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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
GRITMAN MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
700 S MAIN STREET

City or town, state or country, and ZIP + 4
MOSCOW, ID 83843

D Employer identification number
82-0146328

E Telephone number
(208) 882-4511

G Gross receipts $ 49,036,651

F Name and address of principal officer
KARA BESST
700 S MAIN STREET
MOSCOW,ID 83843

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW GRITMAN ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1939

M State of legal domicile ID

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE EXTRAORDINARY CARE TO IMPROVE THE HEALTH OF THE PEOPLE IN OUR COMMUNITIES

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	10
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	10
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	570
6	Total number of volunteers (estimate if necessary)	**6**	600
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	-25,242
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-25,242

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	0	411,329
9	Program service revenue (Part VIII, line 2g)	45,595,067	47,204,608
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-7,779	761,327
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	452,130	-11,419
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	46,039,418	48,365,845
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	160,937
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)	23,232,691	25,311,478
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	21,567,738	21,198,329
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	44,800,429	46,670,744
19	Revenue less expenses Subtract line 18 from line 12	1,238,989	1,695,101

Revenue / Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	69,586,362	73,625,343
21	Total liabilities (Part X, line 26)	29,311,661	30,744,076
22	Net assets or fund balances Subtract line 21 from line 20	40,274,701	42,881,267

Net Assets or Fund Balances

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

****** | 2013-11-15
Signature of officer | Date

KARA BESST CEO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
TERRI REXRODE CPA MST		2013-11-15		P00096513

Firm's name ▶ WIPFLI LLP — Firm's EIN ▶ 39-0758449

Firm's address ▶ PO BOX 12237
GREEN BAY, WI 543072237 — Phone no (920) 662-0016

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

PEOPLE FOCUSED, COMMUNITY DRIVEN ORGANIZATION PROVIDING EXCELLENT AND COMPASSIONATE HEALTHCARE FOR THE PEOPLE OF OUR COMMUNITY

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 $ 40,895,639 including grants of $ 160,937) (Revenue $ 46,544,024)

PROVIDING EMERGENCY CARE TO YOU AND YOUR FAMILY 24-HOURS-A-DAY, SEVEN-DAYS-A-WEEK, IS A PRIORITY AT GRITMAN MEDICAL CENTER OUR DOORS ARE ALWAYS OPEN TO YOU A DOCTOR FROM MOSCOW EMERGENCY PHYSICIANS AND OUR HIGHLY-TRAINED STAFF ARE READY TO CARE FOR YOU OUR EMERGENCY SERVICES DEPARTMENT IS EQUIPPED FOR ROUTINE MEDICAL AND OBSTETRICAL EMERGENCIES AND HAS LARGE TRAUMA BAYS EQUIPPED WITH TRAUMA RESUSCITATION EQUIPMENT AND CARDIAC MONITORING OUR NURSING STAFF WORKS CLOSELY WITH THE PHYSICIANS TO PROVIDE THE BEST CARE POSSIBLE INPATIENT CARE CAN ALSO INCLUDE PHYSICAL, OCCUPATIONAL, SPEECH AND MASSAGE THERAPY, AS NECESSARY FOR THE BEST RECOVERY PATIENT-FOCUSED DIETICIANS WORK DIRECTLY WITH YOU TO ESTABLISH NUTRITIOUS, APPROPRIATE DIETS SPECIALIZED OSTOMY AND WOUND CARE IS AVAILABLE TO INPATIENTS AND OUTPATIENTS LAB SERVICES ARE AVAILABLE TO THOSE WITHOUT INSURANCE OR WHO ARE NOT COVERED FOR A PARTICULAR TEST, THROUGH OUR COMMUNITY WELLNESS PANEL THESE TESTS ARE PATIENT-REQUESTED RATHER THAN PHYSICIAN-ORDERED AND THE RESULTS GO DIRECTLY TO YOU PAYMENT IS REQUIRED AT THE TIME OF SERVICE, BUT THE TESTS OR SCREENINGS ARE DISCOUNTED FAMILY BIRTH CENTER UPON ARRIVAL, PATIENTS ARE MATCHED WITH ONE OF OUR SKILLED AND COMPASSIONATE LABOR NURSES SHE WILL GUIDE PATIENTS THROUGH THEIR LABOR, MONITOR THE PROGRESS OF THEIR BABY AND MAKE SURE THEIR NEEDS ARE MET SHE AND THE REST OF THE NURSING TEAM WORK TOGETHER WITH THE DOCTOR TO PROVIDE A WELCOMING ENVIRONMENT FOR YOUR NEWEST FAMILY MEMBER SURGERY WORKING TOGETHER WITH SURGEONS, NURSING, PHYSICAL THERAPISTS, REGISTERED DIETITIANS, LAB, RADIOLOGY, PHARMACY, SOCIAL SERVICES EXPERTS AND OTHERS, WE CAN HELP YOU REGAIN YOUR HEALTH GRITMAN OFFERS A FULL ARRAY OF SURGERIES INCLUDING GENERAL SURGERY, ORTHOPEDICS, OB/GYN, UROLOGY THERAPY SOLUTIONS AT GRITMAN THERAPY SOLUTIONS, WE HAVE CREATED A WELCOMING ENVIRONMENT TO PROVIDE YOU THE BEST OPPORTUNITY FOR A FULL RECOVERY WE WORK WITH ALL AGES OF PATIENTS FROM INFANTS THROUGH SENIORS WHETHER YOU ARE RECOVERING FROM A JOINT REPLACEMENT, SPORTS RELATED INJURY OR HAVE A CHILD STRUGGLING WITH SPEECH, OUR SKILLED STAFF IS HERE TO HELP WE OFFER PHYSICAL, SPEECH, OCCUPATIONAL AND MASSAGE THERAPIES IN OUR OUTPATIENT THERAPY ROOMS, EXERCISE GYMS, OUTDOOR THERAPY PARK AND WARM WATER THERAPY POOL WE ALSO PROVIDE SERVICE IN MANY OF OUR AREA SCHOOLS

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ 40,895,639

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		No
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**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? *If "Yes," complete Schedule I, Parts I and III*	**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? *If "Yes," complete Schedule J*	**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? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**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? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**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? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**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)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**		No
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**	Yes	
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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 . .	1a	151		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	570		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		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)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			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	**1a** 10		
	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			
b	Enter the number of voting members included in line 1a, above, who are independent	**1b** 10		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**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**		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	**10a**		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	**10b**		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	**12a**	Yes	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	**12b**	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this was done*	**12c**	Yes	
13	Did the organization have a written whistleblower policy?	**13**	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?			
a	The organization's CEO, Executive Director, or top management official	**15a**	Yes	
b	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	
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	**16b**	Yes	

Section C. Disclosure

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

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

☑ Own website ☐ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ PRESTON BECKER 700 S MAIN ST MOSCOW, ID (208) 883-2220

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) CHARLES JACOBSON MD TRUSTEE	2 00	X						45,600	0	0
(2) BARBARA WELLS TRUSTEE	2 00	X						0	0	0
(3) TERRY ARMSTRONG BOARD REPRESENTATIVE	2 00	X						0	0	0
(4) GREG KIMBERLING TRUSTEE	2 00	X						0	0	0
(5) DICK HEIMSCH TRUSTEE	2 00	X						0	0	0
(6) WAYNE RUBYMD TRUSTEE	2 00	X						0	0	0
(7) BJ SWANSON BOARD CHAIR	5 00	X		X				0	0	0
(8) JANIE NIRK VICE-CHAIR	3 00	X		X				0	0	0
(9) GREG MANN TRUSTEE	2 00	X		X				0	0	0
(10) ROBIN WOODS SECRETARY/TREASURER	3 00	X		X				0	0	0
(11) LISA WOOD CFO	40 00			X				161,841	0	38,363
(12) KARA BESST CEO	40 00			X				236,057	0	55,160
(13) DEENA RAUCH CNO	40 00			X				121,082	0	19,914
(14) KANE FRANCETICH CIO	40 00			X				114,955	0	25,058
(15) CONNIE OSBORN CQO	40 00			X				92,206	0	22,997
(16) WILLIAM NASH PHARMACY DIRECTOR	40 00					X		122,528	0	26,273
(17) STEVEN REITZ CRNA	40 00					X		237,110	0	24,428

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) MARIA BODE CRNA	40 00					X		237,492	0	21,187
(19) DEBORAH MAURO-BENDER CRNA	40 00					X		234,917	0	15,677
(20) KIM LUNSFORD INTERIM SURGERY DIRECTOR	40 00					X		115,519	0	16,265

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	1,719,307	0	265,322

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 ▶ 11

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	3		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	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? *If "Yes," complete Schedule J for such person*	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
MOSCOW EMERGENCY PHYSICIANS 700 S MAIN ST MOSCOW ID 83843	ER SERVICES	1,488,237
CARDINAL HEALTH 411 INC 3712 COLLECTION CENTER DR CHICAGO IL 60693	PHARMACEUTICALS	1,078,672
SMITH & NEPHEW ORTHO PO BOX 785921 PHILADELPHIA PA 19178	ORTHO SERVICES	694,218
SPRENGER CONSTRUCTION INC PO BOX 9869 MOSCOW ID 83843	CONSTRUCTION	655,805
MCKESSON PO BOX 98347 CHICAGO IL 60693	COMPUTER PROGRAM SERVICES	555,241

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 ▶ 26

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	38,067			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	373,262			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f			411,329		
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICE REVENUE	621110	46,544,024	46,544,024		
	b	OTHER REVENUE	621110	320,625			320,625
	c	CAFETERIA REVENUE	900099	241,412			241,412
	d	EDUCATIONAL CLASS REVENUE	900099	98,547			98,547
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		47,204,608			
	3	Investment income (including dividends, interest, and other similar amounts)		697,363			697,363
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	549,721				
	b	Less rental expenses	561,140				
	c	Rental income or (loss)	-11,419				
	d	Net rental income or (loss)			-11,419		-25,242	13,823
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory		173,630			
	b	Less cost or other basis and sales expenses		109,666			
	c	Gain or (loss)		63,964			
	d	Net gain or (loss)			63,964			63,964
Other Revenue	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			48,365,845	46,544,024	-25,242	1,435,734

