINE 4 BAD DEBT IS REPORTED AT CHARGES AS RECORDED BY THE ORGANIZATION AND INCLUDED JOINT VENTURES BAD DEBT IS REPORTED BASED UPON ACTUAL BAD DEBT EXPENSE NET OF DISCOUNTS AND CONTRACTUAL ADJUSTMENTS, LESS RECOVERIES IN DETERMINING THE AMOUNT OF BAD DEBT ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER OUR CHARITY CARE POLICY, WE OBTAINED STATISTICAL INFORMATION DIRECTLY FROM OUR CREDIT AGENCIES FROM THIS INFORMATION WE WERE ABLE TO CALCULATE AN AVERAGE PERCENTAGE (15%) OF ACCOUNTS TURNED OVER FOR COLLECTIONS THAT WOULD HAVE BEEN SUBSEQUENTLY DEEMED UNCOLLECTIBLE OR RETURNED FOR CHARITY THIS PERCENTAGE WAS APPLIED TO BAD DEBT EXPENSE AT CHARGES TO DETERMINE THE ESTIMATE NONE OF THE BAD DEBT IS INCLUDED AS COMMUNITY BENEFIT NOTE IN AUDITED FINANCIAL STATEMENTS THE CARRYING AMOUNT OF PATIENT AND RESIDENT RECEIVABLES IS REDUCED BY A VALUATION ALLOWANCE THAT REFLECTS MANAGEMENT'S BEST ESTIMATE OF AMOUNTS THAT WILL NOT BE COLLECTED FROM PATIENTS, RESIDENTS AND THIRD-PARTY PAYORS MANAGEMENT REVIEWS PATIENT AND RESIDENT RECEIVABLES BY PAYOR CLASS AND APPLIES PERCENTAGES TO DETERMINE ESTIMATED AMOUNTS THAT WILL NOT BE COLLECTED FROM THIRD PARTIES UNDER CONTRACTUAL AGREEMENTS AND AMOUNTS THAT WILL NOT BE COLLECTED FROM PATIENTS AND RESIDENTS DUE TO BAD DEBTS MANAGEMENT CONSIDERS HISTORICAL WRITE OFF AND RECOVERY INFORMATION IN DETERMINING THE ESTIMATED BAD DEBT PROVISION
		PART III, LINE 8 THE ENTIRE AMOUNT OF SHORTFALL SHOULD BE CONSIDERED A COMMUNITY BENEFIT THE MEDICARE SHORTFALL REPRESENTS A COST ABSORBED BY THE HOSPITAL AS A RESULT OF PROVIDING CARE TO MEDICARE PATIENTS THE CONTRACT DRIVING THIS LOSS IS A NONDISCRETIONARY CONTRACT, AS IS PROVIDING THE SERVICES TO THIS POPULATION OF INDIVIDUALS THE COST OF PROVIDING THIS BENEFIT TO THE COMMUNITY SHOULD BE REPORTABLE AS SUCH MEDICARE ALLOWABLE COSTS OF CARE ARE BASED ON THE MEDICARE COST REPORT THE MEDICARE COST REPORT IS COMPLETED BASED ON THE RULES AND REGULATIONS SET FORTH BY CMS FOR THE JOINT VENTURES, NET MEDICARE REVENUE WAS USED AS THE REVENUE RECEIVED, AND THAT PERCENTAGE OF TOTAL REVENUES WAS APPLIED AGAINST OPERATING EXPENSES TO DETERMINE RELATED COSTS THE JOINT VENTURE PORTION OF THE SHORTFALL IS \$793,338
BOZEMAN DEACONESS HOSPITAL		PART III, LINE 9B THE COLLECTION POLICY DOES NOT SPECIFICALLY ADDRESS THE COLLECTION PRACTICES TO BE FOLLOWED FOR PATIENTS WHO ARE KNOWN TO QUALIFY FOR CHARITY CARE OR FINANCIAL ASSISTANCE
BOZEMAN DEACONESS HOSPITAL		PART V, SECTION B, LINE 14G A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY IS POSTED ON THE HOSPITAL FACILITY WEBSITE, ATTACHED TO BILLING INVOICES, PROVIDED TO PATIENTS ON ADMISSION TO THE HOSPITAL FACILITY AND IS AVAILABLE UPON REQUEST INFORMATION ABOUT FINANCIAL ASSISTANCE IS ALSO INCLUDED IN OUR PATIENT FINANCIAL SERVICES BROCHURE
BOZEMAN DEACONESS HOSPITAL		PART V, SECTION B, LINE 20D FOR ALL SELF-PAY PATIENTS, AN AUTOMATIC 5% DISCOUNT IS APPLIED TO CHARGES UPON BILLING THIS IS COMPARABLE TO WHAT OUR MOST FAVORABLE INSURANCE CONTRACT RATE WOULD BE
BOZEMAN DEACONESS HOSPITAL		PART V, SECTION B, LINE 22 ALL INDIVIDUALS ELIGIBLE UNDER THE HOSPITAL FINANCIAL ASSISTANCE POLICY ARE PROVIDED A DISCOUNT FOR EMERGENCY AND OTHER MEDICALLY NECESSARY CARE THE FINANCIAL ASSISTANCE POLICY DOES NOT APPLY TO ELECTIVE PROCEDURES THEREFORE, FAP-ELIGIBLE PATIENTS WITHOUT INSURANCE MAY BE CHARGED GROSS CHARGES ON ELECTIVE PROCEDURES
		PART V, SECTION B, LINE 1 THE REPORT WAS COMPLETED IN 2012, HOWEVER DUE TO SECTION B, LINES 1 - 8C BEING OPTIONAL FOR 2012, THESE QUESTIONS HAVE NOT BEEN COMPLETED AND WILL BE ANSWERED IN 2013
		PART VI, LINE 2 IN 2011, BDHS PARTNERED WITH GCCHD TO CONDUCT A LARGER AND COMPREHENSIVE GRANT-FUNDED COMMUNITY HEALTH ASSESSMENT AND HEALTH IMPROVEMENT PLANNING FOCUSING ON GALLATIN COUNTY CALLED THE "HEALTHY GALLATIN" INITIATIVE THE HEALTHY GALLATIN INITIATIVE IS A RESULT OF COLLABORATION BETWEEN GCCHD, CHP, MONTANA STATE UNIVERSITY'S LOCAL GOVERNMENT CENTER AND MANY OTHER ORGANIZATIONS, ALL OF WHOM SHARE THE COMMITMENT TO AND HAVE A ROLE IN THE COMMUNITY'S HEALTH AND OVERALL WELL-BEING THIS INITIATIVE CALLS FOR CONDUCTING 4 ASSESSMENTS AND IS INTENDED TO RESULT IN THE DEVELOPMENT OF A COMMUNITY-WIDE STRATEGIC PLAN FOR COMMUNITY HEALTH IMPROVEMENT TOGETHER, THESE 4 ASSESSMENTS CALL FOR COMMUNITY INVOLVEMENT WHICH HELPS ENSURE APPROPRIATE COMMUNITY OWNERSHIP OF THE HEALTHY GALLATIN INITIATIVE RESULTS OF THESE ASSESSMENTS WERE MADE PUBLIC IN JANUARY 2012 AND AN IMPLEMENTATION STRATEGY WAS APPROVED BY THE BOARD LATER IN FALL OF 2012 1 COMMUNITY HEALTH STATUS ASSESSMENT (CHSA) IDENTIFIED PRIORITY COMMUNITY HEALTH AND QUALITY OF LIFE ISSUES THROUGH THE 3-COUNTY JOINT HEALTHY GALLATIN CHNA CONDUCTED VIA TELEPHONE SURVEY IN THE SUMMER OF 2011 2 COMMUNITY THEMES AND STRENGTHS ASSESSMENT (CTSA) PROVIDED A DEEP UNDERSTANDING OF THE ISSUES RESIDENTS FEEL ARE IMPORTANT THIS WAS CONDUCTED THROUGH A SERIES OF IN-DEPTH COMMUNITY CONVERSATIONS CALLED "STUDY CIRCLES" IN SEVEN DIFFERENT COMMUNITIES THROUGHOUT GALLATIN COUNTY THESE FACILITATED SMALL GROUP, DEMOCRATIC, HIGHLY PARTICIPATORY CONVERSATIONS/DISCUSSIONS OCCUR ONCE A WEEK OVER A PERIOD OF THREE WEEKS THESE CONVERSATIONS WERE MEANT TO EMPOWER PEOPLE NOT ONLY TO FIGURE OUT THE MOST IMPORTANT HEALTH ISSUES, BUT TO ALSO PRODUCE IDEAS AND IDENTIFY SOLUTIONS THAT WILL WORK BEST FOR THEIR INDIVIDUAL COMMUNITY, AND GALLATIN COUNTY AS A WHOLE STUDY CIRCLES, CONDUCTED FROM MARCH THROUGH JULY 2011, WERE COMPLETED IN 7 COMMUNITIES BOZEMAN, BELGRADE, THREE FORKS, WEST YELLOWSTONE, MANHATTAN/AMSTERDAM/CHURCHILL, GALLATIN GATEWAY AND BIG SKY THE FACILITATION GUIDE USED CALLED "BUILDING A HEALTHIER COMMUNITY WHAT CAN WE DO TO MAKE AND KEEP OUR COMMUNITY HEALTHY, STRONG, AND VIBRANT" WAS DEVELOPED BY THE STUDY CIRCLES RESOURCE CENTER, A PROJECT OF THE TOPSFIELD FOUNDATION, INC, A NONPROFIT, NONPARTISAN FOUNDATION DEDICATED TO ADVANCING DELIBERATIVE DEMOCRACY AND