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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

PROVIDE ACUTE HOSPITAL CARE

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

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?

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 \$ 209,818,364 including grants of \$ ) (Revenue \$ 243,594,934 )

OPERATION OF REGIONAL ACUTE CARE HOSPITAL

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 209,818,364

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

|     |  |     |     |    |
|-----|--|-----|-----|----|
| 21  | Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .   | 21  |     | No |
| 22  | Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .   | 22  |     | No |
| 23  | Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .  | 23  | Yes |    |
| 24a | Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i> . . . . .                             | 24a | Yes |    |
| b   | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .  | 24b |     | No |
| c   | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .   | 24c |     | No |
| d   | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .  | 24d |     | No |
| 25a | <b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .  | 25a |     | No |
| b   | Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .                                       | 25b |     | No |
| 26  | Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .   | 26  |     | No |
| 27  | Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . . | 27  |     | No |
| 28  | Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)   |     |     |    |
| a   | A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .   | 28a |     | No |
| b   | A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .  | 28b | Yes |    |
| c   | An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .  | 28c | Yes |    |
| 29  | Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .  | 29  | Yes |    |
| 30  | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .  | 30  |     | No |
| 31  | Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .  | 31  |     | No |
| 32  | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .  | 32  |     | No |
| 33  | Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .  | 33  |     | No |
| 34  | Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .  | 34  | Yes |    |
| 35a | Did the organization have a controlled entity within the meaning of section 512(b)(13)?  | 35a | Yes |    |
| b   | If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .   | 35b | Yes |    |
| 36  | <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .   | 36  |     | No |
| 37  | Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .   | 37  |     | No |
| 38  | Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> 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.  | 239   |    |
| 1b  | Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.   | 0     |    |
| c   | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?   | Yes   |    |
| 2a  | Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.   | 2,152 |    |
| b   | If at least one is reported on line 2a, did the organization file all required federal employment tax returns?<br><b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).  | Yes   |    |
| 3a  | Did the organization have unrelated business gross income of \$1,000 or more during the year?  | Yes   |    |
| b   | If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.  | Yes   |    |
| 4a  | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?                                   |       | No |
| b   | If "Yes," enter the name of the foreign country: _____<br>See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.   |       |    |
| 5a  | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?  |       | No |
| b   | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?   |       | No |
| c   | If "Yes," to line 5a or 5b, did the organization file Form 8886-T?   |       |    |
| 6a  | Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?  |       | No |
| b   | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?  |       |    |
| 7   | <b>Organizations that may receive deductible contributions under section 170(c).</b>   |       |    |
| a   | Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?  |       | No |
| b   | If "Yes," did the organization notify the donor of the value of the goods or services provided?  |       |    |
| c   | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?   |       | No |
| d   | If "Yes," indicate the number of Forms 8282 filed during the year.   | 7d    |    |
| e   | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  | 7e    | No |
| f   | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?   | 7f    | No |
| g   | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?   | 7g    |    |
| h   | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?   | 7h    |    |
| 8   | <b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> 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   | <b>Sponsoring organizations maintaining donor advised funds.</b>   |       |    |
| 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  | <b>Section 501(c)(7) organizations.</b> 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  | <b>Section 501(c)(12) organizations.</b> 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 | <b>Section 4947(a)(1) non-exempt charitable trusts.</b> 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  | <b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>  |       |    |
| a   | Is the organization licensed to issue qualified health plans in more than one state?<br><b>Note.</b> 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   | 16  |     |
| If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O |   |     |     |
| 1b   | Enter the number of voting members included in line 1a, above, who are independent  | 7   |     |
| 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   | Yes |
| 7a   | Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?  | 7a  | Yes |
| 7b   | Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?   | 7b  | Yes |
| 8  | Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following  |     |     |
| 8a   | The governing body?   | 8a  | Yes |
| 8b   | Each committee with authority to act on behalf of the governing body?   | 8b  | Yes |
| 9  | Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O        | 9   | No  |

Section B. Policies

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

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

Section C. Disclosure

|    |  |
|----|--|
| 17 | List the States with which a copy of this Form 990 is required to be filed   |
| 18 | Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.<br><input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O) |
| 19 | Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year  |
| 20 | State the name, physical address, and telephone number of the person who possesses the books and records of the organization<br>CHARLES PEARCE 310 SUNNYVIEW LANE KALISPELL, MT (406) 752-1724   |

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)<br>Name and Title                  | (B)<br>Average hours per week (list any hours for related organizations below dotted line) | (C)<br>Position (do not check more than one box, unless person is both an officer and a director/trustee) |                       |         |              |                              |        | (D)<br>Reportable compensation from the organization (W- 2/1099-MISC) | (E)<br>Reportable compensation from related organizations (W- 2/1099-MISC) | (F)<br>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 GRENIER<br>TRUSTEE         | 1 00   | X   |                       |         |              |                              |        | 1,200   | 0  | 0   |
| (2) WILSON HIGGS MD<br>TRUSTEE         | 1 00   | X   |                       |         |              |                              |        | 1,818   | 0  | 0   |
| (3) JON JOHNSON MD<br>TRUSTEE          | 1 00   | X   |                       |         |              |                              |        | 282,339   | 0  | 19,782  |
| (4) GWEN JONAS MD<br>TRUSTEE           | 1 00   | X   |                       |         |              |                              |        | 37,780  | 0  | 0   |
| (5) PETER L LARSON<br>TRUSTEE          | 1 00   | X   |                       |         |              |                              |        | 1,818   | 0  | 0   |
| (6) JEANNIE LUCKEY<br>TRUSTEE          | 1 00   | X   |                       |         |              |                              |        | 1,200   | 0  | 0   |
| (7) ROGER BARTH MD<br>TRUSTEE          | 1 00   | X   |                       |         |              |                              |        | 28,343  | 0  | 0   |
| (8) CURTIS LUND<br>TRUSTEE             | 1 00   | X   |                       |         |              |                              |        | 2,130   | 0  | 0   |
| (9) DENNIS SABO<br>TRUSTEE             | 1 00   | X   |                       |         |              |                              |        | 2,130   | 0  | 0   |
| (10) CAL SWEET<br>TRUSTEE              | 1 00   | X   |                       |         |              |                              |        | 2,130   | 0  | 0   |
| (11) MUFFIE THOMSON<br>TRUSTEE         | 1 00   | X   |                       |         |              |                              |        | 1,200   | 0  | 0   |
| (12) WILLIAM BENEDETTO MD<br>TRUSTEE   | 1 00   | X   |                       |         |              |                              |        | 2,400   | 0  | 0   |
| (13) VELINDA STEVENS<br>PRESIDENT      | 12 50  | X   |                       | X       |              |                              |        | 0   | 664,643  | 34,748  |
| (14) LOUISE SWANBERG MD<br>TRUSTEE     | 1 00   | X   |                       |         |              |                              |        | 223,654   | 0  | 18,082  |
| (15) JAMES STRAINER<br>TRUSTEE         | 1 00   | X   |                       |         |              |                              |        | 0   | 0  | 0   |
| (16) PETE FISHER MD<br>TRUSTEE         | 1 00   | X   |                       |         |              |                              |        | 0   | 0  | 0   |
| (17) JANE KARAS<br>TRUSTEE - PART YEAR | 1 00   | X   |                       |         |              |                              |        | 2,074   | 0  | 0   |



**Part VII**

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

| (A)<br>Name and Title  | (B)<br>Average hours per week (list any hours for related organizations below dotted line)  | (C)<br>Position (do not check more than one box, unless person is both an officer and a director/trustee) |                       |         |              |                              |        | (D)<br>Reportable compensation from the organization (W- 2/1099- MISC) | (E)<br>Reportable compensation from related organizations (W- 2/1099- MISC) | (F)<br>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) DAVID WALKER MD<br>TRUSTEE - PART YEAR                    | 1 00  | X   |                       |         |              |                              |        | 900  | 0   | 0   |
| (19) CHARLES PEARCE<br>CHIEF FINANCIAL & INFORMAT              | 30 00   |   |                       | X       |              |                              |        | 0  | 455,915   | 31,474  |
| (20) KAREN LEE<br>CHIEF NURSING OFFICER                        | 40 00   |   |                       | X       |              |                              |        | 311,137  | 0   | 46,198  |
| (21) DEB WILSON<br>CHIEF OPERATION OFFICER                     | 38 00   |   |                       | X       |              |                              |        | 293,772  | 0   | 50,520  |
| (22) AC EDDY<br>CHIEF MEDICAL OFFICER                          | 30 00   |   |                       | X       |              |                              |        | 477,875  | 0   | 52,926  |
| (23) TONY PATTERSON<br>CHIEF ADMIN OFFICER & GENE              | 22 00   |   |                       | X       |              |                              |        | 486,504  | 0   | 46,557  |
| (24) TATE KREITINGER<br>THE HEALTHCENTER CEO                   | 25 00   |   |                       |         | X            |                              |        | 355,290  | 0   | 29,943  |
| (25) ROBERT YACAVONE MD<br>PHYSICIAN                           | 50 00   |   |                       |         |              | X                            |        | 933,552  | 0   | 24,368  |
| (26) ALAN WILLIAMS MD<br>PHYSICIAN                             | 50 00   |   |                       |         |              | X                            |        | 650,062  | 0   | 3,066   |
| (27) DREW KIRSHNER MD<br>PHYSICIAN                             | 50 00   |   |                       |         |              | X                            |        | 603,756  | 0   | 24,361  |
| (28) HOWARD TICE MD<br>PHYSICIAN                               | 50 00   |   |                       |         |              | X                            |        | 636,246  | 0   | 21,869  |
| (29) CRAIG HARRISON MD<br>PHYSICIAN                            | 50 00   |   |                       |         |              | X                            |        | 626,037  | 0   | 3,066   |
|  |   |   |                       |         |              |                              |        |  |   |   |
| <b>1b Sub-Total</b>  |   |   |                       |         |              |                              |        |  |   |   |
| <b>c Total from continuation sheets to Part VII, Section A</b> |   |   |                       |         |              |                              |        |  |   |   |
| <b>d Total (add lines 1b and 1c)</b>                           |   |   |                       |         |              |                              |        | 5,965,347  | 1,120,558   | 406,960   |
| <b>2</b>   | Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶138 |   |                       |         |              |                              |        |  |   |   |

|          |   | Yes          | No |
|----------|---|--------------|----|
| <b>3</b> | Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>  | <b>3</b>     | No |
| <b>4</b> | For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> | <b>4</b> Yes |    |
| <b>5</b> | Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>                       | <b>5</b>     | No |

Section B. Independent Contractors

| <b>1</b>   | 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)<br>Name and business address   | (B)<br>Description of services  | (C)<br>Compensation |
| SILVER TIP EMERGENCY PHYSICIANS 310 SUNNYVIEW LANE KALISPELL MT 59901            | EMERGENCY ROOM PHYSICIANS   | 3,575,575           |
| GLACIER REGIONAL PATHOLOGY 495 NORTH MAIN STREET KALISPELL MT 59901              | PATHOLOGY SERVICES  | 850,039             |
| NORTHWEST IMAGING PC PO BOX 9110 KALISPELL MT 59904                              | IMAGING SERVICES  | 792,172             |
| MAYO MEDICAL LAB PO BOX 9146 MINNEAPOLIS MN 554809146                            | LAB SERVICES  | 591,773             |
| NORTHERN ROCKIES ANESTHESA CONSULTANTS 1075 MARTIN CREEK LANE WHITEFISH MT 59937 | ANESTHESIA SERVICES   | 586,423             |
| <b>2</b>   | Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶24  |                     |

Part VIII

Statement of Revenue

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

|   |  |  | (A)<br>Total revenue  | (B)<br>Related or<br>exempt<br>function<br>revenue | (C)<br>Unrelated<br>business<br>revenue | (D)<br>Revenue<br>excluded from<br>tax under<br>sections<br>512, 513, or<br>514 |
|---|--|--|---|--|---|---|
| Contributions, Gifts, Grants<br>and Other Similar Amounts | 1a   | Federated campaigns . . .  | 1a  |  |   |   |
|   | b  | Membership dues . . . . .  | 1b  |  |   |   |
|   | c  | Fundraising events . . . . .   | 1c  |  |   |   |
|   | d  | Related organizations . . . .  | 1d  | 720,286  |   |   |
|   | e  | Government grants (contributions)  | 1e  | 37,701   |   |   |
|   | f  | All other contributions, gifts, grants, and<br>similar amounts not included above  | 1f  |  |   |   |
|   | g  | Noncash contributions included in lines<br>1a-1f \$  |   | 291,013  |   |   |
|   | h  | Total. Add lines 1a-1f . . . . .   |   | 757,987  |   |   |
| Program Service Revenue                                   | 2a   | MEDICAL SERVICE REVENUE  | Business Code<br>621990   | 234,039,635  | 231,888,254                             | 2,151,381   |
|   | b  | PARTNERSHIP INCOME   | 621990  | 3,980,992  | 3,980,992                               |   |
|   | c  | MEANINGFUL USE REVENUE   | 900099  | 2,949,790  | 2,949,790                               |   |
|   | d  | OUTREACH PROGRAMS  | 621990  | 840,324  | 840,324                                 |   |
|   | e  | RESEARCH   | 621990  | 725,044  | 725,044                                 |   |
|   | f  | All other program service revenue  |   | 3,210,530  | 3,210,530                               |   |
|   | g  | Total. Add lines 2a-2f . . . . .   |   | 245,746,315  |   |   |
|   | Other Revenue  | 3  | Investment income (including dividends, interest,<br>and other similar amounts) . . . . . |  | 1,212,960                               |   |
| 4   |  | Income from investment of tax-exempt bond proceeds . . .   |   |  |   |   |
| 5   |  | Royalties . . . . .  |   |  |   |   |
| 6a  |  | (i) Real   |   |  |   |   |
|   |  | (ii) Personal  |   |  |   |   |
|   |  | Gross rents  |   |  |   |   |
|   |  | Less rental expenses   |   |  |   |   |
| b   |  | 0  |   |  |   |   |
| c   |  | Rental income or (loss)  |   |  |   |   |
| d   |  | Net rental income or (loss) . . . . .  |   | 281,490  |   | 281,490   |
| 7a  |  | (i) Securities   |   |  |   |   |
|   |  | (ii) Other   |   |  |   |   |
|   |  | Gross amount from sales of assets other than inventory   |   |  |   |   |
|   |  | Less cost or other basis and sales expenses  |   |  |   |   |
| b   |  | 1,004,844  |   |  |   |   |
| c   |  | Gain or (loss)   |   |  |   |   |
| d   |  | Net gain or (loss) . . . . .   |   | 176,998  |   | 176,998   |
| 8a  |  | Gross income from fundraising events (not including<br>\$ _____<br>of contributions reported on line 1c)<br>See Part IV, line 18 . . . . . |   |  |   |   |
| a   |  |  |   |  |   |   |
| b   |  | Less direct expenses . . . . .   |   |  |   |   |
| c   |  | Net income or (loss) from fundraising events . . .   |   |  |   |   |
| 9a  |  | Gross income from gaming activities<br>See Part IV, line 19 . . . . .  |   |  |   |   |
| a   |  |  |   |  |   |   |
| b   | Less direct expenses . . . . .                                     |  |   |  |   |   |
| c   | Net income or (loss) from gaming activities . . .                  |  |   |  |   |   |
| 10a   | Gross sales of inventory, less<br>returns and allowances . . . . . |  |   |  |   |   |
| a   |  |  |   |  |   |   |
| b   | Less cost of goods sold . . . . .                                  |  |   |  |   |   |
| c   | Net income or (loss) from sales of inventory . . .                 |  |   |  |   |   |
| Miscellaneous Revenue                                     |  | Business Code  |   |  |   |   |
| 11a   | CAFETERIA  | 722210   | 1,549,521   |  | 1,549,521                               |   |
| b   | CHILD CARE   | 624410   | 760,541   |  | 760,541                                 |   |
| c   | MISC REVENUE   | 900099   | 278,773   |  | 278,773                                 |   |
| d   | All other revenue . . . . .  |  |   |  |   |   |
| e   | Total. Add lines 11a-11d . . . . .                                 |  | 2,588,835   |  |   |   |
| 12  | Total revenue. See Instructions . . . . .                          |  | 250,764,585   | 243,594,934  | 2,151,381                               | 4,260,283   |

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)<br>Total expenses | (B)<br>Program service expenses | (C)<br>Management and general expenses | (D)<br>Fundraising expenses |
|--|---|-----------------------|---------------------------------|--|-----------------------------|
| 1  | Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.  |                       |                                 |  |                             |
| 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.   |                       |                                 |  |                             |
| 6  | Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).  | 1,771,752             |                                 | 1,771,752                              |                             |
| 7  | Other salaries and wages.   | 102,678,311           | 92,936,214                      | 9,742,097                              |                             |
| 8  | Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).   | 3,473,440             | 3,246,249                       | 227,191                                |                             |
| 9  | Other employee benefits.  | 12,404,496            | 11,028,517                      | 1,375,979                              |                             |
| 10   | Payroll taxes.  | 6,474,859             | 5,773,230                       | 701,629                                |                             |
| 11   | Fees for services (non-employees):  |                       |                                 |  |                             |
| a  | Management.   |                       |                                 |  |                             |
| b  | Legal.  | 537,976               | 28,564                          | 509,412                                |                             |
| c  | Accounting.   | 79,028                |                                 | 79,028                                 |                             |
| 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).   | 9,123,752             | 6,811,284                       | 2,312,468                              |                             |
| 12   | Advertising and promotion.  | 1,067,799             | 428,798                         | 639,001                                |                             |
| 13   | Office expenses.  | 2,480,297             | 1,679,564                       | 800,733                                |                             |
| 14   | Information technology.   |                       |                                 |  |                             |
| 15   | Royalties.  |                       |                                 |  |                             |
| 16   | Occupancy.  | 10,758,168            | 9,141,172                       | 1,616,996                              |                             |
| 17   | Travel.   | 1,423,524             | 1,028,548                       | 394,976                                |                             |
| 18   | Payments of travel or entertainment expenses for any federal, state, or local public officials.   |                       |                                 |  |                             |
| 19   | Conferences, conventions, and meetings.   |                       |                                 |  |                             |
| 20   | Interest.   | 1,044,474             | 1,044,474                       |  |                             |
| 21   | Payments to affiliates.   |                       |                                 |  |                             |
| 22   | Depreciation, depletion, and amortization.  | 9,341,191             | 7,366,114                       | 1,975,077                              |                             |
| 23   | Insurance.  | 1,859,283             | 1,857,703                       | 1,580                                  |                             |
| 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  | SUPPLIES  | 43,246,794            | 42,691,120                      | 555,674                                |                             |
| b  | PURCHASED SERVICES  | 12,223,651            | 10,587,501                      | 1,636,150                              |                             |
| c  | BAD DEBTS   | 12,190,808            | 12,190,808                      |  |                             |
| d  |   |                       |                                 |  |                             |
| e  | All other expenses  | 3,420,403             | 1,978,504                       | 1,441,899                              |                             |
| 25   | Total functional expenses. Add lines 1 through 24e.   | 235,600,006           | 209,818,364                     | 25,781,642                             | 0                           |
| 26   | Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720). |                       |                                 |  |                             |

