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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013

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

C Name of organization
BILLINGS CLINIC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 2800 Tenth Avenue North

Room/suite

City or town, state or country, and ZIP + 4
Billings, MT 59101

D Employer identification number
81-0231784

E Telephone number
(406) 238-2500

G Gross receipts $ 1,344,358,616

F Name and address of principal officer
Nicholas Wolter MD
2800 Tenth Avenue North
Billings, MT 59101

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

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

H(c) Group exemption number ▶

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

J Website: ▶ billingsclinic com

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

L Year of formation 1907

M State of legal domicile MT

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Billings Clinic will be a national leader in providing the best clinical quality, patient safety, service and value

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	4,100
6	Total number of volunteers (estimate if necessary)	**6**	296
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	8,920,410
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	1,303,592

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	3,948,921	6,635,189
	9 Program service revenue (Part VIII, line 2g)	534,476,077	543,532,933
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	9,447,693	6,855,638
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	11,282,122	3,171,645
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	559,154,813	560,195,405
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	281,545,875	299,067,297
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	238,719,332	246,649,815
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	520,265,207	545,717,112
	19 Revenue less expenses Subtract line 18 from line 12	38,889,606	14,478,293

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	589,973,650	614,621,362
	21 Total liabilities (Part X, line 26)	264,809,291	260,318,573
	22 Net assets or fund balances Subtract line 21 from line 20	325,164,359	354,302,789

Part II Signature Block

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

Sign Here

▶ Signature of officer — Date: 2014-05-15

▶ Connie F Prewitt CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no	

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Billings Clinic is a not-for-profit, physician-led, multispecialty medical group practice integrated with a hospital and long term care facility, serving the communities of Montana, northern Wyoming and the western Dakotas Our mission is health care, education and research

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 201,132,016 including grants of $ 0) (Revenue $ 313,539,193)

Hospital patient care Inpatient days 68,894

4b (Code) (Expenses $ 191,662,660 including grants of $ 0) (Revenue $ 203,683,575)

Clinic patient care Encounters 896,635

4c (Code) (Expenses $ 8,785,088 including grants of $ 0) (Revenue $ 7,571,224)

Nursing home patient care Skilled and assisted days 38,011

(Code) (Expenses $ 7,166,922 including grants of $ 0) (Revenue $ 18,738,941)

See Schedule O, statement 1

4d Other program services (Describe in Schedule O)

(Expenses $ 7,166,922 including grants of $ 0) (Revenue $ 18,738,941)

4e **Total program service expenses** ▶ 408,746,686

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	238		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	4,100		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a** 12		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	**1b** 9		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

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

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ CA , MT , NC

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

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

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

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

▶ Connie F Prewitt 2800 Tenth Avenue North Billings, MT (406) 238-2134

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

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) D Brown Board member	5	X						0	0	6,923
(2) D Ehrlick Board member	3	X						0	0	9,458
(3) E Fulton Board member	8	X						0	0	6,342
(4) T Hathaway Board member	2	X						0	0	4,860
(5) L Knight Board member	5	X						21,958	0	10,143
(6) P Nance Board member	30	X						6,000	0	0
(7) J Ott Board member	3	X						0	0	6,713
(8) A Sparboe Board member	8	X						0	0	3,011
(9) M Valandra Board member	3	X						0	0	3,011
(10) Dr C McCracken Board member/physician	72	X						332,834	0	36,950
(11) Dr J Millikan Board member/physician	70	X						605,508	0	42,973
(12) Dr N Wolter CEO	75			X				1,091,626	0	36,775
(13) C Prewitt CFO	70			X				405,315	0	60,862
(14) Dr Sample Interventional cardiologist	110					X		1,089,184	0	36,754
(15) Dr Gibb Gynecologic oncologist	85					X		899,740	0	35,122
(16) Dr Santala Oncologist/hemotologist	64 00					X		836,135	0	34,574
(17) Dr Jones Dermatologic surgeon	50					X		776,740	0	34,062

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Dr Goulet Radiation oncologist	65					X		774,759	0	34,045
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								6,839,799	0	402,578

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 367

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Sodexo C/O Billings Clinic Billings MT 59101	Patient food service	5,382,550
Weatherby Locums Inc PO Box 972633 Dallas TX 75397	Professional staffing	2,650,717
Command Health Box 844797 Dallas TX 75284	Transcription services	1,936,593
Healthcare Resource Group 12610 E Mirabeau Parkway Spokane Valley WA 99216	AR staffing and collection	1,598,499
Healthcare Outsourcing Network 621 17th St Suite 1800 Denver CO 80293	Early out vendor	1,272,929

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 50

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a 0				
	b	Membership dues	1b 0				
	c	Fundraising events	1c 0				
	d	Related organizations	1d 6,635,189				
	e	Government grants (contributions)	1e 0				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f 0				
	g	Noncash contributions included in lines 1a-1f $	0				
	h	**Total.** Add lines 1a-1f		6,635,189			
Program Service Revenue			Business Code				
	2a	Patient service revenue	622000	533,902,537	533,902,537	0	0
	b	Optical shop/cosmetics	446130	725,706	0	725,706	0
	c	Reference lab	621500	3,564,694	0	3,564,694	0
	d	IT services to other hospitals	541519	4,553,963	0	4,553,963	0
	e	Partnership Income related to Group Purchasing Program Services	541900	786,033	763,131	22,902	0
	f	All other program service revenue		0	0	0	0
	g	**Total.** Add lines 2a–2f		543,532,933			
	3	Investment income (including dividends, interest, and other similar amounts)		6,335,632	0	53,145	6,282,487
	4	Income from investment of tax-exempt bond proceeds		0	0	0	0
	5	Royalties		0	0	0	0
			(i) Real / (ii) Personal				
	6a	Gross rents	65,609 / 0				
	b	Less rental expenses	52,112 / 0				
	c	Rental income or (loss)	13,497 / 0				
	d	Net rental income or (loss)		13,497	0	0	13,497
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	784,260,486 / 11,446				
	b	Less cost or other basis and sales expenses	783,460,769 / 291,157				
	c	Gain or (loss)	799,717 / -279,711				
	d	Net gain or (loss)		520,006	0	0	520,006
Other Revenue	8a	Gross income from fundraising events (not including $ 0 of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a 494,310				
	b	Less cost of goods sold	b 359,173				
	c	Net income or (loss) from sales of inventory		135,137	0	0	135,137
	Miscellaneous Revenue		Business Code				
	11a	Insurance premiums	524298	4,605,504	4,605,504	0	0
	b	Meaningful use	922190	4,329,500	4,329,500	0	0
	c	Share of joint ventures	621300	-6,553,748	-6,553,748	0	0
	d	All other revenue		641,755	641,755	0	0
	e	**Total.** Add lines 11a–11d		3,023,011			
	12	**Total revenue.** See Instructions		560,195,405	537,688,679	8,920,410	6,951,127

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns All other organizations must complete column (A)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21				
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	2,616,066	0	2,616,066	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	245,720,362	197,871,716	47,848,646	0
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	11,319,179	9,331,533	1,987,646	0
9 Other employee benefits	24,125,584	17,215,872	6,909,712	0
10 Payroll taxes	15,286,106	11,909,263	3,376,843	0
11 Fees for services (non-employees)				
a Management				
b Legal	1,056,663	0	1,056,663	0
c Accounting	183,885	0	183,885	0
d Lobbying	219,228	0	219,228	0
e Professional fundraising services See Part IV, line 17				
f Investment management fees	925,033	0	925,033	0
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	38,510,684	10,441,544	28,069,140	0
12 Advertising and promotion	1,171,837	87,413	1,084,424	0
13 Office expenses	96,313,971	91,737,287	4,576,684	0
14 Information technology	10,470,656	1,147,938	9,322,718	0
15 Royalties . .				
16 Occupancy	6,152,862	2,533,768	3,619,094	0
17 Travel	2,762,854	1,791,956	970,898	0
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	433,768	141,755	292,013	0
20 Interest	6,958,268	7,693	6,950,575	0
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	17,491,870	14,378,004	3,113,866	0
23 Insurance	10,110,816	4,916,452	5,194,364	
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 Recruitment	1,918,192	4,478	1,913,714	0
b Repairs	6,768,785	5,443,110	1,325,675	0
c Bad debts	37,166,854	37,051,759	115,095	0
d Bed tax	3,601,180	285,130	3,316,050	0
e All other expenses	4,432,409	2,450,015	1,982,394	0
25 **Total functional expenses.** Add lines 1 through 24e	545,717,112	408,746,686	136,970,426	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		7,002,784	1	8,945,209
	2	Savings and temporary cash investments		73,859,885	2	29,900,621
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		74,742,299	4	80,362,618
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	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		0	6	0
	7	Notes and loans receivable, net		8,517,044	7	197,650
	8	Inventories for sale or use		6,952,922	8	7,647,986
	9	Prepaid expenses and deferred charges		4,750,002	9	5,580,587
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 424,018,696			
	b	Less accumulated depreciation	10b 220,611,405	189,709,750	10c	203,407,291
	11	Investments—publicly traded securities		180,956,748	11	231,541,353
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		7,943,998	13	8,156,365
	14	Intangible assets		2,406,842	14	2,251,431
	15	Other assets See Part IV, line 11		33,131,376	15	36,630,251
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		589,973,650	16	614,621,362
Liabilities	17	Accounts payable and accrued expenses		44,511,964	17	48,609,875
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		168,955,000	20	165,690,000
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	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		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		3,986,222	23	3,221,006
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	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		47,356,105	25	42,797,692
	26	**Total liabilities.** Add lines 17 through 25		264,809,291	26	260,318,573
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		297,619,748	27	322,877,269
	28	Temporarily restricted net assets		7,891,423	28	10,853,070
	29	Permanently restricted net assets		19,653,188	29	20,572,450
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		325,164,359	33	354,302,789
	34	Total liabilities and net assets/fund balances		589,973,650	34	614,621,362

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	560,195,405
2	Total expenses (must equal Part IX, column (A), line 25)	2	545,717,112
3	Revenue less expenses Subtract line 2 from line 1	3	14,478,293
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	325,164,359
5	Net unrealized gains (losses) on investments	5	14,618,721
6	Donated services and use of facilities	6	0
7	Investment expenses	7	0
8	Prior period adjustments	8	0
9	Other changes in net assets or fund balances (explain in Schedule O)	9	41,416
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	354,302,789

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

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2012

Open to Public Inspection

Name of the organization
BILLINGS CLINIC

Employer identification number
81-0231784

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3 ☑ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

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

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

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

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

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

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

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

		Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	**11g(i)**		
(ii) A family member of a person described in (i) above?	**11g(ii)**		
(iii) A 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**		

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

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

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (see instructions) **12**

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** . . . . . ▶☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2011 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2012.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2011.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶☐

Part III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2012** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2011** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2012.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2011.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶☐

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

Facts And Circumstances Test

Explanation

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

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2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
BILLINGS CLINIC	81-0231784

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

A Check ▶ ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

B Check ▶ ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)	0	
b Total lobbying expenditures to influence a legislative body (direct lobbying)	219,228	
c Total lobbying expenditures (add lines 1a and 1b)	219,228	
d Other exempt purpose expenditures	545,497,888	
e Total exempt purpose expenditures (add lines 1c and 1d)	545,717,116	
f Lobbying nontaxable amount Enter the amount from the following table in both columns	1,000,000	
g Grassroots nontaxable amount (enter 25% of line 1f)	250,000	
h Subtract line 1g from line 1a If zero or less, enter -0-	0	
i Subtract line 1f from line 1c If zero or less, enter -0-	0	

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					6,000,000
c Total lobbying expenditures	21,245	37,524	82,631	219,228	360,628
d Grassroots nontaxable amount	250,000	250,000	250,000	250,000	1,000,000
e Grassroots ceiling amount (150% of line 2d, column (e))					1,500,000
f Grassroots lobbying expenditures	0	0	0	0	0

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

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

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BILLINGS CLINIC

Employer identification number
81-0231784

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Amount
c	Beginning balance	1c
d	Additions during the year	1d
e	Distributions during the year	1e
f	Ending balance	1f

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

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

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

		(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	21,981,852	21,026,911	19,640,069	18,575,246	1,781,249
b	Contributions	415,028	246,728	605,720	665,198	1,048,699
c	Net investment earnings, gains, and losses	1,054,443	724,344	781,122	399,625	-197,238
d	Grants or scholarships	204,010	44,349	0	0	0
e	Other expenditures for facilities and programs	0	0	0	0	0
f	Administrative expenses	-12,633	-28,218	0	0	0
g	End of year balance	23,259,946	21,981,852	21,026,911	19,640,069	2,632,710

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

- a Board designated or quasi-endowment ▶ 2 %
- b Permanent endowment ▶ 88 %
- c Temporarily restricted endowment ▶ 10 %

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

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

		Yes	No
(i) unrelated organizations	3a(i)		No
(ii) related organizations	3a(ii)	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	0	17,998,001		17,998,001
b Buildings	0	152,501,853	66,788,330	85,713,523
c Leasehold improvements	0	1,726,153	1,268,803	457,350
d Equipment	0	206,852,299	144,078,461	62,773,838
e Other	0	44,940,390	8,475,811	36,464,579
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				203,407,291

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

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

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

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

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

(a) Description	(b) Book value
(1) Note receivable New West	18,653,742
(2) Interest in assets of New West	-21,799,882
(3) Interest in assets of Billings Clinic Foundation	39,776,391
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	36,630,251

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

1 (a) Description of liability	(b) Book value
Federal income taxes	0
Swap valuation	24,283,307
Provision for unpaid claims	11,367,934
Estimated claims	7,146,451
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	42,797,692

