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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)	OMB No 1545-0047 <div> <div>2012</div> <div>Open to Public Inspection</div> </div>
	▶ The organization may have to use a copy of this return to satisfy state reporting requirements	

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

B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization MARCUS DALY MEMORIAL HOSPITAL		D Employer identification number 81-0240726
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) 1200 WESTWOOD DRIVE	Room/suite	E Telephone number (406) 375-4609
	City or town, state or country, and ZIP + 4 HAMILTON, MT 59840		G Gross receipts \$ 54,099,514
	F Name and address of principal officer JOHN M BARTOS 1200 WESTWOOD DRIVE HAMILTON, MT 59840		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀(Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
J Website: ▶ WWW.MDMH.ORG			

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities OUR COMMITMENT TO THE BITTERROOT VALLEY IS QUALITY, ACCESSIBLE, PERSONALIZED HEALTHCARE		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	11
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	6
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	577
	6 Total number of volunteers (estimate if necessary)	6	90
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
7b Net unrelated business taxable income from Form 990-T, line 34	7b	0	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	115,352	159,689
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	51,546,346	53,603,950
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	15,311	-78,746
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	194,464	125,118
		51,871,473	53,810,011
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	76,726	71,106
	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)	28,395,994	31,423,605
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) <input checked="" type="checkbox"/> 216,283		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	23,871,665	23,414,247
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	52,344,385	54,908,958
	19 Revenue less expenses Subtract line 18 from line 12	-472,912	-1,098,947
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	49,935,753	55,319,551
	21 Total liabilities (Part X, line 26)	23,861,018	29,790,802
	22 Net assets or fund balances Subtract line 21 from line 20	26,074,735	25,528,749

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			2014-05-01 Date	
	JOHN M BARTOS CEO, SECRETARY AND TREASURER Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name DARRYN MCGARVEY		Preparer's signature		Date
	Firm's name ▶ CLIFTONLARSONALLEN LLP			Check <input type="checkbox"/> if self-employed	PTIN P00958683
	Firm's address ▶ 220 SOUTH SIXTH STREET SUITE 300 MINNEAPOLIS, MN 55402			Firm's EIN ▶ 41-0746749 Phone no (612) 376-4500	

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

OUR COMMITMENT TO THE BITTERROOT VALLEY IS QUALITY, ACCESSIBLE, PERSONALIZED HEALTHCARE

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 \$ 46,190,989 including grants of \$ 71,106) (Revenue \$ 53,603,950)

MARCUS DALY MEMORIAL HOSPITAL CORPORATION OWNS AND OPERATES A 48 LICENSED BED ACUTE CARE CRITICAL ACCESS HOSPITAL WITH 25 BEDS SETUP THE HOSPITAL PROVIDES ACUTE CARE SERVICES TO PATIENTS IN RAVALLI COUNTY THE SERVICES PROVIDED INCLUDE ACUTE CARE HOSPITAL, RELATED ANCILLARY SERVICES SUCH AS LABORATORY, RADIOLOGY AND THERAPY INPATIENT AND OUTPATIENT SURGERY, EMERGENCY CARE, AMBULANCE, HOME HEALTH, CLINIC, AND INPATIENT AND OUTPATIENT HOSPICE CARE THE HOSPITAL PROVIDES EMS SERVICES WITH 3 CREWS PROVIDING 911 SERVICE TO THE COUNTY THE GOAL IS TO RESPOND WITHIN 20 MINUTES OR LESS TO ANY CALL WITHIN THE COUNTY THE HOSPITAL IS THE ONLY PEDIATRIC REHABILITATION PROVIDER OF PHYSICAL THERAPY, OCCUPATIONAL THERAPY AND SPEECH THERAPY IN WESTERN MONTANA USING CERTIFIED THERAPISTS THE HOSPITAL CLINICS SEE ALL PATIENTS REGARDLESS OF INSURANCE OR ABILITY TO PAY AND ENABLE THE COMMUNITY ACCESS TO PRIMARY CARE

4b

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

4c

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

4d

Other program services (Describe in Schedule O)


















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

4e

Total program service expenses ▶ 46,190,989

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	72	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c			
2a		577	
2b			No
3a			No
3b			
4a			No
b			
5a			No
5b			No
5c			
6a			No
6b			
7 Organizations that may receive deductible contributions under section 170(c).			
7a			No
7b			
7c			No
7d			
7e			No
7f			No
7g			
7h			
8			
9 Sponsoring organizations maintaining donor advised funds.			
9a			
9b			
10 Section 501(c)(7) organizations. Enter			
10a			
10b			
11 Section 501(c)(12) organizations. Enter			
11a			
11b			
12a			
12b			
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
13a			
13b			
13c			
14a			No
14b			

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	11	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	6	
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	
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input checked="" type="checkbox"/> Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization DONJA ERDMAN 1200 WESTWOOD DRIVE HAMILTON, MT (406) 375-4609	

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) DON LODMELL PHD CHAIRMAN	2 00	X		X				0	0	0
(2) BILL BEAN VICE CHAIR	2 00	X		X				0	0	0
(3) BARBARA ACKERMAN BOARD MEMBER	2 00	X						0	0	0
(4) WALKER ASHCRAFT MD BOARD MEMBER/PHYSICIAN	40 00	X						133,923	0	23,031
(5) GARY BEDEY BOARD MEMBER	2 00	X						0	0	0
(6) SUSANNAH BENJAMIN BOARD MEMBER	2 00	X						0	0	0
(7) DONNA COONEY BOARD MEMBER	2 00	X						0	0	0
(8) FREDERICK ILGENFRITZ MD BOARD MEMBER/PHYSICIAN	40 00	X						248,881	0	11,800
(9) BRIAN KELLEHER MD BOARD MEMBER/PHYSICIAN	40 00	X						208,876	0	0
(10) JAMES OWINGS CPA BOARD MEMBER	2 00	X						0	0	0
(11) RANDY STEWART MD BOARD MEMBER/PHYSICIAN	3 00	X						61,548	0	0
(12) STEVEN ELLIS MD BOARD MEMBER THRU OCT 2010	2 00	X						0	0	0
(13) SONNY LASALLE BOARD CHAIR THRU OCT 2010	2 00	X		X				0	0	0
(14) JOHN M BARTOS CEO/SECRETARY/TREASURER	39 00 1 00			X				297,133	0	36,347
(15) DONJA C ERDMAN CFO	39 00 1 00			X				123,565	0	26,097
(16) JOHN MORELAND MD CHIEF MEDICAL OFFICER	40 00			X				275,072	0	38,991
(17) JEREMIAH CLINTON MD PHYSICIAN	40 00					X		441,891	0	26,567