IMPROVING THE QUALITY OF PUBLIC LIFE IN THE UNITED STATES 3 LOCAL PUBLIC HEALTH SYSTEM ASSESSMENT (LPHSA) FOCUSED ON THE LOCAL PUBLIC HEALTH SYSTEM---ALL OF THE ORGANIZATIONS AND ENTITIES, WHETHER PUBLIC, PRIVATE, OR VOLUNTARY, THAT CONTRIBUTES TO THE DELIVERY OF PUBLIC HEALTH SERVICES WITHIN A COMMUNITY THE PURPOSE OF THE ASSESSMENT WAS TO EVALUATE THE ACTIVITIES, COMPONENTS AND CAPACITIES OF OUR LOCAL PUBLIC HEALTH SYSTEM IN PROVIDING THE ESSENTIAL PUBLIC HEALTH SERVICES IN GALLATIN COUNTY THE DIALOGUE THAT OCCURRED IN ANSWERING THESE QUESTIONS HELPED IDENTIFY AREAS OF STRENGTH AND WEAKNESS AND DETERMINE OPPORTUNITIES FOR IMPROVEMENT THE ASSESSMENT INSTRUMENT USED WAS DEVELOPED BY THE NATIONAL PUBLIC HEALTH PERFORMANCE STANDARDS PROGRAM WHICH IS A COLLABORATIVE EFFORT OF SEVEN NATIONAL PARTNERS, WHICH INCLUDES CDC AND THE AMERICAN PUBLIC HEALTH ASSOCIATION THE GALLATIN COUNTY LPHSA WAS CONDUCTED OVER 2 DAYS IN APRIL 2011 THIRTY-EIGHT ORGANIZATIONS AND SIXTY-FIVE INDIVIDUALS PARTICIPATED, INCLUDING REPRESENTATION FROM THE LOCAL HEALTH DEPARTMENT, HEALTHCARE PROVIDERS, HUMAN SERVICE ORGANIZATIONS, SCHOOLS AND UNIVERSITIES, ELECTED OFFICIALS AND GOVERNMENTAL ORGANIZATIONS, FAITH INSTITUTIONS, YOUTH DEVELOPMENT ORGANIZATIONS, ECONOMIC AND PHILANTHROPIC ORGANIZATIONS, AND ENVIRONMENTAL AGENCIES 4 FORCES OF CHANGE ASSESSMENT (FCA) WAS AIMED AT IDENTIFYING FORCES--SUCH AS TRENDS, FACTORS, OR EVENTS---THAT ARE OR WILL BE INFLUENCING THE HEALTH AND QUALITY OF LIFE OF THE COMMUNITY AND THE WORK OF THE LOCAL PUBLIC HEALTH SYSTEM THE ASSESSMENT WAS CONDUCTED DURING ONE, THREE-HOUR BRAINSTORMING SESSION WITH REPRESENTATION FROM DIFFERENT ORGANIZATIONS FROM ACROSS THE COUNTY INCLUDING ACADEMIA, COMMUNITY HEALTH, RURAL HEALTH, AND ENVIRONMENTAL HEALTH ORGANIZATIONS PARTICIPANTS IDENTIFIED FACTORS, TRENDS AND EVENTS AFFECTING THE HEALTH OF GALLATIN COUNTY, RANGING FROM ECONOMIC FORCES TO SOCIAL, POLITICAL, AND ENVIRONMENTAL FORCES PARTICIPANTS ALSO IDENTIFIED BOTH THREATS AND OPPORTUNITIES FOR MANY OF THE FORCES IDENTIFIED
		PART VI, LINE 3 BOZEMAN DEACONESS HOSPITAL IS DEEPLY COMMITTED TO PROVIDING FINANCIAL ASSISTANCE TO PATIENTS NEEDING, BUT UNABLE TO AFFORD, MEDICALLY NECESSARY HEALTH CARE SERVICES BDH POSTS NOTICE OF ITS FINANCIAL ASSISTANCE POLICY IN ALL ADMITTING AREAS, AS WELL AS ON THE WEBSITE AT THE EARLIEST FEASIBLE TIME, BDH WILL ATTEMPT TO DETERMINE WHETHER A PATIENT HAS THIRD PARTY COVERAGE FOR ANY PART OF THE HOSPITAL SERVICES PROVIDED IF A PATIENT DOES NOT HAVE THIRD PARTY COVERAGE, A PATIENT ADVOCATE FROM THE MASH PROGRAM WILL SCREEN ALL INPATIENT CASES AND ANY OUTPATIENT CASES EXCEEDING \$1,000 IN TOTAL CHARGES TO DETERMINE IF THE PATIENT QUALIFIES FOR THIRD PARTY FUNDING IF NOT, THE PATIENT ADVOCATE WILL EXPLAIN THE FINANCIAL ASSISTANCE POLICY AND GIVE THE PATIENT AN APPLICATION IF DESIRED IN CIRCUMSTANCES WHERE PAYMENT IN FULL WILL CAUSE FINANCIAL HARDSHIP THAT WILL SIGNIFICANTLY HARM THE PATIENT OR PATIENT'S FAMILY, THE APPLICANT MAY BE ASKED TO VISIT WITH CONSUMER CREDIT COUNSELING SERVICES TO FURTHER REVIEW THEIR FINANCIAL SITUATION IF AN APPLICATION FOR MEDICAID PARTICIPATION OR FOR COVERAGE BY OTHER GOVERNMENTAL PAYMENT PROGRAMS PATIENT BILLS ALSO CONTAIN BILLING INFORMATION EXPLAINING FINANCIAL OPTIONS AND PROVIDE CONTACT INFORMATION TO THE APPROPRIATE RESOURCES
		PART VI, LINE 4 BOZEMAN DEACONESS HEALTH SERVICES MAINTAINS A 3 COUNTY SERVICE AREA OF GALLATIN, PARK, AND MADISON COUNTIES AS OF JULY 1, 2012, THE CENSUS BUREAU ESTIMATES THAT THE 3-COUNTY AREA NOW REPRESENTS A POPULATION OF APPROXIMATELY 116,000, A 2.7% (3,074) INCREASE FROM CENSUS 2010, WITH MUCH OF THE GROWTH CONCENTRATED IN GALLATIN BDHS IS STILL THE ONLY HOSPITAL FACILITY IN GALLATIN COUNTY, ITS PRIMARY SERVICE AREA, REPRESENTING ABOUT 87% OF INPATIENT ADMISSIONS BDHS CONSIDERS BOTH PARK AND MADISON COUNTIES, EACH HAVING A CRITICAL ACCESS HOSPITAL, AS SECONDARY SERVICE AREAS, REPRESENTING ABOUT 8% OF BDHS' INPATIENT POPULATION GALLATIN'S MEDIAN HOUSEHOLD INCOME (HHI) HAS CHANGED DRAMATICALLY OVER THE PAST DECADE FROM \$38,000 IN 2000 TO \$50,000 IN 2010 HOWEVER, THE PROPORTION OF PERSONS LIVING BELOW THE FEDERAL POVERTY LEVEL (FPL) HASN'T CHANGED AND REMAINED AROUND 13% IF PERSONS LIVING BETWEEN 100% TO 199% OF FPL ARE INCLUDED, THIS RATE JUMPS TO 30% TOGETHER, THESE RESIDENTS (I.E. LIVING BELOW 200% OF FPL) COMPRISE THE LOW-INCOME SEGMENT OF THE POPULATION
		PART VI, LINE 5 AS A SOLE COMMUNITY HOSPITAL, BOZEMAN DEACONESS HEALTH SERVICES IS COMMITTED TO PROVIDING QUALITY CARE AND PROMOTING HEALTH TO THE VERY COMMUNITY THAT SUPPORTS US OUR GOVERNING BODY IS REPRESENTED BY INDIVIDUALS OF OUR COMMUNITY, WITH ALL BUT ONE BEING INDEPENDENT TO OUR ORGANIZATION TO ENSURE IMMEDIATE ACCESS TO CARE, BDHS HAS AN OPEN MEDICAL STAFF AND REQUIRES EACH MEDICAL STAFF MEMBER TO CARE FOR ANYONE PRESENTING A NEED FOR CARE IN THE EMERGENCY DEPARTMENT WE ALSO DEVOTE A SIGNIFICANT AMOUNT OF SURPLUS FUNDS TO MAINTAINING A HIGH LEVEL OF PATIENT CARE THROUGH QUALITY INITIATIVES AND TECHNOLOGY INVESTMENTS BDHS GIVES BACK TO ITS COMMUNITY THROUGH COMMUNITY BENEFIT OPPORTUNITIES, WHICH AT JUST UNDER \$18 MILLION COMPRISED 10.5% OF OUR TOTAL OPERATING EXPENSES (EXCLUDING BAD DEBT) IN 2012 VARIOUS EMPLOYEES, PHYSICIANS, ADMINISTRATORS, AND BOARD MEMBERS OF THE HOSPITAL ARE ACTIVELY INVOLVED IN VOLUNTEER ROLES INCLUDING COMMUNITY BOARD POSITIONS IN NUMEROUS OTHER ACTIVITIES, GROUPS, AND ORGANIZATIONS THAT ACTIVELY PROMOTE THE HEALTH OF THE COMMUNITY
		PART VI, LINE 6 BOZEMAN DEACONESS HEALTH SERVICES OWNS A MAJORITY INTEREST IN ADVANCED MEDICAL IMAGING AND ROCKY MOUNTAIN SURGERY CENTER THESE ORGANIZATIONS HOLD SIMILAR POLICIES REGARDING PROVIDING CARE TO ALL MEMBERS OF THE COMMUNITY AND OFFERING FINANCIAL ASSISTANCE AS DETERMINED BY ABILITY TO PAY
		PART VI, LINE 6B THE ORGANIZATION'S COMMUNITY BENEFIT REPORT CAN BE FOUND ON ITS WEBSITE AT WWW.BOZEMANDEACONESS.ORG