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

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	529,936,691
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	14,618,722		
b	Donated services and use of facilities	2b	0		
c	Recoveries of prior year grants	2c	0		
d	Other (Describe in Part XIII)	2d	0		
e	Add lines **2a** through **2d**			2e	14,618,722
3	Subtract line **2e** from line **1**			3	515,317,969
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	925,033		
b	Other (Describe in Part XIII)	4b	43,952,403		
c	Add lines **4a** and **4b**			4c	44,877,436
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	560,195,405

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

1	Total expenses and losses per audited financial statements			1	500,277,744
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a	0		
b	Prior year adjustments	2b	0		
c	Other losses	2c	0		
d	Other (Describe in Part XIII)	2d	0		
e	Add lines **2a** through **2d**			2e	0
3	Subtract line **2e** from line **1**			3	500,277,744
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	925,033		
b	Other (Describe in Part XIII)	4b	44,514,335		
c	Add lines **4a** and **4b**			4c	45,439,368
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	545,717,112

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
SchD_P05_S00_L04	Schedule D, Part V, Line 4	Endowment funds are invested and held in perpetuity to provide a source of income for Billings Clinic programs and needs
SchD_P10_S00_L02	Schedule D, Part X, Line 2	Management has evaluated their income tax positions under the guidance included in ASC 740 Based on their review, management has not identified any material uncertain tax positions to be recorded or disclosd in the financials statements
SchD_P11_S00_L04b	Schedule D, Part XI, Line 4b	Bad debt, MHI, Auxiliary, Elimination entries, Rounding
SchD_P12_S00_L04b	Schedule D, Part XII, Line 4b	Bad debts, MHI, Auxiliary, Elimination entries, Rounding

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BILLINGS CLINIC

Employer identification number
81-0231784

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care ☐ 100% ☐ 150% ☐ 200% ☑ Other 120 %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		40,388	15,819,027	0	15,819,027	3 11 %
b Medicaid (from Worksheet 3, column a)		100,341	42,724,248	39,738,305	2,985,943	0 59 %
c Costs of other means-tested government programs (from Worksheet 3, column b)		0	0	0	0	0 %
d **Total** Financial Assistance and Means-Tested Government Programs	0	140,729	58,543,275	39,738,305	18,804,970	3 70 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		122,087	2,900,529	500,637	2,399,892	0 47 %
f Health professions education (from Worksheet 5)		1,843	3,953,134	1,172,640	2,780,494	0 55 %
g Subsidized health services (from Worksheet 6)		158,133	42,699,568	32,951,096	9,748,472	1 9 %
h Research (from Worksheet 7)		11,974	1,698,011	1,364	1,696,647	0 33 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)		200	439,080	0	439,080	0 09 %
j **Total.** Other Benefits	0	294,237	51,690,322	34,625,737	17,064,585	3 34 %
k **Total.** Add lines 7d and 7j	0	434,966	110,233,597	74,364,042	35,869,555	7 04 %

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						
3	Community support			23,022	0	23,022	
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy		100	12,470	0	12,470	
8	Workforce development		380	55,457	0	55,457	
9	Other						
10	**Total**	0	480	90,949	0	90,949	0 %

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

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1		No
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	37,166,854		
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	22,309,836		
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	157,742,850		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	182,832,600		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-25,089,750		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?		9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI		9b	Yes	

Part IV **Management Companies and Joint Ventures** (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1					
2					
3					
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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	Billings Clinic (Billings Clinic Hospital) 2800 Tenth Avenue North Billings, MT 59101	X	X		X		X	X			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Billings Clinic (Billings Clinic Hospital)

Name of hospital facility or facility reporting group _____

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 1

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 11			
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?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☑ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide plan			
e	☑ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		No
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
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 120% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

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

How many non-hospital health care facilities did the organization operate during the tax year?
4

	Name and address	Type of Facility (describe)
1	Billings Clinic (Billings Clinic) 2800 Tenth Avenue North Billings, MT 59101	Multispeciality physician outpatient clinics
2	Billings Clinic (Aspen Meadows) 3155 Avenue C Billings, MT 59102	Long term care facility
3	Livingston Imaging 504 S 13th St Livingston, MT 59047	Medical imaging
4	Billings Clinic Sheridan Dialysis 1401 West 5th St Sheridan, WY 82801	Dialysis unit
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
SchH_P01_S00_L03c	Schedule H, Part I, Line 3c	The Federal Poverty Guidelines (FPG) are utilized to determine eligibility In addition to FPG, Billings Clinic utilizes a calculator that has built-in formulas for the FPG and the cost of living within our area to help determine the patient's ability to pay Our application requires submitting bank statement and investment account information to consider assets as part of the process The application includes o Completed and signed application and financial assistance checklist completed o Letter of need completed o Complete copies of previous years federal and state tax returns, all pages, all schedules, all W-2's o Debt to income ratio o Type of employment (part/time, seasonal, etc) o Copies of earnings for last three months for each person in the household, i e , paystubs, social security, pensions, unemployment benefits, etc Profit and Loss statement for self employed applicants o Copies of last three months bank statements, savings statements, investment account statements o Letters of support from assisting party if household is receiving assistance from family and/or friends o Award letters from SNAP, LIEAP, TANF, college loans, general assistance, etc o If currently unemployed, when was last day of work? o How they spend their income (Information from bank statements) In April of 2013, Billings Clinic implemented a new Financial Assistance Form that was created to incorporate the guidelines for presumptive eligibility (New Policy approved in FY12) and improve readability for persons needing assistance Presumptive eligibility means that if a person (or household) proves currently qualified for a means-tested (income-based) program, we presume they are eligible for our financial assistance program Patient shows proof and signs our form but does not fill out detailed financial information The following programs have income criteria for eligibility that are similar to our criteria for financial assistance and will help qualify a patient for financial assistance (with proof of eligibility) * Supplemental Nutrition Assistance Program (SNAP) * Women, Infants and Children programs * Subsidized/low income housing * Low income energy assistance program * State-funded low income prescription programs * Homeless, or receiving care from a homeless clinic
SchH_P01_S00_L07	Schedule H, Part I, Line 7	Billings Clinic calculated the approval rate of financial applications by taking the value of accounts successfully qualified for charity (including presumptive eligibility) divided by the total applications for financial assistance received That approval rate was then applied to the total value of accounts that did not complete financial assistance applications and were assigned to bad debt Billings Clinic used the same cost to charge ratio as applied throughout the entire schedule to determine the cost of those accounts

Identifier	ReturnReference	Explanation
SchH_P01_S00_L07g	Schedule H, Part I, Line 7g	Billings Clinic included in subsidized services physician clinics that offered primary care or specialty care in medical underserved or health professional underserved areas Primary care clinics were only included if they were in a rural, underserved county outside our primary service area Oncology services were included only where they were located in a rural, underserved area (Cody, Wyoming) Pediatric specialty care (pediatric GI, oncology, hematology, pulmonology, cardiology) was included in our primary service area (Billings, Montana) because those subspecialties were not offered to patients in our region/state when the physicians were recruited or there were not enough pediatric subspecialists to meet the need in our tertiary service area Billings Clinic also included the costs of specialty outreach services where physicians traveled to provide specialty care to underserved populations in counties that are medically underserved The community benefit of physician clinics that was included in total subsidized health services was $4,992,924
SchH_P02_S00_L00	Schedule H, Part II	Billings Clinic's community building activities includes support for the Alliance, a partnership between city-county public health department, St Vincent Healthcare and Billings Clinic for community health improvement efforts, advocacy for community health, a chronic pain control collaborative, community influenza vaccinations and disaster readiness/response planning The community health needs assessment (CHNA) and implementation planning began in FY13 and during FY13 we approved two new positions to coordinate all this work -- a Community Health Improvement Coordinator and a part-time Administrative Assistant, both whom are paid by all three Alliance organizations (These positions will be included in the FY14 Schedule H) Under Workforce Development, Billings Clinic coordinates and sponsors a regional Science Expo to encourage young scientists to become future nurses, physicians or health care professionals, as well as providing classroom space on campus for the Billings Public Schools' Medical Careers Class for high school students interested in learning more about health care and health care professions

Identifier	ReturnReference	Explanation
SchH_P03_S0A_L04	Schedule H, Part III, Section A, Line 4	See attached audit pages 9 and 10
SchH_P03_S0B_L08	Schedule H, Part III, Section B, Line 8	We believe that 46 percent of Billings Clinic's Medicare shortfalls should be counted as a community benefit Our rationale is that 46 percent is the best estimate of the percentage of Montana's Medicare population (65 and older) who are at or below 300% of Federal Poverty Level, based on U S Census data The upper limit of our financial assistance policy is 300% For the calculation of the unreimbursed cost of Medicare a ratio of patient care cost to charges using worksheet 2 was utilized and applied to gross Medicare charges We do not use the Cost Report for this number The Cost Report only captures revenue related to the facility and does not capture revenue/losses related to clinical professional services, which are a substantial portion of Billings Clinic Medicare shortfalls

Identifier	ReturnReference	Explanation
SchH_P03_S0C_L09b	Schedule H, Part III, Section C, Line 9b	Yes, we did have a formal, written policy in tax year 2011, effective as of 10/5/11 (OHA-205 "Patient Financial Services") We did have a collection process, which was used to screen patients for financial assistance prior to making payment arrangements for care The policy applies equally to all patients - insured, under-insured or uninsured Once a determination has been made and adjustments applied to the account balance, any remaining balance would fall into the regular guidelines of collection, giving patients financing options that will work within their monthly budget Patients who cannot meet the requirements of a payment arrangement should be offered the loan program and/or financial assistance as options If the patient agrees to financial assistance, the application should be requested Agency will print and mail financial assistance applications This will be completed by the end of each business day After a patient completes the application, the patient will send it back to Billings Clinic for financial assistance determination
SchH_P05_S0B_L04	Schedule H, Part V, Section B, Line 4	Key Informant Focus Groups were held in the community, including five different groups with 8-12 participants in each The groups represented local social services providers, legislators, physicians and other health professionals, employers and educators The survey itself included a random sample of 400 individuals 18 and older living in Yellowstone County The entire CHNA was conducted by Professional Research Consultants (PRC) Billings Clinic's Community Health Needs Assessment was conducted in a pre-existing community health partnership called "The Alliance" with St Vincent Healthcare (hospital organization) and RiverStone Health (public health department for city and county) The Alliance had conducted a CHNA in 2005-6 as well

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L05	Schedule H, Part V, Section B, Line 5	Other public communications about our CHNA included a press conference with the CEOs of all three health care organizations resulting in local media coverage on local TV and in newspaper, as well as a meeting with more than 25 community leaders at Montana State University-Billings, where we discussed the major identified needs, available assets and worked in groups to prioritize the needs for our community plan
SchH_P05_S0B_L06	Schedule H, Part V, Section B, Line 6	Billings Clinic has participated in a Community Health Needs Assessment (CHNA) process in collaboration with St Vincent Healthcare and RiverStone Health (The Alliance) to better identify medical/health needs of Yellowstone County in 1994, 2006 and 2011 We will complete and release a new CHNA in January of 2014 The Alliance determined in 2008 that it would engage stakeholders to pursue population-based and public policy initiatives to improve community health The 2011 Community Health Assessment was a systematic, data driven approach to determining the health status, behaviors and needs of residents in Yellowstone County It serves as a tool to improve the health status and improve the quality of life overall of Yellowstone County residents The 2011 Community Health Survey consisted of 400 randomized telephone contacts representing the diverse socioeconomic and geographic characteristics of Yellowstone County Existing vital statistics and other health-related data are incorporated into the assessment as secondary sources In addition, focus groups were conducted among physicians, legislators, social services, educators and employers Results of the 2011 Community Health Assessment were reviewed by the Alliance, a Healthy By Design sponsored community forum, and the Billings Clinic Community Health Improvement Committee Positive trends were in *Dental care *Overweight kids *Tobacco use *Physical activity *Chronic depression *Sexually transmitted diseases *Violent crimes *Infant health indicatiors Negative trends were in *Overall health status *Suicide rate *Hypertension *Cancer screenings *Overweight adults *Cirrhosis/liver disease *Unwed mothers The Alliance Community Health Needs Assessment implementation plan (also called the Community Health Improvement Plan) will focus on *Improve Access to Health Care Goal Increase percentage of people who have a specific source of ongoing health care *Improve Healthy Weight Status *Improve Mental Health As we move forward into the future, we will organize our community health efforts around Billings Clinic's current clinical strengths and programs as they align with the assessment results We also hope to focus and guide program performance utilizing the guiding principles outlined in the national Advancing the State of the Art in Community Benefit (ASACB) - disporportionate unmet health-related needs, primary and secondary prevention, seamless continuum of care, building a healthy communityespecially related to capacity, and collaborative governance-and the institue for Healthcare Improvement (IHI) Triple Aims-better care for individuals, better health for populations, and lower per capita costs Programs to Address Identified Community Needs - Program Categories Priorities for Billings Clinic *Pediatric health and injury prevention*Chronic disease management Hypertension and cardiovascular risk screening and cancer screening *Healthy weight (employees and patients) Program Description - 1 Primary Care Access Billings Clinic has multiple initiatives in design and implementation to improve primary care access using the model of a patient-centered medical home, including *addition of family medicine services to the downtown campus *Primary Care Medical Home-one nurse practitioner or physician assistant per physician, incorporation of care navigators, data exchange and pilot project with Blue Cross Blue Shield *Outreach to assisted living facilities *"patient Partners" councils to provide operational feedback from patients *Start an Internal Medicine Residency Program, achieve accreditation (completed in 2013) and start first class of residents in July 2014 Goal Achieve and maintain NCQA certification Status Yes, approved by NCQA as an Accountable Care Organization in January of 2013 2 Chronic Disease Management a) Hypertension and Cardiovascular Screening - Goal Increase proportion of patients whose hypertension, diabetes and heart failure is identified and controlled Objective The primary care team will complete disease registries for hypertension, diabetes and heart failure by January 2014 that are functional in identifying gaps in care Indicators *Increase proportion of patients whose hypertension is controlled *Increase proportion of patients whose diabetes is controlled *Increase proportion of patients whose heart failure is controlled b) Cancer Screening - Goal Development of integrated and comprehensive treatment models to increase access and timely cancer treatment to all populations Objective Complete objectives for National Cancer Institute Community Cancer Centers Program (NCCCP) research contract by May 2014, and find ways to sustain activities into the future Indicators *Increase screening rates for all cancers to NCI guidelines, with a focus on low income and health disparities, especially among the American Indian population 4 Pediatric Health and Injury Prevention - Goal Prevention of avoidable injury and vaccine-preventable diseases in children Objectives *Expand injury prevention program, including through School District #2 and club sports, about traumatic brain injury and concussion, using IMPACT testing, Think First education program with third graders in the local schools, free and low-cost helmet program offered to third graders and available at special events and in the Emergency Department *Implement new developmental screening tool in pediatrics and family medicine by 2014 *Educate parents about benefits of immunization for their children *Create an interface between the Cerner electronic medical record and the imMTrax state immunization database, to increase accurate reporting and data for patient care, recalls and reminders Indicators *Decrease numbers of injuries in children, especially brain injury and concussion *Increased immunization rates among Billings Clinic patients and decreased numbers of children with vaccine-preventable diseases *Increase numbers of children screened for developmental delays 5 Healthy Weight - Billings Clinic has multiple initiatives in design and implementation to improve weight management and physical activity among our patient population, including *Worksite nutrition and physical activity policy development Evaluation The Alliance completed the Community Health Needs Assessment (CHNA) in 2011 (will complete a new CHNA and revise the CHIP in 2014) and measured the impact on known population health risks Billings Clinic's Community Benefit Inventory was utilized to complete the schedule H in the IRS Form 990, as well as the Montana's Attorney General Report, Montana's Hospitals, Issues and facts related to the charitable purposes of our hospitals and the protection of Montana consumers VI Conclusion The objective of Billings Clinic's community benefit plan for the next several years is to align, enhance and/or develop programs based on a set of criteria established by our Community Health Improvement Committee, including Billings Clinic's mission, vision and values *Billings Clinic's strategic operating plan *Date obtained through the 2005-6, 2010-11, and 2013-14 Community Health Needs Assessments *The Alliance Yellowstone County Community Health Improvement Plan, *IRS 990 Schedule H requirements, and *The Institute for Healthcare Improvement's Triple Aim(Improve the health of the population, enhance the patient experience of care (including quality, access and reliability), and reduce, or at least control, the per capital cost of care) We will, as appropriate and possible, design methods to measure program effectiveness in the short and longer terms and at the organizational and population levels To view the Yellowstyone County Community Health Improvement Plan, go to www healthbydesignyellowstone org/aboutus/