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	2,883,718	0	266,803

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 31

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3	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? <i>If "Yes," complete Schedule J for such individual</i>	4	Yes
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	5	No

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
QUALITY CONSTRUCTION INC PO BOX 4746 MISSOULA MT 59806	GENERAL CONTRACTOR FEES	781,462
OZ ARCHITECTS 5310 NORTH HIGGINS AVE A MISSOULA MT 59806	ARCHITECTUAL FEES	557,105
ALLIANCE HEALTHCARE SERVICES FILE 55826 LOS ANGELES CA 90074	MRI IMAGING	550,798
HEALTHCARE OUTSOURCING NETWORK LLC 621 17TH ST 1800 DENVER CO 80293	BUSINESS SERVICES PROVIDER	514,028
CERNER CORPORATION PO BOX 412072 KANSAS CITY MO 64141	BUSINESS SERVICES PROVIDER	387,195
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 ▶16		

Part VIII

Statement of Revenue

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

			(A)	(B)	(C)	(D)
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . . 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations . . . 1d				
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	159,689			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f	159,689			
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code			
			621400	51,565,492	51,565,492	
		b HOSPITAL UTILZTN REV	621400	1,268,604	1,268,604	
		c OTHER OPERATING INCOME	621400	769,854	769,854	
		d				
		e				
		f All other program service revenue				
	g	Total. Add lines 2a-2f	53,603,950			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	12,672			12,672
	4	Income from investment of tax-exempt bond proceeds . . .	7,234			7,234
	5	Royalties				
	6a	Gross rents	(i) Real	(ii) Personal		
			179,766			
			174,805			
			4,961			
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss)	4,961			4,961
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
				16,046		
				114,698		
				-98,652		
	b	Less cost or other basis and sales expenses				
	c	Gain or (loss)				
	d	Net gain or (loss)	-98,652			-98,652
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a			
	b	Less direct expenses b				
	c	Net income or (loss) from fundraising events . . .				
	9a	Gross income from gaming activities See Part IV, line 19	a			
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities . . .				
	10a	Gross sales of inventory, less returns and allowances	a			
	b	Less cost of goods sold b				
	c	Net income or (loss) from sales of inventory . . .				
	Miscellaneous Revenue		Business Code			
	11a	MISCELLENEOUS	900099	89,470		89,470
	b	EDUCATION	900099	24,639		24,639
	c	CAFETERIA/VENDING	900099	6,048		6,048
	d	All other revenue				
	e	Total. Add lines 11a-11d	120,157			
	12	Total revenue. See Instructions	53,810,011	53,603,950	0	46,372

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.	71,106	71,106		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	1,409,747	954,211	455,536	
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.	23,920,944	19,882,650	3,922,610	115,684
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	886,641	739,836	142,510	4,295
9	Other employee benefits.	3,520,994	2,906,364	598,418	16,212
10	Payroll taxes.	1,685,279	1,315,374	361,529	8,376
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	71,029		71,029	
c	Accounting.	67,832		67,832	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	3,888,407	2,292,479	1,593,761	2,167
12	Advertising and promotion.	119,443	119,443		
13	Office expenses.	3,909,728	3,577,986	330,085	1,657
14	Information technology.	756,808	580,457	176,351	
15	Royalties.				
16	Occupancy.	333,920	318,435	15,485	
17	Travel.	166,937	116,567	50,366	4
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	984,171	791,338	154,266	38,567
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	3,845,520	3,667,463	164,954	13,103
23	Insurance.	886,534	886,534		
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	PROVISION FOR BAD DEBTS	7,180,083	7,180,083		
b	MAINTENANCE AND REPAIRS	671,266	556,770	112,952	1,544
c	MISCELLANEOUS EXPENSES	328,013	37,712	275,627	14,674
d	PHARMACY/LAB EXPENSES	169,440	169,440		
e	All other expenses	35,116	26,741	8,375	
25	Total functional expenses. Add lines 1 through 24e.	54,908,958	46,190,989	8,501,686	216,283
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		7,077,081	1	6,073,256
	2	Savings and temporary cash investments		2,642,542	2	3,398,704
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		9,148,211	4	9,154,138
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		9,261	7	-1,594
	8	Inventories for sale or use		1,198,333	8	1,292,887
	9	Prepaid expenses and deferred charges		371,702	9	422,439
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a57,660,043			
	b	Less accumulated depreciation	10b25,141,952	27,577,068	10c	32,518,091
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		1,452,688	13	2,032,918
	14	Intangible assets		458,867	14	428,712
	15	Other assets See Part IV, line 11			15	
	16	Total assets. Add lines 1 through 15 (must equal line 34)		49,935,753	16	55,319,551
Liabilities	17	Accounts payable and accrued expenses		6,512,071	17	8,586,884
	18	Grants payable			18	
	19	Deferred revenue		719,442	19	352,505
	20	Tax-exempt bond liabilities		8,085,000	20	7,635,000
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		7,425,464	23	10,894,698
	24	Unsecured notes and loans payable to unrelated third parties		426,904	24	166,521
	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		692,137	25	2,155,194
	26	Total liabilities. Add lines 17 through 25		23,861,018	26	29,790,802
Net Assets or Fund Balances		Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.				
	27	Unrestricted net assets		24,190,477	27	23,022,484
	28	Temporarily restricted net assets		900,075	28	1,815,208
	29	Permanently restricted net assets		984,183	29	691,057
		Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		26,074,735	33	25,528,749
	34	Total liabilities and net assets/fund balances		49,935,753	34	55,319,551