OMB No 1545-0047

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

Open to Public Inspection

Employer identification number
81-0232121

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

[illegible]

For Paperwork Reduction Act Notice, see the Instructions for Form 990. Cat No 50055P **Schedule I (Form 990) 2012**

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 RECIPIENTS OF GRANTS AND ASSISTANCE PREPARE INFORMATIONAL REPORTS SUBSTANTIATING THE USE OF THE FUNDS THAT WERE EARMARKED TO SUPPORT COMMUNITY HEALTH PROGRAMS INVOLVEMENT OF BOZEMAN DEACONESS HEALTH SERVICES STAFF AND/OR ADMINISTRATION AS VOLUNTEERS IN THE ACTIVITIES BEING SUPPORTED ALSO ENSURES PROPER USAGE OF FUNDS

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
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number
81-0232121

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use		
	<input checked="" type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence		
	<input type="checkbox"/> Tax idemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees		
	<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	Yes	
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			
	<input checked="" type="checkbox"/> Compensation committee	<input checked="" type="checkbox"/> Written employment contract		
	<input checked="" type="checkbox"/> Independent compensation consultant	<input type="checkbox"/> Compensation survey or study		
	<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	4a	Yes	
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?	4c		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	5a		No
b	Any related organization?	5b		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	6a	Yes	
b	Any related organization?	6b		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in 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
	PART I, LINE 1A	PER CONTRACT, THE CEO IS REIMBURSED FOR TWO BUSINESS TRIPS PER YEAR WHERE THEIR SPOUSE ACCOMPANIES THEM. THESE ARE REPORTED AS TAXABLE COMPENSATION.
	PART I, LINE 4A	STAN MOSER RECEIVED A SEVERANCE PAYMENT IN THE AMOUNT OF \$581,700.83.
	PART I, LINE 6	A PHYSICIAN LISTED IN PART VII, SECTION A, RECEIVES INCENTIVE COMPENSATION BASED ON ACTUAL RELATIVE VALUE UNIT'S (RVU'S) PRODUCED IN EXCESS OF TARGETS. THE TOTAL OF THE INCENTIVE IS CALCULATED BY TAKING THE EXCESS RVU'S TIMES A RVU CONVERTER. THE RVU CONVERTER IS BASED UPON NET EARNINGS FROM SERVICES PROVIDED BY THE PHYSICIAN.
	PART I, LINE 7	THE BOARD ESTABLISHES GOALS EACH YEAR AND IF MET, THERE IS COMPENSATION TIED TO THEM. ALL SUCH COMPENSATION IS REVIEWED BY THE INDEPENDENT COMPENSATION SPECIALISTS. INCENTIVE COMPENSATION IS DETERMINED BY ACHIEVING FINANCIAL PERFORMANCE IN EXCESS OF BUDGETED PERFORMANCE, AND ACHIEVING PRE-DETERMINED GOALS DEALING WITH PATIENT QUALITY, PATIENT SATISFACTION AND EMPLOYEE SATISFACTION. THIS APPLIES TO ALL SENIOR ADMINISTRATION AND ALL PHYSICIANS (WITH ONE EXCEPTION DESCRIBED IN SCHEDULE J, PART I LINE 6A) THAT RECEIVES COMPENSATION AND INCLUDES INCENTIVE COMPENSATION REFLECTED IN PART II, COLUMN B(II).
SUPPLEMENTAL INFORMATION	PART III	PART II. THE AMOUNT PAID TO THE FORMER CEO WAS FOR COMPENSATION EARNED FROM AN INCENTIVE PLAN THAT WAS IN PLACE DURING HIS TENURE AT BOZEMAN DECONESS HEALTH SERVICES, BUT NOT PAYABLE UNTIL AFTER THE ENDING OF THE FISCAL YEAR.

Software ID:
Software Version:
EIN: 81-0232121
Name: BOZEMAN DEACONESS HEALTH SERVICES

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				
JOHN ROBBINS MD	(i) (ii)	136,261 0	5,000 0	562 0	28,671 0	13,819 0	184,313 0	0 0
STAN MOSER	(i) (ii)	167,614 0	70,525 0	591,844 0	8,640 0	7,512 0	846,135 0	0 0
GORDON DAVIDSON	(i) (ii)	271,238 0	103,437 0	11,290 0	36,661 0	16,437 0	439,063 0	0 0
ELIZABETH LEWIS	(i) (ii)	209,893 0	166,132 0	7,023 0	33,663 0	19,130 0	435,841 0	0 0
HUGH HETHERINGTON MD	(i) (ii)	488,084 0	127,089 0	828 0	32,000 0	22,262 0	670,263 0	0 0
ANNE CASTILLO MD	(i) (ii)	653,053 0	5,000 0	828 0	15,000 0	948 0	674,829 0	0 0
JACK HENSOLD MD	(i) (ii)	550,373 0	5,000 0	2,376 0	33,165 0	18,610 0	609,524 0	0 0
DANE SOBEK MD	(i) (ii)	563,352 0	87,500 0	360 0	32,566 0	18,389 0	702,167 0	0 0
BLAIR ERB MD	(i) (ii)	571,712 0	100,000 0	1,548 0	15,000 0	21,029 0	709,289 0	0 0
JOHN NORDWICK	(i) (ii)	13,277 0	414,068 0	58,107 0	77 0	11,454 0	496,983 0	0 0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

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
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number
81-0232121

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 MONTANA FACILITY FINANCE AUTHORITY	81-0302402	61204JAW4	03-01-2004	12,591,558	FUND NEW BUILDING IV ADDTN BOZEMAN DEACONESS CAMPUS & REFUND 6/10/93 BONDS		X		X		X
B MONTANA FACILITY FINANCE AUTHORITY	81-0302402	621043CZ0	09-21-2005	28,001,371	FUND ADDTN TO HILLCREST & DEFEASE 3/28/00 HILLCREST CONSTRUCTION BONDS		X		X		X
C MONTANA FACILITY FINANCE AUTHORITY	36-4615155	61204EAH8	04-22-2010	6,645,000	REFINANCING OF 1998 BOND DEBT ISSUED 9/2/1998		X		X		X
D MONTANA FACILITY FINANCE AUTHORITY	81-0302402	61204MAS6	09-28-2011	20,680,164	TO FUND STRUCTURE AND EQUIPMENT OF NEWER, ACQUISITION OF LEGACY CONDOS		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	6,165,000		4,755,000		1,560,000		635,000	
2	Amount of bonds legally defeased								
3	Total proceeds of issue	12,616,746		28,220,708		6,645,000		20,689,941	
4	Gross proceeds in reserve funds	741,885		1,896,340					
5	Capitalized interest from proceeds	25,188		213,865				9,777	
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	297,573		345,919		137,988		421,184	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	7,033,560		7,152,476				20,258,980	
11	Other spent proceeds	4,518,540		18,612,108		6,507,012			
12	Other unspent proceeds								
13	Year of substantial completion	2005		2006		2010		2013	
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X			X	X			X
15	Were the bonds issued as part of an advance refunding issue?		X	X			X		X
16	Has the final allocation of proceeds been made?	X		X		X			X
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III

Private Business Use

			A		B		C		D	
			Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?			X		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		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X		X		X
b	Exception to rebate?		X		X		X		X
c	No rebate due?	X		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		X
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		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		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		X
7	Has the organization established written procedures to monitor the requirements of section 148?		X		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		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
SCHEDULE K PART IV, ARBITRAGE, LINE 2C	DATE REBATE COMPUTATION PERFORMED	ISSUER NAME MONTANA FACILITY FINANCE AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 06/28/2013 ISSUER NAME MONTANA FACILITY FINANCE AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 06/24/2010
SCHEDULE K, PART II, LINE 3, COLUMN (A)		THE AMOUNT ON LINE 3 INCLUDES \$12,591,558 OF PROCEEDS AND \$25,188 OF INTEREST
SCHEDULE K, PART II, LINE 3, COLUMN (B)		THE AMOUNT ON LINE 3 INCLUDES \$28,001,371 OF PROCEEDS AND \$219,337 OF INTEREST
SCHEDULE K, PART II, LINE 3, COLUMN (D)		THE AMOUNT ON LINE 3 INCLUDES \$20,680,164 OF PROCEEDS AND \$9,777 OF INTEREST

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 BOZEMAN DEACONESS HEALTH SERVICES	Employer identification number 81-0232121
---	--