Part X

Balance Sheet

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

☐

|                             |   |  |                | (A)               |     | (B)         |
|-----------------------------|---|--|----------------|-------------------|-----|-------------|
|                             |   |  |                | Beginning of year |     | End of year |
| Assets                      | 1   | Cash—non-interest-bearing  |                | 6,446,029         | 1   | 23,510,082  |
|                             | 2   | Savings and temporary cash investments   |                | 50,883,925        | 2   | 57,190,239  |
|                             | 3   | Pledges and grants receivable, net   |                |                   | 3   | 3,055,068   |
|                             | 4   | Accounts receivable, net   |                | 31,893,429        | 4   | 27,068,234  |
|                             | 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  |                | 3,882,976         | 7   | 3,046,367   |
|                             | 8   | Inventories for sale or use  |                | 6,171,367         | 8   | 6,231,727   |
|                             | 9   | Prepaid expenses and deferred charges  |                | 4,651,135         | 9   | 2,557,126   |
|                             | 10a   | Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D  | 10a204,044,292 |                   |     |             |
|                             | b   | Less accumulated depreciation  | 10b100,537,959 | 81,883,654        | 10c | 103,506,333 |
|                             | 11  | Investments—publicly traded securities   |                |                   | 11  |             |
|                             | 12  | Investments—other securities See Part IV, line 11  |                |                   | 12  |             |
|                             | 13  | Investments—program-related See Part IV, line 11   |                | 2,409,569         | 13  | 2,138,779   |
|                             | 14  | Intangible assets  |                | 966,101           | 14  | 909,944     |
|                             | 15  | Other assets See Part IV, line 11  |                | 26,764,945        | 15  | 5,448,398   |
|                             | 16  | Total assets. Add lines 1 through 15 (must equal line 34)  |                | 215,953,130       | 16  | 234,662,297 |
| Liabilities                 | 17  | Accounts payable and accrued expenses  |                | 35,649,155        | 17  | 36,413,500  |
|                             | 18  | Grants payable   |                |                   | 18  |             |
|                             | 19  | Deferred revenue   |                |                   | 19  | 566,357     |
|                             | 20  | Tax-exempt bond liabilities  |                | 58,964,540        | 20  | 57,953,266  |
|                             | 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   |                | 4,648,937         | 23  | 2,758,017   |
|                             | 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   |                | 8,065,136         | 25  | 9,859,586   |
|                             | 26  | Total liabilities. Add lines 17 through 25   |                | 107,327,768       | 26  | 107,550,726 |
| Net Assets or Fund Balances | Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34. |  |                |                   |     |             |
|                             | 27  | Unrestricted net assets  |                | 104,640,846       | 27  | 120,097,375 |
|                             | 28  | Temporarily restricted net assets  |                | 2,097,510         | 28  | 4,928,115   |
|                             | 29  | Permanently restricted net assets  |                | 1,887,006         | 29  | 2,086,081   |
|                             | Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.                          |  |                |                   |     |             |
|                             | 30  | Capital stock or trust principal, or current funds   |                |                   | 30  |             |
|                             | 31  | Paid-in or capital surplus, or land, building or equipment fund  |                |                   | 31  |             |
|                             | 32  | Retained earnings, endowment, accumulated income, or other funds   |                |                   | 32  |             |
|                             | 33  | Total net assets or fund balances  |                | 108,625,362       | 33  | 127,111,571 |
|                             | 34  | Total liabilities and net assets/fund balances   |                | 215,953,130       | 34  | 234,662,297 |

Part XI Reconciliation of Net Assets

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

|    |   |    |             |
|----|---|----|-------------|
| 1  | Total revenue (must equal Part VIII, column (A), line 12) . . . . .   | 1  | 250,764,585 |
| 2  | Total expenses (must equal Part IX, column (A), line 25) . . . . .  | 2  | 235,600,006 |
| 3  | Revenue less expenses Subtract line 2 from line 1 . . . . .   | 3  | 15,164,579  |
| 4  | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .           | 4  | 108,625,362 |
| 5  | Net unrealized gains (losses) on investments . . . . .  | 5  | 4,653,479   |
| 6  | Donated services and use of facilities . . . . .  | 6  |             |
| 7  | Investment expenses . . . . .   | 7  |             |
| 8  | Prior period adjustments . . . . .  | 8  |             |
| 9  | Other changes in net assets or fund balances (explain in Schedule O) . . . . .                                | 9  | -1,331,849  |
| 10 | Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | 10 | 127,111,571 |

Part XII Financial Statements and Reporting

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

|    |  | Yes | No |
|----|--|-----|----|
| 1  | Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____<br>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?<br>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<br><input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis |     | No |
| 2b | Were the organization's financial statements audited by an independent accountant?<br>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<br><input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input checked="" type="checkbox"/> Both consolidated and separate basis                | Yes |    |
| 2c | If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?<br>If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O  | Yes |    |
| 3a | As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?   |     | No |
| 3b | If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits   |     |    |

Additional Data

Software ID:

Software Version:

EIN: 23-7293874

Name: KALISPELL REGIONAL MEDICAL CENTER

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

| (A)<br>Name and Title                     | (B)<br>Average hours per week (list any hours for related organizations below dotted line) | (C)<br>Position (do not check more than one box, unless person is both an officer and a director/trustee) |                       |         |              |                              |        | (D)<br>Reportable compensation from the organization (W-2/1099-MISC) | (E)<br>Reportable compensation from related organizations (W-2/1099-MISC) | (F)<br>Estimated amount of other compensation from the organization and related organizations |
|---|--|---|-----------------------|---------|--------------|------------------------------|--------|--|---|---|
|   |  | Individual trustee or director  | Institutional Trustee | Officer | Key employee | Highest compensated employee | Former |  |   |   |
| CHARLES GRENIER TRUSTEE                   | 1 00   | X   |                       |         |              |                              |        | 1,200  | 0   | 0   |
| WILSON HIGGS MD TRUSTEE                   | 1 00   | X   |                       |         |              |                              |        | 1,818  | 0   | 0   |
| JON JOHNSON MD TRUSTEE                    | 1 00   | X   |                       |         |              |                              |        | 282,339  | 0   | 19,782  |
| GWEN JONAS MD TRUSTEE                     | 1 00   | X   |                       |         |              |                              |        | 37,780   | 0   | 0   |
| PETER L LARSON TRUSTEE                    | 1 00   | X   |                       |         |              |                              |        | 1,818  | 0   | 0   |
| JEANNIE LUCKEY TRUSTEE                    | 1 00   | X   |                       |         |              |                              |        | 1,200  | 0   | 0   |
| ROGER BARTH MD TRUSTEE                    | 1 00   | X   |                       |         |              |                              |        | 28,343   | 0   | 0   |
| CURTIS LUND TRUSTEE                       | 1 00   | X   |                       |         |              |                              |        | 2,130  | 0   | 0   |
| DENNIS SABO TRUSTEE                       | 1 00   | X   |                       |         |              |                              |        | 2,130  | 0   | 0   |
| CAL SWEET TRUSTEE                         | 1 00   | X   |                       |         |              |                              |        | 2,130  | 0   | 0   |
| MUFFIE THOMSON TRUSTEE                    | 1 00   | X   |                       |         |              |                              |        | 1,200  | 0   | 0   |
| WILLIAM BENEDETTO MD TRUSTEE              | 1 00   | X   |                       |         |              |                              |        | 2,400  | 0   | 0   |
| VELINDA STEVENS PRESIDENT                 | 12 50  | X   |                       | X       |              |                              |        | 0  | 664,643   | 34,748  |
| LOUISE SWANBERG MD TRUSTEE                | 1 00   | X   |                       |         |              |                              |        | 223,654  | 0   | 18,082  |
| JAMES STRAINER TRUSTEE                    | 1 00   | X   |                       |         |              |                              |        | 0  | 0   | 0   |
| PETE FISHER MD TRUSTEE                    | 1 00   | X   |                       |         |              |                              |        | 0  | 0   | 0   |
| JANE KARAS TRUSTEE - PART YEAR            | 1 00   | X   |                       |         |              |                              |        | 2,074  | 0   | 0   |
| DAVID WALKER MD TRUSTEE - PART YEAR       | 1 00   | X   |                       |         |              |                              |        | 900  | 0   | 0   |
| CHARLES PEARCE CHIEF FINANCIAL & INFORMAT | 30 00  |   |                       | X       |              |                              |        | 0  | 455,915   | 31,474  |
| KAREN LEE CHIEF NURSING OFFICER           | 40 00  |   |                       | X       |              |                              |        | 311,137  | 0   | 46,198  |
| DEB WILSON CHIEF OPERATION OFFICER        | 38 00  |   |                       | X       |              |                              |        | 293,772  | 0   | 50,520  |
| AC EDDY CHIEF MEDICAL OFFICER             | 30 00  |   |                       | X       |              |                              |        | 477,875  | 0   | 52,926  |
| TONY PATTERSON CHIEF ADMIN OFFICER & GENE | 22 00  |   |                       | X       |              |                              |        | 486,504  | 0   | 46,557  |
| TATE KREITINGER THE HEALTHCENTER CEO      | 25 00  |   |                       |         | X            |                              |        | 355,290  | 0   | 29,943  |
| ROBERT YACAVONE MD PHYSICIAN              | 50 00  |   |                       |         |              | X                            |        | 933,552  | 0   | 24,368  |

| Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors |  |   |                       |         |              |                              |        |  |   |   |
|---|--|---|-----------------------|---------|--------------|------------------------------|--------|--|---|---|
| (A)<br>Name and Title   | (B)<br>Average hours per week (list any hours for related organizations below dotted line) | (C)<br>Position (do not check more than one box, unless person is both an officer and a director/trustee) |                       |         |              |                              |        | (D)<br>Reportable compensation from the organization (W-2/1099-MISC) | (E)<br>Reportable compensation from related organizations (W-2/1099-MISC) | (F)<br>Estimated amount of other compensation from the organization and related organizations |
|   |  | Individual trustee or director  | Institutional Trustee | Officer | Key employee | Highest compensated employee | Former |  |   |   |
| ALAN WILLIAMS MD<br>PHYSICIAN   | 50 00  |   |                       |         |              | X                            |        | 650,062  | 0   | 3,066   |
| DREW KIRSHNER MD<br>PHYSICIAN   | 50 00  |   |                       |         |              | X                            |        | 603,756  | 0   | 24,361  |
| HOWARD TICE MD<br>PHYSICIAN   | 50 00  |   |                       |         |              | X                            |        | 636,246  | 0   | 21,869  |
| CRAIG HARRISON MD<br>PHYSICIAN  | 50 00  |   |                       |         |              | X                            |        | 626,037  | 0   | 3,066   |

SCHEDULE A  
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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

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

Department of the Treasury  
Internal Revenue Service

Name of the organization  
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number  
23-7293874

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?  

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

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



Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)  
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

| Section A. Public Support   |          |          |          |          |          |           |
|---|----------|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in) ▶   | (a) 2008 | (b) 2009 | (c) 2010 | (d) 2011 | (e) 2012 | (f) Total |
| 1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")   |          |          |          |          |          |           |
| 2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf   |          |          |          |          |          |           |
| 3 The value of services or facilities furnished by a governmental unit to the organization without charge   |          |          |          |          |          |           |
| 4 Total. Add lines 1 through 3  |          |          |          |          |          |           |
| 5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f) |          |          |          |          |          |           |
| 6 Public support. Subtract line 5 from line 4   |          |          |          |          |          |           |

| Section B. Total Support   |          |          |          |          |          |           |
|--|----------|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in) ▶  | (a) 2008 | (b) 2009 | (c) 2010 | (d) 2011 | (e) 2012 | (f) Total |
| 7 Amounts from line 4  |          |          |          |          |          |           |
| 8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources   |          |          |          |          |          |           |
| 9 Net income from unrelated business activities, whether or not the business is regularly carried on   |          |          |          |          |          |           |
| 10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )  |          |          |          |          |          |           |
| 11 Total support (Add lines 7 through 10)  |          |          |          |          |          |           |
| 12 Gross receipts from related activities, etc (see instructions)  |          |          |          |          | 12       |           |
| 13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶ |          |          |          |          |          |           |

| Section C. Computation of Public Support Percentage   |    |  |  |
|---|----|--|--|
| 14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))   | 14 |  |  |
| 15 Public support percentage for 2011 Schedule A, Part II, line 14  | 15 |  |  |
| 16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶  |    |  |  |
| b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶   |    |  |  |
| 17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶    |    |  |  |
| b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶ |    |  |  |
| 18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶   |    |  |  |

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

| Section A. Public Support  |          |          |          |          |          |           |
|--|----------|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in) ▶  | (a) 2008 | (b) 2009 | (c) 2010 | (d) 2011 | (e) 2012 | (f) Total |
| 1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")  |          |          |          |          |          |           |
| 2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose |          |          |          |          |          |           |
| 3 Gross receipts from activities that are not an unrelated trade or business under section 513   |          |          |          |          |          |           |
| 4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf  |          |          |          |          |          |           |
| 5 The value of services or facilities furnished by a governmental unit to the organization without charge  |          |          |          |          |          |           |
| 6 Total. Add lines 1 through 5   |          |          |          |          |          |           |
| 7a Amounts included on lines 1, 2, and 3 received from disqualified persons  |          |          |          |          |          |           |
| b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year           |          |          |          |          |          |           |
| c Add lines 7a and 7b  |          |          |          |          |          |           |
| 8 Public support (Subtract line 7c from line 6.)   |          |          |          |          |          |           |

| Section B. Total Support   |          |          |          |          |          |           |
|--|----------|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in) ▶  | (a) 2008 | (b) 2009 | (c) 2010 | (d) 2011 | (e) 2012 | (f) Total |
| 9 Amounts from line 6  |          |          |          |          |          |           |
| 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources   |          |          |          |          |          |           |
| b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975  |          |          |          |          |          |           |
| c Add lines 10a and 10b  |          |          |          |          |          |           |
| 11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on   |          |          |          |          |          |           |
| 12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)   |          |          |          |          |          |           |
| 13 Total support. (Add lines 9, 10c, 11, and 12.)  |          |          |          |          |          |           |
| 14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶ |          |          |          |          |          |           |

| Section C. Computation of Public Support Percentage                                       |    |  |  |
|---|----|--|--|
| 15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f)) | 15 |  |  |
| 16 Public support percentage from 2011 Schedule A, Part III, line 15                      | 16 |  |  |

| Section D. Computation of Investment Income Percentage   |    |  |  |
|--|----|--|--|
| 17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))   | 17 |  |  |
| 18 Investment income percentage from 2011 Schedule A, Part III, line 17  | 18 |  |  |
| 19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶        |    |  |  |
| b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶ |    |  |  |
| 20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶  |    |  |  |

**Part IV** **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

|                              |
|------------------------------|
| Facts And Circumstances Test |
|                              |

|             |
|-------------|
| Explanation |
|             |
|             |
|             |
|             |

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

|   |  |
|---|--|
| Name of the organization<br>KALISPELL REGIONAL MEDICAL CENTER | Employer identification number<br>23-7293874 |
|---|--|

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

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

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

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

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

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

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

Part II-A

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

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

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

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

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

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.

|    |  | (a) | (b) |        |
|----|--|-----|-----|--------|
|    |  | Yes | No  | Amount |
| 1  | During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of |     |     |        |
| a  | Volunteers?  |     | No  |        |
| b  | Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?   | Yes |     |        |
| c  | Media advertisements?  |     | No  |        |
| d  | Mailings to members, legislators, or the public?   |     | No  |        |
| e  | Publications, or published or broadcast statements?  |     | No  |        |
| f  | Grants to other organizations for lobbying purposes?   | Yes |     | 9,767  |
| g  | Direct contact with legislators, their staffs, government officials, or a legislative body?  | Yes |     | 24,321 |
| h  | Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?  | Yes |     |        |
| i  | Other activities?  | Yes |     |        |
| j  | Total. Add lines 1c through 1i.  |     |     | 34,088 |
| 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 | LOBBYING EXPENDITURES WERE INCURRED IN AN ATTEMPT TO ENSURE MEDICARE AND MEDICAID PAID COST OF SERVICES AND IN RELATION TO FUNDING FOR ADVANCE OF OUR ELECTRONIC HEALTH RECORD PROJECT. EXPENDITURES INCLUDED CONSULTANT, STAFF TIME AND A PORTION OF HOSPITAL ASSOCIATION MEMBERSHIP DUES. |

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number  
23-7293874

Part I

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

|   | (a) Donor advised funds  | (b) Funds and other accounts |
|---|--|------------------------------|
| 1 | Total number at end of year  |                              |
| 2 | Aggregate contributions to (during year)   |                              |
| 3 | Aggregate grants from (during year)  |                              |
| 4 | Aggregate value at end of year   |                              |
| 5 | Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>  |                              |
| 6 | Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div> |                              |

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

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

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

3

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

4

Number of states where property subject to conservation easement is located ▶\_\_\_\_\_

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

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

Cat No 52283D

Schedule D (Form 990) 2012

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

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

1a

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

☐ Yes

☐ No

b

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

|    |        |
|----|--------|
|    | Amount |
| 1c |        |
| 1d |        |
| 1e |        |
| 1f |        |

2a

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

☐ Yes

☐ No

b

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

☐

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

|  | (a)Current year | (b)Prior year | b (c)Two years back | (d)Three years back | (e)Four years back |
|--|-----------------|---------------|---------------------|---------------------|--------------------|
| 1a Beginning of year balance . . . . .                     | 3,984,516       | 1,917,545     | 1,480,454           | 1,250,610           | 1,225,468          |
| b Contributions . . . . .                                  | 2,988,068       | 2,059,932     | 280,808             | 53,165              | 224,116            |
| c Net investment earnings, gains, and losses               | 41,612          | 7,039         | 156,283             | 176,679             | -198,974           |
| d Grants or scholarships . . . . .                         |                 |               |                     |                     |                    |
| e Other expenditures for facilities and programs . . . . . |                 |               |                     |                     |                    |
| f Administrative expenses . . . . .                        |                 |               |                     |                     |                    |
| g End of year balance . . . . .                            | 7,014,196       | 3,984,516     | 1,917,545           | 1,480,454           | 1,250,610          |

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

29

740

%

c

Temporarily restricted endowment

70

260

%

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

3a

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

(i)

unrelated organizations

3a(i)