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L07	Schedule H, Part V, Section B, Line 7	Billings Clinic has started to address the needs that we have the assets and resources to address The objective of Billings Clinic's community benefit plan for the next several years is to align, enhance and/or develop programs based on a set of criteria established by our Community Health Improvement Committee, including * Billings Clinic's mission, vision and values, * Billings Clinic's strategic operating plan, * Data obtained through the 2005 and 2011 Community Health Needs Assessments, * The Alliance Plan to Improve the Community's Health, * IRS 990 Schedule H requirements, and * The Institute for Healthcare Improvement's Triple Aim (Improve the health of the population, enhance the patient experience of care (including quality, access and reliability), and reduce, or at least control, the per capita cost of care) We will, as appropriate and possible, design methods to measure program effectiveness in the short and longer terms and at the organizational and population levels If any community health needs do not meet the above criteria, we will not be able to address that particular need in the next few years In 2013-14 we will finish a new assessment of both community health needs and the resources we have available to meet those needs
SchH_P05_S0B_L14	Schedule H, Part V, Section B, Line 14	Billings Clinic has an easy-to-read plain language brochure that describes the Financial Assistance Policy, presumptive eligibility guidelines and contact information to apply This is given to patients in pre-visit hospital admission packets, emergency department, registration desks and is on the website at billingsclinic com

Identifier	ReturnReference	Explanation
SchH_P06_S00_L02	Schedule H, Part VI, Line 2	The 2011 Community Health Needs Assessment (CHNA) was a systematic, data driven approach to determining the health status, behaviors and needs of residents in Yellowstone County Billings Clinic partnered with the local health care Alliance, including another local hospital, St Vincent Healthcare, and city/county health department, RiverStone Health, to coordinate and pay for the CHNA It serves as a tool to improve the health status and improve the quality of life overall of Yellowstone County residents In the winter of 2010-2011, the Yellowstone County Community Health Survey consisted of 400 randomized telephone contacts representing the diverse socioeconomic and geographic characteristics of Yellowstone County Existing vital statistics and other health-related data are incorporated into the assessment as secondary sources In addition, focus groups were conducted among physicians, legislators, social services, educators and employers Results of the 2010 Community Health Assessment were reviewed by the Alliance, a community forum sponsored by the Alliance's community health coalition (called Healthy By Design), and the Billings Clinic Community Health Improvement Committee (a Board committee) Findings were compared between 2011 and the 2006 assessment results An Implementation Plan has been completed, both for the Alliance (community-wide) and for Billings Clinic (organization-wide) Implementation of many of the objectives has begun, with community workgroups, using measures and evaluation The URL for the CHNA is located at http //www billingsclinic com/BillingsClinicGivesBacktotheCommunity
SchH_P06_S00_L03	Schedule H, Part VI, Line 3	Patient Education of Eligibility for Assistance * All patients may apply for financial assistance - informational brochures with a one-page summary, and application forms are available at registration desks in the clinic and hospital, the Emergency Department discharge desk, care management staff and on our website at billingsclinic com * Information about financial assistance is printed on the back of patient bills * Patients hospitalized without identifying a third party payer source are screened for coverage/assistance - SSI (Social Security Supplemental income, if approved will qualify for Medicaid), SSDI (Social Security Disability Income), Veterans' Administration, Indian Health Services, Workers Compensation, Medicaid, Crime Victims, and health insurance coverage * A Financial Assistance brochure is mailed to new patients (Clinic and Hospital) in their pre-admission packets These packets are mailed to all patients, even if they cannot be reached by phone in advance * An application is mailed to patients whose payment pattern indicates that they may need assistance * Patient Financials Services staff is available to help any patient needing assistance to complete an application * According to our existing Financial Application policy, a patient is not eligible for financial assistance if the account has been sent to bad debt We do bring accounts back in-house for charity assistance on a case-by-case basis * An account is sent to bad debt at least 158 days after they are considered "self-pay," including at least three statements, letter and phone call attempts to contact the patient

Identifier	ReturnReference	Explanation
SchH_P06_S00_L04	Schedule H, Part VI, Line 4	Community Information Billings Clinic is based in Billings, Montana, the largest city in Montana, with more than 150,000 people in Yellowstone County In Billings there are two not-for-profit hospitals of similar size Billings Clinic is an integrated, not for profit, community-governed health care organization providing services to a forty-three county area in eastern Montana and northern Wyoming Billings Clinic defines its broad geographic service area as 43 counties in eastern Montana and northern Wyoming, encompassing nearly 128,000 square miles with a population of 595,000 people Today, Billings Clinic employs more than 3,750 employees, including 259 physicians, and 90 mid-level practitioners, and operates a multi-specialty physician clinic, 285-bed acute care hospital, level II trauma center, a 90-bed long-term care facility, a clinical research center, and a variety of ambulatory, diagnostic and treatment services Thirty-eight of those 43 counties are either wholly or partly designated as Health Professional Shortage Areas (HPSA) by the US Department of Health and Human Services, Health Resources and Services Administration under the Primary Medical Care discipline The area includes five American Indian Reservations and an American Indian population of 38,882, or 6 9% of the service area's population The US Census Bureau 2008 estimates show that 27 3% of Montana families are below 200% of the Federal Poverty level, compared to 26 6% for the nation and Montana is ranked 13th lowest of 50 states in Median Family Income According to the 2010 US Census, Montana had 17 3% of the population without health insurance coverage in 2010, including all ages of the civilian, non-institutionalized population
SchH_P06_S00_L05	Schedule H, Part VI, Line 5	Billings Clinic is an integrated health care organization, combining a not-for-profit multi-specialty medical group practice with a hospital and long term care facility Our organization promoted community health in many ways in Fiscal Year 2013, including * Substantial financial assistance and charity care was provided to patients in need Billings Clinic provides more charity care than another other hospital or health care organization in Montana * Care was provided to Medicare and Medicaid patients, as well as SCHIP for children * Our Board's governance and nominating committee reviewed the entire 990, including Schedule H, which was then discussed with the entire Board of Directors The Community Benefit Report, including Schedule H data, is also reviewed by the Board committee for Community Health Improvement * Billings Clinic is a teaching hospital and supports, along with Riverstone Health and St Vincent Healthcare, the only post-graduate medical education in Montana - the Montana Family Medicine Residency Program Nearly 90 percent of the graduates establish a practice in rural, medically underserved settings in Montana In addition we provide ongoing preceptorships for medical, nursing and pharmacy students so that they can obtain real-life experience during college and graduate school In 2013, we also created and were approved for a new Internal Medicine Residency program Residents will start the program in July of 2014 * Billings Clinic is a Medicaid disproportionate share hospital serving a significantly disproportionate number of low-income patients * Our full-time emergency department is maintained where no one is denied care, within our capacity to provide care * Our board of directors is composed of community members who reside in the primary service area Only three out of 12 board members are employees - two are employed physicians and one is our CEO * Medical staff privileges are open to all qualified physicians in our community Operating surpluses are directed solely toward meeting our charitable purposes, including education, research, capital expenses, debt amortization, patient care improvements and medical education * Billings Clinic has the only inpatient psychiatric services for youth and adults available in our region of central and eastern Montana and northern Wyoming, despite significant financial loss We are committed to mental health care and continually work to find ways to reach those in need in the region, such as through telemedicine programs and education for primary care providers

Identifier	ReturnReference	Explanation
SchH_P06_S00_L07	Schedule H, Part VI, Line 7	Billings Clinic files a community benefit report to the state of Montana's Attorney General's office, with different values than requested by Schedule H

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BILLINGS CLINIC

Employer identification number
81-0231784

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☑ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☑ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**	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			
	☑ Compensation committee	☑ Written employment contract		
	☑ Independent compensation consultant	☑ Compensation survey or study		
	☑ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	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 accured pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Dr C McCracken Board member/physician	**(i)**	332,833	0	0	6,713	30,238	369,784	
	(ii)	0	0	0	0	0	0	
(2) Dr J Millikan Board member/physician	**(i)**	605,508	0	0	10,386	32,587	648,481	
	(ii)	0	0	0	0	0	0	
(3) Dr N Wolter CEO	**(i)**	669,604	172,022	250,000	0	36,775	1,128,401	
	(ii)	0	0	0	0	0	0	
(4)C Prewitt CFO	**(i)**	365,880	39,435	0	30,000	30,862	466,177	
	(ii)	0	0	0	0	0	0	
(5) Dr Sample Interventional cardiologist	**(i)**	1,089,185	0	0	0	36,754	1,125,939	
	(ii)	0	0	0	0	0	0	
(6) Dr Gibb Gynecologic oncologist	**(i)**	899,740	0	0	0	35,122	934,862	
	(ii)	0	0	0	0	0	0	
(7) Dr Santala Oncologist/hemotologist	**(i)**	638,815	0	197,320	0	34,574	870,709	197,320
	(ii)	0	0	0	0	0	0	
(8) Dr Jones Dermatologic surgeon	**(i)**	776,740	0	0	0	34,062	810,802	
	(ii)	0	0	0	0	0	0	
(9) Dr Goulet Radiation oncologist	**(i)**	604,807	0	169,952	0	34,045	808,804	169,952
	(ii)	0	0	0	0	0	0	

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
SchJ_P01_S00_L01a	Schedule J, Part I, Line 1a	Billings Clinic periodically arranges and pays for charter travel for management and/or Board members attending governance eduation, State legislative hearings and association meetings There were 28 of these flights in FY13 Billings Clinic also pays for the travel expense of spouses of Board members attending organizationally approved/arranged goverance education This reimbursement is reported as income consistent with the Board travel reimbursement policy
SchJ_P01_S00_L04	Schedule J, Part I, Line 4	The Billings Clinic Board Deferred Compensation Plan provides that all amounts earned are deferred until age 65 when payments are made over 5 years Interest is accrued and credited each quarter and account balances are always 100% vested The Billings Clinic Supplemental Retirement Agreement for Senior Executives (SERP) is a nonelective 457(f) agreement and provides for annual deferrals, which become vested and payable after 4 years There was a separate 457(f) retirement plan designed specifically for Billings Clinic physicians which is closed Under the 457(f) Dr Santala - Other reportable compensation $197,320 due to withdrawal from a 457(f) plan Dr Goulet - Other reportable compensation $169,952 due to a SERP withdrawal
SchJ_P01_S00_L07	Schedule J, Part I, Line 7	The Board of Directors annually determines the incentive plan amount for the CEO and the Senior Executive Team based on an external compensation study The availability of the incentive is triggered by the organizational operating margin performance targets The incentive is awarded based on financial performance as well as organizational performance measurements in quality, service satisfaction, both patient and employee satisfaction and then individual goals set each year if the the target is triggered The incentive is paid only if triggered following the financial audit presentation