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	THE YELLOWSTONE CONFERENCE OF THE METHODIST CHURCH CONFIRMS THE BOARD MEMBERS AND HAS AUTHORITY TO APPOINT THE CLERGY MEMBER OF THE BOARD
	FORM 990, PART VI, SECTION A, LINE 7B	CHANGING THE ARTICLES OF INCORPORATION IN RELATIONSHIP TO THE PROCESS OF SELECTING BOARD MEMBERSHIP MUST BE APPROVED BY THE YELLOWSTONE CONFERENCE OF THE UNITED METHODIST CHURCH
	FORM 990, PART VI, SECTION B, LINE 11	THE FINANCE COMMITTEE WILL REVIEW FORM 990 IN DETAIL AND WILL MAKE A RECOMMENDATION TO THE FULL BOARD FOR APPROVAL BEFORE FILING OF THE FORM 990 THE CFO REVIEWS THE FORM 990 AT A HIGHER LEVEL WITH THE BOARD BEFORE APPROVAL IS GRANTED
	FORM 990, PART VI, SECTION B, LINE 12C	IN-HOUSE COUNSEL IDENTIFIES POTENTIAL CONFLICTS FROM ANNUAL DISCLOSURES AND INFORMS THE BOARD CHAIR THE BOARD CHAIR DISCUSSES THE CONFLICT AND DECIDES WHETHER THE CONFLICT IS OF SUCH A NATURE TO EXCLUDE THE CONFLICTED PARTY FROM DISCUSSION AND/OR VOTE THIS POLICY COVERS ALL BOARD MEMBERS, OFFICERS, SENIOR ADMINISTRATION, AND KEY EMPLOYEES
	FORM 990, PART VI, SECTION B, LINE 15	THE EXECUTIVE COMMITTEE RECEIVES A FORMAL PRESENTATION BY AN INDEPENDENT COMPENSATION CONSULTANT (AS SELECTED BY THE BOARD) QUALIFIED TO PERFORM COMPENSATION REVIEWS INCLUDING USAGE OF COMPARABILITY DATA THIS PERSON PRESENTS RECOMMENDATIONS TO THE COMPENSATION COMMITTEE OF THE BOARD THE COMPENSATION COMMITTEE MAKES RECOMMENDATIONS TO THE FULL BOARD ON AN ANNUAL BASIS FOR OFFICERS AND SENIOR ADMINISTRATION THIS ANNUAL PROCESS WAS PERFORMED IN FALL 2011 TO DETERMINE 2012 COMPENSATION
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND ALL TAX RELATED INFORMATION REQUIRED TO BE AVAILABLE FOR PUBLIC INSPECTION ARE AVAILABLE VIA WALK-IN, TELEPHONE CALL, E-MAIL, AND/OR MAIL-IN REQUEST THE AUDITED FINANCIAL STATEMENTS ARE REQUIRED TO BE ATTACHED TO THE FORM 990 AND PROVIDED TO THE MUNICIPAL SECURITIES RULEMAKING BOARD, WHICH IS OUR TAX-EXEMPT BONDS TRUSTEE, VIA AN ON-LINE, CENTRAL FILING LOCATION CALLED ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) THE FINANCIAL STATEMENTS CAN BE OBTAINED BY THE GENERAL PUBLIC AT THE EMMA WEBSITE
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	TRANSFERS TO RELATED PARTIES -4,396,571

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number
81-0232121

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
(1) HILLCREST SENIOR LIVING LIMITED LIABILITY COMPANY 1201 HIGHLAND BLVD BOZEMAN, MT 59715 81-0232121	INDEPENDENT AND ASSISTED LIVING HOME	MT	6,234,007	33,821,615	BOZEMAN DEACONESS HEALTH SERVICES

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) BOZEMAN DEACONESS FOUNDATION 931 HIGHLAND BLVD SUITE 3200 BOZEMAN, MT 59715 84-1407943	RAISE FUNDS TO SUPPORT BOZEMAN DEACONESS HEALTH SERVICES	MT	501(C)(3)	LINE 7	N/A	Yes	

Part IIIPart 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) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) DEACONESS INTERCITY IMAGING LLC 915 HIGHLAND BLVD BOZEMAN, MT 59715 81-0666871	HEALTHCARE - IMAGING SERVICES	MT	N/A	RELATED	1,607,640	2,645,059		No		Yes		77 500 %
(2) ROCKY MOUNTAIN SURGICAL CENTER LLC 1450 ELLIS ST SUITE 101 BOZEMAN, MT 59715 36-4462300	HEALTHCARE - SURGICAL SERVICES	MT	N/A	RELATED	2,715,127	2,788,777		No			No	51 010 %
(3) BOZEMAN DIALYSIS CENTER PO BOX 37000 BILLINGS, MT 59107 81-0519879	HEALTHCARE - DIALYSIS SERVICES	MT	N/A	RELATED	-163,645			No		Yes		60 000 %

Part IVPart III

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
(1) BOZEMAN DEACONESS REAL ESTATE DEVELOPMENT CORP PO BOX 10490 BOZEMAN, MT 59719 20-5496567	SALE OF REAL ESTATE PROPERTY AND RESIDENCES TO SENIORS	MT	N/A	C	2,013,946	9,065,461	100 000 %	Yes	

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

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
See Additional Data Table			

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
------------	------------------	-------------

Software ID:
Software Version:
EIN: 81-0232121
Name: BOZEMAN DEACONESS HEALTH SERVICES

--> **Form 990, Schedule R, Part V - Transactions With Related Organizations**

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
DEACONESS INTERCITY IMAGING LLC	I	302,448	GENERAL LEDGER AND CORP RECORDS
DEACONESS INTERCITY IMAGING LLC	K	100,731	GENERAL LEDGER AND CORP RECORDS
DEACONESS INTERCITY IMAGING LLC	L	76,332	GENERAL LEDGER AND CORP RECORDS
DEACONESS INTERCITY IMAGING LLC	P	2,067,437	GENERAL LEDGER AND CORP RECORDS
DEACONESS INTERCITY IMAGING LLC	R	1,685,625	GENERAL LEDGER AND CORP RECORDS
BOZEMAN DEACONESS FOUNDATION	B	500,000	GENERAL LEDGER AND CORP RECORDS
BOZEMAN DEACONESS FOUNDATION	C	3,900,721	GENERAL LEDGER AND CORP RECORDS
BOZEMAN DEACONESS FOUNDATION	K	51,265	GENERAL LEDGER AND CORP RECORDS
BOZEMAN DEACONESS FOUNDATION	Q	500,000	GENERAL LEDGER AND CORP RECORDS
ROCKY MOUNTAIN SURGICAL CENTER LLC	R	2,491,787	GENERAL LEDGER AND CORP RECORDS
BOZEMAN DIALYSIS CENTER	P	66,430	GENERAL LEDGER AND CORP RECORDS



Consolidated Financial Statements
December 31, 2012 and 2011

Bozeman Deaconess Health Services

Independent Auditor's Report	1
Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Independent Auditor's Report on Consolidating Information	29
Consolidating Information	
Schedule of Consolidating Information - Assets	30
Schedule of Consolidating Information - Liabilities and Net Assets	31
Schedule of Consolidating Information - Operations	32



Independent Auditor's Report

The Board of Trustees
Bozeman Deaconess Health Services
Bozeman, Montana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bozeman Deaconess Health Services, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the 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. 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 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 Bozeman Deaconess Health Services as of December 31, 2012 and 2011, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter Regarding Accounting Principles

As discussed in Note 1 to the consolidated financial statements, in accordance with updates to the relevant accounting standards pertaining to the presentation and disclosure of patient service revenue, provision for bad debts, and allowance for doubtful accounts for certain health care entities, the Organization has changed its presentation and disclosure of those financial statement elements

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

Billings, Montana
April 29, 2013

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 37,650,071	\$ 30,640,450
Investments	35,442,112	37,492,060
Receivables		
Patient, net of estimated uncollectible accounts of \$25,902,000 in 2012 and \$22,796,000 in 2011	26,540,336	23,162,139
Resident, net of estimated uncollectible accounts of \$10,000 in 2012 and 2011	54,418	179,080
Contributions, net of estimated uncollectible accounts	378,310	538,317
Other	5,528,076	4,280,922
Assets limited as to use	2,041,182	1,984,278
Supplies	5,825,742	5,590,965
Prepaid expenses and other	<u>1,840,744</u>	<u>2,180,769</u>
Total current assets	<u>115,300,991</u>	<u>106,048,980</u>
Assets Limited as to Use		
By Board for capital improvements	30,719,601	25,089,071
Under bond indenture agreements	<u>23,386,619</u>	<u>23,285,972</u>
	54,106,220	48,375,043
Less current portion	<u>(2,041,182)</u>	<u>(1,984,278)</u>
	<u>52,065,038</u>	<u>46,390,765</u>
Property and Equipment, Net	<u>125,939,073</u>	<u>121,920,367</u>
Other Assets		
Land and homes for sale	5,282,627	5,495,450
Long-term investments	21,925,775	23,103,031
Investment in joint ventures	3,407,288	3,507,839
Contributions receivable, net of estimated uncollectible accounts	863,710	1,135,315
Goodwill	9,718,401	9,718,401
Notes receivable	374,082	406,123
Deferred financing costs, net of accumulated amortization of \$350,306 in 2012 and \$275,828 in 2011	896,921	971,399
Other assets	<u>235,704</u>	<u>234,978</u>
Total other assets	<u>42,704,508</u>	<u>44,572,536</u>
	<u>\$ 336,009,610</u>	<u>\$ 318,932,648</u>

See Notes to Consolidated Financial Statements

Bozeman Deaconess Health Services
Consolidated Balance Sheets
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 3,207,971	\$ 3,116,924
Accounts payable		
Trade	8,271,491	7,451,645
Estimated third-party pay or settlements	250,000	220,000
Refundable deposits	9,326,266	10,434,166
Current portion of deferred revenue	79,436	88,528
Accrued expenses	15,510,638	12,503,243
Current estimated liability to beneficiaries	<u>26,764</u>	<u>30,971</u>
Total current liabilities	36,672,566	33,845,477
Long-Term Liabilities		
Long-term debt, less current maturities	52,755,603	55,910,731
Deferred revenue from entrance fees	440,856	539,876
Estimated liability to beneficiaries	<u>218,731</u>	<u>221,035</u>
Total liabilities	<u>90,087,756</u>	<u>90,517,119</u>
Net Assets		
Unrestricted	234,573,308	214,775,236
Noncontrolling interest-unrestricted	3,096,268	3,200,479
Temporarily restricted	6,216,407	8,410,274
Permanently restricted	<u>2,035,871</u>	<u>2,029,540</u>
Total net assets	<u>245,921,854</u>	<u>228,415,529</u>
Total liabilities and net assets	<u><u>\$ 336,009,610</u></u>	<u><u>\$ 318,932,648</u></u>