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	160,937	160,937		
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	1,984,629	1,237,992	746,637	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	18,046,911	16,600,411	1,446,500	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)				
9 Other employee benefits	5,279,938	5,109,440	170,498	
10 Payroll taxes				
11 Fees for services (non-employees)				
a Management				
b Legal	106,150		106,150	
c Accounting	64,297	767	63,530	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	2,933,642	2,505,966	427,676	
12 Advertising and promotion	498,374	4,802	493,572	
13 Office expenses	6,722,093	6,221,400	500,693	
14 Information technology				
15 Royalties . .				
16 Occupancy	855,338	855,338		
17 Travel	343,130	231,485	111,645	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	55,324		55,324	
20 Interest	966,663		966,663	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	3,158,178	3,158,178		
23 Insurance	663,305	663,305		
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 BAD DEBT EXPENSE	2,900,969	2,900,969		
b REPAIRS AND MAINTENANCE	1,798,184	1,175,466	622,718	
c DUES AND SUBSCRIPTIONS	132,682	69,183	63,499	
d				
e All other expenses				
25 **Total functional expenses.** Add lines 1 through 24e	46,670,744	40,895,639	5,775,105	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 ▶ ☐ 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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		1,573,832	1	6,362,347
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		7,944,675	4	8,168,436
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		1,408,861	8	1,148,972
	9	Prepaid expenses and deferred charges		381,802	9	525,036
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 73,800,739			
	b	Less accumulated depreciation	10b 35,216,313	38,730,112	10c	38,584,426
	11	Investments—publicly traded securities			11	16,685,390
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		19,547,080	15	2,150,736
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		69,586,362	16	73,625,343
Liabilities	17	Accounts payable and accrued expenses		7,232,490	17	4,888,982
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		16,140,000	20	15,695,000
	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		4,697,621	23	9,288,012
	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		1,241,550	25	872,082
	26	**Total liabilities.** Add lines 17 through 25		29,311,661	26	30,744,076
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		40,274,701	27	42,872,931
	28	Temporarily restricted net assets			28	8,336
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		40,274,701	33	42,881,267
	34	Total liabilities and net assets/fund balances		69,586,362	34	73,625,343

Part XI Reconcilliation 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	48,365,845
2	Total expenses (must equal Part IX, column (A), line 25)	2	46,670,744
3	Revenue less expenses Subtract line 2 from line 1	3	1,695,101
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	40,274,701
5	Net unrealized gains (losses) on investments	5	868,995
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	42,470
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	42,881,267

Part XII Financial Statements and Reporting

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

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

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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
GRITMAN MEDICAL CENTER

Employer identification number
82-0146328

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

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - 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?

		Yes	No
(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?	**11g(i)**		
(ii) A family member of a person described in (i) above?	**11g(ii)**		
(iii) A 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**		

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

(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									

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 III **Support 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

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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	Employer identification number
GRITMAN MEDICAL CENTER	82-0146328

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? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ 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? ☐ Yes ☐ 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		
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-		

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

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? ☐ Yes ☐ 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) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		6,410
j	Total Add lines 1c through 1i			6,410
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of $2,000 or less?	2		
3	Did the organization agree to 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	EXPENSES PAID TO STRATEGIC HEALTHCARE ORGANIZATIONS WHOSE FOCUS IS STATE AND FEDERAL GOVERNMENT RELATIONS AND ADVOCACY EFFORTS ON BEHALF OF HOSPITAL ASSOCIATIONS

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
GRITMAN MEDICAL CENTER

Employer identification number
82-0146328

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

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

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

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

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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

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

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

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

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

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

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

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

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

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

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

b Assets included in Form 990, Part X ▶ $ _____

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

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

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

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

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

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

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

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	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	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions	8,336				
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	8,336				

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Temporarily restricted endowment ▶ 100 000 %

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

		Yes	No
(i) unrelated organizations	3a(i)		No
(ii) related organizations	3a(ii)		No
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		6,077,258		6,077,258
b Buildings		16,989,150	7,879,032	9,110,118
c Leasehold improvements		22,598,469	8,031,911	14,566,558
d Equipment		28,135,862	19,305,370	8,830,492
e Other				
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				38,584,426

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of liability	(b) Book value
Federal income taxes	
PAYABLE TO THIRD-PARTY REIMBURSEMENT PROGRAM	872,082
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	872,082

2. Fin 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☑

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	FUNDS INCLUDE TORQUATO FETAL DEMISE FUNDS AND CHILDCARE UNITED WAY FUNDS
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	IN ORDER TO ACCOUNT FOR ANY UNCERTAIN TAX POSITIONS, ASC TOPIC 740-10, INCOME TAXES, REQUIRES AN ORGANIZATION TO ASSESS WHETHER IT IS MORE LIKELY THAN NOT THAT A TAX POSITION WILL BE SUSTAINED UPON EXAMINATION OF THE TECHNICAL MERITS OF THE POSITION, ASSUMING THE TAXING AUTHORITY HAS FULL KNOWLEDGE OF ALL INFORMATION IF THE TAX POSITION DOES NOT MEET THE MORE LIKELY THAN NOT RECOGNITION THRESHOLD, THE BENEFIT OF THE TAX POSITION IS NOT RECOGNIZED IN THE FINANCIAL STATEMENTS THE MEDICAL CENTER IS ALSO ENGAGED, TO A LIMITED EXTENT, IN ACTIVITIES WHICH THE INTERNAL REVENUE SERVICE CONSIDERS UNRELATED TO THE MEDICAL CENTER'S EXEMPT PURPOSE AND, THEREFORE, TAXABLE THESE ACTIVITIES, HOWEVER, HAVE RESULTED IN NET OPERATING LOSSES FOR INCOME TAX PURPOSES THE MEDICAL CENTER DOES NOT PRESENTLY ANTICIPATE THAT A TAX BENEFIT FROM THESE NET OPERATING LOSSES WILL BE REALIZED IN THE FUTURE ACCORDINGLY, ANY POTENTIAL DEFERRED TAX ASSET RESULTING FROM THE AVAILABILITY OF NET OPERATING LOSS CARRY-FORWARD IS OFFSET BY A VALUATION ALLOWANCE OF EQUAL AMOUNT NO DEFERRED TAX ASSETS AND LIABILITIES HAVE BEEN RECOGNIZED SINCE NO OTHER DIFFERENCES EXIST BETWEEN THE FINANCIAL AND TAX BASIS OF REPORTING THE MEDICAL CENTER'S ASSETS AND LIABILITIES THE MEDICAL CENTER RECORDED NO ASSETS OR LIABILITIES FOR UNCERTAIN TAX POSITIONS FEDERAL RETURNS FOR THE TAX YEARS 2009 AND BEYOND REMAIN SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE

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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
GRITMAN MEDICAL CENTER

Employer identification number
82-0146328

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ 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 eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a		No
b	If "Yes," did the organization make it available to the public?	6b		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		1,680	931,633		931,633	2 060 %
b Medicaid (from Worksheet 3, column a)			4,341,191	2,467,861	1,873,330	4 140 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs		1,680	5,272,824	2,467,861	2,804,963	6 200 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	12	2,410	43,910	3,870	40,040	0 090 %
f Health professions education (from Worksheet 5)	6	105	353,815		353,815	0 780 %
g Subsidized health services (from Worksheet 6)	4		1,306,818	938,085	368,733	0 820 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	4	524	11,330		11,330	0 030 %
j **Total.** Other Benefits	26	3,039	1,715,873	941,955	773,918	1 720 %
k **Total.** Add lines 7d and 7j	26	4,719	6,988,697	3,409,816	3,578,881	7 920 %

Part II **Community Building Activities** Complete this 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
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**						

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		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	1,434,423		
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			
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	9,939,184		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	9,528,797		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	410,387		
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	Yes	

Part IV **Management 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 1 PALOUSE HEALTH PROPERTIES LLC	PROPERTY MANAGEMENT	60 000 %		40 000 %
2 2 PALOUSE SURGERY CENTER LLC	OUTPATIENT SURGERY CENTER	60 000 %		40 000 %
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	GRITMAN MEDICAL CENTER 700 S MAIN STREET MOSCOW,ID 83843	X	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)

Name of hospital facility or facility reporting group GRITMAN MEDICAL CENTER

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	1		No
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ___			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5	Did the hospital facility make its CHNA report widely available to the public?	5		
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☐ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☑ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

- **a** ☐ Notified individuals of the financial assistance policy on admission
- **b** ☐ Notified individuals of the financial assistance policy prior to discharge
- **c** ☐ Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- **d** ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☑ Other (describe in Part VI)			
21 During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**21**		No
If "Yes," explain in Part VI			
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?	**22**		No
If "Yes," explain in Part VI			

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?
1

	Name and address	Type of Facility (describe)
1	PALOUSE SURGERY CENTER LLC 2300 WEST A STREET MOSCOW,ID 83843	GENERAL MEDICAL AND SURGERY
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART I, LINE 7 PART I, LINE 7 LINES 7A, B AND C WERE CALCULATED USING A COST TO CHARGE RATIO BASED ON TOTAL OPERATING EXPENSES LESS BAD DEBT DIVIDED BY GROSS PATIENT CHARGES PART I, LINES 7E,F,G AND I WERE CALCULATED FROM GENERAL LEDGER ACTUAL COSTS
		PART I, LINE 7G THREE RURAL CLINICS AND ADULT DAY HEALTH WERE INCLUDED IN LINE 7G THE COST OF THE CLINICS WAS $339,325

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $ 1434423
		PART II IN 2012, GRITMAN FULFILLED ITS MISSION TO PROVIDE EXTRORDINARY CARE TO IMPROVE THE HEALTH OF THE PEOPLE IN OUR COMMUNITIES THROUGH 1,523 INPATIENT ADMISSIONS, 4,845 PATIENT DAYS AND 61,505 OUTPATIENT VISITS THROUGH OUR POTLATCH AND KENDRICK RURAL CLINICS, WE PROVIDED 4,196 OFFICE VISITS THROUGH THE TROY CLINIC WE PROVIDED 521 OFFICE VISITS ALSO, IN 2012, THE HOSPITAL PROVIDED $1 7 MILLION IN UNREIMBURSED CHARITY CARE ADDITIONALLY, GRITMAN SERVED AS A CLINIC SITE FOR AREA SCHOOLS OF NURSING AND RADIOLOGY (2,772 STUDENT NURSING HOURS THROUGH PARTNERSHIP WITH WALLA WALLA COMMUNITY COLLEGE AND LEWIS-CLARK STATE COLLEGE IN 2012)