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	53,810,011
2	Total expenses (must equal Part IX, column (A), line 25)	2	54,908,958
3	Revenue less expenses Subtract line 2 from line 1	3	-1,098,947
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	26,074,735
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	552,961
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	25,528,749

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization MARCUS DALY MEMORIAL HOSPITAL	Employer identification number 81-0240726
---	--

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)
- | | Yes | No |
|----------|-----|----|
| 11g(i) | | |
| 11g(ii) | | |
| 11g(iii) | | |
- | (i) Name of supported organization | (ii) EIN | (iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions)) | (iv) Is the organization in col (i) listed in your governing document? | | (v) Did you notify the organization in col (i) of your support? | | (vi) Is the organization in col (i) organized in the U S ? | | (vii) Amount of monetary support |
|------------------------------------|----------|--|--|----|---|----|--|----|----------------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

Part II

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

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

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

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

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

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

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number
81-0240726

Part I

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

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

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes☐ No

6

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

7

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

8

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

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

(i)

Revenues included in Form 990, Part VIII, line 1

▶\$ _____

(ii)

Assets included in Form 990, Part X

▶\$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶\$ _____

b

Assets included in Form 990, Part X

▶\$ _____

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

Cat No 52283D

Schedule D (Form 990) 2012

Part III

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

3

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

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

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

☐

Part V

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	313,190	313,190	313,190	313,190	313,190
b Contributions					
c Net investment earnings, gains, and losses	2,665	1,997	3,160	4,071	
d Grants or scholarships					
e Other expenditures for facilities and programs	2,665	1,997	3,160	4,071	
f Administrative expenses					
g End of year balance	313,190	313,190	313,190	313,190	313,190

2

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

a

Board designated or quasi-endowment ▶ 0 %

b

Permanent endowment ▶ 100 000 %

c

Temporarily restricted endowment ▶ 0 %

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

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,637,827		1,637,827
b Buildings		37,163,469	13,578,580	23,584,889
c Leasehold improvements		737,267	493,027	244,240
d Equipment		15,898,604	11,070,345	4,828,259
e Other		2,222,876		2,222,876
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) ▶				32,518,091

Schedule D (Form 990) 2012

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	46,438,684
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	-7,180,083
e	Add lines 2a through 2d	2e	-7,180,083
3	Subtract line 2e from line 1	3	53,618,767
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	191,244
c	Add lines 4a and 4b	4c	191,244
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	53,810,011

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	47,880,832
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII)	2d	151,957
e	Add lines 2a through 2d	2e	151,957
3	Subtract line 2e from line 1	3	47,728,875
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	7,180,083
c	Add lines 4a and 4b	4c	7,180,083
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	54,908,958

Part XIII

Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	THE ENDOWMENT FUND IS DESIGNATED FOR THE PURPOSE OF BUILDING AND CARRYING ON A HOSPITAL IN HAMILTON, MONTANA. THE EVANS ENDOWMENT IS TO BE USED FOR THE CARE AND TREATMENT OF CRIPPLED CHILDREN.
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	PER THE AUDITED FINANCIAL STATEMENTS, NOTE 1, THE INTERNAL REVENUE SERVICE (IRS) HAS DETERMINED THAT MARCUS DALY MEMORIAL HOSPITAL IS A TAX-EXEMPT, NOT-FOR-PROFIT CORPORATION UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE (IRC). THE HOSPITAL FOLLOWS THE GUIDANCE IN THE ACCOUNTING STANDARDS REGARDING THE RECOGNITION AND MEASUREMENT OF UNCERTAIN TAX POSITIONS. THE GUIDANCE CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN AN ENTITY'S FINANCIAL STATEMENTS. THE GUIDANCE FURTHER PRESCRIBES RECOGNITION AND MEASUREMENT OF TAX PROVISIONS TAKEN OR EXPECTED TO BE TAKEN ON A TAX RETURN THAT ARE NOT CERTAIN TO BE REALIZED. THE APPLICATION OF THIS STANDARD HAS NO IMPACT ON THE HOSPITAL'S FINANCIAL STATEMENTS. THE HOSPITAL'S INCOME TAX RETURNS ARE SUBJECT TO REVIEW AND EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES. THE INFORMATION TAX RETURNS FOR THE YEARS ENDED 2010 TO 2012 ARE OPEN TO EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES.
PART XI, LINE 2D - OTHER ADJUSTMENTS		PROVISION FOR UNCOLLECTIBLE ACCOUNTS -7,180,083
PART XI, LINE 4B - OTHER ADJUSTMENTS		INTEREST REVENUE 19,906 UNRESTRICTED CONTRIBUTIONS 36,038 OTHER NONOPERATING REVENUE 163,606 TEMPORARILY RESTRICTED CONTRIBUTIONS 123,651 RENTAL EXPENSES -151,957
PART XII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 151,957
PART XII, LINE 4B - OTHER ADJUSTMENTS		PROVISION FOR UNCOLLECTIBLE ACCOUNTS 7,180,083

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
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number
81-0240726