Bozeman Deaconess Health Services

Consolidated Statements of Operations

Years Ended December 31, 2012 and 2011

	2012	2011
Unrestricted Revenues, Gains, and Other Support		
Net patient service revenue	\$ 189,845,018	\$ 185,717,554
Net resident service revenue	5,626,913	5,621,071
Provision for bad debts	(11,160,801)	(12,118,578)
Net patient and resident service revenue less bad debt provision	184,311,130	179,220,047
Other revenue	12,845,472	9,722,872
Unrestricted contributions	39,531	99,122
Net assets released from restrictions for operations	160,478	446,128
Total unrestricted revenues, gains, and other support	197,356,611	189,488,169
Expenses		
Professional care of patients	113,096,402	106,172,180
Personal care of residents	713,229	706,039
General and administrative	40,320,345	39,134,267
Depreciation and amortization	14,824,988	14,124,172
Property and equipment maintenance and operations	6,416,373	6,820,444
Cost of real estate sold	1,561,205	-
Housekeeping, laundry and linen	2,175,814	2,140,103
Dietary	3,137,697	3,062,812
Fundraising expenses	230,334	308,275
Interest	2,291,045	1,806,715
Total expenses	184,767,432	174,275,007
Operating Income	12,589,179	15,213,162
Other Income		
Investment income	2,299,416	2,080,884
Net realized gains on sale of investments	629,001	1,491,066
Net gain on sale of joint ventures	594,809	-
Net gain on disposition of property and equipment	56,231	286,060
Other, net	148,383	55,857
Total other income	3,727,840	3,913,867
Revenues in Excess of Expenses	16,317,019	19,127,029
Less Change in Net Assets Attributable to Noncontrolling Interest	(2,778,084)	(2,813,444)
Changes in Unrealized Gains and Losses on Investments	2,687,512	(4,336,056)
Net Assets Released from Restrictions for Capital	3,571,625	900,878
Change in Unrestricted Net Assets Attributable to Bozeman Deaconess Health Services	\$ 19,798,072	\$ 12,878,407

Bozeman Deaconess Health Services
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2012 and 2011

	2012	2011
Unrestricted Net Assets		
Revenues in excess of expenses	\$ 16,317,019	\$ 19,127,029
Changes in unrealized gains and losses on investments	2,687,512	(4,336,056)
Net assets released from restrictions for capital	3,571,625	900,878
Change in unrestricted net assets	22,576,156	15,691,851
Change in unrestricted net assets attributable to noncontrolling interest	(2,778,084)	(2,813,444)
Change in unrestricted net assets attributable to Bozeman Deaconess Health Services	19,798,072	12,878,407
Temporarily Restricted Net Assets		
Contributions and investment income	1,538,236	1,262,029
Net assets released from donor restrictions	(3,732,103)	(1,347,006)
Change in temporarily restricted net assets	(2,193,867)	(84,977)
Permanently Restricted Net Assets		
Contributions	35,183	48,579
Decrease in value of split-interest agreements	(28,852)	(43,602)
Change in permanently restricted net assets	6,331	4,977
Noncontrolling Interest		
Increase in unrestricted net assets attributable to noncontrolling interest	2,778,084	2,813,444
Distributions to noncontrolling interest	(2,882,295)	(2,828,896)
Change in noncontrolling interest	(104,211)	(15,452)
Change in Net Assets	17,506,325	12,782,955
Net Assets, Beginning of Year	228,415,529	215,632,574
Net Assets, End of Year	\$ 245,921,854	\$ 228,415,529

Bozeman Deaconess Health Services

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

	2012	2011
Operating Activities		
Change in net assets	\$ 17,506,325	\$ 12,782,955
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	14,750,510	14,044,893
Amortization of deferred financing costs	74,478	53,413
Amortization of bond discount	28,067	27,324
Impairment of goodwill	-	25,866
Provision for bad debts	11,160,801	12,118,578
Net gain on sale of joint ventures	(594,809)	-
Net gain on disposition of property and equipment	(56,231)	(286,060)
Changes in unrealized gains and losses on investments	(2,763,159)	4,676,363
Net realized gains on sale of investments	(742,205)	(1,656,639)
Equity in income of joint ventures	(167,083)	(1,158,832)
Distributions to noncontrolling interest	2,882,295	2,828,896
Contributions and investment income restricted by donors	(1,573,419)	(1,310,608)
Changes in assets and liabilities		
(Increase) decrease in		
Receivables	(15,229,878)	(14,269,457)
Supplies	(234,777)	(261,922)
Prepaid expenses and other	339,299	(486,549)
Land and homes held for sale	212,823	259,485
Increase (decrease) in		
Accounts payable	849,846	662,072
Deferred revenue	(108,112)	(167,266)
Accrued expenses	3,007,395	2,294,974
Estimated liability to beneficiaries	(6,511)	(13,330)
Net Cash from Operating Activities	<u>29,335,655</u>	<u>30,164,156</u>
Investing Activities		
Purchases of investments and assets limited as to use	(50,860,328)	(72,548,145)
Proceeds from sales of investments and assets limited as to use	51,861,719	39,482,491
Purchase of property and equipment	(18,952,161)	(18,433,937)
Proceeds from disposition of property and equipment	247,869	434,519
Proceeds from sale of joint venture	516,735	-
Distributions from joint ventures	278,752	21,320
Advances on notes receivable	-	(150,000)
Payments received on notes receivable	98,997	137,477
Purchase of goodwill	-	(1,022,908)
Net Cash used for Investing Activities	<u>(16,808,417)</u>	<u>(52,079,183)</u>
Financing Activities		
Proceeds from long-term debt borrowings	-	20,680,164
Repayment of long-term debt	(3,100,841)	(2,479,814)
Payment for deferred financing costs	-	(421,184)
Distributions to noncontrolling interest	(2,882,295)	(2,828,896)
Contributions and investment income restricted by donors	1,573,419	1,310,608
Decrease in refundable deposits	(1,107,900)	(1,598,988)
Net Cash from (used for) Financing Activities	<u>(5,517,617)</u>	<u>14,661,890</u>
Net Change in Cash and Cash Equivalents	7,009,621	(7,253,137)
Cash and Cash Equivalents, Beginning of Year	<u>30,640,450</u>	<u>37,893,587</u>
Cash and Cash Equivalents, End of Year	<u>\$ 37,650,071</u>	<u>\$ 30,640,450</u>

See Notes to Consolidated Financial Statements

Bozeman Deaconess Health Services
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 2,397,759</u>	<u>\$ 1,591,743</u>
Supplemental Disclosure of Non-Cash Transactions		
Property and equipment acquired through long-term debt	<u>\$ 8,693</u>	<u>134,809</u>

Note 1 - Organization and Significant Accounting Policies

Organization

Bozeman Deaconess Health Services (Organization) is a non-profit corporation located in Bozeman, Montana, which provides health care, housing and other related services by operating an 86 bed hospital facility and physician clinics (Hospital), 115 independent living apartments and 43 assisted living units (Hillcrest Senior Living). Hillcrest Senior Living was formed to develop a senior living community. Hillcrest Senior Living's sole member is Bozeman Deaconess Health Services. Bozeman Deaconess Foundation performs fund-raising activities for the Hospital and Hillcrest Senior Living and supports health care activities throughout the community.

The consolidated financial statements include the accounts of Bozeman Deaconess Health Services (Organization) and its affiliates, Hillcrest Senior Living Limited Liability Company (Hillcrest Senior Living), and Bozeman Deaconess Foundation (Foundation). Noncontrolling interest represents minority LLC members' proportionate share of the equity in Deaconess Intercity Imaging Center, LLC and Rocky Mountain Surgical Center, LLC. All significant inter-entity balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations. The Organization does not charge interest on past due accounts. Payments of patient and resident receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim. Patient and resident receivables are reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. In evaluating the collectability of patient receivables, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for estimated uncollectible accounts.

Management regularly reviews data of its major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients and resident who have third party coverage, the Organization analyzes amounts due under the applicable contracts and applies percentages to determine estimated amounts that will not be collected from third parties and provides an allowance for estimated uncollectible accounts and a provision for bad debts, if necessary.

For receivables associated with private pay patients and residents, which includes both patients and residents without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the invoice, the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unwilling to pay the portion of their invoice for which they are financially responsible. 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 against the allowance for estimated uncollectible accounts. The Organization has not experienced significant bad debt related to resident receivables.

The Organization's process for calculating the allowance for estimated uncollectible accounts for self-pay patients and residents has not significantly changed from December 31, 2011 to December 31, 2012. The Organization has not significantly changed its charity care or uninsured discount policies during 2012 or 2011.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market

Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Investments and Investment Income

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

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets held by trustees under indenture agreements. Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets.

Property and Equipment

Property and equipment additions greater than \$1,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Buildings and improvements	5-40 years
Furniture, fixtures and equipment	3-20 years

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the consolidated statements of operations. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed current in the period.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2012 and 2011.

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from revenues in excess of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service. The Organization did not receive gifts of long-lived assets in 2012 and 2011.

Land and Homes for Sale

Land and homes for sale consist of developed lots and homes available for sale by Bozeman Deaconess Real Estate Development Corp.