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE MEDICAL CENTER AND SURGERY CENTER REPORT PATIENT ACCOUNTS RECEIVABLE FOR SERVICES RENDERED AT NET REALIZABLE AMOUNTS FROM THIRD-PARTY PAYERS, PATIENTS AND OTHERS THE MEDICAL CENTER AND SURGERY CENTER PROVIDE AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON A REVIEW OF OUTSTANDING RECEIVABLES, HISTORICAL COLLECTION INFORMATION AND EXISTING ECONOMIC CONDITIONS AS A SERVICE TO THE PATIENT, THE MEDICAL CENTER AND SURGERY CENTER BILL THIRD PARTY PAYERS DIRECTLY AND BILL THE PATIENT WHEN THE PATIENT'S LIABILITY IS DETERMINED PATIENT ACCOUNTS RECEIVABLE ARE DUE IN FULL WHEN BILLED THE RECEIVABLES ARE NON-INTEREST BEARING ACCOUNTS ARE CONSIDERED DELINQUENT AND SUBSEQUENTLY WRITTEN OFF AS BAD DEBTS BASED ON INDIVIDUAL CREDIT EVALUATION AND SPECIFIC CIRCUMSTANCES OF THE ACCOUNT
		PART III, LINE 8 INFORMATION WAS FROM GRITMAN MEDICAL CENTER'S 2012 COST REPORT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B GRITMAN MEDICAL CENTER DOES NOT COLLECT FROM PATIENTS INITIALLY KNOWN TO QUALIFY FOR CHARITY CARE IF A PATIENT IN COLLECTIONS IS LATER DETERMINED TO QUALIFY FOR CHARITY CARE, GRITMAN MEDICAL CENTER CEASES COLLECTION EFFORTS FOR THAT PATIENT
GRITMAN MEDICAL CENTER		PART V, SECTION B, LINE 14G GRITMAN HAS 1 5 FULL-TIME FINANCIAL COUNSELOR(S) TO INFORM AND EDUCATE PATIENTS ONE FINANCIAL COUNSELOR WORKS WITH PATIENTS WHO VISIT US THROUGH OUREMERGENCY DEPARTMENT AFTER A PATIENT IS SEEN IN THE ED, THE COUNSELOR WILL SHARE INFORMATION ON ALL AVAILABLE PAYMENT OPTIONS INCLUDING COUNTY ASSISTANCEAND OUR CHARITY CARE IF THE PATIENT CANNOT PAY, THE PATIENT IS GIVEN OUR CHARITY CARE FORM AND IF NEEDED CAN ASSIST IN FILLING OUT THE FORM OUR CASE MANAGEMENT STAFF REFER PATIENTS TO OUR FINANCIAL COUNSELORS, AS WELL, IF PATIENTS EXPRESS INTEREST OR NEED IN RECEIVING BILLING INFORMATION OUR FINANCIAL POLICY IS AVAILABLE ON OUR WEBSITE AND IN BROCHURE FORM

Identifier	ReturnReference	Explanation
GRITMAN MEDICAL CENTER		PART V, SECTION B, LINE 16E LEGAL ACTION MAY BE USED AS PART OF THE COLLECTION PROCESS
GRITMAN MEDICAL CENTER		PART V, SECTION B, LINE 20D THEY ARE BILLED AT THE CHARGE RATE, HOWEVER CAN GET THE PROMPT PAY DISCOUNT OF 15% IF PAYMENT IS MADE WITHIN 20 DAYS OF RECEIVING THEIR BILL

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 EACH YEAR, GRITMAN LEADERSHIP HOSTS "COMMUNITY CONVERSATIONS" IN THE SMALL TOWNS OF LATAH COUNTY THESE TOWNS COMPOSE OUR PRIMARY SERVICE AREA THE COMMUNITY CONVERSATIONS ARE FREE AMD OPEN TO THE PUBLIC AND PROVIDE US AN OPPORTUNITY TO HEAR DIRECTLY FROM THE COMMUNITY ON HOW WE ARE DOING AND WHAT SERVICES THEY WOULD LIKE TO SEE US PROVIDE WE ALSO EVALUATE DATA FROM IDAHO PUBLIC HEATH DISTRICT #2 WHICH INCLUDES INFORMATION ON LATAH COUNTY (AMONG OTHERS) FROM THE BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM, DEVELOPED BY THE CENTERS FOR DISEASE CONTROL AND PREVENTION AND DESIGNED TO ESTIMATE THE PREVALENCE OF RISK FACTORS FOR MAJOR CAUSES OF MORBIDITY AND MORTALITY IN THE UNITED STATES
		PART VI, LINE 3 GRITMAN HAS 1 5 FULL-TIME FINANCIAL COUNSELOR(S) TO INFORM AND EDUCATE PATIENTS OUR FINANCIAL COUNSELOR WORKS WITH PATIENTS WHO VISIT US THROUGH THE EMERGENCY DEPARTMENT AFTER A PATIENT IS SEEN IN THE EMERGENCY DEPARTMENT, THE COUNSELOR WILL SHARE INFORMATION ON ALL AVAILABLE PAYMENT OPTIONS INCLUDING COUNTY ASSITANCE AND OUR CHARITY CARE IF THE PATIENT CANNOT PAY, THE PATIENT IS GIVEN OUR CHAIRTY CARE FORM AND IF NEEDED CAN ASSIST IN FILLING OUT THE FORM OUR CASE MANAGEMENT STAFF REFER PATIENTS TO OUR FINANCIAL COUNSELORS, AS WELL, IF THE PATIENT EXPRESS INTEREST OR NEED IN RECEIVING BILLNG INFORMATION OUR FINANCIAL POLICY IS AVAILABLE ON OUR WEBSITE AND IN BROCHURE FORM

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 GRITMAN MEDICAL CENTER IS A NOT-FOR-PROFIT, COMMUNITY-OWNED HOSPITAL IN A RURAL/AGRICULTURAL AREA OF NORTH IDAHO CALLED THE PALOUSE GRITMAN MEDICAL CENTER HAS BEEN A PART OF THE COMMUNITY FOR OVER 100 YEARS THE PRIMARY SERVICE AREA FOR GRITMAN MEDICAL CENTER IS LATAH COUNTY LATAH COUNTY IS 2,000 SQUARE MILES WITH APPROXIMATELY 37,704 PEOPLE LATAH COUNTY IS COMPOSED OF MOSCOW, THE COUNT SEAT AND 10 SMALL TOWNS WHICH HAVE BEEN HARD-HIT BY THE DECLINING NATURAL RESOURCE INDUSTRIES THERE IS WIDE VARIATION IN THE MEDIAN AGE IN OUR SERVICE AREA 5 6% ARE PERSONS UNDER 5 YEARS, 18 5% ARE PERSONS UNDER 18 YEARS, AND 10 4% ARE PERSONS 10 4% ARE PERSONS 65 YEARS AND OVER MEDIAN HOUSEHOLD INCOME BETWEEN 2006-2010 WAS $36,974 BETWEEN 2006-2010, 21 5% OF OUR POPULATION LIVES BELOW THE POVERTY LEVEL GRITMAN IS IN A HIGHLY COMPETITIVE MARKET WITH FOUR OTHER HOSPITALS BEING JUST 30 MINUTES AWAY ALL BUT ONE ARE CRITICAL ACCESS HOSPITALS
		PART VI, LINE 5 A GRITMAN MEDICAL CENTER WAS ORIGINALLY ESTABLISHED NOT FOR ECONOMIC OPPORTUNITY BUT TO ADDRESS A NEED FOR HEALTH SERVICES IN OUR COMMUNITY AT THE HEART OF GRITMAN MEDICAL CENTER IS OUR COMMITMENT TO SERVING YOUR HEALTHCARE NEEDS AS A NOT-FOR-PROFIT ORGANIZATION, WE TAKE SERIOUSLY OUR SOCIAL RESPONSIBILITY TO PROVIDE ACCESS TO SERVICES REGARDLESS OF ONE'S ABILITY TO PAY GRITMAN'S COMMITMENT TO OUR COMMUNITY INCLUDES GIVING BACK IN OTHER WAYS, TOO WE OFFER FREE MAMMOGRAMS TO LOCAL WOMEN WHO ARE UNABLE TO COVER THE SCREENING ON THEIR OWN THROUGH THE BOSOM BUDDIES PROGRAM WE PROVIDE SERVICES TO HELP CANCER PATIENTS IMPROVE THEIR QUALITY OF LIFE THROUGH THE LIGHT A CANDLE PROGRAM WE OFFER FREE AND LOW COST THERAPY, FITNESS CLASSES, WELLNESS SCREENINGS, FREE BLOOD PRESSURE CLINICS AND SMOKING CESSATION CLASSES AS WELL AS SUPPORT GROUPS FOR CAREGIVERS GRITMAN ALSO HELPS PROVIDE SUPPORT TO LOCAL ORGANIZATIONS AND PROGRAMS WITHIN THE COMMUNITY THROUGH VOLUNTEER, IN-KIND AND FINANCIAL CONTRIBUTIONS

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
GRITMAN MEDICAL CENTER

Employer identification number
82-0146328

Part I General Information on Grants and Assistance

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) MOSCOW VOLUNTEER FIRE DISTRICT 623 S MAIN STREET MOSCOW, ID 83843		N/A	5,000				GENERAL OPERATIONS

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶

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

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 WHEN GRANT FUNDS ARE RECEIVED THEY ARE PLACED IN THEIR OWN FUND ACCOUNT AND TRACKED TO MAKE SURE THEY ARE SPENT IN ACCORDANCE WITH THE GRANT

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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
GRITMAN MEDICAL CENTER

Employer identification number
82-0146328

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III ☐ Compensation committee ☑ Written employment contract ☐ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**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**		No
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**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured 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				
(1)LISA WOOD CFO	(i)	161,841	0	0	0	38,363	200,204	0
	(ii)	0	0	0	0	0	0	0
(2)KARA BESST CEO	(i)	218,797	10,000	7,260	0	55,160	291,217	0
	(ii)	0	0	0	0	0	0	0
(3)STEVEN REITZ CRNA	(i)	236,958	152	0	4,803	19,625	261,538	0
	(ii)	0	0	0	0	0	0	0
(4)MARIA BODE CRNA	(i)	237,340	152	0	9,606	11,581	258,679	0
	(ii)	0	0	0	0	0	0	0
(5)DEBORAH MAURO-BENDER CRNA	(i)	234,765	152	0	9,421	6,256	250,594	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
SUPPLEMENTAL INFORMATION	PART III	KARA BESST, CEO, RECEIVED COMPENSATION OF $291,217 FROM AN UNRELATED ORGANZATION, QUORUM HEALTH RESOURCES LISA WOOD, CFO, RECEIVED COMPENSATION OF $200,204 FROM AN UNRELATED ORGANIZATION, QUORUM HEALTH RESOURCES