No

(ii)

related organizations

3a(ii)

Yes

b

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

3b

Yes

4

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

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

| Description of property  | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|--------------------------------|------------------------------|----------------|
| 1a Land . . . . .  |                                      | 282,845                        |                              | 282,845        |
| b Buildings . . . . .  |                                      | 96,129,258                     | 62,576,062                   | 33,553,196     |
| c Leasehold improvements . . . . .   |                                      |                                |                              |                |
| d Equipment . . . . .  |                                      | 55,420,501                     | 37,961,897                   | 17,458,604     |
| e Other . . . . .  |                                      | 52,211,688                     |                              | 52,211,688     |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) |                                      |                                |                              | 103,506,333    |





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  | 243,299,142 |
| 2 | Amounts included on line 1 but not on Form 990, Part VIII, line 12                       |    |             |
| a | Net unrealized gains on investments . . . . .  | 2a | 4,653,479   |
| b | Donated services and use of facilities . . . . .   | 2b |             |
| c | Recoveries of prior year grants . . . . .  | 2c |             |
| d | Other (Describe in Part XIII ) . . . . .   | 2d | 792,172     |
| e | Add lines 2a through 2d . . . . .  | 2e | 5,445,651   |
| 3 | Subtract line 2e from line 1 . . . . .   | 3  | 237,853,491 |
| 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 | 12,911,094  |
| c | Add lines 4a and 4b . . . . .  | 4c | 12,911,094  |
| 5 | Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12 ) . . . . . | 5  | 250,764,585 |

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

|   |   |    |             |
|---|---|----|-------------|
| 1 | Total expenses and losses per audited financial statements . . . . .                      | 1  | 224,116,080 |
| 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 | 706,882     |
| e | Add lines 2a through 2d . . . . .   | 2e | 706,882     |
| 3 | Subtract line 2e from line 1 . . . . .  | 3  | 223,409,198 |
| 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 | 12,190,808  |
| c | Add lines 4a and 4b . . . . .   | 4c | 12,190,808  |
| 5 | Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18 ) . . . . . | 5  | 235,600,006 |

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   | KALISPELL REGIONAL HEALTHCARE FOUNDATION'S ENDOWMENT FUNDS WILL BE DISBURSED ACCORDING TO THE FUND'S DESIGNATED PURPOSE CONSIDERING ANY RESTRICTIONS AND/OR CONDITIONS ON THE FUND WHERE THERE IS AN UNDESIGNATED ENDOWMENT FUND WITHOUT RESTRICTIONS AND/OR CONDITIONS, THE ORGANIZATION WILL REVIEW REQUESTS FOR FUNDING FROM KALISPELL REGIONAL MEDICAL CENTER, THE SUPPORTED ORGANIZATION, ON A PERIODIC BASIS. HISTORICALLY, ENDOWMENT FUND DISBURSEMENTS HAVE FUNDED EQUIPMENT REQUESTS FROM KALISPELL REGIONAL MEDICAL CENTER.                        |
| DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48 | PART X, LINE 2   | THE HOSPITAL ADOPTED THE PROVISIONS OF ACCOUNTING STANDARDS CODIFICATION 740, INCOME TAXES. ASC 740 CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN AN ORGANIZATION'S FINANCIAL STATEMENTS IN ACCORDANCE WITH THE ASC AND PRESCRIBES A RECOGNITION THRESHOLD AND MEASUREMENT STANDARD FOR THE FINANCIAL STATEMENT RECOGNITION AND MEASUREMENT OF AN INCOME TAX POSITION TAKEN OR EXPECTED TO BE TAKEN IN A TAX RETURN. THE HOSPITAL HAS REVIEWED ITS TAX POSITIONS FOR ALL OPEN TAX YEARS AND HAS CONCLUDED NO RESERVES ARE REQUIRED. |
| PART XI, LINE 2D - OTHER ADJUSTMENTS                |                  | FASB FAS 136 INVESTMENT IN NET ASSETS OF FOUNDATION 44,125. FOUNDATION INCOME RECORDED ON CONSOLIDATED BASIS 706,882. ACTIVITY OF KRMC VOLUNTEERS (EIN 27-3866474) 41,165.   |
| PART XI, LINE 4B - OTHER ADJUSTMENTS                |                  | SUPPORT FROM AFFILIATED FOUNDATION 720,286. BAD DEBT EXPENSE INCLUDED IN NET REVENUES 12,190,808.  |
| PART XII, LINE 2D - OTHER ADJUSTMENTS               |                  | FOUNDATION EXPENSES RECORDED ON CONSOLIDATED BASIS 706,882.  |
| PART XII, LINE 4B - OTHER ADJUSTMENTS               |                  | BAD DEBT EXPENSE INCLUDED IN NET REVENUES 12,190,808.  |

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  
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number  
23-7293874

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<br><br><input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities<br><input type="checkbox"/> Generally tailored to individual hospital facilities  |     |     |    |
| 3  | Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year<br><br>a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care<br><br><input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %<br><br>b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care . . . . .<br><br><input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ %<br><br>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<br><br>4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . . | 3a  | Yes |    |
| 5a | Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .  | 3b  | Yes |    |
| b  | If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .   | 4   | Yes |    |
| c  | If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .   | 5a  | Yes |    |
| 6a | Did the organization prepare a community benefit report during the tax year? . . . . .   | 5b  | Yes |    |
| b  | If "Yes," did the organization make it available to the public? . . . . .  | 5c  |     | No |
|    | Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H   | 6a  | Yes |    |
|    |  | 6b  | Yes |    |

7

Financial Assistance and Certain Other Community Benefits at Cost

| Financial Assistance and Means-Tested Government Programs   | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community benefit expense | (d) Direct offsetting revenue | (e) Net community benefit expense | (f) Percent of total expense |
|---|---|-------------------------------|-------------------------------------|-------------------------------|-----------------------------------|------------------------------|
| a Financial Assistance at cost (from Worksheet 1) . . . . .   |   |                               | 7,499,394                           |                               | 7,499,394                         | 3 360 %                      |
| b Medicaid (from Worksheet 3, column a) . . . . .   |   |                               | 25,206,344                          | 17,198,071                    | 8,008,273                         | 3 580 %                      |
| c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .              |   |                               |                                     |                               |                                   |                              |
| d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .                    |   |                               | 32,705,738                          | 17,198,071                    | 15,507,667                        | 6 940 %                      |
| <b>Other Benefits</b>   |   |                               |                                     |                               |                                   |                              |
| e Community health improvement services and community benefit operations (from Worksheet 4) . . . . . |   |                               | 145,518                             |                               | 145,518                           | 0 070 %                      |
| f Health professions education (from Worksheet 5) . . . . .   |   |                               | 236,323                             |                               | 236,323                           | 0 110 %                      |
| g Subsidized health services (from Worksheet 6) . . . . .   |   |                               | 57,860,526                          | 44,619,295                    | 13,241,231                        | 5 930 %                      |
| h Research (from Worksheet 7) . . . . .   |   |                               |                                     |                               |                                   |                              |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .                   |   |                               |                                     |                               |                                   |                              |
| j <b>Total</b> Other Benefits . . . . .   |   |                               | 58,242,367                          | 44,619,295                    | 13,623,072                        | 6 110 %                      |
| k <b>Total</b> . Add lines 7d and 7j . . . . .  |   |                               | 90,948,105                          | 61,817,366                    | 29,130,739                        | 13 050 %                     |

Part II

Community Building Activities

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

|    | (a) Number of activities or programs (optional)           | (b) Persons served (optional) | (c) Total community building expense | (d) Direct offsetting revenue | (e) Net community building expense | (f) Percent of total expense |
|----|---|-------------------------------|--------------------------------------|-------------------------------|------------------------------------|------------------------------|
| 1  | Physical improvements and housing                         |                               |                                      |                               |                                    |                              |
| 2  | Economic development                                      |                               | 8,940                                |                               | 8,940                              | 0 %                          |
| 3  | Community support   |                               | 47,830                               |                               | 47,830                             | 0 020 %                      |
| 4  | Environmental improvements                                |                               |                                      |                               |                                    |                              |
| 5  | Leadership development and training for community members |                               | 3,268                                |                               | 3,268                              | 0 %                          |
| 6  | Coalition building  |                               |                                      |                               |                                    |                              |
| 7  | Community health improvement advocacy                     |                               |                                      |                               |                                    |                              |
| 8  | Workforce development                                     |                               |                                      |                               |                                    |                              |
| 9  | Other   |                               |                                      |                               |                                    |                              |
| 10 | Total   |                               | 60,038                               |                               | 60,038                             | 0 020 %                      |

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

5,890,411

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

1,086,780

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

82,285,816

6

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

6

100,253,916

7

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

7

-17,968,100

8

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

Section C. Collection Practices

9a

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

9a

Yes

b

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

9b

No

Part 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 MRI - CT       | IMAGING                                       | 51 000 %   | 0 850 %  | 18 740 %                                      |
| 2                  |   |  |  |   |
| 3                  |   |  |  |   |
| 4                  |   |  |  |   |
| 5                  |   |  |  |   |
| 6                  |   |  |  |   |
| 7                  |   |  |  |   |
| 8                  |   |  |  |   |
| 9                  |   |  |  |   |
| 10                 |   |  |  |   |
| 11                 |   |  |  |   |
| 12                 |   |  |  |   |
| 13                 |   |  |  |   |

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)  
How many hospital facilities did the organization operate during the tax year?  
1

Name, address, and primary website address

|   |  | Licensed hospital | General medical & surgical | Children's hospital | Teaching hospital | Critical access hospital | Research facility | ER-24 hours | ER-other | Other (Describe) | Facility reporting group |
|---|--|-------------------|----------------------------|---------------------|-------------------|--------------------------|-------------------|-------------|----------|------------------|--------------------------|
| 1 | KALISPELL REGIONAL MEDICAL CENTER<br>310 SUNNYVIEW LANE<br>KALISPELL, MT 59901 | 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)

KALISPELL REGIONAL MEDICAL CENTER

Name of hospital facility or facility reporting group

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

1

|   |  | Yes | No  |
|---|--|-----|-----|
| Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012) |  |     |     |
| 1   | During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . .<br>If "Yes," indicate what the CHNA report describes (check all that apply)  | 1   | Yes |
| a   | <input checked="" type="checkbox"/> A definition of the community served by the hospital facility  |     |     |
| b   | <input checked="" type="checkbox"/> Demographics of the community  |     |     |
| c   | <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community  |     |     |
| d   | <input checked="" type="checkbox"/> How data was obtained  |     |     |
| e   | <input checked="" type="checkbox"/> The health needs of the community  |     |     |
| f   | <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups  |     |     |
| g   | <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs  |     |     |
| h   | <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests   |     |     |
| i   | <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs  |     |     |
| j   | <input type="checkbox"/> Other (describe in Part VI)   |     |     |
| 2   | Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>   |     |     |
| 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   | Yes |
| 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   | Yes |
| 5   | Did the hospital facility make its CHNA report widely available to the public? . . . . .<br>If "Yes," indicate how the CHNA report was made widely available (check all that apply)  | 5   | Yes |
| a   | <input checked="" type="checkbox"/> Hospital facility's website  |     |     |
| b   | <input checked="" type="checkbox"/> Available upon request from the hospital facility  |     |     |
| c   | <input type="checkbox"/> Other (describe in Part VI)   |     |     |
| 6   | If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)   |     |     |
| a   | <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA   |     |     |
| b   | <input checked="" type="checkbox"/> Execution of the implementation strategy   |     |     |
| c   | <input checked="" type="checkbox"/> Participation in the development of a community-wide plan  |     |     |
| d   | <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan  |     |     |
| e   | <input type="checkbox"/> Inclusion of a community benefit section in operational plans   |     |     |
| f   | <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA  |     |     |
| g   | <input type="checkbox"/> Prioritization of health needs in its community   |     |     |
| h   | <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community   |     |     |
| i   | <input checked="" type="checkbox"/> Other (describe in Part VI)  |     |     |
| 7   | Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .  | 7   | Yes |
| 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  | No  |
| 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  |
|--|--|-----------|-----|
| <b>9</b> 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?   |  | <b>9</b>  | Yes |
| <b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . .<br>If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> %<br>If "No," explain in Part VI the criteria the hospital facility used                        |  | <b>10</b> | Yes |
| <b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . .<br>If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 00000000000000</u> %<br>If "No," explain in Part VI the criteria the hospital facility used   |  | <b>11</b> | Yes |
| <b>12</b> Explained the basis for calculating amounts charged to patients? . . . . .<br>If "Yes," indicate the factors used in determining such amounts (check all that apply)   |  | <b>12</b> | Yes |
| <b>a</b> <input checked="" type="checkbox"/> Income level  |  |           |     |
| <b>b</b> <input checked="" type="checkbox"/> Asset level   |  |           |     |
| <b>c</b> <input checked="" type="checkbox"/> Medical indigency   |  |           |     |
| <b>d</b> <input checked="" type="checkbox"/> Insurance status  |  |           |     |
| <b>e</b> <input checked="" type="checkbox"/> Uninsured discount  |  |           |     |
| <b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare   |  |           |     |
| <b>g</b> <input checked="" type="checkbox"/> State regulation  |  |           |     |
| <b>h</b> <input type="checkbox"/> Other (describe in Part VI)  |  |           |     |
| <b>13</b> Explained the method for applying for financial assistance? . . . . .  |  | <b>13</b> | Yes |
| <b>14</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . .<br>If "Yes," indicate how the hospital facility publicized the policy (check all that apply)   |  | <b>14</b> | Yes |
| <b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website  |  |           |     |
| <b>b</b> <input type="checkbox"/> The policy was attached to billing invoices  |  |           |     |
| <b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms   |  |           |     |
| <b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices   |  |           |     |
| <b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility   |  |           |     |
| <b>f</b> <input checked="" type="checkbox"/> The policy was available upon request   |  |           |     |
| <b>g</b> <input type="checkbox"/> Other (describe in Part VI)  |  |           |     |
| Billing and Collections  |  |           |     |
| <b>15</b> 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? . . . . .  |  | <b>15</b> | Yes |
| <b>16</b> 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   |  |           |     |
| <b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency  |  |           |     |
| <b>b</b> <input checked="" type="checkbox"/> Lawsuits  |  |           |     |
| <b>c</b> <input type="checkbox"/> Liens on residences  |  |           |     |
| <b>d</b> <input type="checkbox"/> Body attachments   |  |           |     |
| <b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)  |  |           |     |
| <b>17</b> 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? . . . . .<br>If "Yes," check all actions in which the hospital facility or a third party engaged |  | <b>17</b> | Yes |
| <b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency  |  |           |     |
| <b>b</b> <input checked="" type="checkbox"/> Lawsuits  |  |           |     |
| <b>c</b> <input type="checkbox"/> Liens on residences  |  |           |     |
| <b>d</b> <input type="checkbox"/> Body attachments   |  |           |     |
| <b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)  |  |           |     |

Part V

Facility Information (continued)

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

☒

Notified individuals of the financial assistance policy on admission
- b

☒

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

☒

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

☒

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

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

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

|    |  |    |     |    |
|----|--|----|-----|----|
| 20 | Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care  |    |     |    |
| a  | <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged   |    |     |    |
| b  | <input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged   |    |     |    |
| c  | <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged  |    |     |    |
| d  | <input checked="" type="checkbox"/> Other (describe in Part VI)  |    |     |    |
| 21 | During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . .<br>If "Yes," explain in Part VI | 21 |     | No |
| 22 | During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . .<br>If "Yes," explain in Part VI  | 22 | Yes |    |



Part V

Facility Information (continued)

**Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**  
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?  
\_\_\_\_\_

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

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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 COST ACCOUNTING WAS UTILIZED FOR THE ENTIRE TABLE COST ACCOUNTING COVERS ALL PATIENT SEGMENTS   |
|            |                 | PART I, L7 COL(F) TOTAL BAD DEBT EXPENSE INCLUDED ON FORM 990, PART VIII, LINE 2, BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGES IN COLUMN (F) IS \$12,190,808 |

| Identifier | ReturnReference | Explanation   |
|------------|-----------------|---|
|            |                 | PART II KPMC PROVIDES FUNDING TO VARIOUS NON-PROFIT ORGANIZATIONS IN THE COMMUNITY IN ADDITION, KPMC IS ACTIVELY INVOLVED IN THE KALISPELL CHAMBER OF COMMERCE AND OTHER ORGANIZATIONS FOR THE PURPOSES OF ECONOMIC DEVELOPMENT KPMC PROVIDES FURTHER DONATIONS TO BENEFIT THE BROADER COMMUNITY  |
|            |                 | PART III, LINE 4 COST ACCOUNTING WAS UTILIZED TO DETERMINE BAD DEBT EXPENSE PROVISION FOR BAD DEBTS THE HOSPITAL PROVIDES FOR AN ALLOWANCE AGAINST PATIENT ACCOUNTS RECEIVABLE FOR AN AMOUNT THAT COULD BECOME UNCOLLECTIBLE, WHEREBY SUCH RECEIVABLES ARE REDUCED TO THEIR ESTIMATED NET REALIZABLE VALUE THE HOSPITAL ESTIMATES THIS ALLOWANCE BASED ON THE AGING OF ACCOUNTS RECEIVABLE, HISTORICAL COLLECTION EXPERIENCE AND OTHER RELEVANT FACTORS THERE ARE VARIOUS FACTORS THAT CAN IMPACT THE COLLECTION TRENDS, SUCH AS CHANGES IN THE ECONOMY, WHICH IN TURN HAVE AN IMPACT ON THE UNEMPLOYMENT RATES AND THE NUMBER OF UNINSURED AND UNDERINSURED PATIENTS, THE INCREASED BURDEN ON COPAYMENTS TO BE MADE BY PATIENTS WITH INSURANCE, AND BUSINESS PRACTICES RELATED TO COLLECTION EFFORTS THESE FACTORS CONTINUOUSLY CHANGE AND HAVE AN IMPACT ON THE ESTIMATION PROCESS THE FOOTNOTE REGARDING BAD DEBT EXPENSE IS INCLUDED ON PAGES 15 AND 16 OF THE ORGANIZATIONS'S FINANCIAL STATEMENTS |