Deferred Financing Costs

Deferred financing costs are amortized over the period the related obligation is outstanding using the straight-line method, which does not differ materially from results that would be produced under the interest method. The estimated annual amortization of deferred financing costs is approximately \$70,000 for each of the years 2013 through 2017.

Goodwill

Goodwill consists of costs in excess of the net assets acquired from the purchase of a 51 percent interest in Rocky Mountain Surgical Center, LLC, and goodwill from purchases of various physician clinics.

Potential impairment of goodwill is considered on an annual basis, or more frequently upon the occurrence of an event or when circumstances indicate that the amount of goodwill is greater than its fair value. The Organization has the option, when each test of impairment is performed, to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Organization determines that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then additional analysis is unnecessary. If the Organization concludes otherwise, then a two-step impairment analysis is performed, whereby the carrying value of each identified reporting unit is compared to its fair value. The first step is to quantitatively determine if the carrying value of the reporting unit is greater than its fair value. If the Organization determines that this is true, the second step is required, where the implied fair value of goodwill is compared to its carrying value.

The Organization recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value. The fair value of the reporting unit is estimated, if required under applicable accounting guidance, using the net present value of discounted cash flows, excluding any financing costs or dividends, generated by each reporting unit. The discounted cash flows are based upon reasonable and appropriate assumptions about the underlying business activities of the respective reporting unit. Impairment loss on goodwill of approximately \$-0- and \$26,000 was recorded in 2012 and 2011, respectively, and has been included in depreciation and amortization expense.

Deposits and Entrance Fees

Security deposits are refunded to the residents when their unit is vacated, less any amounts for necessary cleaning or damage. Entrance fees that are non-refundable to the resident are amortized to revenue using the straight-line method over the estimated remaining life expectancy of the resident as determined by an actuarial report. The remaining life expectancy is re-evaluated annually and amortization periods adjusted accordingly. Entrance fees that are refundable in accordance with the residency agreement are recorded as a liability and not amortized to revenue.

Assets Held and Liabilities under Split-Interest Agreements

Under charitable gift annuity contracts, the Organization receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted contribution. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Professional Liability Claims

The Organization evaluates its exposure to losses arising from claims, recognizes a liability, and at the same time recognizes an insurance receivable for anticipated insurance recoveries, measured on the same basis as the related liability.

Temporarily and Permanently Restricted Net Assets

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

Revenues in Excess of Expenses

Revenues in excess of expenses excludes unrealized gains and losses on investments other than trading securities, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors.

Net Patient and Resident Service Revenue

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

The Organization recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above. For uninsured patients and residents 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 significant portion of the Organization's uninsured patients are unwilling to pay the portion of their invoice for which they are financially responsible. Thus, the Organization records a significant provision for bad debts and charity care related to uninsured patients in the period the services are provided. The Organization has not experienced significant bad debt related to resident receivables.

Net patient service revenue, but before the provision for bad debts, recognized for the years ended December 31, 2012 and 2011 from these major payor sources, is as follows:

	2012	2011
Net patient service revenue		
Third-party payors	\$ 176,489,689	\$ 173,002,706
Private pay	13,355,329	12,714,848
Total all payors	<u>\$ 189,845,018</u>	<u>\$ 185,717,554</u>

Charity Care

The Organization provides health care services to patients and residents 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 not reported as patient service revenue. The estimated cost of providing these services was \$7,840,000 and \$6,811,000 for the years ended December 31, 2012 and 2011, calculated by multiplying the ratio of cost to gross charges for the Organization by the gross uncompensated charges associated with providing charity care to its patients.

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Conditional promises to give are not reported until the condition is met. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises to give are written off when deemed uncollectible.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are not reported until the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions.

Income Taxes

The Organization consists of Montana nonprofit corporations and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation operates pursuant to Section 509 (a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. The Organization and the Foundation are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income.

Bozeman Deaconess Real Estate Development Corp., a wholly owned affiliate of the Hospital Division, is a for-profit entity for which income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. There was no taxable income in 2012 and 2011.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Organization's federal Form 990T and Bozeman Deaconess Real Estate Development Corp.'s tax filings are no longer subject to federal and state tax examinations by tax authorities for years before 2009.

Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred. The Organization incurred approximately \$686,000 and \$926,000 for advertising costs in 2012 and 2011, respectively.

Use of Estimates

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

Recent Accounting Guidance

As of and for the year ended December 31, 2012, the Organization adopted the provisions of ASU No. 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. In accordance with the implementation guidance, the Organization retroactively applied the presentation requirements to 2011. The impact on 2011 was a decrease to total unrestricted revenues, gains, and other support of \$12,118,578, and a decrease to total expenses of \$12,118,578 in the consolidated statements of operations. There was no impact on operating income or net assets.

Subsequent Events

The Organization has evaluated subsequent events through April 29, 2013, the date which the consolidated financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements to conform with the 2012 presentation. These reclassifications had no effect on the change in net assets.

Note 2 - Community Benefit Expense (Unaudited)

The following is a summary of a portion of the Organization's community service, based upon charges, provided to the indigent and benefits for the broader community for the years ended December 31:

	2012	2011
Benefits for the indigent		
Traditional charity care at charges	\$ 13,054,758	\$ 11,428,913
Unpaid amounts of Medicaid program	9,306,486	7,921,233
	22,361,244	19,350,146
Benefits for the broader community		
Unpaid amounts of Medicare programs	62,617,664	53,113,406
	<u>\$ 84,978,908</u>	<u>\$ 72,463,552</u>

Benefits for the indigent include services provided to persons who cannot afford health care because of inadequate resources or who are uninsured. This includes traditional charity care and the unpaid amounts for treating Medicaid beneficiaries at charges that exceed the related government payments. Benefits for the broader community are unpaid amounts for treating Medicare beneficiaries at charges that exceed the related government payments.

The Organization estimates it provided a total community benefit of approximately \$18,500,000 and \$16,400,000, in 2012 and 2011, respectively, which includes, but is not limited to, financial assistance, cash donations, subsidized services, and community health education.

Note 3 - Net Patient Service 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:

Medicare - (Approximately 39 percent and 38 percent of gross patient service revenues for the years ended December 31, 2012 and 2011, respectively.) Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Physician fees are paid according to a fee schedule. The majority of Medicare outpatient services are paid under a prospective payment methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare fiscal intermediary. The Organization's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended December 31, 2010.

Medicaid - (Approximately 6 percent of gross patient service revenues for each of the years ended December 31, 2012 and 2011) Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and settlements thereof by the Medicaid fiscal intermediary. The Organization's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through December 31, 2011.

Other - The Organization has also entered into payment agreements with certain commercial insurance carriers and other organizations, which include discounts from established charges.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue in 2012 decreased by approximately \$161,000 as the result of settlements greater than the estimated liability and in 2011 increased by approximately \$1,200,000, respectively, as the result of settlements in excess of the estimated liability.

The Centers for Medicare and Medicaid Services (CMS) has implemented a Recovery Audit Contractor (RAC) program under which claims are reviewed by contractors for validity, accuracy, and proper documentation. The potential exists that the Organization may incur a liability for a claims overpayment at a future date.

A summary of patient service revenue and contractual adjustments for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Total patient service revenue	\$ 283,671,242	\$ 269,197,433
Contractual adjustments	(93,826,224)	(83,479,879)
Net patient service revenue	<u>\$ 189,845,018</u>	<u>\$ 185,717,554</u>

Note 4 - Contributions Receivable

Contributions receivable consist of:

	2012	2011
Unconditional promises expected to be collected in		
Less than one year	\$ 386,031	\$ 547,905
One to five years	1,011,242	1,271,938
	<u>1,397,273</u>	<u>1,819,843</u>
Less allowance for uncollectible contributions receivable	(51,000)	(51,000)
Less discount to net present value	(104,253)	(95,211)
	<u>1,242,020</u>	<u>1,673,632</u>
Less current portion of contributions receivable	(378,310)	(538,317)
	<u>\$ 863,710</u>	<u>\$ 1,135,315</u>

Contributions receivable due after one year are measured at their estimated fair value, which is determined using present value of cash flow techniques with a discount rate of 3 percent for the years ended December 31, 2012 and 2011. Initial measurement of the fair value of contributions receivable are classified within Level 3 of the fair value hierarchy. The accretion of the discount in subsequent years is reported as additional contribution in the net asset class in which the original promise was made.

The following schedule sets forth the expected future collections on contributions receivable as of December 31, 2012:

<u>Year Ending December 31.</u>	<u>Amount</u>
2013	\$ 386,031
2014	320,602
2015	227,067
2016	192,360
2017	162,880
Thereafter	108,333
	<u>\$ 1,397,273</u>

In 2011, the Organization received a conditional promise to give in the amount of \$300,000. This promise to give was contingent upon the Organization raising the remaining balance of funds required to complete the Emergency Department expansion by December 31, 2012. As of December 31, 2012, the contingency has been met and the contribution is included in the accompanying consolidated financial statements.

Note 5 - Notes Receivable

Notes receivable consist of the following:

	<u>2012</u>	<u>2011</u>
4.75% note receivable, due from Madison Valley Medical Center, due in July 2014, secured by Madison County, Montana tax revenues	\$ 307,125	\$ 406,123
1% note receivable, due from New West Health Services, due in annual principal and interest installments to July 2020, guaranteed by Billings Clinic	66,957	-
	<u>\$ 374,082</u>	<u>\$ 406,123</u>

Note 6 - Investments

The composition of investments and assets limited as to use at December 31, 2012 and 2011 is shown in the following table. Cash, certificates of deposit, and accrued interest are stated at historical cost and all other investments are stated at fair value.