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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
GRITMAN MEDICAL CENTER

Employer identification number
82-0146328

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	IDAHO HEALTH FACILITIES AUTHORITY	82-6051863	45129UAV6	06-01-2003	18,545,000	NEW HOSPITAL WING		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	2,850,000			
2	Amount of bonds legally defeased				
3	Total proceeds of issue	18,904,302			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	281,940			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	17,384,432			
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2003			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?		X						
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?		X						

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X						
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	%		%		%		%	
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 ▶	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	Does the bond issue meet the private security or payment test?		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						
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						

Part IV Arbitrage

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

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						
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						
7	Has the organization established written procedures to monitor the requirements of section 148?		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						

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

Identifier	Return Reference	Explanation

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SCHEDULE 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
GRITMAN MEDICAL CENTER

Employer identification number
82-0146328

Identifier	Return Reference	Explanation
CHANGES IN PROGRAM SERVICES	FORM 990, PART III, LINE 3	THE ADULT DAY HEALTH PROGRAM WAS CLOSED AS OF DECEMBER 31, 2012
	FORM 990, PART VI, SECTION B, LINE 11	THE GRITMAN MEDICAL CENTER CFO WILL MAKE THE 990 AVAILABLE FOR REVIEW PRIOR TO SIGNATURE OF THE RETURN BY THE ORGANIZATION'S CEO
	FORM 990, PART VI, SECTION B, LINE 12C	POTENTIAL CONFLICTS ARE REQUIRED TO BE DISCLOSED TO THE BOARD THROUGHOUT THE YEAR LEGAL COUNSEL REVIEWS ALL POTENTIAL CONFLICTS OF INTEREST PRESENT AND THEN DETERMINES IF A CONFLICT OF INTEREST IS PRESENT IT IS THE POLICY OF GRITMAN MEDICAL CENTER THAT ANY BOARD MEMBER WITH AN UNDISCLOSED CONFLICT OF INTEREST MAY BE SUBJECT TO IMMEDIATE TERMINATION FROM SERVICE ON THE BOARD
	FORM 990, PART VI, SECTION B, LINE 15	THE ORGANIZATIONS CEO & CFO, ARE EMPLOYEES OF QUORUM HEALTH RESOURCES (QHR) AS SUCH, THEIR PAY RATE IS DETERMINED BY QHR QHR PERFORMS A COMPENSATION SURVEY TO DETERMINE THE CEO & CFOS COMPENSATION THE ORGANIZATION'S BOARD OF DIRECTORS REVIEWS ALL CONTRACTS WITH QHR TO DETERMINE REASONABLE SALARIES GRITMAN HAS THREE OTHER SENIOR ADMINISTRATIVE STAFF, THE CHIEF NURSING OFFICER (CNO), THE CHIEF QUALITY OFFICER (CQO), AND THE CHIEF INFORMATION OFFICER (CIO) EACH YEAR PRIOR TO THE ANNUAL PAY INCREASE THEIR POSITIONS ARE REVIEWED BY THE HUMAN RESOURCES DIRECTOR THEIR SALARY GRADE MINIMUM AND MAXIMUM RATES AND THEIR ACTUAL PAID RATES ARE COMPARED TO STATE AND REGIONAL SALARY SURVEY DATA TO DETERMINE THEIR RELATIONSHIP TO OUR EXTERNAL MARKER IN ADDITION TO THE EXTERNAL COMPARISON, WE ENSURE WE HAVE INTERNAL EQUITY BASED ON THEIR SALARY GRADE LEVEL, YEARS OF EXPERIENCE AND HOW THEIR RESPONSIBILITIES COMPARE TO THOSE IN OTHER POSITIONS ALL PAY INCREASES ARE REVIEWED AND APPROVED BY THE CEO THE PAY INCREASES ARE THEN INCORPORATED INTO THE ANNUAL BUDGET WHICH IS APPROVED BY THE BOARD OF DIRECTORS SALARY DECISIONS ARE MADE BY THOSE WITHOUT CONFLICT AND THE DECISIONS ARE DOCUMENTED THE PAY INCREASE ARE NOT APPROVED UNTIL THE ANNUAL BUDGET IS APPROVED BY THE BOARD
	FORM 990, PART VI, SECTION C, LINE 19	FINANCIAL INFORMATION IS MADE AVAILABLE AT GRITMAN'S ANNUAL BOARD MEETING IN MAY OF EACH YEAR, WHICH IS OPEN TO THE PUBLIC
	FORM 990, PART XII, LINE 2C	REQUESTS FOR PROPOSALS ARE SENT OUT TO MULTIPLE AUDITING FIRMS EVERY 3 YEARS THE CEO, CFO, AND BOARD MEMBERS LOOK OVER THE PROPOSALS AND CHOOSE THE APPROPRIATE ACCOUNTING FIRM TO CONDUCT THE AUDIT

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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
GRITMAN MEDICAL CENTER

Employer identification number
82-0146328

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) GRITMAN MEDICAL PARK LLC 700 S WASHINGTON MOSCOW, ID 83843	REAL ESTATE RENTALS	ID	-25,242	5,635,770	GRITMAN MEDICAL CENTER

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	(g) No
(1) GRITMAN MEDICAL CENTER FOUNDATION 700 S MAIN STREET MOSCOW, ID 83843 20-0586022	HOSPITAL SUPPORT	ID	501(C)(3)	7	GRITMAN MEDICAL CENTER	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) PALOUSE SURGERY CENTER LLC 2300 WEST A STREET MOSCOW, ID 83843 81-0593962	OUTPATIENT SURGERY CENTER	ID	GRITMAN MEDICAL CENTER	RELATED	122,831	393,802		No			No	60 000 %
(2) PALOUSE HEALTH PROPERTIESLLC 2300 WEST A STREET MOSCOW, ID 83843 81-0593963	PROPERTY MANAGEMENT	ID	GRITMAN MEDICAL CENTER	RELATED	82,012	396,157		No			No	61 810 %

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

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

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

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

		Yes	No
1	During the tax year, did the orgranization 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	1a	No
b	Gift, grant, or capital contribution to related organization(s)	1b	No
c	Gift, grant, or capital contribution from related organization(s)	1c	No
d	Loans or loan guarantees to or for related organization(s)	1d	No
e	Loans or loan guarantees by related organization(s)	1e	No
f	Dividends from related organization(s)	1f	No
g	Sale of assets to related organization(s)	1g	No
h	Purchase of assets from related organization(s)	1h	No
i	Exchange of assets with related organization(s)	1i	No
j	Lease of facilities, equipment, or other assets to related organization(s)	1j	Yes
k	Lease of facilities, equipment, or other assets from related organization(s)	1k	No
l	Performance of services or membership or fundraising solicitations for related organization(s)	1l	No
m	Performance of services or membership or fundraising solicitations by related organization(s)	1m	No
n	Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	No
o	Sharing of paid employees with related organization(s)	1o	No
p	Reimbursement paid to related organization(s) for expenses	1p	No
q	Reimbursement paid by related organization(s) for expenses	1q	No
r	Other transfer of cash or property to related organization(s)	1r	Yes
s	Other transfer of cash or property from related organization(s)	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
(1) PALOUSE SURGERY CENTER LLC	S	58,034	ACTUAL CASH

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(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		Yes	No	

Software ID:
Software Version:
EIN: 82-0146328
Name: GRITMAN MEDICAL CENTER

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation	

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Gritman Medical Center, Inc. and Subsidiaries

Moscow, Idaho

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2012 and 2011

Gritman Medical Center, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information
Years Ended December 31, 2012 and 2011

Table of Contents

WIPFLi LLP

Independent Auditor's Report

Board of Directors
Gritman Medical Center, Inc
Moscow, Idaho

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Gritman Medical Center, Inc and Subsidiaries which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 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 Gritman Medical Center, Inc and Subsidiaries, at December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States

Wipfli LLP

Wipfli LLP

May 28, 2013
Spokane, Washington

Gritman Medical Center, Inc. and Subsidiaries

Consolidated Balance Sheets

December 31, 2012 and 2011

Assets	2012	2011
Current assets		
Cash and cash equivalents	$ 5,779,221	$ 2,080,259
Accounts receivable - Net	8,255,736	8,102,612
Other receivables	368,962	671,229
Inventories	1,301,543	1,556,765
Prepaid expenses	540,369	386,712
Amounts receivable from third-party reimbursement programs	-	1,167,586
Total current assets	16,245,831	13,965,163
Assets limited as to use		
Internally designated	16,986,246	15,423,398
Internally designated for Friends of Hospice of the Palouse	1,241,880	1,140,493
Held by trustee - Bond reserve	1,233,182	1,232,149
Total assets limited as to use	19,461,308	17,796,040
Property and equipment - Net	41,114,333	41,422,997
Other assets		
Deferred financing costs	509,320	534,564
Investment in joint ventures	346,566	202,867
Total other assets	855,886	737,431
TOTAL ASSETS	$ 77,677,358	$ 73,921,631

See accompanying notes to consolidated financial statements

Liabilities and Net Assets	2012	2011
Current liabilities		
Current maturities of long-term debt	$ 1,439,749	$ 1,833,522
Current maturities of capital lease payable	144,107	139,439
Line of credit	3,452,346	2,300,229
Accounts payable	3,388,849	2,178,807
Accrued expenses	2,919,081	2,936,958
Amounts payable to third-party reimbursement programs	872,082	1,241,550
Total current liabilities	12,216,214	10,630,505
Long term liabilities		
Long-term debt - Less current maturities	20,172,624	20,389,872
Capital lease payable - Less current maturities	302,848	446,955
Total long-term liabilities	20,475,472	20,836,827
Total liabilities	32,691,686	31,467,332
Gritman Medical Center, Inc net assets		
Unrestricted	44,177,716	41,648,559
Temporarily restricted	276,540	181,197
Permanently restricted	104,719	104,719
Total net assets of Gritman Medical Center, Inc	44,558,975	41,934,475
Non-controlling interests in subsidiaries	426,697	519,824
Total net assets	44,985,672	42,454,299
TOTAL LIABILITIES AND NET ASSETS	$ 77,677,358	$ 73,921,631