| Identifier                        | ReturnReference | Explanation   |
|-----------------------------------|-----------------|---|
|                                   |                 | PART III, LINE 8 COST TO CHARGE RATIO WAS UTILIZED TO PREPARE THE FY 2013 COST REPORT MEDICARE TOTALS PROVIDED EXCLUDE AMOUNTS REPORTED UNDER COMMUNITY BENEFIT PROGRAMS THE ORGANIZATION PROVIDES CARE TO THE ELDERLY AND DISABLED AT A REDUCED REIMBURSEMENT TO ENSURE ALL OF THE COMMUNITY MEMBERS IN NORTHWEST MONTANA RECEIVE GOOD QUALITY HEALTHCARE REGARDLESS OF AGE, DISABILITY, OR MEANS  |
| KALISPELL REGIONAL MEDICAL CENTER |                 | PART V, SECTION B, LINE 3 KALISPELL REGIONAL HEALTHCARE SERVICES, THE FLATHEAD CITY-COUNTY HEALTH DEPARTMENT, AND NORTH VALLEY HOSPITAL COLLABORATED TO ARRANGE QUALITATIVE DATA COLLECTION DESIGNED TO ADDRESS HEALTHCARE ISSUES IN THE COMMUNITY FOUR FOCUS GROUPS AND TWO SURVEYS WERE CONDUCTED IN AN EFFORT TO OBTAIN THE BEST INFORMATION REGARDING THE HEALTH NEEDS OF ALL INDIVIDUALS IN THE COMMUNITY THE FOCUS GROUPS CONSISTED OF INDIVIDUALS SELECTED TO PARTICIPATE BASED ON THEIR AREA OF EXPERTISE WITHIN HEALTHCARE FOCUS GROUP PARTICIPANTS INCLUDED PERSONS WITH SPECIAL KNOWLEDGE OF OR EXPERTISE IN PUBLIC HEALTH, LOCAL HEALTH OR OTHER DEPARTMENTS OR AGENCIES WITH CURRENT DATA OR OTHER INFORMATION RELEVANT TO THE HEALTH NEEDS OF THE COMMUNITY SERVED, REPRESENTATIVES MEDICALLY UNDERSERVED, LOW-INCOME AND MINORITY POPULATIONS AND POPULATIONS WITH CHRONIC DISEASE NEEDS IN THE COMMUNITY SERVED, HEALTHCARE CONSUMER ADVOCATES, REPRESENTATIVES OF NONPROFIT ORGANIZATIONS, ACADEMIC EXPERTS, LOCAL GOVERNMENT OFFICIALS, REPRESENTATIVES FROM COMMUNITY-BASED ORGANIZATIONS, HEALTHCARE PROVIDERS, AND PRIVATE BUSINESS LEADERS ORGANIZATIONS REPRESENTED INCLUDED BRENDAN HOUSE (SKILLED NURSING FACILITY), HOME OPTIONS (HOME HEALTH AND HOSPICE), A PLUS HEALTH CARE (HOME HEALTH), PATHWAYS TREATMENT CENTER (MENTAL HEALTH AND SUBSTANCE ABUSE), IMMANUEL LUTHERAN HOME (SKILLED NURSING FACILITY), AGENCY ON AGING, NORTH VALLEY EMBRACE HEALTH (SENIOR MENTAL HEALTH), AMERICAN ASSOCIATION OF RETIRED PEOPLE, ADULT PROTECTIVE SERVICES, SUNBURST MENTAL HEALTH CENTER, SCHOOL DISTRICT #44, NORTH VALLEY PROFESSIONAL CENTER, NORTH VALLEY HOSPITAL EMERGENCY ROOM, SCHOOL DISTRICT #6, SHEPARDS HAND, FREE HEALTH CLINIC, NORTHWEST IMAGING, COURT APPOINTED SPECIAL ADVOCATES, FLATHEAD COMMUNITY HEALTH CENTER, NORTHWEST MONTANA HEAD START, COMMUNITY ACTION PARTNERSHIP, CHILD DEVELOPMENT CENTER, CHILDREN MENTAL HEALTH BUREAU, ABBIE SHELTER, BODY BALANCE DISORDERED EATING PROGRAM, BIG SKY FAMILY MEDICINE, WOODLAND CLINIC, KALISPELL REGIONAL MEDICAL CENTER EMERGENCY DEPARTMENT, MATERNAL CHILD HEALTH HOME VISITING PROGRAM IN ADDITION TO THE FOCUS GROUPS, THE COLLABORATORS CONDUCTED TWO PUBLIC SURVEYS THE FIRST SURVEY WAS CONDUCTED ON JUNE 7 AND 8, 2012 AT PROJECT HOMELESS CONNECT IT CONSISTED OF FIVE QUESTIONS AND 40 INDIVIDUALS PARTICIPATED IN THE SURVEY THE SECOND SURVEY WAS CONDUCTED FROM JUNE 26, 2012 TO JUNE 29, 2102 AT FLATHEAD JOB SERVICE IT CONSISTED OF SIX QUESTIONS AND 60 INDIVIDUALS WHO WERE SEARCHING OR HELPING OTHERS SEARCH FOR JOBS PARTICIPATED IN THE SURVEY |

| Identifier                        | ReturnReference | Explanation   |
|-----------------------------------|-----------------|---|
| KALISPELL REGIONAL MEDICAL CENTER |                 | PART V, SECTION B, LINE 4 NORTH VALLEY HOSPITAL, WHITEFISH, MT  |
| KALISPELL REGIONAL MEDICAL CENTER |                 | PART V, SECTION B, LINE 6I USE FINANCIAL ASSISTANCE TO FREE DENTAL CLINIC, EXPANSION OF DIABETES EDUCATION AND ASSESSMENT FUNCTIONS, EXPANSION OF MENTAL HEALTH SERVICES, PARTICIPATION IN FORMATION AND COLLABORTION OF PATIENT ADVOCACY EFFORTS, EXPANDING PRIMARY CARE PRACTITIONERS |

| Identifier                        | ReturnReference | Explanation  |
|-----------------------------------|-----------------|--|
| KALISPELL REGIONAL MEDICAL CENTER |                 | PART V, SECTION B, LINE 20D KALISPELL REGIONAL MEDICAL CENTER CHARGES THE SAME FOR SERVICES REGARDLESS OF AN INDIVIDUAL'S INSURANCE OR NON-INSURED STATUS AN ADJUSTMENT IS THEN MADE TO THE CHARGE FOR PATIENTS WHO ARE FAP-ELIGIBLE INDIVIDUALS |
| KALISPELL REGIONAL MEDICAL CENTER |                 | PART V, SECTION B, LINE 22 KALISPELL REGIONAL MEDICAL CENTER CHARGES THE SAME FOR SERVICES REGARDLESS OF AN INDIVIDUAL'S INSURANCE OR NON-INSURED STATUS AN ADJUSTMENT IS THEN MADE TO THE CHARGE FOR PATIENTS WHO ARE FAP-ELIGIBLE INDIVIDUALS  |

| Identifier | ReturnReference | Explanation  |
|------------|-----------------|--|
|            |                 | PART VI, LINE 2 KPMC IDENTIFIES NEEDS THROUGHOUT THE COMMUNITY BY UTILIZING COMMUNITY REPRESENTATIVES ON KPMC GOVERNANCE BOARDS, SOLICITATION OF IDEAS FROM COMMUNITY LEADERS AND OTHER MEMBERS VIA THE MEDIA AND OTHER FORMS OF COMMUNICATION, AND KEY STAFF AIDING IN IDENTIFYING HEALTH CARE SERVICE AREA SHORTAGES KPMC MAINTAINS A CLOSE RELATIONSHIP TO THE COMMUNITY BY PROVIDING INFORMATION AND EDUCATION ABOUT UPCOMING HEALTH CARE ISSUES OR CHANGES AT KPMC AND SOLICITS FEEDBACK FROM THE COMMUNITY ONCE NEEDS ARE IDENTIFIED, THE KPMC BOARD AND ADMINISTRATION WORK TO PRIORITIZE NEEDS BASED UPON THE MISSION AND VALUES OF KPMC |
|            |                 | PART VI, LINE 3 KPMC DISPLAYS OUR CHARITY POLICY ON OUR WEBSITE CHARITY CARE IS DISCUSSED WITH ALL PATIENTS AT THE TIME OF THEIR ADMIT THROUGH THE MEDIA, KPMC NOTIFIED THE COMMUNITY OF OUR CHARITY CARE POLICY AND ELIGIBILITY REQUIREMENTS  |

| Identifier | ReturnReference | Explanation  |
|------------|-----------------|--|
|            |                 | PART VI, LINE 4 KPMC IS A SOLE COMMUNITY MEDICARE HOSPITAL IN NORTHWEST MONTANA KPMC SERVES PATIENTS IN A LARGE GEOGRAPHIC AREA, THAT COVERS ALL OF NORTHWESTERN MONTANA, PARTS OF NORTHEASTERN IDAHO AND AREAS OF CENTRAL MONTANA KPMC SERVES ALL PATIENTS REGARDLESS OF THEIR INCOME AND REGARDLESS OF THEIR PAYER IN FLATHEAD COUNTY, 12 5% OF THE RESIDENTS LIVE AT OR BELOW 100% OF FEDERAL POVERTY LEVELS AND ACCORDING TO THE MONTANA MEDICAL ASSOCIATION APPROXIMATELY 22 3% OF THE COUNTY RESIDENTS UNDER THE AGE OF 65 ARE UNINSURED |
|            |                 | PART VI, LINE 5 THIS WAS ANSWERED BY QUESTION 2 INFORMATION  |





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  
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number  
23-7293874

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

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

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

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

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

Part III Supplemental Information

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

| Identifier | Return Reference | Explanation   |
|------------|------------------|---|
|            | PART I, LINE 1A  | FIRST CLASS OR CHARTER TRAVEL - KPMC DOES NOT PROVIDE FIRST CLASS TRAVEL. CHARTER TRAVEL IS UTILIZED FOR THESE INDIVIDUALS WHEN A GROUP IS FLYING TOGETHER TO A CONFERENCE OR MEETING AND IT IS LESS EXPENSIVE THAN FLYING COMMERCIAL OR NO COMMERCIAL FLIGHT IS AVAILABLE. THIS WAS NOT INCLUDED AS TAXABLE COMPENSATION AS IT WAS BUSINESS RELATED. TAX INDEMNIFICATION AND GROSS-UP PAYMENTS - THE MEMBERS OF THE EXECUTIVE TEAM RECEIVED A 457 PLAN CONTRIBUTION OF \$22,500 FOR 2012. THIS AMOUNT IS GROSSED-UP TO TAKE CARE OF THE APPLICABLE TAXES. THE EXECUTIVE TEAM INCLUDES: PRESIDENT, CFO, CNO, CMO, COO, CAO, AND THE HEALTHCENTER CEO. HEALTH OR SOCIAL CLUB DUES OR INITIATION FEES - ALL EXECUTIVE TEAM MEMBERS RECEIVE A FREE MEMBERSHIP TO THE SUMMIT. |
|            | PART I, LINE 4B  | MEMBERS OF THE EXECUTIVE TEAM RECEIVED A 457 PLAN CONTRIBUTION OF \$22,500 FOR 2012. THE EXECUTIVE TEAM INCLUDES: PRESIDENT, CFO, CNO, CMO, COO, CAO, AND THE HEALTHCENTER CEO.   |
|            | PART I, LINE 7   | BONUS PLANS ADMIN AND MGMT-BASED ON A NUMBER OF FACTORS INCLUDING BUT NOT LIMITED TO QUALITY AND FINANCIAL INDICATORS INCLUDING DEPARTMENT SPECIFIC GOALS AND INITIATIVES, PATIENT SATISFACTION, PRODUCTIVITY, EMPLOYEE SATISFACTION, AND EMPLOYEE EVALUATION. TIMELINESS. SUCCESSFUL IMPLEMENTATION OF COMPANY FISCAL YEAR ACTION PLANS AND THE OVERALL FINANCIAL HEALTH AND STABILITY OF THE ORGANIZATION.  |

Software ID:  
Software Version:  
EIN: 23-7293874  
Name: KALISPELL REGIONAL MEDICAL CENTER

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

| (A) Name           |      | (B) Breakdown of W-2 and/or 1099-MISC compensation |                                     |                          | (C) Deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)-(D) | (F) Compensation reported in prior Form 990 or Form 990-EZ |
|--------------------|------|--|-------------------------------------|--------------------------|---------------------------|-------------------------|---------------------------------|--|
|                    |      | (i) Base Compensation                              | (ii) Bonus & incentive compensation | (iii) Other compensation |                           |                         |                                 |  |
| JON JOHNSON MD     | (i)  | 135,096  | 30,000                              | 117,243                  | 3,000                     | 16,782                  | 302,121                         | 0  |
|                    | (ii) | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
| VELINDA STEVENS    | (i)  | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
|                    | (ii) | 419,245  | 117,388                             | 128,010                  | 15,000                    | 19,748                  | 699,391                         | 0  |
| LOUISE SWANBERG MD | (i)  | 155,106  | 24,728                              | 43,820                   | 3,000                     | 15,082                  | 241,736                         | 0  |
|                    | (ii) | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
| CHARLES PEARCE     | (i)  | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
|                    | (ii) | 280,217  | 78,461                              | 97,237                   | 10,403                    | 21,071                  | 487,389                         | 0  |
| KAREN LEE          | (i)  | 199,472  | 55,852                              | 55,813                   | 36,721                    | 9,477                   | 357,335                         | 0  |
|                    | (ii) | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
| DEB WILSON         | (i)  | 194,166  | 51,444                              | 48,162                   | 33,277                    | 17,243                  | 344,292                         | 0  |
|                    | (ii) | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
| AC EDDY            | (i)  | 323,149  | 90,482                              | 64,244                   | 35,252                    | 17,674                  | 530,801                         | 0  |
|                    | (ii) | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
| TONY PATTERSON     | (i)  | 327,434  | 91,681                              | 67,389                   | 31,978                    | 14,579                  | 533,061                         | 0  |
|                    | (ii) | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
| TATE KREITINGER    | (i)  | 219,024  | 61,327                              | 74,939                   | 12,257                    | 17,686                  | 385,233                         | 0  |
|                    | (ii) | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
| ROBERT YACAVONE MD | (i)  | 476,187  | 449,567                             | 7,798                    | 3,000                     | 21,368                  | 957,920                         | 0  |
|                    | (ii) | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
| ALAN WILLIAMS MD   | (i)  | 507,562  | 60,000                              | 82,500                   | 3,000                     | 66                      | 653,128                         | 0  |
|                    | (ii) | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
| DREW KIRSHNER MD   | (i)  | 553,756  | 50,000                              | 0                        | 3,000                     | 21,361                  | 628,117                         | 0  |
|                    | (ii) | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
| HOWARD TICE MD     | (i)  | 447,252  | 188,994                             | 0                        | 3,000                     | 18,869                  | 658,115                         | 0  |
|                    | (ii) | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |
| CRAIG HARRISON MD  | (i)  | 500,011  | 126,026                             | 0                        | 3,000                     | 66                      | 629,103                         | 0  |
|                    | (ii) | 0  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0  |

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number  
23-7293874

Part I

Bond Issues

| (a) Issuer name                      | (b) Issuer EIN | (c) CUSIP # | (d) Date issued | (e) Issue price | (f) Description of purpose  | (g) Defeased |    | (h) On behalf of issuer |    | (i) Pool financing |    |
|--------------------------------------|----------------|-------------|-----------------|-----------------|---|--------------|----|-------------------------|----|--------------------|----|
|                                      |                |             |                 |                 |   | Yes          | No | Yes                     | No | Yes                | No |
| A MONTANA FACILITY FINANCE AUTHORITY | 36-4615155     | 612043XXX   | 11-01-2010      | 57,115,000      | REFUND 1998 AND 2001 SERIES BONDS AND FUND NEW SURGERY BUILDING PROJECT |              | X  |                         | X  |                    | X  |
| B MONTANA FACILITY FINANCE AUTHORITY | 36-4615155     |             | 08-03-2011      | 4,174,486       | CAPITAL EXPENDITURES  |              | X  |                         | X  |                    | X  |

Part II

Proceeds

|    |  | A          |    | B         |    | C   |    | D   |    |
|----|--|------------|----|-----------|----|-----|----|-----|----|
| 1  | Amount of bonds retired  | 1,545,000  |    | 958,844   |    |     |    |     |    |
| 2  | Amount of bonds legally defeased   |            |    |           |    |     |    |     |    |
| 3  | Total proceeds of issue  | 57,308,306 |    | 4,174,486 |    |     |    |     |    |
| 4  | Gross proceeds in reserve funds  |            |    |           |    |     |    |     |    |
| 5  | Capitalized interest from proceeds   | 3,641,233  |    |           |    |     |    |     |    |
| 6  | Proceeds in refunding escrows  |            |    |           |    |     |    |     |    |
| 7  | Issuance costs from proceeds   | 891,005    |    | 12,486    |    |     |    |     |    |
| 8  | Credit enhancement from proceeds   |            |    |           |    |     |    |     |    |
| 9  | Working capital expenditures from proceeds   |            |    |           |    |     |    |     |    |
| 10 | Capital expenditures from proceeds   | 42,004,808 |    | 4,162,000 |    |     |    |     |    |
| 11 | Other spent proceeds   | 10,771,260 |    |           |    |     |    |     |    |
| 12 | Other unspent proceeds   |            |    |           |    |     |    |     |    |
| 13 | Year of substantial completion   | 2013       |    | 2012      |    |     |    |     |    |
|    |  | Yes        | No | Yes       | No | Yes | No | Yes | No |
| 14 | Were the bonds issued as part of a current refunding issue?  | X          |    |           | X  |     |    |     |    |
| 15 | Were the bonds issued as part of an advance refunding issue?   |            | X  |           | X  |     |    |     |    |
| 16 | Has the final allocation of proceeds been made?  | X          |    | X         |    |     |    |     |    |
| 17 | Does the organization maintain adequate books and records to support the final allocation of proceeds? | X          |    | X         |    |     |    |     |    |

Part III

Private Business Use

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

Part III Private Business Use (Continued)

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

Part IV Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

| Identifier                             | Return Reference                  | Explanation   |
|--|-----------------------------------|---|
| SCHEDULE K PART IV, ARBITRAGE, LINE 2C | DATE REBATE COMPUTATION PERFORMED | ISSUER NAME MONTANA FACILITY FINANCE AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 07/01/2013                                 |
| PART II, LINE 3                        | DIFFERENCE IN PROCEEDS            | THE PROCEEDS OF THE BOND ISSUANCE EXCEED THE ISSUE PRICE OF \$57,115,000 BY \$193,306 THIS AMOUNT IS THE NET ORIGINAL ISSUE PREMIUM |
| PART II, LINE 11                       | OTHER SPENDING                    | OF THE TOTAL PROCEEDS, \$10,771,260 WAS USED TO REDEEM BONDS ISSUED IN 1998 AND 2001  |



Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons  
▶ Complete if the organization answered  
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,  
or Form 990-EZ, Part V, line 38a or 40b.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047  
**2012**  
Open to Public Inspection

|   |  |
|---|--|
| Name of the organization<br>KALISPELL REGIONAL MEDICAL CENTER | Employer identification number<br><br>23-7293874 |
|---|--|

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

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

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

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 . . . . . ▶ \$

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

Part II Loans to and/or From Interested Persons.