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)	2	346	737,080		737,080	1 540 %
b Medicaid (from Worksheet 3, column a)			4,492,557	3,067,240	1,425,317	2 990 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs	2	346	5,229,637	3,067,240	2,162,397	4 530 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			431,921		431,921	0 900 %
f Health professions education (from Worksheet 5)			137,727		137,727	0 290 %
g Subsidized health services (from Worksheet 6)			2,884,532	1,650,817	1,233,715	2 580 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			66,784		66,784	0 140 %
j Total. Other Benefits			3,520,964	1,650,817	1,870,147	3 910 %
k Total. Add lines 7d and 7j	2	346	8,750,601	4,718,057	4,032,544	8 440 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development			7,030		7,030	0.010 %
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building			1,448		1,448	0 %
7Community health improvement advocacy						
8Workforce development			201,660		201,660	0.420 %
9Other						
10Total			210,138		210,138	0.430 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

7,180,083

3

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

3

0

4

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

Section B. Medicare

5

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

5

15,392,126

6

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

6

16,115,432

7

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

7

-723,306

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 IVManagement Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	MARCUS DALY MEMORIAL HOSPITAL 1200 WESTWOOD DRIVE HAMILTON, MT 59840	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)

MARCUS DALY MEMORIAL HOSPITAL

Name of hospital facility or facility reporting group

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

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply) a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility b <input checked="" type="checkbox"/> Demographics of the community c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input checked="" type="checkbox"/> How data was obtained e <input checked="" type="checkbox"/> The health needs of the community f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	Yes	
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>			
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		No
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input checked="" type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	Yes	
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date) a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA b <input checked="" type="checkbox"/> Execution of the implementation strategy c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input checked="" type="checkbox"/> Prioritization of health needs in its community h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____			

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>100 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a <input checked="" type="checkbox"/> Income level			
b <input checked="" type="checkbox"/> Asset level			
c <input checked="" type="checkbox"/> Medical indigency			
d <input checked="" type="checkbox"/> Insurance status			
e <input checked="" type="checkbox"/> Uninsured discount			
f <input checked="" type="checkbox"/> Medicaid/Medicare			
g <input checked="" type="checkbox"/> State regulation			
h <input type="checkbox"/> Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
a <input type="checkbox"/> The policy was posted on the hospital facility's website			
b <input checked="" type="checkbox"/> The policy was attached to billing invoices			
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
f <input checked="" type="checkbox"/> The policy was available upon request			
g <input type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?		17	No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

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

☐

Notified individuals of the financial assistance policy on admission
- b

☐

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

☒

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

☒

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

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

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

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

Part V

Facility Information (continued)

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

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

5

Name and address	Type of Facility (describe)
1CORVALLIS FAMILY MEDICINE CLINIC 1037 MAIN STREET CORVALLIS, MT 59828	FAMILY PRACTICE CLINIC
2BITTERROOT VALLEY EYE ASSOCIATES 300 N 10TH STREET HAMILTON, MT 59840	OPTICAL SPECIALTY CLINIC
3BITTERROOT CLINIC 1224 MAIN STREET HAMILTON, MT 59840	FAMILY PRACTICE CLINIC
4BITTERROOT VALLEY EYE ASSOCIATES 401 MAIN STREET STEVENSVILLE, MT 59870	OPTICAL SPECIALTY CLINIC
5RAVALLI UROLOGY 1224 MAIN STREET HAMILTON, MT 59840	UROLOGY SPECIALTY CLINIC
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART I, LINE 3C A FAMILY MAY NOT OWN NET ASSETS IN EXCESS OF \$10,000 CURRENT VALUE, INCLUDING A HOME AND ONE OR TWO CARS (IF TWO ADULTS IN FAMILY) OWNERSHIP IN LIVESTOCK, RECREATIONAL VEHICLES AND SIMILAR TYPE ITEMS WILL DISQUALIFY THE FAMILY FROM CHARITY CARE (UNLESS RELATED TO PRIMARY SOURCE OF INCOME AND INCLUDED ON MOST RECENT FEDERAL TAX FILING) A FAMILY MAY NOT OWN GROSS ASSETS (WITHOUT CONSIDERATION OF MORTGAGE OR OTHER LOANS ON PROPERTY) IN EXCESS OF \$200,000
		PART I, LINE 6A A COMMUNITY BENEFIT REPORT FOR FISCAL YEAR 2012 WAS IN THE SPRING 2013 EDITION OF HEALTHLINES, THE NEWSLETTER OF MARCUS DALY MEMORIAL HOSPITAL THE NEWSLETTER WAS DELIVERED TO EVERY MAILING ADDRESS IN RAVALLI COUNTY COVERING APPROXIMATELY 14,300 HOUSEHOLDS AN ADDITIONAL 1,000 COPIES OF THE NEWSLETTER WERE PRINTED FOR GENERAL CIRCULATION

Identifier	ReturnReference	Explanation
		PART I, LINE 7 EXPLANATION OF COSTING METHOD COMMUNITY HEALTH IMPROVEMENT SERVICES, COMMUNITY BENEFIT OPERATIONS, HEALTH PROFESSIONAL EDUCATION, AND CASH AND IN-KIND CONTRIBUTIONS TO COMMUNITY GROUPS ARE REPORTED AT COST GENERAL SUBSIDIZED SERVICES ARE COMPUTED USING THE IRS GUIDELINES OF COST ADJUSTED NET OF PAYMENTS RECEIVED THE MEDICARE COST REPORT WAS USED TO DETERMINE THE TOTAL SUBSIDY FOR THE HOME HEALTH/HOSPICE DEPARTMENTS
		PART I, LINE 7G INCLUDED IN THE SUBSIDIZED HEALTH SERVICES ARE THE FOLLOWING DEPARTMENTS AMBULANCE, HOME HEALTH, HOSPICE CENTER AND HOSPICE OUTPATIENT, HOSPITALIST PROGRAM, AND THE ROCKY MOUNTAIN NEUROLOGY SURGERY CLINIC