Additional Data

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Name: BILLINGS CLINIC

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				
Dr C McCracken	(I)	332,833	0	0	6,713	30,238	369,784	
	(II)	0	0	0	0	0	0	
Dr J Millikan	(I)	605,508	0	0	10,386	32,587	648,481	
	(II)	0	0	0	0	0	0	
Dr N Wolter	(I)	669,604	172,022	250,000	0	36,775	1,128,401	
	(II)	0	0	0	0	0	0	
C Prewitt	(I)	365,880	39,435	0	30,000	30,862	466,177	
	(II)	0	0	0	0	0	0	
Dr Sample	(I)	1,089,185	0	0	0	36,754	1,125,939	
	(II)	0	0	0	0	0	0	
Dr Gibb	(I)	899,740	0	0	0	35,122	934,862	
	(II)	0	0	0	0	0	0	
Dr Santala	(I)	638,815	0	197,320	0	34,574	870,709	197,320
	(II)	0	0	0	0	0	0	
Dr Jones	(I)	776,740	0	0	0	34,062	810,802	
	(II)	0	0	0	0	0	0	
Dr Goulet	(I)	604,807	0	169,952	0	34,045	808,804	169,952
	(II)	0	0	0	0	0	0	

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BILLINGS CLINIC

Employer identification number
81-0231784

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Montana Facility Finance Authority	81-0302402	612043FL8	05-30-2008	60,000,000	Property, plant and equipment	X			X		X
B	Montana Facility Finance Authority	81-0302402	61204MAA5	08-24-2011	140,000,000	Property, plant and equipment, Refund prior issue		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	7,010,000	4,300,000		
2	Amount of bonds legally defeased	23,000,000	0		
3	Total proceeds of issue	60,000,000	140,000,000		
4	Gross proceeds in reserve funds	3,567,467	0		
5	Capitalized interest from proceeds	0	0		
6	Proceeds in refunding escrows	0	0		
7	Issuance costs from proceeds	1,200,000	858,750		
8	Credit enhancement from proceeds	0	0		
9	Working capital expenditures from proceeds	0	0		
10	Capital expenditures from proceeds	49,976,092	15,114,094		
11	Other spent proceeds	0	84,553,156		
12	Other unspent proceeds	0	40,925,679		
13	Year of substantial completion	2009			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		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%		0%		%		%	
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%		0%		%		%	
6	Total of lines 4 and 5	0%		0%		%		%	
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
SchK_P04_S00_L02c	Schedule K, Part IV, Line 2c	Rebate calculation completed 2/25/13

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BILLINGS CLINIC

Employer identification number
81-0231784

Identifier	Return Reference	Explanation
F990_P06_S0B_L11b	Form 990, Part VI, Section B, Line 11b	
F990_P06_S0B_L12c	Form 990, Part VI, Section B, Line 12c	The Governance and Nominating Committee of the Board of Directors, according to their char ter, review annually the disclosure statements of the Board of Directors and senior execut ives and takes action to resolve conflicts A Conflict of Interest Review Panel, chaired b y the Compliance Officer, as outlined in organizational policy, is responsible for reviewi ng disclosed conflicts and approving necessary conflict management plans of all other inte rested persons at Billings Clinic
F990_P06_S0B_L15	Form 990, Part VI, Section B, Line 15	Billings Clinic has as executive compensation program administered by independent trustees follow ing best practices and the highest regulatory standards expected of a not-for-profi t organization They follow a board approved charter and overall executive compensation ph ilosophy w hich defines the market as a comparable set of not-for-profit health care delive ry systems They look at relevant market data of similar roles in similar organizations A nnual disclosure of the committee's actions and decisions to the full Board is required
F990_P06_S0C_L19	Form 990, Part VI, Section C, Line 19	Billings Clinic makes it governing documents, conflict of interest policy and financial st atements available to the public on an as needed basis
F990_P11_S00_L09	Form 990, Part XI, Line 9	Transfer of donated equipment from Billings Clinic Foundation

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BILLINGS CLINIC

Employer identification number
81-0231784

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) Montana Healthcare Indemnity LLC 2800 Tenth Avenue North Billings, MT 59101 81-0231784	Insurance captive	MT	5,013,854	12,063,637	Billings Clinic

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) Billings Clinic Foundation 2917 Tenth Avenue North Billings, MT 59101 81-0407289	Fund raising	MT	501(c)(3)	7	Billings Clinic	Yes	
(2) Stillwater Hospital Association 710 N 11th St Columbus, MT 59019 81-0286525	Healthcare	MT	501(c)(3)	3	Billings Clinic	Yes	

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity? Yes	(i) No
(1) New West Health Services 130 Neill Avenue Helena, MT 59601 84-1418136	Insurance sales	MT	Billings Clinic	C	95,090,204	23,573,870	100 %	Yes	

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

		Yes	No
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 orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d	Yes	
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		No
k Lease of facilities, equipment, or other assets from related organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	Yes	
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	Yes	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	Yes	
o Sharing of paid employees with related organization(s)	1o	Yes	
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s	Yes	

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) New West Health Services	a-i	171,237	
(2) Billings Clinic Foundation	c	6,635,189	
(3) Billings Clinic Foundation	d	94,791	
(4) Stillwater Hospital Association	d	1,133,871	
(5) New West Health Services	d	18,653,742	

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Additional Data

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Software ID: 12000197
Software Version: v1.00
EIN: 81-0231784
Name: BILLINGS CLINIC

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation	

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Billings Clinic
Consolidated Financial Statements

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2013 and 2012

Billings Clinic
Consolidated Financial Statements
June 30, 2013 and 2012

Contents

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Independent Auditors' Report on Consolidated Financial Statements and Supplementary Information

Board of Directors
Billings Clinic
Billings, Montana

We have audited the accompanying consolidated financial statements of Billings Clinic (the Organization), which comprise of the consolidated balance sheets as of June 30, 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 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 did not audit the financial statements of Montana Healthcare Indemnity, LLC (MHI), a wholly-owned subsidiary, which statements reflect total assets of $12,063,637 and $11,267,679 as of June 30, 2013 and 2012 and total revenues of $4,605,504 and $4,720,195, respectively, for the years then ended Those statements were audited by other auditors' whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for MHI, is based solely on the report of the other auditors 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 Organization'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 Organization'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

Board of Directors
Billings Clinic

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 Billings Clinic as of June 30, 2013 and 2012, and the results of their operations, 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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

BKD, LLP

Denver, Colorado
September 30, 2013

Billings Clinic
Consolidated Financial Statements
Consolidated Balance Sheets
June 30, 2013 and 2012

Assets

	2013	2012
Current Assets		
Cash and cash equivalents	$ 14,059,643	$ 13,545,374
Short-term investments	1,322,537	235,343
Assets limited as to use - current	3,905,456	3,302,120
Patient accounts receivable, net of allowance for doubtful accounts of approximately $42,317,000 at 2013 and $51,624,000 at 2012	79,693,587	76,553,878
Other receivables	14,553,398	3,267,413
Estimated amounts due from third-party payers	4,544,734	4,070,371
Supplies	7,794,773	7,067,729
Prepaid expenses and other	6,819,021	4,803,852
Total current assets	132,693,149	112,846,080
Assets Limited as to Use		
Internally designated	131,924,905	117,589,890
Externally restricted by donors	30,407,597	27,757,626
Held by trustee	44,736,718	58,546,452
	207,069,220	203,893,968
Less amount required to meet current obligations	3,905,456	3,302,120
	203,163,764	200,591,848
Investments		
Investment in and advances to equity investees	2,334,596	9,016,646
Long-term investments	101,905,283	84,354,352
	104,239,879	93,370,998
Property and Equipment, Net	219,331,999	201,886,190
Other Assets		
Deferred financing costs	2,251,431	2,406,842
Other	2,134,583	1,046,132
	4,386,014	3,452,974
Total assets	$ 663,814,805	$ 612,148,090

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2013	2012
Current Liabilities		
Current maturities of long-term debt	$ 5,690,473	$ 4,520,262
Accounts payable	23,321,663	19,912,908
Accounts payable - construction	1,833,351	1,451,420
Accrued compensation and related expenses	20,167,558	17,537,358
Accrued expenses - other	6,857,198	6,815,270
Estimated amounts due to third-party payers	4,569,414	4,999,927
Other	13,812,652	1,821,390
Total current liabilities	76,252,309	57,058,535
Long-term Debt	186,826,285	178,351,269
Interest Rate Swap Agreements	24,283,307	30,136,424
Other Long-term Liabilities	19,213,338	17,835,436
Total liabilities	306,575,239	283,381,664
Net Assets		
Unrestricted	325,789,057	301,196,825
Temporarily restricted	10,858,059	7,896,412
Permanently restricted	20,592,450	19,673,189
Total net assets	357,239,566	328,766,426
Total liabilities and net assets	$ 663,814,805	$ 612,148,090

Billings Clinic
Consolidated Financial Statements
Consolidated Statements of Operations
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Revenues		
Patient service revenue (net of contractual allowances and discounts)	$ 520,997,849	$ 529,272,207
Provision for uncollectible accounts	(37,887,153)	(40,088,725)
Net patient service revenue less provision for uncollectible accounts	483,110,696	489,183,482
Premium revenue	107,574,515	720,195
Other	28,045,716	14,724,589
Net assets released from restrictions used for operations	1,274,316	1,533,182
Total operating revenues	620,005,243	506,161,448
Operating Expenses		
Salaries and wages	254,564,580	236,732,380
Employee benefits	52,370,419	47,012,138
Purchased services and professional fees	45,305,568	33,994,099
Supplies and other	142,290,821	133,451,075
Claims paid	96,164,232	-
Depreciation and amortization	18,738,028	17,629,623
Interest	7,688,055	8,365,626
Total operating expenses	617,121,703	477,184,941
Operating Income	2,883,540	28,976,507
Other Income (Expense)		
Investment return	7,099,988	9,303,593
Net unrealized gains (losses) on investments	11,541,083	(9,618,156)
Change in fair value of interest rate swap agreements	5,853,117	(10,925,853)
Gain (loss) on extinguishment of debt	-	(1,095,000)
Contribution received in affiliation with SCH	-	3,379,620
Loss on affiliation with NWHS	(2,813,802)	-
Other expense	(622,653)	(190,152)
Total other income (expense)	21,057,733	(9,145,948)
Excess of Revenues Over Expenses	23,941,273	19,830,559
Net assets released from restriction used for purchase of property and equipment	1,923,545	1,510,484
Other	(1,272,586)	(12,532)
Increase in Unrestricted Net Assets	$ 24,592,232	$ 21,328,511

Billings Clinic
Consolidated Financial Statements
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2013 and 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, July 1, 2011	$ 279,868,314	$ 7,316,156	$ 19,023,643	$ 306,208,113
Excess of revenues over expenses	19,830,559	-	-	19,830,559
Contributions received	-	3,295,535	234,156	3,529,691
Investment income	-	323,398	395,390	718,788
Net assets released from restrictions, operating	-	(1,533,182)	-	(1,533,182)
Net assets released from restrictions, capital	1,510,484	(1,510,484)	-	-
Contribution received in affiliation with SCH	-	4,989	20,000	24,989
Other	(12,532)	-	-	(12,532)
Increase in net assets	21,328,511	580,256	649,546	22,558,313
Net Assets, June 30, 2012	301,196,825	7,896,412	19,673,189	328,766,426
Excess of revenues over expenses	23,941,273	-	-	23,941,273
Contributions received	-	5,685,445	347,773	6,033,218
Investment income	-	474,063	571,488	1,045,551
Net assets released from restrictions, operating	-	(1,274,316)	-	(1,274,316)
Net assets released from restrictions, capital	1,923,545	(1,923,545)	-	-
Other	(1,272,586)	-	-	(1,272,586)
Increase in net assets	24,592,232	2,961,647	919,261	28,473,140
Net Assets, June 30, 2013	$ 325,789,057	$ 10,858,059	$ 20,592,450	$ 357,239,566

Billings Clinic
Consolidated Financial Statements
Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Change in net assets	$ 28,473,140	$ 22,558,313
Items not requiring (providing) operating cash flow		
Loss on sale of property and equipment	510,496	297,367
Loss (gain) from extinguishment of debt	-	1,095,000
Depreciation and amortization	18,738,028	17,629,623
Loss on investment in equity investees	449,119	3,434,616
Net realized and unrealized losses (gains) on investments	(13,070,265)	3,444,855
Change in fair value of interest rate swap agreements	(5,853,117)	10,925,853
Contributions of or for acquisition of property and equipment	(6,704,052)	(4,155,507)
Provision for uncollectible accounts	37,887,153	40,088,725
Change in deferred tax asset	1,314,001	-
Net (assets)deficit assumed in business combinations	2,813,802	(3,404,609)
Changes in		
Patient accounts receivable, net	(41,026,862)	(44,284,667)
Other receivables	2,421,390	(2,054)
Supplies	(727,044)	(437,779)
Prepaid expenses and other	(1,269,150)	616,700
Estimated amounts due from and to third-party payers	(904,876)	848,036
Accounts payable and accrued expenses	(18,725,427)	(10,959,655)
Other current assets and liabilities	2,886,321	(586,282)
Other long term liabilities	1,377,902	1,543,909
Net cash provided by operating activities	8,590,559	38,652,444
Investing Activities		
Cash acquired in business combination	6,607,057	672,265
Purchase of investments	(818,689,154)	(1,473,802,065)
Proceeds from disposition of investments	832,083,688	1,410,958,042
Distributions received from equity investees	427,413	1,322,317
Purchase of property and equipment	(33,461,605)	(19,060,845)
Increase (decrease) in other long-term assets	(27,351)	187,840
Net cash used in investing activities	(13,059,952)	(79,722,446)

Billings Clinic
Consolidated Financial Statements
Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2013 and 2012