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

| (a) Name of interested person | (b) Relationship with organization | (c) Purpose of loan | (d) Loan to or from the organization? |      | (e) Original principal amount | (f) Balance due | (g) In default? |    | (h) Approved by board or committee? | (i) Written agreement? |    |
|-------------------------------|------------------------------------|---------------------|---------------------------------------|------|-------------------------------|-----------------|-----------------|----|-------------------------------------|------------------------|----|
|                               |                                    |                     | To                                    | From |                               |                 | Yes             | No |                                     | Yes                    | No |
|                               |                                    |                     |                                       |      |                               |                 |                 |    |                                     |                        |    |
|                               |                                    |                     |                                       |      |                               |                 |                 |    |                                     |                        |    |
|                               |                                    |                     |                                       |      |                               |                 |                 |    |                                     |                        |    |
|                               |                                    |                     |                                       |      |                               |                 |                 |    |                                     |                        |    |
|                               |                                    |                     |                                       |      |                               |                 |                 |    |                                     |                        |    |
|                               |                                    |                     |                                       |      |                               |                 |                 |    |                                     |                        |    |
| Total ▶ \$                    |                                    |                     |                                       |      |                               |                 |                 |    |                                     |                        |    |

Part III Grants or Assistance Benefitting Interested Persons.

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

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

**Part IV Business Transactions Involving Interested Persons.**

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

| (a) Name of interested person          | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? |    |
|--|---|---------------------------|--------------------------------|---|----|
|  |   |                           |                                | Yes                                     | No |
| (1) GLACIER REGIONAL PATHOLOGY         | DR FISHER, A CURRENT TRUSTEE, IS A GREATER THAN 5% OWNER        | 838,039                   | PATHOLOGY & LAB SERVICES       |   | No |
| (2) ROCKY MOUNTAIN SUB-SPECIALTY ASSOC | DR JOHNSON, A CURRENT TRUSTEE, IS A GREATER THAN 5% PARTNER     | 679,889                   | RENT AND JANITORIAL SERVICES   |   | No |
| (3) NORTHWEST IMAGING INC              | DR BENEDETTO, A CURRENT TRUSTEE, IS A GREATER THAN 5% OWNER     | 710,151                   | RADIOLOGY SERVICES             |   | No |
| (4) KEN JONAS MD                       | SPOUSE OF CURRENT TRUSTEE                                       | 286,639                   | SALARY                         |   | No |
| (5) SWANBERG BUILDING INC              | DR SWANBERG, A CURRENT TRUSTEE, IS A GREATER THAN 5% OWNER      | 117,290                   | RENT                           |   | No |
|  |   |                           |                                |   |    |

**Part V Supplemental Information**

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

| Identifier | Return Reference | Explanation |
|------------|------------------|-------------|
|------------|------------------|-------------|

SCHEDULE M  
(Form 990)

Noncash Contributions

OMB No 1545-0047

2012

Open to Public Inspection

►Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.  
► Attach to Form 990.

Name of the organization  
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number  
23-7293874

Part I

Types of Property

|  | (a)<br>Check<br>if<br>applicable | (b)<br>Number of contributions<br>or items contributed | (c)<br>Noncash contribution<br>amounts reported on<br>Form 990, Part VIII, line<br>1g | (d)<br>Method of determining<br>noncash contribution amounts |
|--|----------------------------------|--|---|--|
| 1 Art—Works of art . . . . .   |                                  |  |   |  |
| 2 Art—Historical treasures . . . . .                                       |                                  |  |   |  |
| 3 Art—Fractional interests . . . . .                                       |                                  |  |   |  |
| 4 Books and publications . . . . .   |                                  |  |   |  |
| 5 Clothing and household<br>goods . . . . .                                |                                  |  |   |  |
| 6 Cars and other vehicles . . . . .  |                                  |  |   |  |
| 7 Boats and planes . . . . .   |                                  |  |   |  |
| 8 Intellectual property . . . . .  |                                  |  |   |  |
| 9 Securities—Publicly traded . . . . .                                     |                                  |  |   |  |
| 10 Securities—Closely held stock . . . . .                                 |                                  |  |   |  |
| 11 Securities—Partnership, LLC,<br>or trust interests . . . . .            |                                  |  |   |  |
| 12 Securities—Miscellaneous . . . . .                                      |                                  |  |   |  |
| 13 Qualified conservation<br>contribution—Historic<br>structures . . . . . |                                  |  |   |  |
| 14 Qualified conservation<br>contribution—Other . . . . .                  |                                  |  |   |  |
| 15 Real estate—Residential . . . . .                                       |                                  |  |   |  |
| 16 Real estate—Commercial . . . . .  |                                  |  |   |  |
| 17 Real estate—Other . . . . .   |                                  |  |   |  |
| 18 Collectibles . . . . .  |                                  |  |   |  |
| 19 Food inventory . . . . .  |                                  |  |   |  |
| 20 Drugs and medical supplies . . . . .                                    |                                  |  |   |  |
| 21 Taxidermy . . . . .   |                                  |  |   |  |
| 22 Historical artifacts . . . . .  |                                  |  |   |  |
| 23 Scientific specimens . . . . .  |                                  |  |   |  |
| 24 Archeological artifacts . . . . .                                       |                                  |  |   |  |
| 25 Other ► ( <u>EQUIPMENT</u> )  | X                                | 1  | 291,013   | COST   |
| 26 Other ► ( <u>                    </u> )                                 |                                  |  |   |  |
| 27 Other ► ( <u>                    </u> )                                 |                                  |  |   |  |
| 28 Other ► ( <u>                    </u> )                                 |                                  |  |   |  |

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement . . . . .29

30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period? . . . . .

b If "Yes," describe the arrangement in Part II

31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions? . . . . .

b If "Yes," describe in Part II

33 If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II

Yes

No

No

No

No

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

Cat No 51227J

Schedule M (Form 990) (2012)

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

| Identifier | Return Reference | Explanation |
|------------|------------------|-------------|
|------------|------------------|-------------|

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  
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number  
23-7293874

| Identifier                             | Return Reference                          | Explanation   |
|--|---|---|
|  | FORM 990, PART VI, SECTION A, LINE 6      | KALISPELL REGIONAL MEDICAL CENTER HAS ONE MEMBER, KALISPELL REGIONAL HEALTHCARE SYSTEM  |
|  | FORM 990, PART VI, SECTION A, LINE 7A     | KALISPELL REGIONAL MEDICAL CENTER HAS THE SAME BOARD OF DIRECTORS AS ITS SOLE MEMBER, KALISPELL REGIONAL HEALTHCARE SYSTEM  |
|  | FORM 990, PART VI, SECTION A, LINE 7B     | KALISPELL REGIONAL MEDICAL CENTER HAS THE SAME BOARD OF DIRECTORS AS ITS SOLE MEMBER, KALISPELL REGIONAL HEALTHCARE SYSTEM  |
|  | FORM 990, PART VI, SECTION B, LINE 11     | THE FORM 990 IS MAILED TO ALL BOARD MEMBERS WITH THE FEBRUARY BOARD PACKET THE BOARD MEMBERS HAVE A CHANCE TO REVIEW THE FORM BEFORE THE FINANCE COMMITTEE MEETING WHERE A PRESENTATION ON THE FORM 990 IS DONE. QUESTION AND ANSWER SESSIONS ARE HELD AT BOTH THE FINANCE COMMITTEE MEETING AND THE BOARD MEETING CONCERNING THE FORM 990  |
|  | FORM 990, PART VI, SECTION B, LINE 12C    | THE CONFLICT OF INTEREST POLICY COVERS ALL TRUSTEES, DIRECTORS, OFFICERS, AND KEY EMPLOYEES THE COMPLIANCE OFFICE REVIEWS THEM, IDENTIFIES POTENTIAL CONFLICTS, AND FORWARDS TO THE ADMINISTRATIVE TEAM IF A POTENTIAL CONFLICT EXISTS, AS OUTLINED IN THE ORGANIZATIONAL POLICY  |
|  | FORM 990, PART VI, SECTION B, LINE 15     | KALISPELL REGIONAL HEALTHCARE SYSTEM HAS A CONSISTENT COMPENSATION PHILOSOPHY FOR ALL ITS EMPLOYEES, INCLUDING THE SENIOR EXECUTIVES SALARY AND BENEFITS FOR THE PRESIDENT/CHIEF EXECUTIVE OFFICER ARE DETERMINED BY THE KALISPELL REGIONAL HEALTHCARE SYSTEM BOARD OF DIRECTORS EXECUTIVE COMPENSATION COMMITTEE AND REPORTED TO THE KALISPELL REGIONAL HEALTHCARE SYSTEM BOARD THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD REVIEWS BASE AND TOTAL COMPENSATION DATA FROM AN ARRAY OF COMPENSATION SURVEYS OF HOSPITALS THAT ARE SIMILAR IN SIZE AND COMPLEXITY TO KALISPELL REGIONAL HEALTHCARE SYSTEM THESE REPORTS ARE CONSIDERED BY THE COMMITTEE, AND A DETERMINATION IS MADE AS TO THE STATUS OF THE BASE SALARY, BENEFITS, AND TOTAL COMPENSATION FOR THE PRESIDENT/CEO THE BOARD AND EXECUTIVE COMPENSATION COMMITTEE EMBRACE THE PHILOSOPHY OF MAINTAINING A COMPENSATION LEVEL WHICH WILL FAVOR RETENTION OF KEY LEADERSHIP IN ORDER TO MAINTAIN STABILITY IN KEY INITIATIVES ADDITIONALLY, THE PRESIDENT/CEO UTILIZES THE PERIODIC RETENTION OF A COMPENSATION CONSULTANT AND MARKET INFORMATION PROVIDED TO DETERMINE RECOMMENDATIONS FOR OTHER SENIOR EXECUTIVES AND ENGAGES IN AN ANALYSIS THROUGH USE OF INDEPENDENT SURVEY RESULTS THE BOARD COMMITTEE ALSO INCLUDES A REVIEW OF PERFORMANCE TARGETS WHICH ALLOW EXECUTIVES TO EARN ADDITIONAL COMPENSATION THESE MEASURES INCLUDE ORGANIZATIONAL AND INDIVIDUAL GOALS, EFFORTS TO FURTHER THE MISSION AND VISION OF KALISPELL REGIONAL HEALTHCARE SYSTEM, QUALITY INDICATORS, CUSTOMER/PATIENT SATISFACTION, AND FINANCIAL PERFORMANCE OBJECTIVES THE BOARD COMMITTEE REVIEWS BENEFIT LEVELS AND TOTAL COMPENSATION TO ENSURE APPROPRIATENESS IN THE NOT-FOR-PROFIT HEALTH CARE SECTOR THE BOARD EXECUTIVE COMPENSATION COMMITTEE MAKES ITS REPORT TO THE KALISPELL REGIONAL HEALTHCARE SYSTEM BOARD OF DIRECTORS |
|  | FORM 990, PART VI, SECTION C, LINE 19     | ONLY FORM 990 IS AVAILABLE  |
| CHANGES IN NET ASSETS OR FUND BALANCES | FORM 990, PART XI, LINE 9                 | FUND BALANCE TRANSFERRED TO AFFILIATES -4,017,546 ADJUSTMENT FOR FOUNDATION ACTIVITY -385,148 NET CHANGE IN RESTRICTED ASSETS 3,029,680 ADJUSTMENT FOR KRMC VOLUNTEERS ACTIVITY 41,165  |
| AVERAGE HOURS PER WEEK                 | FORM 990, PART VII, SECTION A, COLUMN (B) | THE OFFICERS OF KALISPELL REGIONAL MEDICAL CENTER DIVIDE THEIR TIME AMONG THE OTHER RELATED ENTITIES FOR WHICH THEY ARE ALSO OFFICERS THEIR TOTAL AVERAGE WEEKLY HOURS DEVOTED TO ALL OF THE ENTITIES IS IN EXCESS OF 50 HOURS SEVERAL OF THE TRUSTEES WHO ARE PHYSICIANS RECEIVE COMPENSATION FOR MEDICAL SERVICES RENDERED TO THE HOSPITAL THEIR AVERAGE WEEKLY HOURS DEVOTED TO THE HOSPITAL VARIES TATE KREITINGER DEVOTES APPROXIMATELY 50% OF HIS TIME TO KALISPELL REGIONAL MEDICAL CENTER AND 50% OF HIS TIME TO HEALTHCENTER NORTHWEST, A RELATED ENTITY   |

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  
KALISPELL REGIONAL MEDICAL CENTER

Employer identification number  
23-7293874

Part I

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

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

Part II

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

| (a)<br>Name, address, and EIN of related organization   | (b)<br>Primary activity                     | (c)<br>Legal domicile (state or foreign country) | (d)<br>Exempt Code section | (e)<br>Public charity status (if section 501(c)(3)) | (f)<br>Direct controlling entity     | (g)<br>Section 512(b)(13) controlled entity? |    |
|---|---|--|----------------------------|---|--------------------------------------|--|----|
|   |   |  |                            |   |                                      | Yes  | No |
| (1) KALISPELL REGIONAL HEALTHCARE SYSTEM<br><br>310 SUNNYVIEW LANE<br><br>KALISPELL, MT 59901<br>81-0406485         | SUPPORT SUBSIDIARY TAX EXEMPT ORGANIZATIONS | MT   | 501(C)(3)                  | 11, TYPE II   | N/A                                  |  | No |
| (2) KALISPELL REGIONAL HEALTHCARE FOUNDATION<br><br>310 SUNNYVIEW LANE<br><br>KALISPELL, MT 59901<br>31-1703013     | SUPPORTING ORGANIZATION                     | MT   | 501(C)(3)                  | 11, TYPE I  | KALISPELL REGIONAL MEDICAL CENTER    | Yes  |    |
| (3) NORTHWEST HORIZONS INC<br><br>310 SUNNYVIEW LANE<br><br>KALISPELL, MT 59901<br>81-0420653                       | OPERATE LONG TERM AMBULATORY FACILITY       | MT   | 501(C)(3)                  | 9   | KALISPELL REGIONAL HEALTHCARE SYSTEM | Yes  |    |
| (4) THE SUMMIT MEDICAL FITNESS CENTER<br><br>310 SUNNYVIEW LANE<br><br>KALISPELL, MT 59901<br>20-3752312            | COMMUNITY HEALTH & WELLNESS CENTER          | MT   | 501(C)(3)                  | 9   | KALISPELL REGIONAL HEALTHCARE SYSTEM | Yes  |    |
| (5) KALISPELL REGIONAL MEDICAL CENTER VOLUNTEERS<br><br>310 SUNNYVIEW LANE<br><br>KALISPELL, MT 59901<br>27-3866474 | SUPPORTING ORGANIZATION                     | MT   | 501(C)(3)                  | 9   | KALISPELL REGIONAL 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)<br>Name, address, and EIN of<br>related organization  | (b)<br>Primary activity       | (c)<br>Legal<br>domicile<br>(state or<br>foreign<br>country) | (d)<br>Direct<br>controlling<br>entity     | (e)<br>Predominant<br>income(related,<br>unrelated,<br>excluded from<br>tax under<br>sections 512-<br>514) | (f)<br>Share of total<br>income | (g)<br>Share of end-<br>of-year<br>assets | (h)<br>Disproprtionate<br>allocations? |    | (i)<br>Code V—UBI<br>amount in<br>box 20 of<br>Schedule K-1<br>(Form 1065) | (j)<br>General or<br>managing<br>partner? |    | (k)<br>Percentage<br>ownership |
|---|-------------------------------|--|--|--|---------------------------------|---|--|----|--|---|----|--------------------------------|
|   |                               |  |  |  |                                 |   | Yes                                    | No |  | Yes                                       | No |                                |
| (1) MRICT JOINT OPERATING<br>AGREEMENT<br><br>310 SUNNYVIEW LANE<br>KALISPELL, MT 59901<br>20-5010390             | DIAGNOSTIC<br>SCREENING       | MT   | KALISPELL<br>REGIONAL<br>MEDICAL<br>CENTER | RELATED  | 4,089,314                       | 2,049,718                                 | Yes                                    |    |  | Yes                                       |    | 51 000 %                       |
| (2) HEALTHCENTER NORTHWEST LLC<br><br>310 SUNNYVIEW LANE<br>KALISPELL, MT 59901<br>81-0540517                     | ACUTE CARE<br>HOSPITAL        | MT   | N/A  | N/A  |                                 |   |  | No |  |   | No |                                |
| (3) FLATHEAD HOSPITAL DEVELOPMENT<br>COMPANY LLC<br><br>310 SUNNYVIEW LANE<br>KALISPELL, MT 59901<br>81-0541707   | COMMERICAL<br>BUILDING RENTAL | MT   | N/A  | N/A  |                                 |   |  | No |  |   | No |                                |
| (4) NORTHWEST ORTHOPEDICS &<br>SPORTS MEDICINE LLC<br><br>310 SUNNYVIEW LANE<br>KALISPELL, MT 59901<br>37-1518772 | ORTHOPEDIC<br>MEDICINE        | MT   | N/A  | N/A  |                                 |   |  | No |  |   | No |                                |
| (5) ORTHOPEDICS ONE LLC<br><br>310 SUNNYVIEW LANE<br>KALISPELL, MT 59901<br>80-0346984                            | ORTHOPEDIC<br>MEDICINE        | MT   | N/A  | N/A  |                                 |   |  | No |  |   | No |                                |
|   |                               |  |  |  |                                 |   |  |    |  |   |    |                                |
|   |                               |  |  |  |                                 |   |  |    |  |   |    |                                |

Part IV

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

| (a)<br>Name, address, and EIN of<br>related organization  | (b)<br>Primary activity | (c)<br>Legal<br>domicile<br>(state or foreign<br>country) | (d)<br>Direct controlling<br>entity | (e)<br>Type of entity<br>(C corp, S corp,<br>or trust) | (f)<br>Share of total<br>income | (g)<br>Share of end-<br>of-year<br>assets | (h)<br>Percentage<br>ownership | (i)<br>Section 512<br>(b)(13)<br>controlled<br>entity? |    |
|---|-------------------------|---|-------------------------------------|--|---------------------------------|---|--------------------------------|--|----|
|   |                         |   |                                     |  |                                 |   |                                | Yes  | No |
| (1) APPLIED HEALTH<br>SERVICES INC<br><br>310 SUNNYVIEW LANE<br>KALISPELL, MT 59901<br>81-0413632 | HEALTH RELATED          | MT  | N/A                                 | C  |                                 |   |                                | Yes  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |

Part V

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

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

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a Yes

1b Yes

1c Yes

1d Yes

1e Yes

1f

1g

1h Yes

1i

1j Yes

1k Yes

1l Yes

1m Yes

1n Yes

1o Yes

1p Yes

1q Yes

1r

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)<br>Name of other organization | (b)<br>Transaction<br>type (a-s) | (c)<br>Amount involved | (d)<br>Method of determining amount involved |
|-----------------------------------|----------------------------------|------------------------|--|
| See Additional Data Table         |                                  |                        |  |
|                                   |                                  |                        |  |
|                                   |                                  |                        |  |
|                                   |                                  |                        |  |
|                                   |                                  |                        |  |
|                                   |                                  |                        |  |
|                                   |                                  |                        |  |

Schedule R (Form 990) 2012



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

[illegible]

Software ID:

Software Version:

EIN: 23-7293874

Name: KALISPELL REGIONAL 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 |  |
|------------|------------------|-------------|--|
|------------|------------------|-------------|--|

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

| (a)<br>Name of other organization          | (b)<br>Transaction<br>type(a-s) | (c)<br>Amount Involved | (d)<br>Method of determining<br>amount involved |
|--|---------------------------------|------------------------|---|
| FLATHEAD HOSPITAL DEVELOPMENT COMPANY LLC  | A                               | 30,250                 | ACTUAL PAYMENT                                  |
| HEALTHCENTER NORTHWEST LLC                 | A                               | 175,549                | ACTUAL PAYMENT                                  |
| KALISPELL REGIONAL HEALTHCARE FOUNDATION   | C                               | 720,286                | ACTUAL PAYMENT                                  |
| KALISPELL REGIONAL HEALTHCARE SYSTEM       | A                               | 27,804                 | ACTUAL PAYMENT                                  |
| KALISPELL REGIONAL HEALTHCARE SYSTEM       | B                               | 4,017,546              | ACTUAL PAYMENT                                  |
| HEALTHCENTER NORTHWEST LLC                 | K                               | 491,330                | ACTUAL PAYMENT                                  |
| APPLIED HEALTH SERVICES INC                | K                               | 63,033                 | ACTUAL PAYMENT                                  |
| KALISPELL REGIONAL HEALTHCARE SYSTEM       | K                               | 1,267,879              | ACTUAL PAYMENT                                  |
| THE SUMMIT MEDICAL FITNESS CENTER INC      | K                               | 268,393                | ACTUAL PAYMENT                                  |
| HEALTHCENTER NORTHWEST LLC                 | L                               | 472,535                | ACTUAL PAYMENT                                  |
| APPLIED HEALTH SERVICES INC                | L                               | 148,348                | ACTUAL PAYMENT                                  |
| NORTHWEST HORIZON INC                      | L                               | 267,136                | ACTUAL PAYMENT                                  |
| HEALTHCENTER NORTHWEST LLC                 | M                               | 4,432,544              | ACTUAL PAYMENT                                  |
| APPLIED HEALTH SERVICES INC                | M                               | 3,269,259              | ACTUAL PAYMENT                                  |
| NORTHWEST ORTHOPEDIC & SPORTS MEDICINE LLC | M                               | 182,500                | ACTUAL PAYMENT                                  |
| THE SUMMIT MEDICAL FITNESS CENTER INC      | M                               | 573,104                | ACTUAL PAYMENT                                  |
| NORTHWEST HORIZON INC                      | M                               | 598,247                | ACTUAL PAYMENT                                  |
| FLATHEAD HOSPITAL DEVELOPMENT COMPANY LLC  | K                               | 406,593                | ACTUAL PAYMENT                                  |
| APPLIED HEALTH SERVICES INC                | H                               | 141,065                | BEST ESTIMATE                                   |
| NORTHWEST ORTHOPEDIC & SPORTS MEDICINE LLC | A                               | 1,600                  | ACTUAL PAYMENT                                  |
| APPLIED HEALTH SERVICES INC                | A                               | 2,228                  | ACTUAL PAYMENT                                  |



## **Independent Auditor's Report**

To the Board of Trustees  
Kalispell Regional Medical Center, Inc  
Kalispell, Montana

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Kalispell Regional Medical Center, Inc (the Hospital), which comprise the consolidated balance sheets as of March 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and the related notes to the consolidated financial statements

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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


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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kalispell Regional Medical Center, Inc. as of March 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, during the year ended March 31, 2013, the Hospital changed its method of presentation and disclosure of patient service revenue and provision for bad debts in accordance with Accounting Standards Update 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provisions for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*

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

Minneapolis, Minnesota  
June 14, 2013

**Kalispell Regional Medical Center, Inc.**

**Consolidated Balance Sheets**  
**March 31, 2013 and 2012**

| <b>Assets</b>  | <b>2013</b>           | <b>2012</b>           |
|--|-----------------------|-----------------------|
| Current Assets   |                       |                       |
| Cash and cash equivalents  | \$ 23,510,082         | \$ 6,446,029          |
| Funds held by trustee, current portion   | 951,974               | 4,945,657             |
| Patient accounts receivable, net of allowance for bad debts of approximately \$10,623,000 and \$12,181,000, respectively | 27,068,234            | 31,893,429            |
| Contributions receivable   | 1,104,011             | 494,165               |
| Estimated third-party payor settlements  | 1,271,652             | 906,938               |
| Receivable from affiliates   | 1,774,715             | 2,976,038             |
| Supplies inventory   | 6,231,727             | 6,171,367             |
| Prepaid expenses and other   | 2,557,126             | 3,067,949             |
| <b>Total current assets</b>  | <b>64,469,521</b>     | <b>56,901,572</b>     |
| Assets Limited as to Use   |                       |                       |
| Board-designated assets  | 57,190,239            | 50,883,925            |
| Funds held by trustee, less current portion  | -                     | 16,090,637            |
| Other  | 1,082,853             | 993,733               |
| <b>Total assets limited as to use</b>  | <b>58,273,092</b>     | <b>67,968,295</b>     |
| Land, Buildings and Equipment, net   | 103,506,333           | 81,883,654            |
| Other Assets   |                       |                       |
| Contributions receivable, net of current portion   | 1,951,057             | 1,089,021             |
| Financing costs, net   | 833,200               | 889,357               |
| Investments in subsidiaries  | 318,708               | 649,103               |
| Estimated insurance recoveries   | 3,024,000             | 4,521,954             |
| Investment in risk reciprocal group  | 1,820,071             | 1,760,466             |
| Other  | 466,315               | 289,708               |
| <b>Total other assets</b>  | <b>8,413,351</b>      | <b>9,199,609</b>      |
| <b>Total assets</b>  | <b>\$ 234,662,297</b> | <b>\$ 215,953,130</b> |

See Notes to Consolidated Financial Statements

| <b>Liabilities and Net Assets</b>        | <b>2013</b>           | <b>2012</b>           |
|--|-----------------------|-----------------------|
| Current Liabilities                      |                       |                       |
| Current portion of long-term debt        | \$ 1,860,465          | \$ 3,783,032          |
| Accounts payable and accrued liabilities | 16,499,792            | 16,567,832            |
| Construction payable                     | 1,347,857             | 3,039,042             |
| Accrued salaries, wages and benefits     | 19,132,208            | 16,042,281            |
| Estimated third-party payor settlements  | 1,889,946             | 866,181               |
| Payable to affiliates                    | 3,000,188             | 1,768,542             |
| <b>Total current liabilities</b>         | <b>43,730,456</b>     | <b>42,066,910</b>     |
| Long-Term Debt, net of current portion   | 60,252,427            | 60,473,998            |
| Estimated Claims Liability               | 3,317,000             | 4,521,954             |
| Other                                    | 250,843               | 264,906               |
| <b>Total liabilities</b>                 | <b>107,550,726</b>    | <b>107,327,768</b>    |
| Net Assets                               |                       |                       |
| Unrestricted                             | 120,097,375           | 104,640,846           |
| Temporarily restricted                   | 4,928,115             | 2,097,510             |
| Permanently restricted                   | 2,086,081             | 1,887,006             |
| <b>Total net assets</b>                  | <b>127,111,571</b>    | <b>108,625,362</b>    |
| <b>Total liabilities and net assets</b>  | <b>\$ 234,662,297</b> | <b>\$ 215,953,130</b> |

**Kalispell Regional Medical Center, Inc.**

**Consolidated Statements of Operations**  
**Years Ended March 31, 2013 and 2012**

|   | 2013                 | 2012                |
|---|----------------------|---------------------|
| Operating revenues                                      |                      |                     |
| Net patient service revenue                             | \$ 221,848,827       | \$ 197,407,570      |
| Other operating revenues                                | 14,040,549           | 10,463,384          |
| <b>Total operating revenues</b>                         | <b>235,889,376</b>   | <b>207,870,954</b>  |
| Operating expenses                                      |                      |                     |
| Salaries, wages and benefits                            | 126,802,859          | 114,428,533         |
| Supplies and other                                      | 86,932,748           | 80,027,500          |
| Depreciation  | 9,341,192            | 9,153,385           |
| Interest and amortization                               | 1,039,281            | 1,063,501           |
| <b>Total operating expenses</b>                         | <b>224,116,080</b>   | <b>204,672,919</b>  |
| <b>Excess of revenues over expenses from operations</b> | <b>11,773,296</b>    | <b>3,198,035</b>    |
| Nonoperating income and gains, net                      |                      |                     |
| Investment income                                       |                      |                     |
| Interest income   | 1,222,130            | 1,070,560           |
| Realized gains, net                                     | 298,211              | 1,043,111           |
| Change in unrealized gains, net, on trading securities  | 4,653,479            | 291,450             |
| <b>Total investment income and gains, net</b>           | <b>6,173,820</b>     | <b>2,405,121</b>    |
| Other nonoperating income and gains                     | 1,235,946            | 1,643,980           |
| <b>Total nonoperating income and gains, net</b>         | <b>7,409,766</b>     | <b>4,049,101</b>    |
| <b>Excess of revenues over expenses</b>                 | <b>19,183,062</b>    | <b>7,247,136</b>    |
| Transfer to affiliate                                   | (4,017,546)          | (5,822,791)         |
| Contributions and other                                 | 291,013              | 91,506              |
| <b>Increase in unrestricted net assets</b>              | <b>\$ 15,456,529</b> | <b>\$ 1,515,851</b> |

See Notes to Consolidated Financial Statements

Kalispell Regional Medical Center, Inc.

**Consolidated Statements of Changes in Net Assets**  
**Years Ended March 31, 2013 and 2012**

|  | Unrestricted<br>Net Assets | Temporarily<br>Restricted<br>Net Assets | Permanently<br>Restricted<br>Net Assets | Total<br>Net Assets   |
|--|----------------------------|---|---|-----------------------|
| Balance, March 31, 2011                          | \$ 103,124,995             | \$ 122,795                              | \$ 1,794,750                            | \$ 105,042,540        |
| Excess of revenues over expenses                 | 7,247,136                  | -                                       | -                                       | 7,247,136             |
| Net change in unrealized gains<br>on investments | -                          | -                                       | 7,039                                   | 7,039                 |
| Transfer to affiliate                            | (5,822,791)                | -                                       | -                                       | (5,822,791)           |
| Contributions and other                          | 91,506                     | 1,974,715                               | 85,217                                  | 2,151,438             |
| <b>Changes in net assets</b>                     | <b>1,515,851</b>           | <b>1,974,715</b>                        | <b>92,256</b>                           | <b>3,582,822</b>      |
| Balance, March 31, 2012                          | 104,640,846                | 2,097,510                               | 1,887,006                               | 108,625,362           |
| Excess of revenues over expenses                 | 19,183,062                 | -                                       | -                                       | 19,183,062            |
| Net change in unrealized gains<br>on investments | -                          | 68,821                                  | 41,612                                  | 110,433               |
| Transfer to affiliate                            | (4,017,546)                | -                                       | -                                       | (4,017,546)           |
| Contributions and other                          | 291,013                    | 2,761,784                               | 157,463                                 | 3,210,260             |
| <b>Changes in net assets</b>                     | <b>15,456,529</b>          | <b>2,830,605</b>                        | <b>199,075</b>                          | <b>18,486,209</b>     |
| Balance, March 31, 2013                          | <b>\$ 120,097,375</b>      | <b>\$ 4,928,115</b>                     | <b>\$ 2,086,081</b>                     | <b>\$ 127,111,571</b> |

See Notes to Consolidated Financial Statements



**Kalispell Regional Medical Center, Inc.**

**Consolidated Statements of Cash Flows**  
**Years Ended March 31, 2013 and 2012**

|  | 2013                | 2012                |
|--|---------------------|---------------------|
| <b>Cash Flows From Operating Activities</b>  |                     |                     |
| Change in net assets   | \$ 18,486,209       | \$ 3,582,822        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                     |                     |
| Depreciation   | 9,341,192           | 9,153,385           |
| Amortization   | 20,662              | 19,616              |
| Provision for bad debts  | 12,190,808          | 12,185,992          |
| Net realized and unrealized gains  | (4,951,690)         | (1,334,561)         |
| Contributions and other changes in net assets  | (3,210,260)         | (2,151,438)         |
| Transfer to affiliate  | 4,017,546           | 5,822,791           |
| Loss on disposition of assets  | 121,127             | 49,222              |
| Changes in assets and liabilities  |                     |                     |
| Patient accounts receivable  | (7,365,613)         | (18,813,033)        |
| Contributions receivable   | (1,471,882)         | (1,524,299)         |
| Estimated third-party payor settlements  | 659,051             | (1,700,217)         |
| Receivable from affiliates   | 1,201,323           | 262,969             |
| Supplies inventory   | (60,360)            | (629,611)           |
| Prepaid expenses and other   | 510,823             | (510,633)           |
| Accounts payable and accrued liabilities   | (68,040)            | 3,096,864           |
| Accrued salaries, wages and benefits   | 3,089,927           | 335,780             |
| Payables to affiliates   | 1,231,646           | (128,203)           |
| Estimated claims liability and other   | (1,219,017)         | 4,786,860           |
| <b>Net cash provided by operating activities</b>   | <b>32,523,452</b>   | <b>12,504,306</b>   |
| <b>Cash Flows From Investing Activities</b>  |                     |                     |
| Acquisition of land, building and equipment  | (31,858,704)        | (30,005,384)        |
| Proceeds from sale of land, building and equipment   | 88,584              | 139,208             |
| Purchases of Board-designated investments  | (2,657,593)         | (30,436,326)        |
| Sales of Board-designated investments  | 1,302,969           | 28,585,441          |
| Decrease in funds held by trustee  | 20,084,320          | 21,404,216          |
| (Increase) decrease in other investments and other, net                                    | 1,538,512           | (1,457,391)         |
| <b>Net cash used in investing activities</b>   | <b>(11,501,912)</b> | <b>(11,770,236)</b> |
| <b>Cash Flows From Financing Activities</b>  |                     |                     |
| Transfer to affiliate  | (4,017,546)         | (5,822,791)         |
| Proceeds from contributions and other changes in net assets                                | 3,210,260           | 2,151,438           |
| Proceeds from debt issuance  | 682,652             | 5,642,934           |
| Debt issuance costs  | -                   | (12,486)            |
| Principal payments on long-term debt   | (3,832,853)         | (2,450,516)         |
| <b>Net cash used in financing activities</b>   | <b>(3,957,487)</b>  | <b>(491,421)</b>    |
| <b>Net increase in cash and cash equivalents</b>   | <b>17,064,053</b>   | <b>242,649</b>      |
| Cash and Cash Equivalents, beginning of year   | 6,446,029           | 6,203,380           |
| Cash and Cash Equivalents, end of year   | \$ 23,510,082       | \$ 6,446,029        |

(Continued)

**Kalispell Regional Medical Center, Inc.**

**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended March 31, 2013 and 2012**

|   | <b>2013</b>         | 2012               |
|---|---------------------|--------------------|
| Supplemental Disclosures of Cash Flow Information                         |                     |                    |
| Cash paid for interest  | <b>\$ 2,858,374</b> | \$ 3,171,525       |
| Supplemental Schedule of Noncash Investing and Financing Activities       |                     |                    |
| Equipment acquired through capital lease                                  | <b>\$ 1,006,063</b> | \$ 626,381         |
| Noncash additions to land, building and equipment                         | <b>1,347,857</b>    | 3,039,042          |
| Interest capitalized, net of earnings, on related bond proceeds           | <b>1,802,963</b>    | 1,819,427          |
| Recharacterization of interest in Foundation as a result of consolidation | <b>-</b>            | <b>(4,882,624)</b> |

See Notes to Consolidated Financial Statements

## Kalispell Regional Medical Center, Inc.

### Notes to Consolidated Financial Statements

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#### Note 1. Organization and Summary of Significant Accounting Policies

**Organization:** Kalispell Regional Medical Center, Inc. (the Hospital), located in Kalispell, Montana, is a not-for-profit acute-care hospital. The Hospital has provided inpatient, outpatient and emergency care services for residents of northwestern Montana from the time it was incorporated in Montana in 1973. The Hospital also became the sole corporate member of Kalispell Regional Healthcare Foundation (the Foundation) in May 2011. The Foundation is a not-for-profit corporation located in Kalispell, Montana, whose primary purposes are to manage and administer investments and provide funding in support of the Hospital and similar not-for-profit organizations. The Hospital has obtained a determination letter from the Internal Revenue Service stating that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income.

The Hospital is also an affiliate of Kalispell Regional Healthcare System (KRHS), formerly Northwest Healthcare Corporation. KRHS is a Montana not-for-profit corporation organized in 1982 to act for the benefit of and on behalf of the Hospital and other related affiliates. Other affiliates of KRHS, which are affiliates of the Hospital, are Northwest Horizons, Inc. (NWH), Applied Health Services, Inc. (AHS), Flathead Hospital Development Company, LLC (FHDC), HealthCenter Northwest, LLC (HC), Northwest Orthopedics & Sports Medicine, LLC (NOSM), Peak Orthopedics & Sports Medicine (POSM), and Summit Medical Fitness Center, Inc. (SMFC).

**Principles of consolidation and basis of presentation:** The consolidated financial statements include the accounts of the Hospital and the Foundation, as described above, for the years ended March 31, 2013 and 2012. All significant intercompany accounts and transactions have been eliminated upon consolidation.

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

**Cash and cash equivalents:** Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts whose use is limited by Board designation or other arrangements under trust agreements.

The Hospital and the Foundation each maintain a cash sweep account, the funds of which are held in overnight repurchase agreements. These debt security investments are held overnight, maturing the following day, and are considered cash and cash equivalents. These accounts are not covered within the federally insured limits for bank depository accounts, but rather are fully collateralized at the bank with U.S. government agency securities. The nature of cash and cash equivalents as of March 31, 2013, is as follows:

|   |                      |
|---|----------------------|
| Daily repurchase agreements                 | \$ 19,983,101        |
| Cash balances, including checks outstanding | 3,526,981            |
| Cash and cash equivalents                   | <u>\$ 23,510,082</u> |

**Investments:** The Hospital invests in a professionally managed portfolio of securities, which includes common stocks, mutual funds and money market funds. Investments are measured at fair value, based on quoted market prices.