Gritman Medical Center, Inc. and Subsidiaries

Consolidated Statements of Operations

Years Ended December 31, 2012 and 2011

	2012	2011
Unrestricted revenue, gains, and other support		
Patient service revenue (net of contractual allowances and discounts)	$ 48,174,101	$ 46,985,387
Provision for bad debts	(2,900,969)	(3,097,667)
Net patient service revenue	45,273,132	43,887,720
Other revenue	1,795,572	1,197,210
Net assets released from restrictions used for operations	123,201	64,161
Total unrestricted revenue, gains, and other support	47,191,905	45,149,091
Expenses		
Salaries and wages	20,492,034	19,471,290
Employee benefits	5,272,945	4,528,345
Professional fees	2,130,500	2,118,193
Supplies and other	6,177,376	5,875,728
Other fees	2,187,066	1,855,156
Repairs and maintenance	1,900,655	1,796,764
Insurance	684,751	827,935
Utilities	826,364	824,274
Leases and rentals	426,388	346,416
Other	1,157,307	1,482,057
Depreciation and amortization	3,577,360	2,914,909
Interest	1,113,096	1,162,308
Total expenses	45,945,842	43,203,375
Income from operations	1,246,063	1,945,716
Other income (expense)		
Investment income	757,101	443,560
Contributions	151,587	140,141
Rental income	168,873	452,130
Depreciation expense	(117,497)	(316,637)
Net loss in joint ventures	(432,668)	(486,037)
Gain (loss) on sale of asset	63,964	(214,754)
Other expense - Net	(181,143)	(383,403)
Total other income (expense)	410,217	(365,000)
Excess of revenue over expenses	1,656,280	1,580,716
Investment return - Change in unrealized gains and losses	951,424	(225,556)
Non-controlling interest in earnings of subsidiaries	(78,547)	(53,305)
Increase in unrestricted net assets	$ 2,529,157	$ 1,301,855

See accompanying notes to consolidated financial statements

Gritman Medical Center, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2012 and 2011

	2012	2011
Unrestricted net assets		
Excess of revenue over expenses	$ 1,656,280	$ 1,580,716
Investment return - Change in unrealized gains and losses	951,424	(225,556)
Minority interest in earnings of subsidiaries	(78,547)	(53,305)
Increase in unrestricted net assets	2,529,157	1,301,855
Temporarily restricted net assets		
Contributions - Net	218,544	71,996
Net assets released from restrictions	(123,201)	(64,161)
Increase in temporarily restricted net assets	95,343	7,835
Increase in net assets	2,624,500	1,309,690
Net assets - Beginning of year	41,934,475	40,624,785
Total net assets of Gritman Medical Center, Inc - End of Year	$ 44,558,975	$ 41,934,475

Gritman Medical Center, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Cash received from patient services	$ 45,918,126	$ 42,857,547
Cash received from other operating revenues	2,097,839	1,385,288
Cash paid for salaries and benefits	(25,782,856)	(23,957,881)
Cash paid for supplies, professional fees, and other operating expenses	(15,291,896)	(15,759,579)
Net assets released from restrictions used for operations	123,201	64,161
Net cash provided by operating activities	7,064,414	4,589,536
Cash flows from financing activities		
Proceeds from issuance of long-term debt	1,375,735	1,804,213
Principal payments on long-term debt	(2,126,195)	(1,979,914)
Net change in line of credit	1,152,117	899,642
Grants and contributions received	246,930	147,976
Payments for purchase of capital assets	(3,470,614)	(5,884,749)
Proceeds from disposal of assets	173,629	1,256,415
Net cash used in financing activities	(2,648,398)	(3,756,417)
Cash flows from investing activities		
Purchase of investments	(1,602,923)	(2,993,377)
Sale and maturity of investments	892,999	2,870,905
Interest Income	753,181	449,341
Minority earnings in subsidiaries	(171,674)	(125,218)
Payments for purchase of investments in joint ventures	(576,367)	(602,853)
Rental property activity net	168,873	452,130
Other non-operating investing activity	(181,143)	(383,403)
Net cash used in investing activities	(717,054)	(332,475)
Net increase in cash and cash equivalents	3,698,962	500,644
Cash and cash equivalents - Beginning of year	2,080,259	1,579,615
Cash and cash equivalents - End of year	$ 5,779,221	$ 2,080,259

Gritman Medical Center, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

Years Ended December 31, 2012 and 2011

	2012	2011
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	$ 1,246,063	$ 1,945,716
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	3,577,360	2,914,909
Provision for bad debt	2,900,969	3,097,667
Changes in operating assets and liabilities		
Patient accounts receivable - net	(3,054,093)	(4,050,054)
Other accounts receivable	302,267	188,078
Amounts receivable from third-party reimbursement programs	1,167,586	(467,586)
Inventories	255,222	(112,670)
Prepaid expenses	(153,657)	73,686
Accounts payable	1,210,042	568,236
Accrued expenses	(17,877)	41,754
Amounts payable to third-party reimbursement programs	(369,468)	389,800
Total adjustments	5,818,351	2,643,820
Net cash provided by operating activities	$ 7,064,414	$ 4,589,536
Supplemental disclosure of cash flow information		
Cash paid for interest related to operations	$ 1,113,096	$ 1,162,308

Gritman Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

The Entity

Gritman Medical Center, Inc , primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Moscow, Idaho, and the surrounding area The Medical Center's subsidiaries are Palouse Surgery Center, LLC (the "Surgery Center"), Palouse Health Properties, LLC (the "Health Properties"), Gritman Medical Center Foundation Inc (the "Foundation") and the Gritman Medical Park, LLC (the "Medical Park") The Surgery Center is a joint venture between the Medical Center and a group of local physicians that began operations in May 2004 The Health Properties is a joint venture created to hold real estate that it leases to the Surgery Center The Health Properties also began operations in May 2004 The Medical Center holds a 60 percent ownership interest in the Surgery Center and the Health Properties The Foundation is an affiliate established to provide fundraising assistance to the Medical Center The Medical Park was created to hold office space which is rented to healthcare providers and other public and private entities The Medical Park began operation in 2007

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Gritman Medical Center Inc , the Surgery Center, the Health Properties, the Foundation and Gritman Medical Park, LLC (collectively the "Medical Center") All material intercompany accounts and transactions have been eliminated in the consolidated financial statements

Financial Statement Presentation

The Medical Center follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernmental entities in the preparation of financial statements in conformity with GAAP

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period Actual results may differ from those estimates

Note 1 Summary of Significant Accounting Policies (Continued)

Cash Equivalents

The Medical Center considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents

Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances These obligations are primarily from local residents, most of whom are insured under third-party payor agreements The Medical Center bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for co-pay and deductible amounts that are the patients' responsibility Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement The Medical Center does not have a policy to charge interest on past due accounts

Patient accounts receivable are recorded in the accompanying balance sheets net of contractual adjustments and allowances for doubtful accounts which reflect management's best estimate of the amounts that won't be collected Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable In addition, management provides for probable uncollectible amounts, primarily uninsured patients and amounts patients are personally responsible for, through a reduction of gross revenue and a credit to a valuation allowance

In evaluating the collectibility of patient accounts receivable, the Medical Center analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts Specifically, for receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances

Note 1 Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Credit Policy (Continued)

due for which third-party coverage exists for part of the bill), the Medical Center 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 unable or unwilling to pay the portion of their bill 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 off against the allowance for doubtful accounts

Inventories

Inventories of supplies are valued at the lower of cost, determined on the first-in, first-out method, or market

Investments, Assets Limited as to Use, and Interest Income

Assets limited as to use include assets designated by the Board of Directors for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes, investments held for restricted purposes, and assets set aside by the Foundation for future projects

Interest income is reported as other income and is included in excess of revenue over expenses unless the income is restricted by donor or law Unrealized gains and losses are excluded from the excess of revenue over expenses unless the investments are trading securities Realized gains or losses are determined by specific identification

Fair Value Measurements

The Medical Center measures fair value of its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements) The three levels of the fair value hierarchy are described below

Note 1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted priced for identical assets or liabilities in active markets that the Medical Center has the ability to access

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs, other than quoted prices, that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs See Note 7 for further disclosures regarding fair value measurements of financial instruments

Property, Equipment, and Depreciation

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment Such amortization is included in depreciation and amortization in the consolidated financial statements Estimated useful lives range from five to forty years for buildings and improvements and from two to twenty years for equipment

Note 1 Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Depreciation (Continued)

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from excess of revenue over 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 cash or other assets that must be used to acquire long-lived assets are reported as restricted support Absent explicit donor stipulations about how long these assets must be maintained, expirations of donor restrictions are reported when the donated assets are placed in service

Impairment

The Medical Center reviews its property and equipment periodically to determine potential impairment by comparing the carrying value of the property and equipment with the estimated future net discounted cash flows expected to result from the use of the assets, including cash flows from disposition Should the sum of the expected future net cash flows be less than the carrying value, the Medical Center would recognize an impairment loss at that time

Unamortized Bond Issue Costs

Unamortized bond issue costs related to issuance of long-term debt are being amortized over the life of the related debt using the straight-line method

Net Assets

Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Medical Center and include those expendable resources that have been designated for special use by the Medical Center's Board of Directors Temporarily restricted net assets are those whose use by the Medical Center 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 Medical Center in perpetuity

Note 1 Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue

The Medical Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered Certain third-party payor reimbursement agreements are subject to audit and retrospective adjustments 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

For uninsured patients that do not qualify for charity care, the Hospital 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 Medical Center's uninsured patients will be unable or unwilling to pay for the services provided Thus, the Medical Center records a significant provision for bad debts related to uninsured patients in the period the services are provided

Excess of Revenue Over Expenses

The consolidated statements of operations include the classification excess of revenue over expenses, which is considered the operating indicator Changes in net assets, which are excluded from excess of revenue over expenses include investment return – change in unrealized gains and losses, net transfers between related parties, dividends paid and non-controlling interest in earnings of subsidiaries

Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates The Medical Center maintains records to identify the amount of charges foregone for services and supplies furnished under the charity care policy Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not included as net patient service revenue

Advertising Costs

The Medical Center charges advertising costs to operations as incurred Advertising expense was $424,519 and $465,099 for 2012 and 2011, respectively

Note 1 Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are considered available for unrestricted use unless specifically restricted by the donor Unconditional promises to give cash and other assets to the Medical Center are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements

Income Taxes

Gritman Medical Center Inc and the Foundation are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal taxes on related income pursuant to Section 501(a) of the Code The Medical Center and Foundation are also exempt from state taxes on related income

In order to account for any uncertain tax positions, ASC Topic 740-10, *Income Taxes,* requires an organization to assess whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements

The Medical Center is also engaged, to a limited extent, in activities which the Internal Revenue Service considers unrelated to the Medical Center's exempt purpose and, therefore, taxable These activities, however, have resulted in net operating losses for income tax purposes The Medical Center does not presently anticipate that a tax benefit from these net operating losses will be realized in the future Accordingly, any potential deferred tax asset resulting from the availability of net operating loss carry-forward is offset by a valuation allowance of equal amount No deferred tax assets and liabilities have been recognized since no other differences exist between the financial and tax basis of reporting the Medical Center's assets and liabilities

Note 1 Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Medical Center recorded no assets or liabilities for uncertain tax positions Federal returns for the tax years 2009 and beyond remain subject to examination by the Internal Revenue Service

Subsequent Event

Subsequent events have been evaluated through May 28, 2013, which is the date the financial statements are available to be issued

Note 2 Reimbursement Arrangements With Third-Party Payers

The Medical Center has agreements with third-party payers that provide for reimbursement to the Medical Center at amounts that vary from its established rates A summary of the basis of reimbursement with major third-party payers follows

Medicare and Medicaid – Gritman Medical Center, Inc is designated a Critical Access Hospital As such, all inpatient, and outpatient hospital services are paid based on a cost reimbursement method, with the exception of certain types of laboratory and therapy services which are reimbursed on a prospectively determined fee schedule Professional services provided by physicians and other clinicians continue to be reimbursed on prospectively determined fee schedules Substantially all services rendered to Medicare and Medicaid program beneficiaries by the Surgery Center are reimbursed on the basis of prospectively determined rates per procedure

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

Accounting for Medicare and Medicaid Contractual Arrangem ents – The Medical Center is reimbursed for cost-reimbursable items at interim rates with final settlements determined after audit of the related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying consolidated financial statements The Medical Center's cost reports have been audited by the Medicare fiscal intermediaries through December 31, 2010 The Medical Center's Medicaid cost reports have been audited through December 31, 2009

Note 3 Accounts Receivable - Net

Accounts receivable – net consisted of the following at December 31

	2012	2011
Accounts receivable	$ 15,712,506	$ 14,923,018
Less		
Contractual adjustments	1,728,447	1,194,828
Allowance for uncollectible accounts	5,728,323	5,625,578
Accounts receivable - Net	$ 8,255,736	$ 8,102,612

The Medical Center's allowance for doubtful accounts for self-pay patients increased from 31% of self-pay accounts receivable at December 31, 2011, to 38% of self-pay accounts receivable at December 31, 2012 In addition, the Hospital's self-pay write-offs increased $1,700,000 from $2,000,000 for fiscal year 2011 to $3,700,000 for fiscal year 2012 The Hospital has not changed its charity care or uninsured discount policies during fiscal years 2011 or 2012 The Hospital does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors

Note 4 Net Patient Service Revenue

The following table sets forth the detail of net patient service revenue

	2012	2011
Gross patient service revenue		
Inpatient services	$ 30,311,034	$ 31,318,325
Outpatient services	48,886,919	43,338,407
Less charity care	(1,728,447)	(1,194,665)
Gross patient service revenue	77,469,506	73,462,067
Contractual adjustments		
Medicare	11,471,795	9,550,771
Medicaid	4,037,296	3,103,310
Other	13,786,314	13,822,599
Patient service revenue - Net	$ 48,174,101	$ 46,985,387

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the year ended December 31, 2012 from these major payor sources, was as follows

	2012
Third party payors	$ 43,339,167
Self-pay	4,834,934
Total all payors	$ 48,174,101

Approximately 36% in 2012 and 30% in 2011 of the Medical Center's gross patient service revenue was for services provided to Medicare and Medicare Advantage Plan Program beneficiaries

Approximately 11% in 2012 and 10% in 2011 of the Medical Center's gross patient service revenue was for services provided to Medicaid and Medicaid HMO Program beneficiaries

Note 5 Charity Care

The Medical Center provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community including the health of low-income patients Consistent with the mission of the Medical Center, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources or are underinsured Health care services to patients under government programs, such as Medicaid, are also considered part of the Medical Center's benefit provided to the community since a substantial portion of such services are reimbursed at amounts less than the costs of providing care

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on qualifying criteria as defined in the Medical Center's charity care policy and from applications completed by patients and their families

Benefits for the community also include unpaid costs of health screenings, community education through seminars and classes, and other health-related services

The amount of charges foregone for services and supplies furnished under the Medical Center's charity care policy aggregated $1,728,447 and $1,194,665 for 2012 and 2011, respectively

The estimated cost of providing care to patients under the Medical Center's charity care policy was approximately $950,000 and $651,000 in 2012 and 2011, respectively, calculated by multiplying the ratio of cost to gross charges for the Hospital times the gross uncompensated charges associated with providing charity care

Note 6 Investments, Assets Limited as to Use, and Investment Income

Assets Limited as to Use

Assets limited as to use consisted of the following at December 31

	2012	2011
Internally designated for capital acquisition		
Certificates of deposit	$ 1,679,985	$ 1,696,821
Mutual funds	4,379,428	3,763,867
Fixed income securities	12,167,531	11,099,093
Interest receivable	1,182	4,110
Total internally designated for capital acquisition	18,228,126	16,563,891
Held by trustee		
Certificates of deposit	1,233,182	1,232,149
Total held by trustee	1,233,182	1,232,149
Total assets limited as to use	$ 19,461,308	$ 17,796,040

Note 6 Investments, Assets Limited as to Use, and Investment Income (Continued)

Investment Income

Investment income, including changes in unrealized gains and losses, consisted of the following

	2012	2011
Nonoperating investment income	$ 757,101	$ 443,560
Change in unrealized gains and losses on investments, other than trading securities	951,424	(225,556)
Total investment income	$ 1,708,525	$ 218,004

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements

Management assesses individual investment securities as to whether declines in market value are other-than-temporary and result in impairment For equity securities, the Medical Center considers whether they have the ability and intent to hold the investment until a market price recovery Evidence considered in this includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, the issuer's financial condition, and the general market condition in the geographic area or industry in which the investee operates For debt securities, if the Medical Center has made a decision to sell the security, or if it is more likely than not the Medical Center will sell the security before the recovery of the security's cost basis, an other-than-temporary impairment is considered to have occurred If the Medical Center has not made a decision or does not have the intent to sell the debt security, but the debt security is not expected to recover its value due to a credit loss, an other-than temporary impairment is considered to have occurred

Note 7 Fair Value of Financial Instruments

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

Mutual funds are valued at quoted market prices, which represent the net asset value (NAV) of shares held by the Medical Center at year-end

Fixed income securities are valued at balance in account, which approximates fair value

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values Furthermore, while the Medical Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date

The following tables set forth by level, within the fair value hierarchy, the Medical Center's assets at fair value at December 31

	2012			
	Fair Value Measurements Using			Total Assets at
	Level 1	Level 2	Level 3	Fair Value
Assets				
Equity mutual funds	$ 4,379,428	$ -	$ -	$ 4,379,428
Fixed income securities	12,167,531	-	-	12,167,531
Total assets	$ 16,546,959	$ -	$ -	$ 16,546,959

	2011			
	Fair Value Measurements Using			Total Assets at
	Level 1	Level 2	Level 3	Fair Value
Assets				
Equity mutual funds	$ 3,763,867	$ -	$ -	$ 3,763,867
Fixed income securities	11,099,093	-	-	11,099,093
Total assets	$ 14,862,960	$ -	$ -	$ 14,862,960

The carrying value of current assets and current liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments

Note 8 Property and Equipment

Property and equipment consisted of the following at December 31

	2012	2011
Used in health care services		
Land and land improvements	$ 4,954,471	$ 5,138,444
Buildings and building improvements	34,081,615	35,018,668
Equipment	27,787,872	28,327,880
Total used in health care services	66,823,958	68,484,992
Not used in health care services		
Land and land improvements	2,409,212	1,982,626
Buildings and building improvements	7,010,681	5,838,194
Equipment	13,492	13,492
Total not used in health care services	9,433,385	7,834,312
Total property and equipment	76,257,343	76,319,304
Less - Accumulated depreciation	37,584,840	35,285,700
Net depreciated value	38,672,503	41,033,604
Construction in progress	2,441,830	389,393
Property and equipment - Net	$ 41,114,333	$ 41,422,997

Depreciation expense for property and equipment used in operating and non-operating activities consisted of the following

	2012	2011
Used in health care services	$ 3,553,633	$ 2,891,182
Not used in health care services	117,497	316,637
Total depreciation expense	$ 3,671,130	$ 3,207,819

Construction in progress at December 31, 2012, represents costs to complete a MRI project and system equipment upgrades Estimated costs to complete construction in progress at December 31, 2012, are approximately $1,500,000

Note 9 Investment in Joint Ventures

The Medical Center entered into a joint venture, Palouse Surgeons, LLC, with locum tenens surgeons to help recruit and bring additional surgeons into the area In 2008, the Medical center had an initial good faith investment in Palouse Surgeons, LLC of $60,000, which represents a 40% ownership in the joint venture In 2012 the Medical Center altered its investment in Palouse Surgeons, LLC to include 50% ownership in a specific department of Palouse Surgeons, LLC, Gastroenterology The Medical Center entered into a Joint Venture, Inland Northwest Renal Care Group, LLC (INWRCG), to provide dialysis opportunities to the local community The Medical Center had an initial good faith investment in NWRCG of $75,000 which represents a 30% ownership in the joint venture

The operating results of these investments are reported in the consolidated statements of operations and changes in net assets in other operating revenue The Medical Center accounts for these investments under the equity method Detail by investment as of and for the years ended December 31 follows

	2012			2011		
	Investments	Gain (Loss) on Equity Investments	Contribution	Investments	Gain (Loss) on Equity Investments	Contribution
Palouse Surgeons	$ 198,517	$ (444,994)	$ 576,367	$ 67,144	$ (507,003)	$ 559,956
INWRCG	148,049	12,326	-	135,723	20,966	-
Totals	$ 346,566	$ (432,668)	$ 576,367	$ 202,867	$ (486,037)	$ 559,956

Each joint venture has rent expense related to property rented from the Medical Center Detail by investment for the years ended December 31 follows

	2012	2011
Palouse Surgeons	$ 55,130	$ 39,492
INWRCG	114,693	123,849
Total rent expense	$ 169,823	$ 163,341

Note 9 Investment in Joint Ventures (Continued)

The following is a summary of the financial position of Palouse Surgeons and NWRCG as of December 31

	2012	2011
Assets	$ 1,283,594	$ 847,467
Liabilities	$ 308,040	$ 227,197
Equity	$ 975,554	$ 620,270