	2013	2012
Financing Activities		
Proceeds from contributions and investment income restricted for long-term investment	6,283,470	4,155,507
Change in contributions receivable	(1,061,101)	127,758
Bond issuance costs	(80,679)	(776,480)
Proceeds from issuance of long-term debt	4,219,712	149,468,991
Principal payments on long-term debt	(4,377,740)	(110,181,268)
Proceeds from line of credit	-	13,610,012
Payment on line of credit	-	(14,452,292)
Net cash provided by financing activities	4,983,662	41,952,228
Increase in Cash and Cash Equivalents	514,269	882,226
Cash and Cash Equivalents, Beginning of Year	13,545,374	12,663,148
Cash and Cash Equivalents, End of Year	$ 14,059,643	$ 13,545,374
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	$ 7,900,795	$ 9,193,231
Acquisition of property and equipment accrued for but unpaid	$ 1,833,351	$ 1,451,420
Contribution of property	$ 420,582	$ -
Affiliation with SCH		
Assets acquired	$ -	$ 5,057,263
Liabilities acquired	$ -	$ 1,652,654
Affiliation with NWHS		
Assets acquired	$ 44,964,802	$ -
Liabilities acquired	$ 53,616,827	$ -

Billings Clinic
Consolidated Financial Statements
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Billings Clinic (the Clinic) is a Montana not-for-profit corporation, which is structured as a medical foundation The Clinic operates a 300-licensed-bed acute care hospital located in Billings, Montana, a multi-specialty physician group consisting of 265 physicians and 97 physician assistants/nurse practitioners based in Billings with branch clinics in Miles City, Bozeman, Montana and Cody, Wyoming, a long-term care facility located in Billings, Montana, and a research center located in Billings, Montana The Clinic also manages several smaller hospitals in Montana and Wyoming (the affiliates)

The Clinic is the sole member of Billings Clinic Foundation (the Foundation) The principal activity of the Foundation is the solicitation of funds from the general public for the Clinic and the not-for-profit affiliates of the Clinic The operations of the Foundation are financed principally from contributions and investment income

The Clinic is the sole member of Montana Healthcare Indemnity, LLC (MHI) The principal activity of MHI is to act as a captive insurance company for general and professional liability coverage for Billings Clinic and other affiliated healthcare facilities located in Montana and Wyoming

The Clinic became the sole member of Stillwater Hospital Association, Inc , which owns and operates Stillwater Community Hospital (SCH), effective August 12, 2011 (see Note 20) SCH is a not-for-profit acute care hospital located in Columbus, Montana The hospital has 22 acute care beds and was granted Critical Access status for Medicare reporting purposes

The Clinic became the sole member of New West Health Services (NWHS), effective September 1, 2013 (see Note 21) NWHS is licensed by the state of Montana as a statutory non-profit, taxable, mutual benefit health services corporation to provide health insurance products to its members, including the managed care contracting services provided by New West Health Plan (a division of the company), preferred provider organizations and traditional indemnity insurance

The consolidated financial statements include the operations of the Clinic, the Foundation, MHI, SCH and NWHS (collectively, the Organization) All significant intercompany balances and transactions have been eliminated in consolidation

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents At June 30, 2013 and 2012, cash equivalents consisted primarily of money market accounts with brokers, certificates of deposit and sweep accounts

At June 30, 2013, the Organization's cash accounts exceeded federally insured limits by approximately $15,430,000

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value The investments in equity investees are reported on the equity method of accounting Other investments, including approximately 80 acres of land, are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets Other investment return is reflected in the statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions

The amount of investments expected to be utilized to meet short-term obligations are classified as current assets, the remaining balance of investments are classified as long-term assets

Assets Limited as to Use

Assets limited as to use include (1) assets held by trustees under bond indenture agreements, including approximately $3,567,000 and $3,615,000 as of June 30, 2013 and 2012, respectively, which is required to be held in reserves pursuant to bond indenture agreements and approximately $40,925,000 and $54,510,000 of bond proceeds to be used for capital expenditures as of June 30, 2013 and 2012, respectively, (2) assets restricted by donors and (3) assets set aside by the Board of Directors for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes Amounts required to meet current liabilities of the Organization are included in current assets

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectibility of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely)

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are 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 or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts

The Organization's allowance for doubtful accounts for self-pay patients decreased from 72% of self-pay accounts receivable at June 30, 2012, to 71% of self-pay accounts receivable at June 30, 2013 The Organization's write-offs for self-pay patients increased from approximately $44,000,000 for the year ended June 30, 2012, to approximately $46,000,000 for the year ended June 30, 2013 The increase in write-offs during the year resulted in less allowance deemed necessary for self-pay patients as of June 30, 2013

Supplies

The Organization states supply inventories at the lower of cost, determined using the first-in, first-out method, or market

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor Monetary gifts that must be used to acquire property and equipment are reported as restricted support The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service

The Organization capitalizes interest costs as a component of construction-in-progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing, if the borrowing is a tax-exempt borrowing During 2013 and 2012, the Organization capitalized interest of approximately $286,000 and $336,000, respectively

The estimated useful lives for each major depreciable classification of property and equipment is as follows

Buildings and improvements	25 to 80 years
Land improvements	5 to 25 years
Equipment	5 to 20 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value No asset impairment was recognized during the years ended June 30, 2013 and 2012

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt Such costs are being amortized using the effective interest method over the term of the respective debt

Deferred Compensation – Board of Directors

Voting members of the Billings Clinic Board of Directors receive a stipend of $6,000 in deferred compensation annually during their term of Board service The Board Chair receives $12,000 annually This stipend is received as deferred compensation and is deferred to age 65 and is then paid out annually in equal installments over five years The total liability for future payment to all current and past Board members totals approximately $905,000 and $870,000 as of June 30, 2013 and 2012, respectively, and is included in the Clinic's other long-term liabilities category

Temporarily and Permanently Restricted Net Assets

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

Net Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments 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

Premium Income

Contracts are entered into on an annual basis subject to cancellation with at least 31 days' prior notice Premiums are due monthly and are recognized as revenue during the period in which the Company is obligated to provide services to the employer group or individual member Premium payments received prior to such period are recorded as premiums received in advance

Charity Care

In support of its mission, the Organization provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy Because the Organization does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges The costs of charity care provided under the Organization's charity care policy for the years ended June 30, 2013 and 2012 were approximately $17,000,000 and $16,000,000, respectively

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service

Unconditional gifts expected to be collected within one year are reported at their net realizable value Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique The resulting discount is amortized using the level-yield method and is reported as contribution revenue

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional

Income Taxes

The Clinic, Foundation and SCH are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. Accordingly, no provision for income taxes for these entities has been made in the accompanying consolidated financial statements. The activity of MHI, with the Clinic as its sole member, is reported on the Clinic tax return. The tax-exempt entities are subject to federal income tax on any unrelated business taxable income. NWHS is licensed by the state of Montana as a statutory non-profit, taxable mutual benefit health services corporation and is taxed at the entity level. The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2010.

Excess of Revenues Over Expenses

The statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, the change in fair value of an interest rate swap agreement, permanent transfers 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 purpose of acquiring such assets).

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Organization recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2012, the Organization completed the first-year requirements under both the Medicare and Medicaid programs and has recorded revenue of approximately $3,100,000. The Organization also met the second-year requirements and has recorded revenue of approximately $4,300,000 in 2013. Revenue is included in other revenue within operating revenues in the statement of operations. All incentives received for this program were in relation to the hospital attestation.

Transfers Between Fair Value Hierarchy Lease

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period beginning date

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation These reclassifications had no effect on the change in net assets

Note 2: Net Patient Service Revenue

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided Thus, the Organization records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates These payment arrangements include

Medicare Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology The Organization is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare administrative contractor

Medicaid Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services The Organization is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicaid administrative contractor

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change As a result, it is reasonably possible that recorded estimates will change materially in the near term

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

The following summary details gross patient service charges and deductions from these charges at June 30

	2013	2012
Gross charges at established rates		
Inpatient	$ 345,885,077	$ 329,799,009
Outpatient	683,255,611	676,296,951
	1,029,140,688	1,006,095,960
Contractual adjustments	508,142,839	476,823,753
Provision for uncollectible accounts	37,887,153	40,088,725
Net patient service revenue	$ 483,110,696	$ 489,183,482

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended June 30, 2013 and 2012, was

	2013	2012
Medicare and Medicaid	$ 172,347,241	$ 185,936,559
Commercial insurance	251,800,416	246,613,672
Other third-party payers	46,653,903	46,085,281
Patients	50,196,289	50,636,695
Total	$ 520,997,849	$ 529,272,207

Montana State Bed Tax

All Montana hospital facilities are subject to 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

In 2013 and 2012, the Organization's utilization fee expense was approximately $3,601,000 and $3,338,000, respectively, and is included in supplies and other expense in the accompanying consolidated statements of operations. Additional Medicaid revenue for the years ended June 30, 2013 and 2012 totaled approximately $7,762,000 and $7,666,000, respectively, which is included in net patient service revenue in the accompanying consolidated statements of operations. Thus, the net Montana State Bed Tax impact in the accompanying consolidated financial statements of operations was approximately $4,161,000 and $4,328,000 for the years ended June 30, 2013 and 2012, respectively.

Note 3: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at June 30, 2013 and 2012, is:

	2013	2012
Medicare and Medicaid	27%	28%
Commercial insurance	40%	36%
Other third-party payers	9%	7%
Patients	24%	29%
	100%	100%

Note 4: Unsponsored Community Benefit

The Organization has policies that provide for serving those without the ability to pay. The policies also provide for less than total payment based on a sliding scale of income and the assets of the person responsible for the bill. In addition to direct charity, the Organization provides services that benefit the poor and others in the communities they serve. The community services and benefits provided include activities carried out for the express purpose of improving community health. Examples include immunizations, counseling services, senior wellness services, children's wellness and transportation. The costs of providing these community benefits often exceed the revenue sources available.

The Organization provides additional benefit to the community through advocacy of community service by employees. The Organization's employees serve numerous organizations through Board representation, in-kind donations, fund raising, youth sponsorship and other related activities.

Note 5: Investments and Investment Return

Assets Limited as to Use

Assets limited as to use, at June 30 include

	2013	2012
Internally designated for capital improvements		
Cash and cash equivalents	$ 4,523,685	$ 6,141,910
Equities		
International	17,524,928	13,297,570
Consumer discretionary and staples	13,045,050	9,356,267
Health care	5,877,084	5,236,560
Industrials and materials	7,400,602	6,432,161
Information technology	7,846,874	6,960,151
Other industries	9,814,322	10,351,058
Mutual funds		
Balanced funds	4,846,049	-
Bond funds	9,715,141	7,920,633
U S government securities	27,479,378	22,903,861
Corporate bonds	23,362,508	28,407,531
Interest receivable	489,284	582,188
	131,924,905	117,589,890
Externally restricted by donors		
Cash and cash equivalents	1,888,860	1,288,698
Equity securities		
International	745,140	643,902
Consumer discretionary and staples	1,717,516	1,318,458
Health care	1,065,351	822,882
Industrials and materials	1,154,050	973,210
Information technology	1,277,507	1,188,166
Other industries	2,150,847	1,388,450
Mutual funds		
Domestic equity funds	9,639,723	9,176,107
International equity funds	2,507,205	2,042,796
Bond funds	2,822,648	2,715,747
U S government securities	1,675,098	1,947,360
Corporate bonds	3,763,652	4,251,850
	30,407,597	27,757,626

	2013	2012
Held by trustee under indenture agreement		
Cash and cash equivalents	19,281,753	54,925,455
U S Treasury obligations	25,398,246	3,612,680
Interest receivable	56,719	8,317
	44,736,718	58,546,452
Total assets limited as to use	$207,069,220	$203,893,968

Other Investments

Other investments, at June 30, include

	2013	2012
Cash and cash equivalents	$ 3,578,539	$ 3,561,766
Equities		
International	10,148,121	7,690,661
Consumer discretionary and staples	7,826,736	5,563,922
Health care	3,594,512	3,129,035
Industrials/materials	4,482,343	3,836,824
Information technology	4,765,272	4,175,610
Other industries	6,305,834	6,357,777
Mutual funds		
Domestic equity funds	5,902,744	1,843,848
International equity funds	1,490,744	414,184
Bond funds	9,350,013	5,158,550
Balanced funds	2,757,858	-
U S government securities	16,031,279	13,394,401
Corporate bonds and notes	21,172,056	23,645,968
Real estate	5,821,769	5,817,149
	103,227,820	84,589,695
Less short-term investments	1,322,537	235,343
Total long-term investments	$101,905,283	$ 84,354,352

Total investment return for assets limited as to use and other investments is comprised of the following

	2013	2012
Interest and dividend income	$ 6,616,357	$ 3,849,080
Unrealized gains (losses)	11,541,083	(9,618,156)
Realized gains	1,529,182	6,173,301
	$ 19,686,622	$ 404,225

Total investment return for assets limited as to use and other investments is reflected in the statements of operations and changes in net assets as follows

	2013	2012
Unrestricted net assets		
Investment return	$ 7,099,988	$ 9,303,593
Change in unrealized gains (losses) on investments	11,541,083	(9,618,156)
Temporarily restricted net assets	474,063	323,398
Permanently restricted net assets	571,488	395,390
	$ 19,686,622	$ 404,225

Note 6: Investment in and Advances to Equity Investees

Investments in equity investees consists of privately held health care related organizations in which the Clinic's ownership interest ranges from 34% to 50% interest

At June 30, 2013 and 2012, investments and advances in joint ventures consisted of the following

	2013	2012
New West Health Services (A)	$ -	$ 6,889,797
Other investments	2,334,596	2,126,849
	$ 2,334,596	$ 9,016,646

Gain or (loss) recognized on investments in equity investees for the year ended June 30 consists of

	2013	2012
New West Health Services (A)	$ (1,376,277)	$ (4,320,007)
Other investments	927,158	885,391
	$ (449,119)	$ (3,434,616)

These amounts are included in other operating revenue in the accompanying consolidated statements of operations