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE AMOUNT OF BAD DEBT EXPENSES THAT WAS EXCLUDED FROM THE CALCULATION TO DETERMINE THE NET COMMUNITY BENEFIT EXPENSES AS A PERCENT OF TOTAL EXPENSES WAS \$7,180,083
		PART II THE HOSPITAL PROMOTES THE HEALTH OF THE COMMUNITY BY PARTICIPATION IN BOTH ECONOMIC AND COALITION BUILDING EVENTS THE HOSPITAL PARTNERS WITH LOCAL HIGH SCHOOLS WITH A "JOB SHADOW" PROGRAM THE GOAL IS TO EXPOSE AND PROMOTE THE HEALTH CARE PROFESSION TO AREA YOUTH THE HOSPITAL IS ALSO ACTIVELY INVOLVED IN NUMEROUS COMMUNITY SUPPORT ORGANIZATIONS

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 THE FOLLOWING IS FROM THE "PATIENT RECEIVABLES" PARAGRAPH IN NOTE 1 TO THE HOSPITAL'S FINANCIAL STATEMENTS "PATIENT AND RESIDENT ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IN EVALUATING THE COLLECTIBILITY OF PATIENT AND RESIDENT ACCOUNTS RECEIVABLE, THE HOSPITAL ANALYZES ITS PAST HISTORY AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYOR SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR BAD DEBTS MANAGEMENT REGULARLY REVIEWS DATA ABOUT THESE MAJOR PAYOR SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE HOSPITAL 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 PAYOR HAS NOT YET PAID, OR FOR PAYORS WHO ARE KNOWN TO BE HAVING FINANCIAL DIFFICULTIES THAT MAKE THE REALIZATION OF AMOUNTS DUE UNLIKELY) FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS (WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL), THE HOSPITAL RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES IF NEGOTIATED) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS "THE AMOUNT OF BAD DEBT EXPENSE REPORTED IN PART III, LINE 2 IS CALCULATED AS FOLLOWS PAYMENT ARRANGEMENT 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</p>
		<p>PART III, LINE 8 MDMH HAS A MEDICARE SHORTFALL IN EXCESS OF APPROXIMATELY \$723,000 THE HOSPITAL HAS CRITICAL ACCESS HOSPITAL STATUS AND IS REIMBURSED BY MEDICARE FOR INPATIENT AND OUTPATIENT SERVICES ON A COST BASIS AS DEFINED AND LIMITED BY THE MEDICARE PROGRAM MDMH PROVIDES A SIGNIFICANT RURAL LINK FOR BOTH THE HEALTH AND WELL-BEING OF RAVALLI COUNTY RESIDENTS WE ARE COMMITTED TO LOCAL HEALTHCARE CLOSE TO HOME AND WORK HARD TO EARN AND KEEP THE TRUST OF THE LOCAL COMMUNITY TO ENSURE THAT A VARIETY OF CLINIC, HOSPITAL AND EMERGENCY SERVICES ARE OPEN AND AVAILABLE TO ALL THOSE WITHIN OUR SERVICE AREA WE STRIVE TO OPERATE AT THE HIGHEST LEVEL OF FISCAL RESPONSIBILITY AND TO BE A GOOD STEWARD OF OUR RESOURCES THE MEDICARE ALLOWABLE COSTS INCLUDED IN PART III, LINE 6 WAS DERIVED USING THE 2013 FILED MEDICARE COST REPORT</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 9B IF A PATIENT IS PRESUMED TO BE FINANCIALLY INDIGENT, THE PATIENT REPRESENTATIVE WILL OFFER A PATIENT FINANCIAL STATEMENT (PFS) TO BE FILLED OUT THE PFS WILL BE FORWARDED TO THE PATIENT FINANCIAL ASSISTANCE COMMITTEE FOR REVIEW AND DETERMINATION OF PATIENT FINANCIAL ASSISTANCE STATUS A PATIENT MAY REQUEST A MONTHLY PAYMENT ARRANGMENT A MINIMUM PAYMENT OF \$50 MUST BE PAID MONTHLY, WITH THE BALANCE PAID IN FULL WITHIN 5 YEARS ACCOUNTS THAT CANNOT BE COLLECTED AFTER NORMAL IN-HOUSE COLLECTION PROCEDURES MAY BE REFERRED TO A COLLECTION AGENCY, MAGISTRATE OR ATTORNEY FOR FURTHER COLLECTION ACTION
MARCUS DALY MEMORIAL HOSPITAL		PART V, SECTION B, LINE 3 THOSE ZIP CODES WITH THE GREATEST NUMBER OF ADMISSIONS WERE SELECTED TO BE INCLUDED IN THE SURVEY A RANDOM LIST OF 800 RESIDENTS WAS SELECTED FROM PRIME NET DATA SOURCE ADDITIONALLY, THREE FOCUS GROUPS WERE HELD TO IDENTIFY THE MOTIVES OF LOCAL RESIDENTS WHEN SELECTING HEALTH CARE PROVIDERS NOTICE OF THE SURVEY WAS PLACED IN THE LOCAL NEWSPAPER