Note 10 Medical Malpractice Claims

The Hospital obtains its medical malpractice insurance through Yellowstone Insurance Exchange (Yellowstone), a reciprocal risk retention group formed in the State of Vermont, pursuant to the federal Liability Risk Retention Act of 1986 The Exchange provides liability insurance coverage to hospitals in Idaho, Montana, North Dakota, Wyoming and neighboring states that meet the Exchange's underwriting standards The Exchange was newly formed, had no operating history and was not rated The Exchange provides primary, broad form professional liability insurance coverage with limits of $1,000,000 per claim and $3,000,000 in the aggregate The Exchange provides coverage on a claims-made basis Under a claims-made policy, the Exchange provides coverage only for claims reported to the Exchange during the policy period and related to medical services that an Insured performed or should have performed after the inception date stated in the policy Under a claims made policy, the Medical Center retains liability for incidents which have occurred but for which no claim has yet been filed

The Medical Center purchases medical malpractice insurance from Yellowstone under a claims-made policy The Medical Center pays an annual premium to Yellowstone for its torts insurance coverage Yellowstone's governing agreement specifies that Yellowstone will be self-sustaining through member premiums and will reinsure through commercial carriers from claims in excess of stop-loss amounts Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, during the year by estimating the probable ultimate costs of the incidents The Medical Center has accrued $100,000, the annual deductible, as estimated expenses due to malpractice claims It is reasonably possible that this estimate could change in the near term

Note 11 Long-Term Debt

Long-term debt consisted of the following at December 31

	2012	2011
Series 2003 Revenue bonds (A)	$ 15,695,000	$ 16,140,000
Note payable (B)	500,626	551,469
Note payable (C)	604,740	790,112
Note payable (D)	-	640,440
Note payable (E)	-	84,995
Note payable (F)	433,659	485,773
Note payable (G)	205,707	326,060
Note payable (H)	214,175	292,101
Note payable (I)	1,688,108	1,848,550
Note payable (J)	-	18,696
Note payable (K)	-	65,231
Note payable (L)	-	39,690
Note payable (M)	894,623	940,277
Note payable (N)	64,184	-
Note payable (O)	36,551	-
Note payable (P)	1,275,000	-
Totals	21,612,373	22,223,394
Less - Current maturities	1,439,749	1,833,522
Long-term portion	$ 20,172,624	$ 20,389,872

(A) Health Facilities Revenue bonds in the original amount of $18,545,000 dated June 1, 2003, which bear interest at 2 90% to 5 20% The bonds are payable in annual installments from June 1, 2008, through June 1, 2033

(B) Note payable is a construction note for use in the construction of a Medical Office Building (MOB I) The total note is $650,942 The note payable is due in monthly installments of $1,633 including interest through February 2019 The note bears interest of 5 63% adjusting to five year fixed rate of the Federal Home Loan Bank plus 1 5% and is secured by the MOB I building

(C) Note payable due in annual installments of $218,952 including interest through December 2015 The note bears interest at 4 25% and is secured by certain equipment of the Medical Center and physical therapy revenues

Note 11 Long-Term Debt (Continued)

(D) Note payable due in annual installments of $668,491 including interest through August 1, 2012 The note bears interest at 4 38% and is collateralized with the Phase One improvements

(E) Note payable due in monthly installments of $3,618 including interest through January 2014 The note bears interest at 5 70% and is secured by certain equipment of the Medical Center

(F) Note payable due in monthly installments of $6,602 including interest through July 2019 The note bears interest at 5 77% and is secured by certain equipment of the Medical Center

(G) Note payable due in monthly installments of $11,405 including interest through July 2014 The note bears interest at 5 98% and is secured by certain equipment of the Medical Center

(H) Note payable due in monthly installments of $7,647 including interest through July 2015 The note bears interest at 5 39% and is secured by certain equipment of the Medical Center

(I) Note payable due in monthly installments of $19,390 including interest at a rate of 7 39% through April 1, 2011, and adjusting to Libor + 2 4% thereafter, with a final balloon payment on September 1, 2014 The note is secured by a deed of trust on Health Properties building

(J) Note payable due in monthly installments of $2,388 including interest through August 2012 The note bears interest at 5 5% and is secured by certain equipment of the Surgery Center and is guaranteed by the Medical Center

(K) Note payable due in annual installments of $14,601 including interest through August 2012 The note bears interest at 3 25%

(L) Note payable due in annual installments of $14,601 including interest through August 2012 The note bears interest at 3 25%

(M) Note payable due in monthly installments of $7,310 including interest through August 2021 with remaining balance due as a balloon payment in September 2021 The note bears interest at 4 5% and is secured by certain property of the Medical Center

(N) Note payable due in annual installments of $21,395 including interest through August 2015 The note bears interest at 3 25%

Note 11 Long-Term Debt (Continued)

(O) Note payable due in annual installments of $12,183 including interest through August 2015 The note bears interest at 3 25%

(P) Note payable due in annual installments of $22,844 including interest through January 2018 The note bears interest at 2 79% and is secured by MRI equipment of the Medical Center

Under the Loan Agreement for the Series 2003 Revenue bonds, the Medical Center is required to maintain certain funds with the Trustee, meet certain requirements before the issuance of additional debt and maintain certain financial ratios, including historical debt service coverage of 1 25 to 1, at least 60 days cash on hand and no more than 80 days net revenue in accounts receivable At December 31, 2012, management believes that the Organization is in compliance with all such measures of financial performance

Scheduled future payments of principal on long-term debts at December 31, 2012 are as follows

2013	$ 1,439,749
2014	2,881,637
2015	1,219,877
2016	966,741
2017	1,004,925
Thereafter	14,099,444
Total	$ 21,612,373

Note 12 Capital Lease Obligations

The Center uses certain equipment under lease agreements classified as capital leases Capital lease obligations consisted of the following at December 31, 2012

Capital lease obligation, with imputed interest at 3 297% and secured by communications equipment, due in monthly installments $13,057 through December 2015	$	446,955
Totals		446,955
Less - current maturities		144,107
Long-term portion	$	302,848

Scheduled future payments at December 31, 2012 are as follows

2013	$	156,680
2014		156,680
2015		156,680
Total minimum lease payments		470,040
Less amount representing interest		23,085
Present value of net minimum lease payments		446,955
Less - current portion		144,107
Long-term obligation under capital lease	$	302,848

Note 13 Line of Credit

The Medical Center has a bank line-of-credit agreement with Sterling Savings Bank that provides for maximum borrowing of $1,250,000 at 4 50% as of December 31, 2012 and 2011 The Medical Center also has a line-of-credit agreement with UBS Financial Services, Inc that allows for maximum borrowing of $5,000,000 at the one month Libor + 1 5% Amounts outstanding under line-of-credit agreements were $3,452,346 and $2,300,229 as of December 31, 2012 and 2011, respectively

Note 14 Non-Controlling/Physician Member Interest in Subsidiaries

The Medical Center's subsidiaries include Palouse Surgery Center, LLC (the "Surgery Center") and Palouse Health Properties, LLC (the "Health Properties") The Surgery Center is a joint venture between the Medical Center and a group of local physicians that began operations in May 2004 The Health Properties is a joint venture created to hold real estate that it leases to the Surgery Center The Health Properties also began operations in May 2004 The Medical Centers originally had a 60 percent ownership interest in the Surgery Center and in the Health Properties This percentage may vary based upon non-controlling interests equity transactions

The non-controlling interest in subsidiaries in the balance sheets reflects the investments made by the non-controlling owners in these consolidated subsidiaries, along with their proportional share of the gains and losses in these subsidiaries Non-controlling interest in gains and losses of subsidiaries in the consolidated statements of operations represents the non-controlling owners' share of the gains and losses of the consolidated subsidiaries

Non-controlling/physician member interest in subsidiaries is calculated below

	2012	2011
Ending equity balance of joint ventures		
Surgery Center	$ 592,636	$ 698,345
Health Properties	679,246	601,215
Total equity of joint venture	1,271,882	1,299,560
Non-controlling ownership percentage	34%	40%
Non-controlling interest in subsidiaries	$ 426,697	$ 519,824

Note 14 Non-Controlling/Physician Member Interest in Subsidiaries (Continued)

Majority/Gritman Medical Center interest in subsidiaries is calculated below

	2012	2011
Ending equity balance of joint ventures		
Surgery Center	$ 592,636	$ 698,345
Health Properties	679,246	601,215
Total equity of joint venture	1,271,882	1,299,560
Majority ownership percentage	66%	60%
Majority interest in subsidiaries	$ 845,185	$ 779,736

Note 15 Leasing Activities

The Medical Center leases building space to other medical operations under operating leases The net book value of building space under operating leases was $4,394,611 and $6,871,177 at December 31, 2012 and 2011, respectively, and is included in buildings and improvements not used in health care services in Note 8 and in net property and equipment, at cost in the accompanying consolidated balance sheet Accumulated depreciation on equipment under operating leases was $958,174 and $787,505 at December 31, 2012 and 2011, respectively Operating leases with original terms of one year or longer are as follows

2013	$ 400,162
2014	384,825
2015	396,937
2016	396,692
2017	382,515
Thereafter	775,244
Total	$ 2,736,375

Note 16 Temporarily Restricted Net Assets

Temporarily restricted net assets include assets set aside in accordance with donor restrictions as to time or use Temporarily restricted net assets were available for the following purposes at December 31

	2012	2011
Foundation scholarships	$ 251,642	$ 143,487
Other	24,898	37,710
Total temporarily restricted net assets	$ 276,540	$ 181,197

During 2012 and 2011, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes in the amount of $123,201 and $64,161, respectively

Note 17 Pension Plan

The Medical Center sponsors a defined contribution pension plan covering substantially all of its employees The Board of Directors annually determines the amount, if any, of the Medical Center's contributions to the plan The total pension expense for 2012 and 2011, was $579,324 and $536,868, respectively

Note 18 Concentration of Credit Risk

Financial instruments that potentially subject the Medical Center to possible credit risk consist principally of accounts receivable and cash deposits in financial institutions in excess of insured limits

Accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for health care provided to the patients The majority of the Medical Center's patients are from Moscow, Idaho, and the surrounding area

The mix of receivables from patients and third-party payers was as follows at December 31

	2012	2011
Medicare	18%	24%
Medicaid	7%	9%
Other third-party payers	42%	45%
Patients	33%	22%
Total	100%	100%