(A) New West Health Services

The Clinic is a member of New West Health Services (NWHS), a mutual benefit corporation, which provides Medicare Advantage and Medicare Supplement plans primarily to individuals At June 30, 2012, the Clinic owned 46 5% of NWHS Effective September 1, 2012, the Clinic became the sole member of NWHS (see Note 21) The Clinic has advanced cash in the form of receivables used to cover NWHS's operating expenses, which are reflected as equity in NWHS's statutory financial statements Until becoming the sole member and thus consolidating NWHS, the Clinic's investment in and cash advances to NWHS were accounted for in a manner which reflects the Clinic's portion of NWHS's equity The Clinic converts the audited statutory financial statements to generally accepted accounting principles and rolls forward the activity through June 30 to record their investment in NWHS The activity reflected above is the Clinic's portion of the loss on NWHS prior to becoming the sole member

NWHS's audited statutory financial statements are summarized for the year ended December 31, 2011

	2011
Total assets	$ 38,606,906
Total liabilities	18,916,822
Equity - including surplus notes	$ 19,690,084
Revenues	$158,508,115
Expenses	157,673,403
Other income	541,281
Net income (loss)	$ 1,375,993

Note 7: Property and Equipment

Property and equipment consists of the following at June 30

	2013	2012
Land	$ 19,070,745	$ 18,923,149
Land improvements	12,728,691	12,804,619
Building and improvements	234,345,987	220,364,204
Equipment	146,268,926	135,557,925
Property held for expansion	5,148,517	5,148,517
	417,562,866	392,798,414
Less accumulated depreciation	(225,294,050)	(218,001,246)
	192,268,816	174,797,168
Construction in progress	27,063,183	27,089,022
	$ 219,331,999	$ 201,886,190

Note 8: General and Professional Liability

The Clinic and SCH are insured for general and professional liability through Montana Healthcare Indemnity, LLC (MHI), a captive insurance company of which Billings Clinic is the sole member MHI provides insurance to the organizations on a claims-made basis with no deductible Policy limits are $2,000,000 per occurrence and $7,500,000 in aggregate at June 30, 2013 and $2,000,000 per occurrence and $8,500,000 at June 30, 2012 Premiums paid to MHI are based on the claims experience of the organizations The premiums paid to MHI for the years ended June 30, 2013 and 2012, were approximately $4,417,000 and $4,023,000, respectively Claims reported and estimated expenses related to those claims are included under other long-term liabilities

Claims that have been incurred but not reported are reserved for based upon actuarial valuation This includes claims reported prior to the inception of MHI in June 2008 and claims incurred but not reported to MHI The reserve for claims incurred but not reported is included under other long-term liabilities

The Organization's total professional liability was estimated at approximately $18,308,000 and $16,965,000 at June 30, 2013 and 2012, respectively

The Organization purchases excess umbrella liability coverage which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy

Note 9: Estimated Incomplete and Unreported Claims Payable

Activity in the liability for estimated incomplete and unreported claims payable as of June 30, 2013 is as follows

	2013
Claims payable, net of reinsurance, at September 1, 2012	$ 9,104,941
Incurred claims, net of reinsurance recoveries	
Provision for insured events of current year	86,284,435
Decrease in provision for insured events of prior years	(80,659)
Total incurred claims and claim adjustment expenses, net of reinsurance recoveries	86,203,776
Payments, net of reinsurance recoveries	
Claims attributable to insured events of the current year	71,878,416
Claims attributable to insured events of prior years	10,423,804
Total payments, net of reinsurance recoveries	82,302,220
Claims payable, net of reinsurance, at the end of year	$ 13,006,497

The net result is a favorable prior year development of $80,659 at June 30, 2013 This decrease is generally the result of ongoing analysis of recent loss development trends Original estimates are increased or decreased as additional information becomes known regarding individual claims Claims payable are included in other current liabilities

Note 10: Reinsurance

To limit its losses on individual claims, NWHS has entered into a claims-made reinsurance agreement For 2013, reinsurance transactions are with RGA Reinsurance Company Under the terms of these agreements, the insurance company will generally reimburse NWHS 90% (subject to the lower of daily maximum limits or a percent of charges) of the cost of each member's annual hospital services, health services rehabilitation services, skilled nursing facility and drug related services in excess of $200,000 for Medicare members The contract also contains an annual limitation of $3,000,000 per member The agreement is subject to an experience refund

There are no significant reinsurance receivable balances at June 30, 2013, and no reinsurance balances due were written off as uncollectible in 2013 There are no reinsurance balances in dispute, and all recoverable amounts are considered collectible by NWHS NWHS has ceded excess of loss premiums of $792,971 for the year ended June 30, 2013, which is recorded in net premium revenue NWHS recorded $465,913 of refunds for reinsurance claims incurred during 2013, which is reported as a reduction of claims paid

Reinsurance contracts do not relieve NWHS from its obligations to its members, and a failure of the reinsurer to honor its obligations could result in losses to NWHS NWHS monitors the financial condition of its reinsurers to minimize its exposure to loss from reinsurer insolvency Management of NWHS believes its reinsurer is financially sound and will continue to meet its contractual obligations At June 30, 2013, RGA Reinsurance Company had an AM Best rating of A+

Note 11: Long-term Debt

	2013	2012
Montana Facility Finance Authority Health Facility Revenue Bonds, Series 2011A and B, (A)	$ 135,700,000	$ 137,710,000
Montana Facility Finance Authority Fixed Rate Bonds, Series 2008A and B, (B)	29,990,000	31,245,000
Mortgage note, (C)	13,475,791	9,468,991
Withdrawal notes (D)	9,803,255	-
Note payable, (E)	2,751,927	3,413,616
Other notes payable	795,785	1,033,924
	192,516,758	182,871,531
Less current maturities	5,690,473	4,520,262
	$ 186,826,285	$ 178,351,269

(A) Series 2011A and B

In August 2011, the Montana Facility Finance Authority issued $75,000,000 of Health Facilities Revenue Bonds, Series 2011A (Series 2011A) and $65,000,000 of Health Facilities Revenue Bonds, Series 2011B (Series 2011B), collectively the "Series 2011 Bonds"

The Series 2011A bonds mature at varying principal amounts from $1,075,000 to $5,355,000 beginning June 2012 through June 2038, payable annually Interest is paid monthly at a variable rate, 0 986% and 1 018% at June 30, 2013 and 2012, respectively The Series 2011B bonds mature at varying principal amounts from $935,000 to $4,645,000

beginning June 2012 through June 2038, payable annually Interest is paid monthly at a variable rate, 1 136% and 1 167% at June 30, 2013 and 2012, respectively

As of June 30, 2013 and 2012, the Series 2011A and B interest is based on the LIBOR Index Rate plus an applicable spread as determined by the remarketing agent The Series 2011A and B bonds may from time to time be converted at the request of the Organization to bear interest at the Daily Rate, Weekly Rate, Long-Term Interest Rate, SIFMA Index Rate or LIBOR Rate as defined in the master trust indenture

$72,700,000 and $73,775,000 of 2011A, respectively, are outstanding as of June 30, 2013 and 2012 $63,000,000 and $63,935,000 of 2011B, respectively, are outstanding as of June 30, 2013 and 2012

The Clinic may redeem the Series 2011A and B bonds at any time at a redemption price equal to the principal amount of each bond and accrued interest to the redemption date At the option of the Purchaser, the Series 2011A and 2011B bonds may be redeemed on August 22, 2014 and August 24, 2016, respectively, and annually on the anniversary date thereafter

(B) Series 2008A and B

In May 2008, the Montana Facility Finance Authority issued $20,000,000 of Health Facilities Revenue Bonds, Series 2008A (Series 2008A) and $40,000,000 of Health Facilities Revenue Bonds, Series 2008B (Series 2008B), collectively the "Series 2008 Bonds"

The Series 2008A bonds are payable in annual installments through February 2023, bearing fixed interest rates of 5 31% Annual installments range from $1,105,000 to $1,760,000 The Series 2008B bonds are payable through February 2028, bearing fixed interest rate of 5 36% Annual installments range from $1,095,000 to $3,255,000 $15,330,000 and $16,585,000 of 2008A, respectively, are outstanding as of June 30, 2013 and 2012 $14,660,000 of 2008B, are outstanding as of June 30, 2013 and 2012 The Clinic may redeem the Series 2008 bonds any time on or after February 2018 at a redemption price equal to the principal amount of each bond and accrued interest to the redemption date Early redemption price declines from 103% at the earliest redemption date to 100% at the last redemption date, plus accrued interest to the date of redemption

(C) Mortgage Note

In August 2011, Stillwater Hospital Association, Inc received approval for a $14,318,000 mortgage note for construction of a new hospital Stillwater Hospital Association, Inc started the project during fiscal year 2012 and construction was completed during fiscal year 2013 The terms of the loan include interest at a fixed rate of 5 95% with principal and interest payments of $91,814 due monthly through September 1, 2037 The note is insured by United States Department of Housing and Urban Development (HUD)

(D) Withdrawal Notes

Withdrawal notes are payable to prior members of NWHS (see Note 21) Annual repayment is scheduled to begin either July 1, 2013 or July 1, 2014 depending on the note and interest is payable at 1% Repayment of these notes, including interest payments, is subject to the regulatory approval of the State of Montana Insurance Commissioner The withdrawal notes are guaranteed by Billings Clinic

(E) Note Payable

Due December 31, 2016, payable $714,286 annually, including interest at 1 53%, secured by real estate and payable to a private Montana corporation

Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2013, are

	Long-term Debt
2014	$ 5,690,473
2015	6,347,581
2016	6,593,440
2017	6,743,986
2018	6,264,518
Thereafter	160,876,761
	$ 192,516,759

The Series 2011A and B, bonds are secured by the trust estate created by the Clinic's master trust indenture (including a pledge of the clinic's gross revenues and a first lien mortgage upon certain property, plant, equipment and related tangible assets of the Clinic) by virtue of the assignment and pledge in trust by the Montana Health Facility Finance Authority of the Clinic's related obligations to Wells Fargo Bank, National Association, as bond trustee under the bond trust indentures noted above The Clinic has also agreed to various restrictive covenants including limitations on incurring additional indebtedness, incurring liens on its property, disposing of its property and maintaining certain financial covenants

Line of Credit

The Clinic has available an unsecured line of credit aggregating at $15,000,000 at an interest rate of Wall Street Journal Prime rate, with an interest rate floor of 5%, which matures on July 1, 2015 This line of credit is used for short-term cash needs At June 30, 2013 and 2012 there was no amount outstanding

Note 12: Derivative Financial Instruments

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Organization periodically enters into interest rate swaps

The table below presents certain information regarding the Organization's interest rate swap agreements designated as a cash flow hedge The Organization did not have any derivative instruments at June 30, 2013 and 2012 that were not designated as hedging instruments

Notional Amount		Rate Paid	Rate Received	Effective	Termination	Fair Value		
June 30, 2013	June 30, 2012	by Hospital	by Hospital	Date	Date	June 30, 2013	June 30, 2012	Purpose
$ 30,000,000	$ 30,000,000	Fixed - 3 40%	67% of USD-LIBOR-BBA	3 7 06	2 25 25	$ (4,433,645)	$ (5,852,936)	(A)
18,195,000	18,615,000	Fixed - 3 894%	67% of USD-LIBOR-BBA	1 1 08	7 1 37	(3,589,693)	(4,576,885)	(B)
74,620,000	76,065,000	Fixed - 3 7324%	67% of USD-LIBOR-BBA	5 1 09	1 1 38	(13,594,435)	(18,017,823)	(C)
121,545,000	123,915,000	USD - SIFMA	68% of USD-LIBOR-BBA + 0 366%	12 1 07	12 1 37	(2,665,534)	(1,688,780)	(D)
						$ (24,283,307)	$ (30,136,424)	

(A) The Organization entered into a fixed-pay interest rate swap agreement with Merrill Lynch Capital Services Under the terms of the agreement, the Organization received a floating interest rate equal to 67% of one-month USD-LIBOR-BBA and paid a fixed interest rate of 3 40% on a notional amount of $30,000,000 The interest rate swap was entered into in order to reduce the Clinic's exposure to variable interest rate fluctuations, to take advantage of lower fixed rates, and to maintain a debt structure that correlates its fixed and variable-rate debt to its fixed and variable-rate investments Interest is settled every fifth Wednesday, and notional amounts reduce annually beginning March 2022 through 2025 The schedule to the International Swaps and Derivative Association Master Agreement related to this swap includes a covenant provision that requires that the Clinic maintain a days' cash on hand ratio of at least 45 days

(B) The Organization entered into a fixed-pay interest rate swap agreement with Lehman Brothers Special Financing, Inc Under the terms of the agreement, the Organization received a floating interest rate equal to 67% of one-month USD-LIBOR-BBA and paid a fixed interest rate of 3 894% on an amortizing notional amount of $20,000,000 The interest rate swap was entered into in order to reduce the Organization's exposure to future variable interest rate fluctuations This transaction allowed the Organization to fix the interest rate for an anticipated new bond offering, which at the time of the swap transaction was expected to have an offering date in August 2008, and a total issuance of $50 million, however no offering occurred Interest is settled monthly, and notional amounts reduce annually through 2037 The swap was reassigned to 1271 Counterparty Company, LLC during the year ended June 30, 2012

(C) The Organization entered into a fixed-pay interest rate swap agreement with Merrill Lynch Capital Services Under the terms of the agreement, the Organization received a floating interest rate equal to 67% of one-month USD-LIBOR-BBA and paid a fixed interest rate of 3 7324% on an amortizing notional amount of $80,000,000 The interest rate swap was entered into to reduce the Organization's exposure to future variable interest rate fluctuations This transaction allowed the Organization to fix the interest rate for a new bond offering that was expected to have an offering date in October 2008, and a total issuance amount of $70 million, however, no offering occurred Interest is settled monthly, and notional amounts reduce annually through 2038