Identifier	ReturnReference	Explanation
MARCUS DALY MEMORIAL HOSPITAL		PART V, SECTION B, LINE 5C MDMH'S COMMUNITY HEALTH NEEDS ASSESSMENT WAS AVAILABLE ON THEIR WEBSITE AS OF JANUARY 1, 2104 AT HTTP //WWW MDMH ORG/DOCS/COMMUNITY_HEALTH_NEEDS_ASSESSMENT_REPORT_2012 PDF? SUB=PATIENT%20INFO
MARCUS DALY MEMORIAL HOSPITAL		PART V, SECTION B, LINE 10 ELIGIBILITY FOR PATIENT ASSISTANCE IS MADE REGARDLESS OF RACE, COLOR, CREED, OR AGE COSMETIC OR EXPERIMENTAL PROCEDURES AND CHARGES ARE NOT ELIGIBLE FOR PATIENT FINANCIAL ASSISTANCE FULL TO PARTIAL PATIENT ASSISTANCE MAY BE PROVIDED TO PATIENTS WITH GROSS FAMILY INCOME BELOW 100% OF THE FPG AS ADJUSTED FOR FAMILY SIZE THE FAMILY MAY NOT OWN NET ASSETS IN EXCESS OF \$10,000 OR GROSS ASSETS OVER \$200,000 OTHER CONSIDERATIONS MAY BE A PATIENT'S HEALTHINESS AND THEIR ABILITY TO SEEK OR HOLD EMPLOYMENT SEE PATIENT FINANCIAL ASSISTANCE POLICY FOR DETAILS

Identifier	ReturnReference	Explanation
MARCUS DALY MEMORIAL HOSPITAL		PART V, SECTION B, LINE 11 ELIGIBILITY FOR PATIENT ASSISTANCE IS MADE REGARDLESS OF RACE, COLOR, CREED OR AGE COSMETIC OR EXPERIMENTAL PROCEDURES AND CHARGES ARE NOT ELIGIBLE FOR CHARITY ASSISTANCE FULL TO PARTIAL PATIENT ASSISTANCE MAY BE PROVIDED TO PATIENTS WITH GROSS FAMILY INCOME BELOW 100% OF THE FPG AS ADJUSTED FOR FAMILY SIZE THE FAMILY MAY NOT OWN NET ASSETS IN EXCESS OF \$10,000 OR GROSS ASSETS OVER \$ 200,000 SEE CHARITY CARE POLICY FOR DETAILS
MARCUS DALY MEMORIAL HOSPITAL		PART V, SECTION B, LINE 14G AS OF JANUARY 1, 2014, THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY WAS ALSO POSTED ON THEIR WEBSITE AT HTTP //WWW MDMH ORG/DOCS/CHARITYCAREPOLICY PDF? SUB=patient%20info

Identifier	ReturnReference	Explanation
MARCUS DALY MEMORIAL HOSPITAL		PART V, SECTION B, LINE 20D MDMH DETERMINES AMOUNTS GENERALLY BILLED ("AGB") BASED ON COMMERCIAL PAYORS THE LARGEST COMMERCIAL PAYOR DISCOUNT WAS 20% FOR THE YEAR ENDED JUNE 30, 2013 PATIENT FINANCIAL ASSISTANCE DISCOUNTS RANGE FROM 30% TO 100%, DEPENDING UPON PATIENT ELIGIBILITY
		PART VI, LINE 2 MARCUS DALY MEMORIAL HOSPITAL PARTICIPATED IN THE COMMUNITY HEALTH SERVICES DEVELOPMENT (CHSD) PROJECT ADMINISTRATED BY THE MONTANA OFFICE OF RURAL HEALTH AND THE NATIONAL RURAL HEALTH RESOURCE CENTER (NRHRC) IN DULUTH, MINNESOTA

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 BILLING AND COLLECTION INFORMATION IS LOCATED ON THE BACK OF THE STATEMENT SENT TO PATIENTS ON A MONTHLY BASIS, WE CONTACT BY PHONE REQUESTING PAYMENT AND MAY EXPLAIN POLICIES AT THAT TIME WE UTILIZE THE MASH PROGRAM TO SCREEN PRIVATE PAY PATIENTS TO QUALIFY FOR OTHER PROGRAMS SUCH AS MEDICAID AND DISABILITY
		PART VI, LINE 4 THE HOSPITAL SERVES A RURAL POPULATION WHERE THE HOUSEHOLD MEDIAN INCOME IS ABOUT \$28,000 THE PAYER MIX IS 55% MEDICARE, 9% MEDICAID, 12% SELF PAY, NO INSURANCE, WITH THE BALANCE AT OTHER COMMERCIAL PAYORS THE PERIOD UNEMPLOYMENT RATE HAS RANGED BETWEEN 9 AND 10 2%

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE HOSPITAL IS PROUD OF IT'S EFFORTS TO PROMOTE COMMUNITY HEALTH AND WELLNESS THIS YEAR THE FOCUS WAS ON THE "SPRINKLE PINK" PROGRAM WHICH PROMOTED COMMUNITY AWARENESS AS TO THE IMPORTANCE OF MAMMOGRAPHY SCREENING THE HOSPITAL SPONSORS AN ANNUAL SPORTS PHYSICAL CLINIC TO SUPPORT AND ENCOURAGE AREA YOUTH TO PARTICIPATE IN PHYSICAL ACTIVITIES OTHER COMMUNITY CLINICS OR SCREENINGS INCLUDED BLOOD PRESSURE TESTING AT AREA SENIOR CENTERS, AND LIPID PROFILES AND CHOLESTEROL TESTS PROVIDED TO THE COMMUNITY FREE OF CHARGE A VARIETY OF HEALTH EDUCATION CLASSES WERE CONDUCTED INCLUDING A ONE-DAY WORKSHOP FOCUSED ON WOMEN'S HEART HEALTH
		PART VI, LINE 6 THE ORGANIZATION IS NOT PART OF AN AFFILIATED HEALTH CARE SYSTEM

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	MT

Part III

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

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

Part IV

Supplemental Information.