Investments

	2012	2011
U S Treasury obligations and other government bonds	\$ 5,686,397	\$ 5,497,503
Common stock	26,094,475	23,942,306
Alternative investments	1,827,267	2,236,297
Corporate bonds and other	11,514,109	9,697,233
Certificates of deposit	12,245,639	19,221,752
Total investments	<u>57,367,887</u>	<u>60,595,091</u>
Less current portion	<u>(35,442,112)</u>	<u>(37,492,060)</u>
	<u><u>\$ 21,925,775</u></u>	<u><u>\$ 23,103,031</u></u>

Assets Limited as to Use

	2012	2011
By Board for capital improvements		
Cash and cash equivalents	\$ 3,664,637	\$ 795,010
Certificates of deposit	1,556,000	1,596,000
U S Treasury obligations and other government bonds	3,486,762	3,243,176
Corporate bonds	8,466,347	6,477,913
Common stock	12,159,764	11,320,110
Alternative investments	1,262,109	1,553,549
Accrued interest receivable	123,982	103,313
	<u><u>\$ 30,719,601</u></u>	<u><u>\$ 25,089,071</u></u>
Under bond indenture agreement - held by trustee		
Cash and short-term investments	\$ 21,377,334	\$ 21,233,664
U S Treasury obligations and other government bonds	<u>2,009,285</u>	<u>2,052,308</u>
	<u><u>\$ 23,386,619</u></u>	<u><u>\$ 23,285,972</u></u>

Investments in an Unrealized Loss Position

The fair values and gross unrealized losses of investments and assets limited as to use for individual securities that have been in a continuous unrealized loss position as of December 31, 2012 and 2011 are as follows

2012	<u>Less Than Twelve Months</u>		<u>More Than Twelve Months</u>	
	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
U S Treasury obligations and other government bonds	\$ 87,598	\$ 4,352,855	\$ 234,718	\$ 1,317,725
Corporate bonds and other	3,048	436,415	50,219	265,729
Alternative investments	53,094	252,370	121,919	1,106,504
Common stock	677,077	6,706,336	614,393	10,164,149
	<u>\$ 820,817</u>	<u>\$ 11,747,976</u>	<u>\$ 1,021,249</u>	<u>\$ 12,854,107</u>
2011	<u>Less Than Twelve Months</u>		<u>More Than Twelve Months</u>	
	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
U S Treasury obligations and other government bonds	\$ 118,135	\$ 3,644,420	\$ 197,837	\$ 360,708
Corporate bonds and other	59,927	1,324,888	68,219	200,528
Alternative investments	55,572	790,421	131,668	1,052,102
Common stock	2,540,804	13,420,846	1,120,024	2,394,344
	<u>\$ 2,774,438</u>	<u>\$ 19,180,575</u>	<u>\$ 1,517,748</u>	<u>\$ 4,007,682</u>

The gross unrealized losses on these investments were primarily due to interest rate fluctuations and market-price movements consistent with the cyclical nature of the financial markets. The Organization has a diversified portfolio. Based on its evaluation and the Organization's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, management does not consider these investments to be other-than-temporarily impaired at December 31, 2012 and 2011.

As of December 31, 2012 and 2011, the fair value of investments and assets limited as to use exceeded cost by approximately \$3,991,000 and \$1,228,000 respectively.

Note 7 - Investment in Joint Ventures

The Organization owns interests in various joint ventures. The Organization was a Class B member and accounted for its investment in New West Health Services, Inc. (New West) using the cost method. The investment in New West was sold during the year ended December 31, 2012. The Organization uses the equity method for all other investments whereby the Organization's proportionate share of the net income (loss) of the joint ventures is included in other revenue. The Organization purchases a portion of its malpractice insurance coverage from VHA Mountain States Risk Retention Group. The investments in joint ventures are as follows:

	2012	2011
VHA Mountain States Risk Retention Group	\$ 2,952,628	\$ 2,927,591
Hospice of Southwest Montana, LLC- 50% ownership	226,783	242,442
New West Health Services, Inc - 1% ownership	-	290,000
Other	227,877	47,806
	<u>\$ 3,407,288</u>	<u>\$ 3,507,839</u>

Total net income from the joint ventures, included in other revenue, is \$167,083 and \$1,158,832 for the years ended December 31, 2012 and 2011, respectively.

Note 8 - Property and Equipment

	2012		2011	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 610,686	\$ -	\$ 610,686	\$ -
Land improvements	2,049,687	-	1,891,633	-
Buildings and improvements	146,052,868	67,158,456	134,090,619	61,264,376
Furniture, fixtures and equipment	88,155,769	55,144,573	77,767,599	48,476,466
Land held for expansion and investment	6,781,512	-	6,781,512	-
Construction in progress	4,591,580	-	10,519,160	-
	<u>\$ 248,242,102</u>	<u>\$ 122,303,029</u>	<u>\$ 231,661,209</u>	<u>\$ 109,740,842</u>
Net property and equipment		<u>\$ 125,939,073</u>		<u>\$ 121,920,367</u>

Construction in progress at December 31, 2012, consists of various projects throughout the facility, principally improvements to medical office buildings, land improvements, and software upgrades. In addition, in 2011 the Organization entered in to a guaranteed maximum price contract with a general contractor for the construction of a new emergency department. The estimated cost to complete this project, as of December 31, 2012, is approximately \$612,000.

Note 9 - Leases

The Organization leases certain equipment under short-term and long-term operating lease agreements. Total lease expense for the years ended December 31, 2012 and 2011 for all operating leases was approximately \$1,725,000 and \$1,768,000, respectively.

The minimum lease commitments at December 31, 2012 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 924,153
2014	571,366
2015	563,108
2016	566,601
2017	566,143
Thereafter	215,574
	<u>\$ 3,406,945</u>

In addition, the Organization, as lessor, leases medical office space to physicians operating private practices under operating leases, all with annual renewals. The net book value of the buildings, portions of which are leased to physicians, was approximately \$30,091,000 and \$31,770,000 at December 31, 2012 and 2011, respectively. The Organization recorded approximately \$925,000 and \$1,011,000 of rental income during the years ended December 31, 2012 and 2011, respectively, which is included in other revenue.

Note 10 - Accrued Expenses

	<u>2012</u>	<u>2011</u>
Payroll and benefits	\$ 6,759,290	\$ 5,514,779
Vacation	4,377,349	4,348,549
Professional and malpractice liability	2,835,000	1,065,000
Retirement plan	222,002	410,708
Payroll taxes	361,077	298,654
Workers' compensation liability	445,000	285,000
Interest	182,748	317,529
Other	328,172	263,024
	<u>\$ 15,510,638</u>	<u>\$ 12,503,243</u>

Investment income, net of investment expense, is currently added to unrestricted and temporarily restricted net assets and appropriated by the Board periodically

The Organization has a policy that allows it to collect an annual 1% administrative fee on endowment assets and is based upon the endowment's year-end balance. The fee is paid from either prior or current year's adjustments to fund principal, and shall not invade the original principal. The fee eligible for collection was approximately \$105,500 in 2012 and \$94,000 in 2011. The Organization has elected to not collect the administrative fee in either of those years. Adjustments to fund principal are defined as

- 1) Gains from the sale, exchange, redemption or other distribution of any investments
- 2) Stock dividends and interest income
- 3) Capital gains dividends of regulated investment companies
- 4) Liquidated distributions

Note 15 - Fair Value of Assets

Assets measured at fair value on a recurring basis and the related fair values of these assets at December 31, 2012 and 2011 are as follows

	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)	Total
2012				
U S Treasury obligations and other government bonds	\$ -	\$ 11,182,444	\$ -	\$ 11,182,444
Corporate bonds and other	-	19,980,456	-	19,980,456
Alternative investments	-	3,089,376	-	3,089,376
Common stock				
Growth equity	12,072,484	-	-	12,072,484
Value equity	8,740,829	-	-	8,740,829
International	12,278,976	-	-	12,278,976
Small market capitalization	4,566,875	-	-	4,566,875
Mid-market capitalization	-	-	-	-
Alternative investments	-	239,709	-	239,709
Emerging markets	355,366	-	-	355,366
	<u>\$ 38,014,530</u>	<u>\$ 34,491,985</u>	<u>\$ -</u>	<u>\$ 72,506,515</u>

Continued

	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)	Total
2011				
U S Treasury obligations and other government bonds	\$ -	\$ 10,792,987	\$ -	\$ 10,792,987
Corporate bonds and other	-	16,175,146	-	16,175,146
Alternative investments	-	3,789,846	-	3,789,846
Common stock				
Growth equity	12,707,817	-	-	12,707,817
Value equity	9,097,543	-	-	9,097,543
International	8,460,113	-	-	8,460,113
Small market capitalization	3,607,598	-	-	3,607,598
Mid-market capitalization	1,050,827	-	-	1,050,827
Alternative investments	-	201,298	-	201,298
Emerging markets	137,220	-	-	137,220
	<u>\$ 35,061,118</u>	<u>\$ 30,959,277</u>	<u>\$ -</u>	<u>\$ 66,020,395</u>

Note 16 - Fair Value of Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value

Financial Assets - Due to the liquid nature of the instruments, the carrying value of cash and cash equivalents and certificates of deposit approximates fair value. For all investments and assets limited as to use, the fair value is based upon quoted market prices or other observable market comparisons. The fair value of patient and resident receivables, accrued interest, and other receivables approximates book value since the Organization expects receipt in the near-term.