(D) The Organization entered into a basis rate swap agreement with Merrill Lynch Capital Services Under the terms of the agreement, the Organization received a floating interest rate equal to the sum of 68% of one-month USD-LIBOR-BBA plus 0 366% and paid a floating interest rate equal to the USD-SIFMA Municipal Swap Index on an amortizing notional amount of $130,365,000 This interest rate basis swap was entered into in order to reduce the Organization's effective cost of debt This transaction allows the Organization to receive cash flow benefit from taking risks related to changes in interest rates Interest is settled monthly, and notional amounts reduce annually through 2037

The fair value of the swaps at June 30, 2013 and 2012 was recorded as a long-term liability The changes in fair value are recognized as other income (expense) in the consolidated statements of operations Payments made or received under the swap agreement are recognized as adjustments to interest expense During the years ended June 30, 2013 and 2012, changes in the fair value of the swap agreements of $5,853,117 and ($10,925,853) was recognized as adjustments to other income (expense), respectively

Note 13: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purpose or periods

	2013	2012
Education and scholarships	$ 673,074	$ 627,178
Equipment	4,062,756	3,177,700
Health care services	2,808,926	2,383,988
Capital expansion	2,312,863	-
Cancer center	59,579	1,134,228
Research	217,495	231,943
Miscellaneous	723,366	341,375
	$ 10,858,059	$ 7,896,412

Permanently restricted net assets are restricted to

	2013	2012
Education and scholarships	$ 1,519,876	$ 1,467,778
Equipment	815,722	794,867
Health care services	16,189,197	15,432,240
Research	1,551,486	1,491,333
Community needs	516,169	486,971
	$ 20,592,450	$ 19,673,189

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors

	2013	2012
Education and scholarships	$ 18,032	$ 35,579
Equipment	798,545	385,484
Health care services	1,077,733	1,434,881
Cancer center	1,125,000	1,125,000
Research	54,838	4,557
Miscellaneous	123,713	58,165
	$ 3,197,861	$ 3,043,666

Note 14: Endowment

The Organization's endowment consists of approximately 70 individual funds established for a variety of purposes The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds) As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions

The Organization's governing body has interpreted the State of Montana Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

1 Duration and preservation of the fund
2 Purposes of the Organization and the fund
3 General economic conditions
4 Possible effect of inflation and deflation
5 Expected total return from investment income and appreciation or depreciation of investments
6 Other resources of the Organization
7 Investment policies of the Organization

The composition of net assets by type of endowment fund at June 30, 2013 and 2012 was

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,247,132	$ 20,592,450	$22,839,582
Board-designated endowment funds	420,364	-	-	420,364
Total endowment funds	$ 420,364	$ 2,247,132	$ 20,592,450	$23,259,946

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,964,547	$ 19,673,189	$21,637,736
Board-designated endowment funds	344,116	-	-	344,116
Total endowment funds	$ 344,116	$ 1,964,547	$ 19,673,189	$21,981,852

Changes in endowment net assets for the years ended June 30 were

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 344,116	$ 1,964,547	$ 19,673,189	$21,981,852
Investment income	8,892	474,063	571,488	1,054,443
Contributions	67,255	-	347,773	415,028
Appropriation of endowment assets for expenditure	-	(204,010)	-	(204,010)
Other changes - fund transfers	101	12,532	-	12,633
Endowment net assets, end of year	$ 420,364	$ 2,247,132	$ 20,592,450	$23,259,946

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 329,747	$ 1,673,521	$ 19,023,643	$21,026,911
Investment income	5,556	323,398	395,390	724,344
Contributions	-	40	234,156	234,196
Appropriation of endowment assets for expenditure	-	(44,944)	-	(44,944)
Other changes - fund transfers	595	12,532	-	13,127
Net assets acquired in SCH affiliation	8,218	-	20,000	28,218
Endowment net assets, end of year	$ 344,116	$ 1,964,547	$ 19,673,189	$21,981,852

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30 consisted of

	2013	2012
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	$ 20,592,450	$ 19,673,189
Temporarily restricted net assets	2,247,132	1,964,547
	$ 22,839,582	$ 21,637,736

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds Under the Organization's policies, endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, to provide growth over the long-term The Organization targets a diversified asset allocation that balances risk with rate of return

The Organization has a policy of appropriating for expenditure each year 50% of its endowment fund's earnings throughout the previous 12 months through the fiscal year-end preceding the fiscal year-end the distribution is planned The remaining 50% of the earnings stays in the endowment fund to facilitate growth In establishing this policy, the Organization considered the long-term expected return on its endowment Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulations or SPMIFA There were no such deficiencies as of June 30, 2013 or 2012

Note 15: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area Expenses related to providing these services are as follows

	2013	2012
Health care services	$355,295,144	$349,040,602
General and administrative	261,826,559	128,144,339
	$617,121,703	$477,184,941

Note 16: Operating Leases

Noncancelable operating leases for equipment and buildings expire in various years through December 2017

Future minimum lease payments at June 30, 2013, are

2014	$ 3,183,865
2015	1,884,946
2016	1,454,514
2017	467,898
2018	137,116
Future minimum lease payments	$ 7,128,339

Total rent expense for the Organization for the years ended June 30, 2013 and 2012 was approximately $5,887,000 and $6,178,000, respectively

Note 17: Contributions Receivable

Contributions receivable consisted of the following

	2013	2012
Due within one year	$ 1,004,191	$ 530,785
Due in one to five years	951,797	563,534
Thereafter	250,000	-
	2,205,988	1,094,319
Less Allowance for uncollectible contributions	(122,620)	(182,655)
Less Unamortized discount	(146,434)	(35,830)
	$ 1,936,934	$ 875,834

Contributions receivable are restricted for capital expansion Discount rates ranged from 3 3% to 5 5% in 2013 and 2012 Contributions receivable are included in other receivables and other long-term assets

Note 18: Retirement Plans

The Organization has a defined contribution pension plan covering employees who meet the age and length of service requirement The Organization makes contributions for each participant based on a fixed percentage of the participant's compensation, up to a stated maximum

The Organization also has a defined contribution 403(b) plan covering substantially all employees Participants make voluntary contributions to the plan, up to a fixed percentage of the participants' compensation The Organization matches 50% of participant contributions up to 2 5% of participants' gross wages

Contributions to the plans were approximately $11,319,000 and $10,974,000 for June 30, 2013 and 2012, respectively

NWHS and SCH are covered under separate 401(k) benefit plans Total contributions to the plans were approximately $160,000 and $23,000 for June 30, 2013 and 2012, respectively

Note 19: Related Party and Affiliates

As noted in Note 1, the Clinic manages several smaller hospitals in Montana and Wyoming Under the affiliate agreements, the Clinic generally provides key personnel such as the CEO and a variety of other support services The Clinic in return receives reimbursement for salary expenses and a monthly management fee As a result of these management affiliations, the Clinic may become exposed to a variety of financial and/or legal contingencies In management's opinion, there are no known contingencies related to these affiliation agreements that have not been disclosed or recorded in the consolidated financial statements

Note 20: Affiliation with Stillwater Hospital Association, Inc.

On August 12, 2011, the Clinic executed an affiliation agreement with Stillwater Hospital Association, Inc , a not-for-profit public benefit organization which owns and operates Stillwater Community Hospital (SCH), a not-for-profit hospital that provides health care services in Columbus, Montana and the surrounding area The Organization expects the affiliation will allow it to provide more comprehensive health care services in its current service area and achieve cost savings through elimination of certain duplicative administrative and other functions The affiliation was accomplished by the Clinic becoming the sole member of Stillwater Hospital Association, Inc and having the ability to appoint the Board members of Stillwater Hospital Association, Inc No consideration was transferred for the net assets of Stillwater Hospital Association, Inc , thus the fair value of unrestricted net assets received by the Organization is shown as contribution revenue in the consolidated statements of operations

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the affiliation date

Recognized Fair Value of Identifiable Assets Acquired and Liabilities Assumed	
Current assets	$ 1,976,365
Property, plant and equipment	3,080,898
Current liabilities	(242,850)
Long-term debt	(1,409,804)
Total contribution received	$ 3,404,609
Summary of Contribution Received by Net Asset Classification	
Unrestricted contribution received	$ 3,379,620
Temporarily restricted contribution received	4,989
Permanently restricted contribution received	20,000
Total contribution received	$ 3,404,609

The affiliation resulted in an inherent contribution received of $3,404,609, which represents the net recognized amount of identifiable assets acquired over the liabilities assumed Acquisition of the unrestricted net assets has been included in contribution revenue in the consolidated statements of operations The temporarily and permanently restricted net assets have been included as increases to those classes of net assets in the amounts of $4,989 and $20,000, respectively

Note 21: Reorganization of New West Health Services

Effective September 1, 2012, the Clinic became the sole member of New West Health Services (NWHS) a mutual benefit corporation, which provides Medicare Advantage and Medicare Supplement plans primarily to individuals Prior to September 1, 2012, NWHS was owned by five hospital members throughout the state of Montana and the Clinic used the equity method to account for their investment in the company as they owned 46 5% (see Note 6) Sole membership was achieved by the Clinic as all exiting members voluntarily withdrew their interest The Organization expects the affiliation will allow it to provide more comprehensive health care services to individuals covered under the Medicare Advantage plans of NWHS No consideration was transferred for the equity of NWHS As the liabilities of NWHS exceeded the assets at September 1, 2012 a loss on acquisition is presented in the consolidated statements of operations

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the affiliation date

Recognized Fair Value of Identifiable Assets Acquired and Liabilities Assumed	
Current assets	$ 35,998,665
Property, plant and equipment	742,705
Non-current assets	8,223,432
Current liabilities	(32,459,831)
Long-term debt	(21,156,996)
Total equity (deficit) of NWHS	(8,652,025)
Less Clinic equity at acquisition	5,838,223
Deficit acquired by Clinic	$ (2,813,802)

Prior to September 1, 2012, the four exiting members held surplus notes due from NWHS totaling $13,177,100 In conjunction with the reorganization of NWHS, the exiting members agreed to exchange their surplus notes for withdrawal notes totaling $9,803,225 The Clinic has also agreed to guarantee the balances on the withdrawal notes

Note 22: Income Taxes

As discussed in Note 1, NWHS is licensed by the state of Montana as a statutory non-profit, taxable mutual benefit health services corporation and is subject to taxation at regular federal and state corporate rates NWHS has available, at June 30, 2013, unused operating loss carryforwards from its operations of approximately $20,700,000 for tax purposes, which expire beginning in 2032 The deferred tax assets relating to these carryforwards, of approximately $7,915,000, are fully offset by a valuation allowance, as it is more likely than not that the deferred tax assets will not be realized $1,314,001 of deferred tax assets from previous years was allowed for in the current year and is included in the line item Other on the Consolidated Statement of Operations

Note 23: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs There is a hierarchy of three levels of inputs that may be used to measure fair value

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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2013 and 2012

	June 30, 2013			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities				
International	$ 28,418,189	$ 28,418,189	$ -	$ -
Consumer discretionary and staples	22,589,302	22,589,302	-	-
Health care	10,536,947	10,536,947	-	-
Industrials and materials	13,036,995	13,036,995	-	-
Information technology	13,889,653	13,889,653	-	-
Other industries	18,271,003	18,271,003	-	-
U S government securities	70,584,001	-	70,584,001	-
Corporate debt securities	48,298,216	-	48,298,216	-
Mutual funds				
Domestic equity funds	15,542,467	15,542,467	-	-
International equity funds	3,997,949	3,997,949	-	-
Bond funds	21,887,802	21,887,802	-	-
Balanced funds	7,603,907	7,603,907	-	-
Other	546,003	-	546,003	-
Interest rate swaps	(24,283,307)	-	(24,283,307)	-

	June 30, 2012			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities				
International	$ 21,632,133	$ 21,632,133	$ -	$ -
Consumer discretionary and staples	16,238,647	16,238,647	-	-
Health care	9,188,477	9,188,477	-	-
Industrials and materials	11,242,195	11,242,195	-	-
Information technology	12,323,927	12,323,927	-	-
Other industries	18,097,285	18,097,285	-	-
U S government securities	41,858,302	-	41,858,302	-
Corporate debt securities	56,305,349	-	56,305,349	-
Mutual funds				
Domestic equity funds	11,019,955	11,019,955	-	-
International equity funds	2,456,980	2,456,980	-	-
Bond funds	15,794,930	15,794,930	-	-
Other	590,505	-	590,505	-
Interest rate swaps	(30,136,424)	-	-	(30,136,424)

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows Such securities are classified in Level 2 of the valuation hierarchy In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy The Organization does not have any investments classified as Level 3

Interest Rate Swap Agreement

The fair value is estimated using forward-looking interest rate curves, discounted cash flows, and credit risk credits that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy (see Note 12) Prior to June 30, 2013 the interest rate swap agreements had unobservable inputs that are supported by little or no market activity, and were classified within Level 3 of the valuation hierarchy

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheets using significant unobservable (Level 3) inputs

	Interest Rate Swaps
Balance, July 1, 2011	$ (19,210,571)
Total realized and unrealized gains and losses included in change in net assets	(10,925,853)
Balance, June 30, 2012	(30,136,424)
Transfer out of Level 3	30,136,424
Balance, June 30, 2013	$ -

Cash and Cash Equivalents

The carrying amount approximates fair value

Contributions Receivable

Fair value is estimated at the present value of the future payments expected to be received

Notes Payable and Long-term Debt

Fair value is estimated based on the borrowing rates currently available to the Organization for debt with similar terms and maturities

The following table presents estimated fair values of the Clinic's financial instruments at June 30, 2013 and 2012

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 192,516,758	$ 193,857,128	$ 182,871,531	$ 184,862,132

Note 24: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations Those matters include the following

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 2

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 8

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation Some of these allegations are in areas not covered by the Organization's self-insurance program (discussed elsewhere in these notes) or by commercial insurance, for example, allegations regarding employment practices or performance of contracts The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters Events could occur that would cause the estimate of ultimate loss to differ materially in the near term

Investments

The Organization invests in various investment securities Investment securities are exposed to various risks such as interest rate, market and credit risks Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheet

Recovery Audit Contractor Demonstration Project

In 2005, the CMS announced a new demonstration project using recovery audit contractors (RACs) as a part of CMS' further efforts to ensure accurate payments. The project 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. Once a RAC identifies a claim it believes to be improper, it makes an adjustment to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment.