The Company maintains depository relationships with area financial institutions that are Federal Depository Insurance Corporation (FDIC) insured institutions On November 9, 2010, the FDIC issued a final rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provided for unlimited insurance coverage of noninterest-bearing transaction accounts through December 31, 2012 In addition, the Company maintains cash in interest-bearing accounts at these institutions which are insured by the FDIC up to $250,000 Beginning January 1, 2013, noninterest-bearing transaction accounts will be added to any of a depositor's other accounts at the applicable financial institution, with the aggregate balance insured up to $250,000 At December 31, 2012, the Medical Center did not exceed the insured limits

Note 19 Self-Funded Health Insurance

The Medical Center sponsors a self-funded health insurance plan for substantially all employees The Medical Center's liability is limited through its arrangement with a commercial insurance carrier to indemnify it against losses in excess of prescribed specific and aggregate limits (stop-loss coverage) Losses from claims incurred are accrued based on estimates incorporating the Medical Center's past experience, as well as other considerations including the nature of each claim and relevant trend factors A liability of $231,650 and $280,006 for claims outstanding has been recorded at December 31, 2012 and 2011 The Medical Center incurred expenses related to health insurance of $2,286,395 and $1,663,878 for the years ending December 31, 2012 and 2011 Management believes this liability is sufficient to cover estimated claims, including claims incurred but not yet reported

Note 20 Functional Expenses

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

	2012	2011
Health care services	$ 37,821,510	$ 36,242,484
General and administrative	7,771,807	6,645,697
Fund-raising	352,525	315,194
Total	$ 45,945,842	$ 43,203,375

Note 21 Laws and Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations Government activity with respect to investigations and allegations concerning possible violations of such regulations by health care providers has increased Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed Management believes that the Medical Center is in compliance with applicable government laws and regulations While no significant regulatory inquiries have been made of the Medical Center, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time

The Centers for Medicare and Medicaid Services (CMS) implemented a new demonstration project using recovery audit contractors (RACs) as part of CMS's further efforts to ensure accurate payments The project uses RACs to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment A five-state pilot concluded in March 2008 and a nationwide rollout in phases began in 2009 The Medical Center's policy is to adjust to or from revenue the amounts assessed under the RAC audits at the time a change in reimbursement is agreed upon between the Medical Center and CMS RAC reviews with the Medical Center are anticipated, however, the outcome of such potential reviews is unknown and cannot be reasonably estimated

Note 22 Reclassifications

Certain reclassifications were made to the 2011 financial statements to conform with the classifications used in 2012

Supplementary Information

WIPFLI LLP

Independent Auditor's Report on Supplementary Information

Board of Directors
Gritman Medical Center, Inc
Moscow, Idaho

We have audited the financial statements of Gritman Medical Center, Inc and Subsidiaries as of and for the years ended December 31, 2012 and 2011, and our report theron dated May 28, 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 financial statements as a whole The supplementary information appearing on pages 35 through 37 is presented for the purpose of additional analysis and is not a required part of the financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States In our opinion, the information is fairly stated in all material respects in relates to the financial statements as a whole

Wipfli LLP

Wipfli LLP

May 28, 2013
Spokane, Washington

Gritman Medical Center, Inc. and Subsidiaries

Consolidating Balance Sheet
December 31, 2012

Assets	Medical Center	Foundation	Medical Park	Surgery Center	Health Properties	Eliminations	Total
Current assets							
Cash and cash equivalents	$ 5,129,165	$ 291,416	$ -	$ 293,751	$ 64,889	$ -	$ 5,779,221
Accounts receivable - Net	8,117,596	-	-	138,140	-	-	8,255,736
Other receivables	473,383	33,209	178,558	-	-	(316,188)	368,962
Inventories	1,148,972	-	-	152,571	-	-	1,301,543
Prepaid expenses	525,036	-	-	15,333	-	-	540,369
Amounts receivable from third-party reimbursement programs	-	-	-	-	-	-	-
Total current assets	15,394,152	324,625	178,558	599,795	64,889	(316,188)	16,245,831
Assets limited as to use							
Internally designated	16,686,573	299,673	-	-	-	-	16,986,246
Internally designated for Friends of Hospice of the Palouse	-	1,241,880	-	-	-	-	1,241,880
Held by trustee - Bond reserve	1,233,182	-	-	-	-	-	1,233,182
Total assets limited as to use	17,919,755	1,541,553	-	-	-	-	19,461,308
Property and equipment - Net	33,127,214	-	5,457,212	215,792	2,314,115	-	41,114,333
Other assets							
Deferred financing costs	484,419	-	-	-	24,901	-	509,320
Investment in subsidiaries	845,185	-	-	-	-	(845,185)	-
Investment in joint ventures	346,566	-	-	-	-	-	346,566
Total other assets	1,676,170	-	-	-	24,901	(845,185)	855,886
TOTAL ASSETS	$ 68,117,291	$ 1,866,178	$ 5,635,770	$ 815,587	$ 2,403,905	$ (1,161,373)	$ 77,677,358

Liabilities and Net Assets	Medical Center	Foundation	Medical Park	Surgery Center	Health Properties	Eliminations	Total
Current liabilities							
Current maturities of long-term debt	$ 1,202,120	$ -	$ 101,682	$ 20,704	$ 115,243	$ -	$ 1,439,749
Current maturities of capital lease payable	144,107	-	-	-	-	-	144,107
Short-term debt	3,452,346	-	-	-	-	-	3,452,346
Accounts payable	3,415,746	188,470	-	100,821	-	(316,188)	3,388,849
Accrued expenses	2,861,135	-	-	57,946	-	-	2,919,081
Amounts payable to third-party reimbursement programs	872,082	-	-	-	-	-	872,082
Total current liabilities	11,947,536	188,470	101,682	179,471	115,243	(316,188)	12,216,214
Long term liabilities							
Long-term debt - Less current maturities	17,226,161	-	1,293,567	43,480	1,609,416	-	20,172,624
Capital lease payable - Less current maturities	302,848	-	-	-	-	-	302,848
Total long-term liabilities	17,529,009	-	1,293,567	43,480	1,609,416	-	20,475,472
Total liabilities	29,476,545	188,470	1,395,249	222,951	1,724,659	(316,188)	32,691,686
Gritman Medical Center, Inc net assets							
Unrestricted	38,632,410	1,304,785	4,240,521	414,906	430,279	(845,185)	44,177,716
Temporarily restricted	8,336	268,204	-	-	-	-	276,540
Permanently restricted	-	104,719	-	-	-	-	104,719
Total net assets of Gritman Medical Center, Inc	38,640,746	1,677,708	4,240,521	414,906	430,279	(845,185)	44,558,975
Non-controlling interests in subsidiaries	-	-	-	177,730	248,967	-	426,697
Total net assets	38,640,746	1,677,708	4,240,521	592,636	679,246	(845,185)	44,985,672
TOTAL LIABILITIES AND NET ASSETS	$ 68,117,291	$ 1,866,178	$ 5,635,770	$ 815,587	$ 2,403,905	$ (1,161,373)	$ 77,677,358

Gritman Medical Center, Inc. and Subsidiaries

Consolidating Statement of Operations

Year Ended December 31, 2012

	Medical Center	Foundation	Medical Park	Surgery Center	Health Properties	Eliminations	Total
Unrestricted revenue, gains, and other support							
Patient service revenue (net of contractual allowances and discounts)	$ 46,092,483	$ -	$ -	$ 2,081,618	$ -	$ -	$ 48,174,101
Provision for bad debts	(2,900,969)	-	-	-	-	-	(2,900,969)
Net patient service revenue	43,191,514	-		2,081,618	-	-	45,273,132
Other revenue	1,258,584	84,879	452,109	-	276,556	(276,556)	1,795,572
Income from subsidiaries	124,710	-	-	-	-	(124,710)	-
Net assets released from restrictions used for operations	-	123,201	-	-	-	-	123,201
Total unrestricted revenue, gains, and other support	44,574,808	208,080	452,109	2,081,618	276,556	(401,266)	47,191,905
Expenses							
Salaries and wages	19,840,997	115,766		535,271	-	-	20,492,034
Employee benefits	5,109,366	25,468		138,111	-	-	5,272,945
Professional fees	2,099,090	-		31,410	-	-	2,130,500
Supplies and other	5,535,606	8,303		633,467	-	-	6,177,376
Other fees	2,141,092	5,652		40,322	-	-	2,187,066
Repairs and maintenance	1,815,187	1,664	23,408	60,396	-	-	1,900,655
Insurance	663,305	-		21,446	-	-	684,751
Utilities	741,688	-	22,617	62,059	-	-	826,364
Leases and rentals	425,091	-		277,853	-	(276,556)	426,388
Other	741,360	195,672	142,288	76,148	1,839	-	1,157,307
Depreciation and amortization	3,158,178	-	217,220	127,007	74,955	-	3,577,360
Interest	966,645	-	71,818	1,637	72,996	-	1,113,096
Total expenses	43,237,605	352,525	477,351	2,005,127	149,790	(276,556)	45,945,842
Income from operations forwarded	$ 1,337,203	$ (144,445)	$ (25,242)	$ 76,491	$ 126,766	$ (124,710)	$ 1,246,063

	Medical Center	Foundation	Medical Park	Surgery Center	Health Properties	Eliminations	Total
Income from operations brought forward	$ 1,337,203	$ (144,445)	$ (25,242)	$ 76,491	$ 126,766	$ (124,710)	$ 1,246,063
Other income (expense)							
Investment income	691,957	65,144	-	-	-	-	757,101
Contributions	151,587	-	-	-	-	-	151,587
Rental income	168,873	-	-	-	-	-	168,873
Depreciation expense	(117,497)	-	-	-	-	-	(117,497)
Net loss in joint ventures	(432,668)	-	-	-	-	-	(432,668)
Gain on sale of asset	63,964	-	-	-	-	-	63,964
Other expense - Net	(181,143)	-	-	-	-	-	(181,143)
Total other income (expense)	345,073	65,144	-	-	-	-	410,217
Excess of revenue over expenses	1,682,276	(79,301)	(25,242)	76,491	126,766	(124,710)	1,656,280
Other changes in unrestricted net assets							
Net asset transfers (to) from affiliates	38,067	(38,067)	-	-	-	-	-
Investment return - Change in unrealized gains and losses	868,995	82,429	-	-	-	-	951,424
Non-controlling interest in earnings of subsidiaries	-	-	-	-	-	(78,547)	(78,547)
Dividends paid	-	-	-	(92,000)	-	92,000	-
Increase (decrease) in unrestricted net assets	$ 2,589,338	$ (34,939)	$ (25,242)	$ (15,509)	$ 126,766	$ (111,257)	$ 2,529,157