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE HOSPITAL IS COMMITTED TO SUPPORT THE HEALTH AND WELL-BEING OF AREA SCHOOL AGED CHILDREN BY PROVIDING FUNDING GRANTS RESTRICTED TO THE DISTRICT'S SCHOOL NURSE PROGRAM THE HOSPITAL HAS ALSO COMMITTED TO SUPPORT STUDENT ATHLETICS BY PROVIDING A VOLUNTEER BASED, LOW-COST SPORTS PHYSICAL CLINIC DURING THE SUMMER THE PROCEEDS ARE GIVEN TO THE PARTICIPATING STUDENTS' HOME DISTRICT TO SUPPORT THE DISTRICT'S ATHLETIC PROGRAMS OTHER COMMUNITY ORGANIZATIONS MAY SUBMIT A GRANT PROPOSAL DIRECTLY TO THE HOSPITAL CEO FOR CONSIDERATION THE REQUESTS ARE EVALUATED BASED UPON BROAD BASED COMMUNITY SUPPORT AND THE URGENCY OF NEED

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
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number
81-0240726

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. <div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input checked="" type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>			
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		No
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		No
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. <div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>			
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: <div><div>a Receive a severance payment or change-of-control payment?</div><div>b Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div><div>c Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.	4a		No
		4b		No
		4c		No
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of: <div><div>a The organization?</div><div>b Any related organization?</div></div> If "Yes," to line 5a or 5b, describe in Part III	5a		No
		5b		No
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of: <div><div>a The organization?</div><div>b Any related organization?</div></div> If "Yes," to line 6a or 6b, describe in Part III	6a		No
		6b		No
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

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

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

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

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

Part III **Supplemental Information**

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

Identifier	Return Reference	Explanation
	PART I, LINE 1B	THE CEO HAS BEEN APPROVED BY THE BOARD OF DIRECTORS TO RECEIVE A MONTHLY \$400 VEHICLE ALLOWANCE

Software ID:
Software Version:
EIN: 81-0240726
Name: MARCUS DALY MEMORIAL HOSPITAL

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				
WALKER ASHCRAFT MD	(i)	133,923	0	0	15,984	7,047	156,954	0
	(ii)	0	0	0	0	0	0	0
FREDERICK ILGENFRITZ MD	(i)	248,881	0	0	10,800	1,000	260,681	0
	(ii)	0	0	0	0	0	0	0
BRIAN KELLEHER MD	(i)	208,876	0	0	0	0	208,876	0
	(ii)	0	0	0	0	0	0	0
JOHN M BARTOS	(i)	292,333	0	4,800	22,500	13,847	333,480	0
	(ii)	0	0	0	0	0	0	0
JOHN MORELAND MD	(i)	275,072	0	0	38,991	0	314,063	0
	(ii)	0	0	0	0	0	0	0
JEREMIAH CLINTON MD	(i)	441,891	0	0	18,458	8,109	468,458	0
	(ii)	0	0	0	0	0	0	0
FRANK MCHUGH MD	(i)	316,384	0	0	17,000	333	333,717	0
	(ii)	0	0	0	0	0	0	0
MATTHEW MUNDING MD	(i)	248,261	0	0	34,000	8,109	290,370	0
	(ii)	0	0	0	0	0	0	0
JOHN LARAWAY MD	(i)	271,900	0	0	8,400	8,109	288,409	0
	(ii)	0	0	0	0	0	0	0
WILLIAM DOYLE MD	(i)	256,284	0	0	19,045	8,974	284,303	0
	(ii)	0	0	0	0	0	0	0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
MARCUS DALY MEMORIAL HOSPITAL

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

Employer identification number

81-0240726

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 MT HEALTH FACILITY AUTHORITY	81-0302402	612043ED7	01-31-2007	7,068,924	CONSTRUCTION OF A NEW EMERGENCY DEPARTMENT		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	1,300,000							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	7,135,000							
4	Gross proceeds in reserve funds	1,006,262							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	155,264							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	5,973,474							
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2008							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III Private Business Use (Continued)

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

Part IV Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

Identifier	Return Reference	Explanation
SCHEDULE K PART IV, ARBITRAGE, LINE 2C	DATE REBATE COMPUTATION PERFORMED	ISSUER NAME MT HEALTH FACILITY AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 08/01/2011
PART II, LINE 3, PROCEEDS OF ISSUE		THE ISSUE PRICE OF \$7,068,924 (PART I, COLUMN E) DOES NOT EQUAL THE TOTAL PROCEEDS OF ISSUE OF \$7,135,000 (PART II, LINE 3) BECAUSE OF A \$66,076 ORIGINAL ISSUE DISCOUNT

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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

OMB No 1545-0047
2012
Open to Public Inspection

Name of the organization MARCUS DALY MEMORIAL HOSPITAL	Employer identification number 81-0240726
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Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) KATHLEEN OWINGS	SPOUSE OF BOARD MEMBER	105,746	EMPLOYMENT		No