**Kalispell Regional Medical Center, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

Management determines the appropriate classification of the securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date. The Hospital has classified its securities as trading securities. Trading securities are measured and carried at fair value, and unrealized holding gains and losses, realized gains and losses, and interest and dividends are included in the excess of revenues over expenses, unless the income or loss is restricted by donor or law.

The Hospital's investments are inherently exposed to various risks, such as interest rate, market and credit risks. Due to the level of risks associated with these investments and the level of uncertainty related to potential changes in the value of such investments, it is at least reasonably possible that changes in risk factors in the near term could affect the carrying value of individual investments and related amounts reported in the Hospital's financial statements, and such amounts could be material.

**Fair value measurements:** The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, accrued liabilities and short-term borrowings, approximate fair value due to the short maturity of these instruments. The Hospital uses quoted market prices for its long-term debt when available. When quoted market prices are not available, fair value is estimated based on current market interest rates and credit spreads for debt with similar maturities. The fair value of long-term debt incorporates a credit valuation adjustment to appropriately reflect the Hospital's own nonperformance risk.

**Patient accounts receivable:** Accounts receivable for the Hospital are stated at net realizable value. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides contractual allowances based on these amounts. Additionally, the Hospital provides for an allowance against patient accounts receivable for an amount that could become uncollectible. The Hospital estimates this allowance based on the aging of accounts receivable, historical collection experience and other relevant factors.

**Assets limited as to use:** Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital have been classified as current assets in the consolidated balance sheets at March 31, 2013 and 2012.

**Contributions receivable:** Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for pledges is recorded based primarily on historical collection experience. If it is determined that a contribution receivable will not be collected, the amount is written off to the allowance account. Conditional promises to give are not included as support until the conditions are substantially met.

**Kalispell Regional Medical Center, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Land, buildings and equipment:** Land, buildings and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Assets acquired under capital leases are amortized based on the straight-line method over the shorter of the period of the lease term or the estimated useful life of the asset. Such amortization is included in depreciation in the consolidated financial statements. Improvements and replacements of land, buildings and equipment are capitalized at cost. Maintenance and repairs are expensed as incurred. The cost of land, buildings and equipment sold or retired and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the period of such retirement.

Interest capitalized on internally generated and borrowed funds expended for construction is a component of the cost of plant additions to be allocated to future periods through the provision of depreciation. Capitalization of interest ceases when the plant addition is placed into service. The Hospital capitalized \$1,803,000 and \$1,819,000 of interest expense in the years ended March 31, 2013 and 2012, respectively.

**Financing costs:** Financing costs incurred in connection with long-term obligations are deferred and amortized over the life of the obligations using the effective-interest method. Financing costs are presented on the consolidated balance sheet net of accumulated amortization.

**Professional malpractice liability:** The Hospital has obtained claims-made medical malpractice liability insurance coverage through a risk reciprocal group, of which KRHS owns approximately 43.5 percent and 41.7 percent as of March 31, 2013 and 2012, respectively. The Hospital's investment in the risk reciprocal group as of March 31, 2013 and 2012, is approximately \$1,820,000 and \$1,760,000, respectively, which is included in investment in risk reciprocal group in the accompanying consolidated balance sheets. As of March 31, 2013 and 2012, the Hospital has recorded a liability of approximately \$1,980,000 and \$2,428,000, respectively, for these claims that have been incurred but not reported, which is included in the accounts payable and accrued liabilities in the accompanying consolidated balance sheets. As of March 31, 2013 and 2012, the Hospital has a receivable for the estimated amount of recovery of approximately \$3,024,000 and \$4,522,000, respectively, recorded in estimated insurance recoveries in the accompanying consolidated balance sheets. The related claim liability of \$3,317,000 and \$4,522,000, respectively, is recorded in estimated claims liability. The Hospital discounts the ultimate cost of claims at a discount rate of 2.0 percent and 2.5 percent as of March 31, 2013 and 2012, respectively.

**Self-insurance workers' compensation:** The Hospital participates in a self-insurance workers' compensation program with KRHS. KRHS has established self-insurance funds for the deductible portion of workers' compensation insurance coverage. KRHS' funding for the estimated deductible portion of self-insured workers' compensation insurance coverage is based on the self-insurance funds' estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred but not yet reported. Self-insured workers' compensation retention in 2013 and 2012 was \$500,000 per occurrence. KRHS has recorded a liability of approximately \$2,037,000 and \$2,309,000 as of March 31, 2013 and 2012, respectively, for those claims that have been incurred but not yet reported, which is included in accounts payable and accrued liabilities in the KRHS consolidated balance sheets. As of March 31, 2013 and 2012, KRHS has a receivable for the estimated amount of recoveries of approximately \$831,000 and \$855,000, respectively, recorded in estimated insurance recoveries in the KRHS consolidated balance sheets. KRHS discounts the ultimate cost of claims at a discount rate of 2.0 and 2.5 percent as of March 31, 2013 and 2012, respectively.

**Notes to Consolidated Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Self-insurance health and dental program:** The Hospital has established self-insured medical and dental plans for its employees. The accrued liabilities for the self-insured components of these plans include estimates of the costs for the incurred but not reported claims. These estimates are included in accrued salaries, wages and benefits in the accompanying consolidated balance sheets and were approximately \$1,324,000 and \$1,445,000 as of March 31, 2013 and 2012, respectively.

**Temporarily and permanently restricted net assets:** Temporarily restricted net assets are those whose use by the Hospital or the Foundation has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of changes in net assets under the caption, "Contributions and other."

Permanently restricted net assets are assets to be maintained permanently by the Hospital or the Foundation. Generally, the donors of these assets permit the Hospital to use all or part of the income earned on related investments for general or specific purposes.

**Excess of revenues over expenses:** The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets that are excluded from excess of revenues over expenses include permanent transfers of net assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets).

**Net patient service revenue:** The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Contractual adjustments arising under reimbursement arrangements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a provision for bad debts related to uninsured patients in the period the services are provided. This provision for bad debts is presented on the accompanying consolidated statements of operations as a component of net patient service revenue.

**Charity care:** The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the Hospital does not pursue collection of amounts, they are not reported as net revenue. The estimated cost of providing these services was \$7,821,000 and \$7,786,000 for the years ended March 31, 2013 and 2012, respectively, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing care to charity patients.

**Kalispell Regional Medical Center, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Incentive revenue:** The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare and Medicaid incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicare and Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicare and Medicaid incentive payments.

The Hospital is entitled to receive Medicare and Medicaid incentive payments for the adoption of certified EHR technology, as the Hospital has satisfied the statutory and regulatory requirements. The Hospital accounts for HITECH incentive payments as a gain contingency. Income from Medicare and Medicaid incentive payments is recognized as revenue after the Hospital has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period. The Hospital recognized revenue from Medicare incentive payments totaling \$2,542,000 and \$108,000 for the years ended March 31, 2013 and 2012, respectively. Additionally, the Hospital recognized Medicaid payments totaling \$408,000 and \$809,000 for the years ended March 31, 2013 and 2012, respectively. The incentive payments are included in other operating revenue in the accompanying consolidated statements of operations. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Hospital's compliance with the meaningful use criteria is subject to audit by the federal government.

**Contributions:** Unconditional promises to give cash and other assets to the Hospital or the Foundation 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 changes in net assets as net assets released from restriction. 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:** The Hospital is operated as a tax-exempt organization under Section 501(c)(3) of the federal Internal Revenue Code and applicable sections of the Montana statutes. However, income from certain activities not directly related to the Hospital's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Hospital qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). No provision for income taxes is reflected in these statements. The Hospital is no longer subject to U.S. federal tax examinations by tax authorities for the fiscal years before 2009.

The Hospital adopted the provisions of Accounting Standards Codification (ASC) 740, Income Taxes. ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with the ASC and prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. The Hospital has reviewed its tax positions for all open tax years and has concluded no reserves are required.

**Kalispell Regional Medical Center, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Recent accounting pronouncements:** The Hospital adopted Accounting Standards Update (ASU) No 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provisions for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, during the year ended March 31, 2013. This ASU requires health care entities that recognize significant amounts of patient service revenue at the time services are provided, even though they do not assess the patient's ability to pay, to present the provision for bad debt related to patient service revenue as a deduction from patient service revenue rather than an operating expense in the statements of operations. The ASU also requires additional disclosures related to sources of patient service revenue and changes in the allowance for bad debts. The adoption of this ASU changed where the provision for bad debt was presented within the consolidated statements of operations, however, it did not affect operating income. The provision for bad debt for the year ended March 31, 2012, in the amount of \$12,186,000 has been retroactively reclassified in accordance with the guidance.

**Comparative data/reclassifications:** Certain amounts presented in the prior year have been reclassified to be consistent with the current-year presentation, with no impact on changes in net assets or net assets as previously reported.

**Subsequent events:** The Hospital and the Foundation evaluated events and transactions occurring subsequent to March 31, 2013, through June 14, 2013, the date the consolidated financial statements were issued. During this period, there were no subsequent events requiring recognition in the consolidated financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

**Note 2. Net Patient Service Revenue, Contractual Arrangements with Third-Party Payors, and Allowance for Bad Debts**

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

**Medicare:** Inpatient acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medicare program reimburses the Hospital for outpatient services on a prospective payment system known as Ambulatory Payment Classifications (APCs). The Hospital is reimbursed for covered services at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The most recent year that the fiscal intermediary has completed an audit of the Hospital's Medicare cost report is 2008. Future changes in the Medicare program and reduction of funding levels could have an adverse effect on the Hospital. Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2013 net patient service revenue decreased approximately \$323,000 as a result of final settlements and years that are no longer subject to audits, reviews and investigations. The 2012 net patient service revenue increased approximately \$1,800,000 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer subject to audits, reviews and investigations.



**Kalispell Regional Medical Center, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 2. Net Patient Service Revenue, Contractual Arrangements with Third-Party Payors, and Allowance for Bad Debts (Continued)**

**Medicaid:** Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient services are reimbursed under a prospective payment system. The Hospital is reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The most recent year that the fiscal intermediary has completed an audit of the Hospital's Medicaid cost report is 2008.

Approximately 35 percent of the Hospital's net patient service revenue was derived from the Medicare program, and 6 percent was derived from the Medicaid program in 2013 and 2012, the continuance of which is dependent upon governmental policies.

The Hospital also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements included discounts from established charges. Approximately 20 percent and 19 percent of the Hospital's net patient service revenue in 2013 and 2012, respectively, was derived from Blue Cross and Blue Shield.

Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for bad debts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides contractual allowances based on these amounts. Additionally, an allowance for bad debt and provision for bad debt is provided for expected uncollectible deductibles and copayments on accounts for which the patient is responsible. For receivables associated with self-pay patients, the Hospital 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 bad debt.

The Hospital's allowance for bad debts accounts was 17.6 percent and 18.1 percent of accounts receivable at March 31, 2013 and 2012, respectively. In addition, the Hospital's write-offs were \$15,098,945 and \$10,802,097 for the years ended March 31, 2013 and 2012, respectively.

The following are the components of net patient service revenue for the years ended March 31:

|  | 2013                  | 2012                  |
|--|-----------------------|-----------------------|
| Gross patient service revenue                |                       |                       |
| Inpatient                                    | \$ 212,726,539        | \$ 187,179,293        |
| Outpatient                                   | 250,612,025           | 219,153,819           |
| Charity care                                 | (16,219,343)          | (15,514,632)          |
| Total gross patient service revenue          | 447,119,221           | 390,818,480           |
| Adjustments to gross patient service revenue |                       |                       |
| Contractual discounts                        | (213,079,586)         | (181,224,918)         |
| Provision for bad debts                      | (12,190,808)          | (12,185,992)          |
| Net patient service revenue                  | <u>\$ 221,848,827</u> | <u>\$ 197,407,570</u> |

**Kalispell Regional Medical Center, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 2. Net Patient Service Revenue, Contractual Arrangements with Third-Party Payors, and Allowance for Bad Debts (Continued)**

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the 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 portion of the Hospital's patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a provision for bad debts related to patients in the period the services are provided. Patient services revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the year ended March 31, 2013, from these major payor sources, and is as follows:

|   | Third-Party<br>Payors | Self-Pay             | Total<br>All Payors   |
|---|-----------------------|----------------------|-----------------------|
| Patient Service revenue (net of contractual allowances and discounts) | <u>\$221,319,140</u>  | <u>\$ 12,720,495</u> | <u>\$ 234,039,635</u> |

**Montana State Bed Tax:** All Montana hospital facilities are subject to a Montana State Bed Tax program by which a utilization fee is assessed based on inpatient bed days. Under this program, the State Department of Revenue is authorized to collect and deposit fees in a state special revenue account for funding increases in Medicaid payments to Montana hospitals. The state special revenue account receives an appropriation from a federal special revenue fund to match the state special revenue collected through the utilization fee, thereby providing increased Medicaid reimbursement for Montana hospitals.

The total utilization fee paid in January by the Hospital for the fiscal years 2013 and 2012 was \$1,764,000 and \$1,746,000, respectively. The increased Medicaid payment received from the state special revenue account by the Hospital for the fiscal years 2013 and 2012 totaled \$5,087,000 and \$4,198,000, respectively. Thus, the net Montana State Bed Tax effect in the accompanying consolidated statements of operations was \$3,323,000 for 2013 and \$2,452,000 for 2012 and is included in net patient revenues in the accompanying consolidated statements of operations.

**Note 3. Contributions Receivable**

Contributions receivable are summarized as follows at March 31, 2013 and 2012:

|   | 2013                | 2012                |
|---|---------------------|---------------------|
| Amounts due                               |                     |                     |
| Within one year                           | \$ 1,247,470        | \$ 494,165          |
| In one to five years                      | 2,502,393           | 1,279,303           |
|   | <u>3,749,863</u>    | <u>1,773,468</u>    |
| Less                                      |                     |                     |
| Discounts for the time value of money     | (246,579)           | (111,932)           |
| Allowance for uncollectible contributions | (448,216)           | (78,350)            |
|   | <u>\$ 3,055,068</u> | <u>\$ 1,583,186</u> |

**Kalispell Regional Medical Center, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 3. Contributions Receivable (Continued)**

Contributions receivable are presented in the consolidated statements of operations as follows at March 31, 2013 and 2012

|                        | 2013                | 2012                |
|------------------------|---------------------|---------------------|
| Current receivables    | \$ 1,104,011        | \$ 494,165          |
| Noncurrent receivables | 1,951,057           | 1,089,021           |
|                        | <u>\$ 3,055,068</u> | <u>\$ 1,583,186</u> |

**Note 4. Assets Limited as to Use**

**Board-designated assets:** The Board of Trustees has designated certain assets for use in future property improvements and replacements. These assets consist primarily of cash and cash equivalents and marketable securities.

Board-designated assets consist of the following as of March 31

|  | 2013                 | 2012                 |
|--|----------------------|----------------------|
| Cash and cash equivalents                  |                      |                      |
| Deposits                                   | \$ 1,054             | \$ 1,110             |
| Cash equivalents—money market mutual funds | 161,972              | 1,030,628            |
| Total cash and cash equivalents            | <u>163,026</u>       | <u>1,031,738</u>     |
| Common stocks                              | 21,878,926           | 17,825,298           |
| Mutual funds                               | 35,148,287           | 32,026,889           |
| Total Board-designated assets              | <u>\$ 57,190,239</u> | <u>\$ 50,883,925</u> |

Funds held by trustee

**Interest and bond sinking fund:** Monthly payments of principal and interest are made to this fund until payments become due. The interest and bond sinking fund balance was approximately \$952,000 and \$1,237,000 as of March 31, 2013 and 2012, respectively.

**Project fund:** The project fund was established for the deposit of funds to be used to finance the acquisition, construction, installation, equipping and furnishing of certain improvements to the facilities. The project fund balance was approximately \$-0- and \$19,511,000 as of March 31, 2013 and 2012, respectively.

**Private issue bonds:** The balance of the acquisition fund related to the Series 2011 Private Bond issue was \$-0- and \$288,000 as of March 31, 2013 and 2012, respectively.

**Kalispell Regional Medical Center, Inc.****Notes to Consolidated Financial Statements**

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**Note 4. Assets Limited as to Use (Continued)**

Funds held by trustee consist of the following as of March 31

|   | 2013        | 2012                 |
|---|-------------|----------------------|
| Cash and cash equivalents—money market mutual funds                           | \$ 951,974  | \$ 21,036,294        |
| Less current portion available to pay debt, interest and construction payable | 951,974     | 4,945,657            |
|   | <u>\$ -</u> | <u>\$ 16,090,637</u> |

**Note 5. Land, Buildings and Equipment**

At March 31, the Hospital had the following land, buildings and equipment balances

|                                   | 2013                  | 2012                 |
|-----------------------------------|-----------------------|----------------------|
| Land and land improvements        | \$ 4,867,422          | \$ 4,854,770         |
| Buildings and fixed equipment     | 91,544,682            | 90,523,382           |
| Major movable and minor equipment | 55,420,600            | 52,686,704           |
| Construction in progress          | 52,211,588            | 29,986,388           |
|                                   | <u>204,044,292</u>    | <u>178,051,244</u>   |
| Less accumulated depreciation     | (100,537,959)         | (96,167,590)         |
|                                   | <u>\$ 103,506,333</u> | <u>\$ 81,883,654</u> |

Construction in process represents costs related to the expansion and remodeling of the surgical tower and other facilities. The operating room/surgery expansion construction project was completed and placed into use in the amount of \$42 million in April 2013.

The estimated useful lives of the Hospital's facility and equipment are as follows:

|                                   | Years |
|-----------------------------------|-------|
| Land improvements                 | 5–25  |
| Buildings                         | 5–40  |
| Fixed equipment                   | 5–20  |
| Major movable and minor equipment | 3–20  |

**Kalispell Regional Medical Center, Inc.****Notes to Consolidated Financial Statements**

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**Note 6. Long-Term Debt**

Long-term debt consists of the following at March 31

|  | 2013                 | 2012                 |
|--|----------------------|----------------------|
| Montana Facility Finance Authority Health Care Facilities Revenue Bonds, Series 2010 (the 2010 Bonds), 3.00% to 5.25%, due serially through 2040 | \$ 55,570,000        | \$ 56,675,000        |
| Montana Facility Finance Authority, Private Issue Bonds, 2.33% and 2.56%, due serially through 2018  | 3,215,641            | 3,958,419            |
| Other, including notes payable and capital leases  | 3,159,026            | 3,444,713            |
|  | <u>61,944,667</u>    | <u>64,078,132</u>    |
| Less   |                      |                      |
| Current portion  | (1,860,465)          | (3,783,032)          |
| Plus   |                      |                      |
| Bond premium   | 168,225              | 178,898              |
| Net long-term debt   | <u>\$ 60,252,427</u> | <u>\$ 60,473,998</u> |

In November 2010, the Hospital issued the Montana Facility Finance Authority Health Care Facilities Revenue Bonds, Series 2010 (the 2010 Bonds), in the principal amount of \$57,115,000, maturing annually through July 1, 2040. The 2010 Bonds bear interest at an effective rate ranging from 3.00 percent to 5.25 percent and are payable in annual installments on July 1 of each year.