The Clinic will adjust revenue for amounts that are assessed under the RAC audits at the time a notice is received or when sufficient information is available to make a reasonable estimate of amounts due. RAC assessments against the Clinic have been received, and the financial statements have been adjusted. Additional assessments are anticipated, however, the outcomes of such assessments are unknown and cannot be reasonably estimated.

Valuation of Interest Rate Swaps

The fair value of the liability related to the interest rate swaps is estimated using forward-looking interest curves, discounted cash flows and credit risk. The Clinic has retained an independent third party to assist in valuing this liability. However, the actual amount to potentially settle the liability could vary significantly from the estimated liability recorded.

Note 25: Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Montana has currently indicated it will not expand the Medicaid program, which may result in revenues from newly covered individuals not offsetting the Hospital's reduced revenue from other Medicare/Medicaid programs.

Note 26: Subsequent Event

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued

Supplementary Information

Billings Clinic
Consolidated Financial Statements
Balance Sheet – Consolidating Information
June 30, 2013

Assets

	Billings Clinic	Billings Clinic Foundation	Montana Healthcare Indemnity, LLC	Stillwater Community Hospital	New West Health Services	Eliminations	Total
Current Assets							
Cash and cash equivalents	$ 9,175,290	$ 447,909	$ 3,493,482	$ 477,636	$ 465,326	$ -	$ 14,059,643
Short-term investments	325,066	-	-	-	997,471	-	1,322,537
Assets limited as to use - current	3,905,456	-	-	-	-	-	3,905,456
Patient accounts receivable, net of allowance, $42,317,000	79,152,134	-	-	1,666,993	-	(1,125,540)	79,693,587
Other receivables	5,450,660	403,403	1,550,000	-	9,833,206	(2,683,871)	14,553,398
Estimated amounts due from third-party payers	4,145,443	-	-	399,291	-	-	4,544,734
Due from affiliate	94,791	-	-	-	2,000,000	(2,094,791)	-
Supplies	7,647,986	-	-	146,787	-	-	7,794,773
Prepaid expenses and other	5,579,994	6,182	595	157,858	1,074,392	-	6,819,021
Total current assets	115,476,820	857,494	5,044,077	2,848,565	14,370,395	(5,904,202)	132,693,149
Assets Limited as to Use							
Internally designated	131,915,991	-	-	8,914	-	-	131,924,905
Externally restricted by donors	-	30,382,608	-	24,989	-	-	30,407,597
Held by trustee	44,534,690	-	-	202,028	-	-	44,736,718
	176,450,681	30,382,608	-	235,931	-	-	207,069,220
Less amount required to meet current obligations	3,905,456	-	-	-	-	-	3,905,456
	172,545,225	30,382,608	-	235,931	-	-	203,163,764
Investments							
Investment in and advances to equity investee	2,334,596	-	-	-	-	-	2,334,596
Long-term investments	80,540,880	6,699,178	7,019,560	462,287	7,433,378	(250,000)	101,905,283
	82,875,476	6,699,178	7,019,560	462,287	7,433,378	(250,000)	104,239,879
Property and Equipment, Net	203,407,298	953,859	-	14,606,889	363,953	-	219,331,999
Other Assets							
Interest in net assets of Billings Clinic Foundation	39,776,388	-	-	-	-	(39,776,388)	-
Interest in net assets of New West Health Services	(21,799,882)	-	-	-	-	21,799,882	-
Note receivable from affiliate	18,653,742	-	-	-	-	(18,653,742)	-
Deferred financing costs	2,251,431	-	-	-	-	-	2,251,431
Other	197,649	1,936,934	-	-	-	-	2,134,583
	39,079,328	1,936,934	-	-	-	(36,630,248)	4,386,014
Total assets	$ 613,384,147	$ 40,830,073	$ 12,063,637	$ 18,153,672	$ 22,167,726	$ (42,784,450)	$ 663,814,805

Billings Clinic
Consolidated Financial Statements
Balance Sheet – Consolidating Information
June 30, 2013

Liabilities and Net Assets

	Billings Clinic	Billings Clinic Foundation	Montana Healthcare Indemnity, LLC	Stillwater Community Hospital	New West Health Services	Eliminations	Total
Current Liabilities							
Current maturities of long-term debt	$ 4,518,950	$ -	$ -	$ 442,639	$ 728,884	$ -	$ 5,690,473
Accounts payable	22,370,032	756,353	-	1,247,888	1,631,261	(2,683,871)	23,321,663
Accounts payable - construction	1,833,351	-	-	-	-	-	1,833,351
Accrued compensation and related expenses	19,503,006	-	-	158,268	506,284	-	20,167,558
Accrued expenses - other	6,482,378	-	-	8,250	366,570	-	6,857,198
Estimated amounts due to third-party payers	4,569,414	-	-	-	-	-	4,569,414
Due to affiliate	2,000,000	94,791	-	-	-	(2,094,791)	-
Other	1,729,154	202,541	-	-	13,006,497	(1,125,540)	13,812,652
Total current liabilities	63,006,285	1,053,685	-	1,857,045	16,239,496	(5,904,202)	76,252,309
Long-term Debt	164,392,057	-	-	13,359,858	27,728,112	(18,653,742)	186,826,285
Interest Rate Swap Agreement	24,283,307	-	-	-	-	-	24,283,307
Other Long-term Liabilities	7,845,102	-	11,368,236	-	-	-	19,213,338
Total liabilities	259,526,751	1,053,685	11,368,236	15,216,903	43,967,608	(24,557,944)	306,575,239
Net Assets							
Unrestricted	322,431,876	7,165,425	695,401	2,911,780	(21,799,882)	14,384,457	325,789,057
Temporarily restricted	10,853,070	12,038,513	-	4,989	-	(12,038,513)	10,858,059
Permanently restricted	20,572,450	20,572,450	-	20,000	-	(20,572,450)	20,592,450
Total net assets	353,857,396	39,776,388	695,401	2,936,769	(21,799,882)	(18,226,506)	357,239,566
Total liabilities and net assets	$ 613,384,147	$ 40,830,073	$ 12,063,637	$ 18,153,672	$ 22,167,726	$ (42,784,450)	$ 663,814,805

Billings Clinic
Consolidated Financial Statements
Statement of Operations – Consolidating Information
Year Ended June 30, 2013

	Billings Clinic	Billings Clinic Foundation	Montana Healthcare Indemnity, LLC	Stillwater Community Hospital	New West Health Services	Eliminations	Total
Operating Revenues							
Patient service revenue (net of contractual allowances and discounts)	$ 525,513,651	$ -	$ -	$ 7,511,982	$ -	$ (12,027,784)	$ 520,997,849
Provision for uncollectible accounts	(37,166,763)	-	-	(720,390)	-	-	(37,887,153)
Net patient service revenue less provision for uncollectible accounts	488,346,888	-	-	6,791,592	-	(12,027,784)	483,110,696
Premium revenue	-	-	4,605,504	-	106,736,011	(3,767,000)	107,574,515
Other	27,258,390	930,248	-	295,775	473,724	(912,421)	28,045,716
Net assets released from restrictions used for operations	1,335,384	-	-	-	-	(61,068)	1,274,316
Total operating revenues	516,940,662	930,248	4,605,504	7,087,367	107,209,735	(16,768,273)	620,005,243
Operating Expenses							
Salaries and wages	247,983,403	480,138	-	1,770,924	4,330,115	-	254,564,580
Employee benefits	50,605,600	-	-	392,362	1,372,457	-	52,370,419
Purchased services and professional fees	38,591,733	367,541	-	2,504,536	4,360,011	(518,253)	45,305,568
Supplies and other	138,647,444	383,073	102,002	1,379,831	6,025,609	(4,247,138)	142,290,821
Claims paid	-	-	5,106,119	-	102,999,927	(11,941,814)	96,164,232
Depreciation and amortization	17,491,293	8,817	-	843,644	394,274	-	18,738,028
Interest	6,958,267	-	-	696,777	146,548	(113,537)	7,688,055
Total operating expenses	500,277,740	1,239,569	5,208,121	7,588,074	119,628,941	(16,820,742)	617,121,703
Operating Income (Loss)	16,662,922	(309,321)	(602,617)	(500,707)	(12,419,206)	52,469	2,883,540
Other Income (Expense)							
Investment return	5,801,943	626,430	408,350	29,457	347,345	(113,537)	7,099,988
Net unrealized gains (losses) on investments	9,091,854	2,508,065	(326,249)	37,808	229,605	-	11,541,083
Change in fair value of interest rate swap agreements	5,853,117	-	-	-	-	-	5,853,117
Loss on affiliation with NWHS	(2,813,802)	-	-	-	(8,652,025)	8,652,025	(2,813,802)
Other expense	(399,202)	-	-	(231,851)	8,400	-	(622,653)
Total other income (expense)	17,533,910	3,134,495	82,101	(164,586)	(8,066,675)	8,538,488	21,057,733
Excess of Revenues Over Expenses	34,196,832	2,825,174	(520,516)	(665,293)	(20,485,881)	8,590,957	23,941,273
Change in interest in net assets of Billings Clinic Foundation	2,764,106	-	-	-	-	(2,764,106)	-
Change in interest in equity of New West Health Services	(13,147,857)	-	-	-	-	13,147,857	-
Net assets released from restriction used for purchase of property and equipment	1,923,545	-	-	-	-	-	1,923,545
Other	41,415	-	-	-	(1,314,001)	-	(1,272,586)
Increase (Decrease) in Unrestricted Net Assets	$ 25,778,041	$ 2,825,174	$ (520,516)	$ (665,293)	$ (21,799,882)	$ 18,974,708	$ 24,592,232

Billings Clinic
Consolidated Financial Statements
Selected Ratios
Year Ended June 30, 2013

	2013	2012
Long-term debt service coverage ratio (Supplemental Master Trust Indenture to amend Supplemental Master Trust Indenture for Obligation No. 1)		
Unrestricted liquid funds		
Cash and cash equivalents	$ 9,175,290	$ 10,697,306
Short-term investments	325,066	235,343
Assets limited as to use by Board for capital improvements	131,915,991	117,581,077
Long-term investments	80,540,880	72,498,433
Less current portion of long-term debt	(4,518,950)	(3,982,749)
	$ 217,438,277	$ 197,029,410
Average unrestricted liquid funds	$ 207,233,844	
5% of average unrestricted liquid funds	$ 10,361,692	
Income available for debt service		
5% of average unrestricted liquid funds	$ 10,361,692	
Excess of revenues over expenses	34,196,832	
Investment income	(5,801,943)	
Change in net unrealized losses on investments	(9,091,854)	
Interest rate swaps market adjustment	(5,853,117)	
Depreciation and amortization	17,491,293	
Interest	6,958,267	
	$ 48,261,170	
Long-term debt services requirements - maximum annual debt service	$ 11,740,788	
Long-term maximum debt service coverage ratio	4.11	

Billings Clinic
Consolidated Financial Statements
Selected Ratios
Year Ended June 30, 2013

Long-term debt service coverage ratio (Supplemental Master Trust Indenture for Obligation No. 7)	
Excess of revenues over expense	$ 34,196,832
Change in net unrealized losses on investments	(9,091,854)
Interest rate swaps market adjustment	(5,853,117)
Depreciation and amortization	17,491,293
Interest	6,958,267
	$ 43,701,421
Long-term debt services requirements	$ 11,159,632
Long-term maximum debt service coverage ratio	3 92
Long-term debt service coverage ratio (Supplemental Master Trust Indenture for Series 2011A and B)	
Revenues	$ 559,909,365
Operating expenses	(537,444,503)
Depreciation and amortization	17,491,293
Interest	6,958,267
	$ 46,914,422
Long-term debt services requirements - maximum annual debt service	$ 11,740,788
Long-term maximum debt service coverage ratio	4 00
Liquidity ratio (Supplemental Master Trust Indenture for Obligation No. 7 and Series 2011A and B)	
Cash and cash equivalents	$ 9,175,290
Short-term investments	325,066
Long-term investments	74,719,111
Assets limited as to use	
By Board, for capital improvements	131,915,991
Under indenture agreement - held by trustee	44,534,690
	$ 260,670,148
Current liabilities	$ 63,006,285
Maintenance of liquidity ratio	4 14

Billings Clinic
Consolidated Financial Statements
Selected Ratios
Year Ended June 30, 2013

Debt to Capitalization ratio (Supplemental Master Trust Indenture for Obligation No. 7 and Series 2011A and B)

Debt to capitalization ratio	
Long-term debt, including current portion	$ 168,911,007
Unrestricted net assets	322,431,876
	$ 491,342,883
Debt to capitalization ratio	34.4%

Days Cash on Hand (Supplemental Master Trust Indenture for Obligation No. 7 and Series 2011A and B)

Days cash on hand	
Cash and cash equivalents	$ 9,175,290
Short-term investments	325,066
Long-term investments	74,719,111
Assets limited as to use by Board for capital improvements	131,915,991
	$ 216,135,458
Total operating expense	$ 537,444,503
Depreciation and amortization expense	17,491,293
	$ 519,953,210
	365
	$ 1,424,529
Days cash on hand	151.72