Financial Liabilities - The fair value of accounts payable, accrued expenses and estimated settlements with third party payors approximates book value due to expected payment in the near term. The estimated liability to beneficiaries approximates book value since the interest rates used in the actuarial assumptions for computing the estimated liability approximates the Organization's current long-term borrowing rate. The estimated fair value of long-term debt, classified within Level 2 of the fair value hierarchy, reported in the consolidated balance sheets is approximately \$2,737,000 more than book value of the related debt at December 31, 2012 and \$1,918,000 more than the book value of the related debt at December 31, 2011.

Note 17 - Concentrations of Credit Risk

Patient and Resident Receivables

The Organization grants credit without collateral to its patients and residents, most of who are insured under third-party payor agreements. The mix of receivables from third-party payors and patients and residents at December 31, 2012 and 2011 was as follows:

	2012	2011
Medicare	29%	23%
Medicaid	4%	3%
Commercial insurance and other third-party payors	40%	40%
Patients	27%	34%
	<u>100%</u>	<u>100%</u>

Cash Balances

The Organization's cash balances are maintained in various bank deposit accounts. At various times during the year, the balance of these deposits may be in excess of federally insured limits.

Note 18 - Contingencies

Professional Liability

The Organization has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$5 million per claim and \$15 million annual aggregate limit. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

The Organization has recorded a liability, as of December 31, 2012 and 2011 of \$2,835,000 and \$1,065,000, respectively, for an estimate to be paid on outstanding claims. In addition, the Organization has recorded a receivable, as of December 31, 2012 and 2011, of \$2,235,000 and \$790,000, respectively, for estimated insurance proceeds on the outstanding claims for which a liability has been recorded.

Litigations, Claims, and Disputes

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

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



Consolidating Information
December 31, 2012

Bozeman Deaconess Health Services



Independent Auditor's Report on Consolidating Information

The Board of Trustees
Bozeman Deaconess Health Services
Bozeman, Montana

We have audited the consolidated financial statements of Bozeman Deaconess Health Services as of and for the years ended December 31, 2012 and 2011, and our report thereon dated April 29, 2013, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements, rather than to present financial position, results of operations, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Billings, Montana
April 29, 2013

Bozeman Deaconess Health Services
Schedule of Consolidating Information - Assets
December 31, 2012

	Hospital Division	Hillcrest Senior Living	Foundation	Eliminations	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	\$ 30,874,280	\$ 1,002,302	\$ 5,773,489	\$ -	\$ 37,650,071
Investments	21,848,784	3,678,000	9,915,328	-	35,442,112
Receivables					
Patient, net	26,540,336	-	-	-	26,540,336
Resident, net	-	54,418	-	-	54,418
Contributions, net	-	-	378,310	-	378,310
Other	5,430,661	38,591	58,824	-	5,528,076
Due from affiliates	301,663	-	-	(301,663)	-
Assets limited as to use	1,136,193	904,989	-	-	2,041,182
Supplies	5,799,768	25,974	-	-	5,825,742
Prepaid expenses and other	1,833,421	1,382	5,941	-	1,840,744
Total current assets	<u>93,765,106</u>	<u>5,705,656</u>	<u>16,131,892</u>	<u>(301,663)</u>	<u>115,300,991</u>
Assets Limited as to Use					
By Board for capital improvements	27,797,988	2,921,613	-	-	30,719,601
Under bond indenture agreements	20,665,706	2,720,913	-	-	23,386,619
	<u>48,463,694</u>	<u>5,642,526</u>	<u>-</u>	<u>-</u>	<u>54,106,220</u>
Less current portion	<u>(1,136,193)</u>	<u>(904,989)</u>	<u>-</u>	<u>-</u>	<u>(2,041,182)</u>
	<u>47,327,501</u>	<u>4,737,537</u>	<u>-</u>	<u>-</u>	<u>52,065,038</u>
Property and Equipment, Net	<u>108,594,569</u>	<u>17,312,858</u>	<u>31,646</u>	<u>-</u>	<u>125,939,073</u>
Other Assets					
Land and homes for sale	7,899,651	-	-	(2,617,024)	5,282,627
Long-term investments	13,930,829	5,803,505	2,191,441	-	21,925,775
Interest in net assets of Foundation	9,504,214	-	-	(9,504,214)	-
Investment in joint ventures	3,407,288	-	-	-	3,407,288
Contributions receivable, net	-	-	863,710	-	863,710
	9,718,401	-	-	-	9,718,401
Notes receivable	374,082	-	-	-	374,082
Deferred financing costs, net	634,862	262,059	-	-	896,921
Other assets	235,704	-	-	-	235,704
Total other assets	<u>45,705,031</u>	<u>6,065,564</u>	<u>3,055,151</u>	<u>(12,121,238)</u>	<u>42,704,508</u>
Total assets	<u>\$ 295,392,207</u>	<u>\$ 33,821,615</u>	<u>\$ 19,218,689</u>	<u>\$ (12,422,901)</u>	<u>\$ 336,009,610</u>

Bozeman Deaconess Health Services
Schedule of Consolidating Information - Liabilities and Net Assets
December 31, 2012

	Hospital Division	Hillcrest Senior Living	Foundation	Eliminations	Consolidated
Liabilities and Net Assets					
Current Liabilities					
Current maturities of long-term debt	\$ 2,387,971	\$ 820,000	\$ -	\$ -	\$ 3,207,971
Accounts payable					
Trade	8,196,096	57,301	18,094	-	8,271,491
Due to affiliates	-	224,663	77,000	(301,663)	-
Estimated third-party payor settlements	250,000	-	-	-	250,000
Refundable deposits	-	9,326,266	-	-	9,326,266
Current portion of deferred revenue	-	79,436	-	-	79,436
Accrued expenses	15,371,434	84,989	54,215	-	15,510,638
Current estimated liability to beneficiaries	-	-	26,764	-	26,764
Total current liabilities	26,205,501	10,592,655	176,073	(301,663)	36,672,566
Long-Term Liabilities					
Long-term debt, less current maturities	30,282,080	22,473,523	-	-	52,755,603
Deferred revenue from entrance fees	-	440,856	-	-	440,856
Estimated liability to beneficiaries	-	-	218,731	-	218,731
Total liabilities	56,487,581	33,507,034	394,804	(301,663)	90,087,756
Net Assets					
Unrestricted	228,101,613	314,581	10,571,607	(4,414,493)	234,573,308
Noncontrolling interest-unrestricted	3,096,268	-	-	-	3,096,268
Temporarily restricted	6,102,205	-	6,216,407	(6,102,205)	6,216,407
Permanently restricted	1,604,540	-	2,035,871	(1,604,540)	2,035,871
Total net assets	238,904,626	314,581	18,823,885	(12,121,238)	245,921,854
Total liabilities and net assets	\$ 295,392,207	\$ 33,821,615	\$ 19,218,689	\$ (12,422,901)	\$ 336,009,610

Bozeman Deaconess Health Services
Schedule of Consolidating Information - Operations
Year Ended December 31, 2012

	Hospital Division	Hillcrest Senior Living	Foundation	Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support					
Net patient service revenue	\$ 189,845,018	\$ -	\$ -	\$ -	\$ 189,845,018
Net resident service revenue	-	5,626,913	-	-	5,626,913
Provision for bad debts	(11,160,801)	-	-	-	(11,160,801)
Net patient and resident service revenue less provision for bad debts	178,684,217	5,626,913	-	-	184,311,130
Other revenue	12,700,008	145,464	-	-	12,845,472
Unrestricted contributions	-	-	39,531	-	39,531
Net assets released from restrictions	117,962	-	3,732,103	(3,689,587)	160,478
Total unrestricted revenues, gains, and other support	191,502,187	5,772,377	3,771,634	(3,689,587)	197,356,611
Expenses					
Professional care of patients	113,096,402	-	-	-	113,096,402
Personal care of residents	-	713,229	-	-	713,229
General and administrative	38,792,628	1,111,093	303,649	112,975	40,320,345
Depreciation and amortization	13,532,512	1,278,822	13,654	-	14,824,988
Property and equipment maintenance and operations	5,898,236	518,137	-	-	6,416,373
Cost of real estate sold	1,957,724	-	-	(396,519)	1,561,205
Housekeeping, laundry and linen	1,887,321	288,493	-	-	2,175,814
Dietary	1,793,761	1,343,936	-	-	3,137,697
Fundraising expenses	-	-	230,334	-	230,334
Support to affiliates	-	-	3,911,207	(3,911,207)	-
Interest	1,235,377	1,055,668	-	-	2,291,045
Total expenses	178,193,961	6,309,378	4,458,844	(4,194,751)	184,767,432
Operating Income (Loss)	13,308,226	(537,001)	(687,210)	505,164	12,589,179
Other Income					
Investment income	1,785,854	313,247	200,315	-	2,299,416
Net realized gains on sale of investments	324,299	-	304,702	-	629,001
Net gain on sale of joint ventures	594,809	-	-	-	594,809
Net gain on disposition of property and equipment	56,231	-	-	-	56,231
Other, net	-	148,383	-	-	148,383
Total other income	2,761,193	461,630	505,017	-	3,727,840
Revenues in Excess of (Less Than) Expenses	16,069,419	(75,371)	(182,193)	505,164	16,317,019
Less Change in Net Assets Attributable to Noncontrolling Interest	(2,778,084)	-	-	-	(2,778,084)
Changes in Unrealized Gains and Losses on Investments	2,454,963	20,941	211,608	-	2,687,512
Net Assets Released from Restrictions for Capital	3,571,625	-	-	-	3,571,625
Transfers from (to) Related Parties	(1,025,000)	-	1,025,000	-	-
Change in Unrestricted Net Assets Attributable to Bozeman Deaconess Hospital	\$ 18,292,923	\$ (54,430)	\$ 1,054,415	\$ 505,164	\$ 19,798,072