The 2010 Bonds are secured by certain gross receipts and receivables of the Hospital, including patient accounts receivable and contract rights. The bond agreement requires, among other restrictions, that the Hospital maintain a minimum debt service coverage ratio. Management believes that the Hospital is in compliance with these requirements.

The Hospital has granted to the Montana Facility Finance Authority an interest in certain equipment as security for the private issue bonds.

Principal maturities of the 2010 Bonds and other long-term obligations are as follows at March 31, 2013:

Years Ending March 31,

|            |                      |
|------------|----------------------|
| 2014       | \$ 1,860,465         |
| 2015       | 3,048,941            |
| 2016       | 3,692,568            |
| 2017       | 3,201,014            |
| 2018       | 2,372,844            |
| Thereafter | 47,768,835           |
|            | <u>\$ 61,944,667</u> |

**Kalispell Regional Medical Center, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 7. Transactions With Affiliates**

The Hospital transferred \$4,018,000 and \$5,973,000 during the fiscal years 2013 and 2012, respectively, to the parent entity, KRHS, to maintain funds for operations of KRHS and its affiliates

The Hospital has a \$6,000,000 variable-rate, revolving demand loan to Northwest Horizons, Inc. (NWH), with a maturity date of October 27, 2013. There were no amounts outstanding as of March 31, 2013 and 2012

**Note 8. Retirement Plan**

The Hospital has a defined contribution retirement plan with 401(k) provisions covering all eligible employees of the Hospital. Employees may make elective deferrals into the plan up to the maximum allowed by the Internal Revenue Code. In addition to employee contributions, the Hospital may make contributions of up to 6 percent of eligible compensation to all eligible employees.

Employees are eligible to make contributions to the plan on the first day of the calendar quarter following their date of hire. Employees are eligible to receive the employer contribution after attaining the age of 21 and completing one year of service in which the employee worked at least 1,000 hours. Employees are immediately 100 percent vested in their contributions and are 100 percent vested in the employer contributions after six years of employment.

Contributions to the plan charged to operations were \$3,445,000 and \$3,280,000 in 2013 and 2012, respectively, and are included in salaries, wages and benefits in the accompanying consolidated statements of operations. All plan assets are held in trust for payment of future benefits.

The Hospital has two additional unfunded deferred compensation plans, the 457(b) Plan and the 457(f) Plan, that are only available to a select group of management and highly compensated employees. The 457(b) Plan liability was \$1,416,000 and \$983,000 as of March 31, 2013 and 2012, respectively, and the 457(f) Plan liability was \$1,257,000 and \$965,000 for the same time periods, which represent employee contributions and interest earnings.

**Note 9. Functional Expenses**

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended March 31:

|                            | 2013                  | 2012                  |
|----------------------------|-----------------------|-----------------------|
| Health care services       | \$ 188,077,994        | \$ 169,357,985        |
| Indirect health care costs | 11,102,756            | 11,889,062            |
| General and administrative | 24,935,330            | 23,425,872            |
|                            | <u>\$ 224,116,080</u> | <u>\$ 204,672,919</u> |

**Kalispell Regional Medical Center, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 10. Fair Value of Financial Instruments**

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments

**Assets limited as to use:** The Hospital has adopted ASC 820 for financial assets and liabilities. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The valuation techniques used to measure fair value under the ASC are based upon observable and unobservable inputs. The ASC established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Input levels, as defined by the ASC, are as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, the Hospital performs a detailed analysis of the assets and liabilities that are measured and reported at fair value on a recurring basis.

The following tables set forth the Hospital's assets that are measured and recognized at fair value on a recurring basis as of March 31, 2013 and 2012, under the appropriate level of the fair value hierarchy. Financial instruments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

|  | March 31, 2013       |             |             |                      |
|--|----------------------|-------------|-------------|----------------------|
|  | Level 1              | Level 2     | Level 3     | Total Fair Value     |
| Cash equivalents—money market mutual funds                 | \$ 1,113,946         | \$ -        | \$ -        | \$ 1,113,946         |
| Common stock—large-cap domestic stocks                     | 21,878,926           | -           | -           | 21,878,926           |
| Mutual funds   |                      |             |             |                      |
| Bond fund  | 18,356,805           | -           | -           | 18,356,805           |
| International value  | 7,384,943            | -           | -           | 7,384,943            |
| Mid-cap  | 5,021,984            | -           | -           | 5,021,984            |
| Small-cap and micro cap                                    | 4,384,555            | -           | -           | 4,384,555            |
|  | <u>\$ 58,141,159</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 58,141,159</u> |
| Investments measured at fair value                         |                      |             |             | \$ 58,141,159        |
| Deposits   |                      |             |             | 1,054                |
| Deferred gift annuities and charitable remainder unitrusts |                      |             |             | 1,082,853            |
| Assets limited as to use                                   |                      |             |             | <u>\$ 59,225,066</u> |

**Kalispell Regional Medical Center, Inc.**

**Notes to Consolidated Financial Statements**

**Note 10. Fair Value of Financial Instruments (Continued)**

|  | March 31, 2012       |             |             |                      |
|--|----------------------|-------------|-------------|----------------------|
|  | Level 1              | Level 2     | Level 3     | Total Fair Value     |
| Cash equivalents—money market mutual funds                 | \$ 22,066,922        | \$ -        | \$ -        | \$ 22,066,922        |
| Common stock—large-cap domestic stocks                     | 17,825,298           | -           | -           | 17,825,298           |
| Mutual funds   |                      |             |             |                      |
| Bond fund  | 16,961,021           | -           | -           | 16,961,021           |
| International value  | 6,893,404            | -           | -           | 6,893,404            |
| Mid-cap  | 4,290,713            | -           | -           | 4,290,713            |
| Small-cap and micro cap                                    | 3,881,751            | -           | -           | 3,881,751            |
|  | <u>\$ 71,919,109</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 71,919,109</u> |
| Investments measured at fair value                         |                      |             |             | \$ 71,919,109        |
| Deposits   |                      |             |             | 1,110                |
| Deferred gift annuities and charitable remainder unitrusts |                      |             |             | 993,733              |
| Assets limited as to use                                   |                      |             |             | <u>\$ 72,913,952</u> |

**Long-term debt (including current portion):** Fair value of the Hospital's long-term debt is estimated based upon quoted market prices, when available, or on the discounted value of the future cash flows that would theoretically be paid using current rates offered to the Hospital for debt with the same remaining maturities

The carrying amounts and fair values of the Hospital's long-term debt at March 31 are as follows

|   | 2013            |               | 2012            |               |
|---|-----------------|---------------|-----------------|---------------|
|   | Carrying Amount | Fair Value    | Carrying Amount | Fair Value    |
| Long-term debt, including current portion | \$ 62,112,892   | \$ 61,820,589 | \$ 64,257,030   | \$ 63,749,033 |

Certain assets and liabilities are measured at fair value on a nonrecurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). There were no assets or liabilities carried on the consolidated balance sheet as of March 31, 2013 or 2012, for which a nonrecurring change in fair value had been recorded during the years ended March 31, 2013 or 2012.

**Note 11. Commitments and Contingencies**

**Future minimum lease commitments:** The Hospital leases certain office space, medical facilities and medical equipment under noncancelable operating lease arrangements. The lease terms vary, as do the Hospital's renewal options. The leases provide for minimum monthly rental payments.



**Kalispell Regional Medical Center, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 11. Commitments and Contingencies (Continued)**

Future minimum lease commitments as of March 31, 2013, are due as follows

|      |                     |
|------|---------------------|
| 2014 | \$ 2,378,954        |
| 2015 | 1,559,812           |
| 2016 | 1,497,202           |
| 2017 | 1,107,532           |
| 2018 | 330,505             |
|      | <u>\$ 6,874,005</u> |

Rent expense totaled \$5,626,000 and \$5,067,000 for the years ended March 31, 2013 and 2012, respectively, and is included in supplies and other in the accompanying consolidated statements of operations. Of these amounts, \$2,500,000 and \$2,157,000 of rent expense for the years ended March 31, 2013 and 2012, respectively, were with affiliated entities.

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

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 Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. After consultation with legal counsel, management believes that the Hospital is in compliance with the fraud and abuse regulations as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**Medical malpractice liability insurance:** The Hospital has purchased medical malpractice liability insurance coverage to provide protection for professional liability losses on a claims-made basis. If the claims-made policy is not renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, are uninsured. As of March 31, 2013 and 2012, the Hospital has recorded a liability of approximately \$1,980,000 and \$2,428,000, respectively, for those claims that have been incurred but not yet reported, which is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets. The Hospital discounts the ultimate cost of claims at a discount rate of 2.0 percent and 2.5 percent as of March 31, 2013 and 2012, respectively.

**Recovery audit contractors program:** The Centers for Medicare & Medicaid Services (CMS) approved implementing the permanent recovery audit contractors (RAC) program in October 2009. This program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts.

**Kalispell Regional Medical Center, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 11. Commitments and Contingencies (Continued)**

Since January 2010, the RAC has requested 3,047 records from the Hospital, totaling \$18,096,299 in Medicare reimbursement. In 64 percent of the cases, the RAC identified no overpayments, and the Hospital is awaiting responses on 17 percent of those cases in the amount of \$3,020,985. The RAC has identified some overpayments, however, the Hospital has agreed with the RAC in only 5 percent of the overpayments, totaling \$243,391. The Hospital is currently in the appeals process in 624 cases, or 58 percent, in the amount of \$3,107,909. The appeals process can proceed through five levels. Currently, the 624 cases in appeal are in one of four appeal levels. The Hospital has been successful in appealing 24 percent of appealed cases, in the amount of \$1,254,979, with the majority of this success occurring prior to level two. The American Hospital Association (AHA) has reported that 75 percent of RAC findings are overturned in the appeals process after exhausting all five levels of appeal.

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

To the Board of Trustees  
Kalispell Regional Medical Center, Inc  
Kalispell, Montana

McGladrey LLP

81. and (c) the 17.5 percent (1994) or 20 percent (1995) general accounting tax and consulting firm

Kalispell Regional Medical Center, Inc.

Consolidating Balance Sheet  
March 31, 2013

| <b>Assets</b>  | KRMC                  | KRHS<br>Foundation   | Eliminations           | Total                 |
|--|-----------------------|----------------------|------------------------|-----------------------|
| <b>Current Assets</b>  |                       |                      |                        |                       |
| Cash and cash equivalents  | \$ 18,029,934         | \$ 5,480,148         | \$ -                   | \$ 23,510,082         |
| Funds held by trustee, current portion   | 951,974               | -                    | -                      | 951,974               |
| Patient accounts receivable, net of allowance<br>for bad debts of approximately \$10,623,000 | 27,068,234            | -                    | -                      | 27,068,234            |
| Contributions receivable   | -                     | 1,104,011            | -                      | 1,104,011             |
| Estimated third-party payor settlements  | 1,271,652             | -                    | -                      | 1,271,652             |
| Receivable from affiliates   | 1,774,715             | 1,399                | (1,399)                | 1,774,715             |
| Supplies inventory   | 6,231,727             | -                    | -                      | 6,231,727             |
| Prepaid expenses and other   | 2,557,126             | -                    | -                      | 2,557,126             |
| <b>Total current assets</b>  | <b>57,885,362</b>     | <b>6,585,558</b>     | <b>(1,399)</b>         | <b>64,469,521</b>     |
| <b>Assets Limited as to Use</b>  |                       |                      |                        |                       |
| Board-designated assets  | 56,028,807            | 1,161,432            | -                      | 57,190,239            |
| Funds held by trustee, less current portion  | -                     | -                    | -                      | -                     |
| Other  | -                     | 1,082,853            | -                      | 1,082,853             |
| <b>Total assets limited as to use</b>  | <b>56,028,807</b>     | <b>2,244,285</b>     | <b>-</b>               | <b>58,273,092</b>     |
| <b>Land, Buildings and Equipment, net</b>  | <b>103,506,333</b>    | <b>-</b>             | <b>-</b>               | <b>103,506,333</b>    |
| <b>Other Assets</b>  |                       |                      |                        |                       |
| Contributions receivable, net of current portion   | -                     | 1,951,057            | -                      | 1,951,057             |
| Financing costs, net   | 833,200               | -                    | -                      | 833,200               |
| Investments in subsidiaries  | 10,472,954            | -                    | (10,154,246)           | 318,708               |
| Estimated insurance recoveries   | 3,024,000             | -                    | -                      | 3,024,000             |
| Investment in risk reciprocal group  | 1,820,071             | -                    | -                      | 1,820,071             |
| Other  | 466,315               | -                    | -                      | 466,315               |
| <b>Total other assets</b>  | <b>16,616,540</b>     | <b>1,951,057</b>     | <b>(10,154,246)</b>    | <b>8,413,351</b>      |
| <b>Total assets</b>  | <b>\$ 234,037,042</b> | <b>\$ 10,780,900</b> | <b>\$ (10,155,645)</b> | <b>\$ 234,662,297</b> |

| <b>Liabilities and Net Assets</b>        | KRMC                  | KRHS<br>Foundation   | Eliminations           | Total                 |
|--|-----------------------|----------------------|------------------------|-----------------------|
| <b>Current Liabilities</b>               |                       |                      |                        |                       |
| Current portion of long-term debt        | \$ 1,860,465          | \$ -                 | \$ -                   | \$ 1,860,465          |
| Accounts payable and accrued liabilities | 16,442,980            | 56,812               | -                      | 16,499,792            |
| Construction payable                     | 1,347,857             | -                    | -                      | 1,347,857             |
| Accrued salaries, wages and benefits     | 19,132,208            | -                    | -                      | 19,132,208            |
| Estimated third-party payor settlements  | 1,889,946             | -                    | -                      | 1,889,946             |
| Payable to affiliates                    | 3,001,587             | -                    | (1,399)                | 3,000,188             |
| <b>Total current liabilities</b>         | <b>43,675,043</b>     | <b>56,812</b>        | <b>(1,399)</b>         | <b>43,730,456</b>     |
| <br>                                     |                       |                      |                        |                       |
| Long-term debt, net of current portion   | 60,252,427            | -                    | -                      | 60,252,427            |
| Estimated claims liability               | 3,317,000             | -                    | -                      | 3,317,000             |
| Other                                    | -                     | 250,843              | -                      | 250,843               |
| <b>Total liabilities</b>                 | <b>107,244,470</b>    | <b>307,655</b>       | <b>(1,399)</b>         | <b>107,550,726</b>    |
| <br>                                     |                       |                      |                        |                       |
| <b>Net Assets</b>                        |                       |                      |                        |                       |
| Unrestricted                             | 119,778,376           | 3,485,905            | (3,166,906)            | 120,097,375           |
| Temporarily restricted                   | 4,928,115             | 4,901,259            | (4,901,259)            | 4,928,115             |
| Permanently restricted                   | 2,086,081             | 2,086,081            | (2,086,081)            | 2,086,081             |
| <b>Total net assets</b>                  | <b>126,792,572</b>    | <b>10,473,245</b>    | <b>(10,154,246)</b>    | <b>127,111,571</b>    |
| <b>Total liabilities and net assets</b>  | <b>\$ 234,037,042</b> | <b>\$ 10,780,900</b> | <b>\$ (10,155,645)</b> | <b>\$ 234,662,297</b> |

Kalispell Regional Medical Center, Inc.

Consolidating Statement of Operations  
Year Ended March 31, 2013

|  | KRMC                 | KRHS<br>Foundation | Eliminations       | Total                |
|--|----------------------|--------------------|--------------------|----------------------|
| Operating revenues   |                      |                    |                    |                      |
| Net patient service revenue  | \$ 221,848,827       | \$ -               | \$ -               | \$ 221,848,827       |
| Other operating revenues   | 14,040,549           | -                  | -                  | 14,040,549           |
| <b>Total operating revenues</b>                                      | <b>235,889,376</b>   | <b>-</b>           | <b>-</b>           | <b>235,889,376</b>   |
| Operating expenses   |                      |                    |                    |                      |
| Salaries, wages and benefits   | 126,802,859          | -                  | -                  | 126,802,859          |
| Supplies and other   | 86,200,012           | 732,736            | -                  | 86,932,748           |
| Depreciation   | 9,341,192            | -                  | -                  | 9,341,192            |
| Interest and amortization  | 1,065,135            | -                  | (25,854)           | 1,039,281            |
| <b>Total operating expenses</b>                                      | <b>223,409,198</b>   | <b>732,736</b>     | <b>(25,854)</b>    | <b>224,116,080</b>   |
| <b>Excess (deficiency) of revenues over expenses from operations</b> | <b>12,480,178</b>    | <b>(732,736)</b>   | <b>25,854</b>      | <b>11,773,296</b>    |
| Nonoperating income and gains, net                                   |                      |                    |                    |                      |
| Investment income  |                      |                    |                    |                      |
| Interest income  | 1,212,960            | 35,024             | (25,854)           | 1,222,130            |
| Realized gains, net  | 298,124              | 87                 | -                  | 298,211              |
| Change in unrealized gains, net, on trading securities               | 4,653,479            | -                  | -                  | 4,653,479            |
| <b>Total investment income and gains, net</b>                        | <b>6,164,563</b>     | <b>35,111</b>      | <b>(25,854)</b>    | <b>6,173,820</b>     |
| Other nonoperating income and gains                                  | 538,321              | 741,750            | (44,125)           | 1,235,946            |
| <b>Total nonoperating income and gains, net</b>                      | <b>6,702,884</b>     | <b>776,861</b>     | <b>(69,979)</b>    | <b>7,409,766</b>     |
| <b>Excess of revenues over expenses</b>                              | <b>19,183,062</b>    | <b>44,125</b>      | <b>(44,125)</b>    | <b>19,183,062</b>    |
| Transfer to affiliate  | (4,017,546)          | -                  | -                  | (4,017,546)          |
| Contributions and other  | 291,013              | -                  | -                  | 291,013              |
| <b>Increase in unrestricted net assets</b>                           | <b>\$ 15,456,529</b> | <b>\$ 44,125</b>   | <b>\$ (44,125)</b> | <b>\$ 15,456,529</b> |