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

Identifier	Return Reference	Explanation
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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 MARCUS DALY MEMORIAL HOSPITAL	Employer identification number 81-0240726
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Identifier	Return Reference	Explanation
NEW PROGRAM SERVICES	FORM 990, PART III, LINE 2	ADDED NEURO SURGERY CLINIC
	FORM 990, PART VI, SECTION B, LINE 11	A REPRESENTATIVE FROM CLIFTONLARSONALLEN WILL BE RESPONSIBLE TO PRESENT THE FORM 990 TO THE HOSPITAL FINANCE COMMITTEE. UPON APPROVAL THE FORM 990 WILL BE PRESENTED TO THE ENTIRE BOARD OF DIRECTORS FOR ACCEPTANCE AND APPROVAL.
	FORM 990, PART VI, SECTION B, LINE 12C	THE HOSPITAL ATTORNEY ATTENDS ALL BOARD MEETINGS AND HE IS GIVEN THE AUTHORITY TO QUESTION, PRIOR TO DISCUSSION, A POTENTIAL CONFLICT OF INTEREST FOR ANY DIRECTOR. THE CEO RAISES A QUESTION REGARDING CONFLICT OF INTEREST. THE HOSPITAL BOARD ASKS THE DIRECTOR TO STEP OUT OF THE ROOM DURING DISCUSSION OF CONFLICT. THE DIRECTOR IS EXCUSED FOR THE DISCUSSION. ONCE A CONFLICT HAS BEEN DETERMINED OR IS INVITED BACK INTO THE ROOM IF NO CONFLICT IS DETERMINED TO EXIST.
	FORM 990, PART VI, SECTION B, LINE 15	CEO - OCCURS ANNUALLY WITH ANNUAL COMPENSATION COMMITTEE OF THE BOARD. THE COMMITTEE REVIEWS SURVEYS FOR COMPARABLE PAY AND BENEFITS. THIS COMMITTEE ALSO CONDUCTS THE ANNUAL EVALUATION OF THE CFO.
	FORM 990, PART VI, SECTION C, LINE 18	IN ADDITION TO BEING AVAILABLE UPON REQUEST, A COPY OF THE FORM 990 IS ALSO AVAILABLE AT WWW.GUIDESTAR.ORG
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY ARE NOT MADE AVAILABLE TO THE PUBLIC. FINANCIAL STATEMENTS ARE MADE AVAILABLE TO THE PUBLIC UPON REQUEST.
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	CHANGE IN BENEFICIAL INTEREST IN NET ASSETS OF DALY HOSPITAL FOUNDATION 580,230. AUXILIARY -27,269.

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
MARCUS DALY MEMORIAL HOSPITAL

Employer identification number
81-0240726

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) DALY HOSPITAL FOUNDATIONINC 1200 WESTWOOD DRIVE HAMILTON, MT 59840 36-3766000	CHARITABLE SERVICES	MT	501(C)(3)	11-TYPE 2	N/A		No

Part III

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

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

Part IV

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

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

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

No

1b

No

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

Yes

1m

Yes

1n

Yes

1o

Yes

1p

No

1q

No

1r

No

1s

No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

Schedule R (Form 990) 2012

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

[illegible]

Software ID:
Software Version:
EIN: 81-0240726
Name: MARCUS DALY MEMORIAL HOSPITAL

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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MARCUS DALY MEMORIAL HOSPITAL CORPORATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

**MARCUS DALY MEMORIAL HOSPITAL CORPORATION
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YEARS ENDED JUNE 30, 2013 AND 2012**

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CliftonLarsonAllen LLP
CLAAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Marcus Daly Memorial Hospital Corporation
Hamilton, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Marcus Daly Memorial Hospital Corporation (a nonprofit organization) which comprise the balance sheets as of June 30, 2013 and 2012, and the related 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 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 financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marcus Daly Memorial Hospital as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2013, on our consideration of Marcus Daly Memorial Hospital' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marcus Daly Memorial Hospital' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 21, 2013

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
BALANCE SHEETS
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,627,586	\$ 7,077,081
Assets Limited as to Use Required for Current Liabilities	1,115,923	997,854
Patient Accounts, Net Allowance for Uncollectible		
Accounts of \$6,693,000 in 2013 and \$7,430,000 in 2012	8,922,395	8,863,791
Other Receivables	141,743	164,420
Inventory	1,292,887	1,198,333
Prepaid Expenses	<u>422,439</u>	<u>371,702</u>
Total Current Assets	18,522,973	18,673,181
ASSETS LIMITED AS TO USE	2,825,019	2,642,542
Less Assets Limited as to Use Required for Current Liabilities	<u>(1,115,923)</u>	<u>(997,854)</u>
Total Assets Limited as to Use, Net	1,709,096	1,644,688
PROPERTY AND EQUIPMENT, NET	32,518,091	27,577,068
BENEFICIAL INTEREST IN DALY HOSPITAL FOUNDATION, INC.	2,032,918	1,452,688
OTHER ASSETS	<u>536,473</u>	<u>588,128</u>
Total Assets	<u>\$ 55,319,551</u>	<u>\$ 49,935,753</u>

See accompanying Notes to Financial Statements

	2013	2012
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 970,801	\$ 844,098
Line of Credit	166,521	426,904
Accounts Payable	3,755,714	2,175,983
Construction Accounts Payable	932,339	1,474,958
Accrued Compensation and Related Liabilities	3,141,769	2,106,042
Accrued Interest	145,122	153,756
Deferred Revenue, Current Portion	611,940	601,332
Estimated Third-Party Payor Settlements	2,155,194	692,137
Total Current Liabilities	11,879,400	8,475,210
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	17,558,897	14,666,366
Deferred Revenue	352,505	719,442
Total Long-Term Liabilities	17,911,402	15,385,808
Total Liabilities	29,790,802	23,861,018
CONTINGENT LIABILITIES AND COMMITMENTS		
NET ASSETS		
Unrestricted	23,022,484	24,190,477
Temporarily Restricted	1,815,208	900,075
Permanently Restricted	691,057	984,183
Total Net Assets	25,528,749	26,074,735
Total Liabilities and Net Assets	\$ 55,319,551	\$ 49,935,753

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Net Patient Service Revenue (Net of Contractual Allowances and Discounts)	\$ 51,565,492	\$ 49,263,153
Provision for Uncollectible Accounts	<u>(7,180,083)</u>	<u>(6,679,689)</u>
Net Patient Service Revenue Less Provision for Uncollectible Accounts	44,385,409	42,583,464
Montana Hospital Utilization Revenue	1,268,604	1,410,190
Other Operating Revenue	<u>784,671</u>	<u>1,076,464</u>
Total Operating Revenues	46,438,684	45,070,118
OPERATING EXPENSES		
Salaries and Wages	25,259,162	22,456,026
Employee Benefits	6,163,808	5,941,021
Professional Fees	1,623,568	2,221,802
Supplies	3,880,778	4,537,565
Purchased Services, Other	2,048,518	2,021,382
Purchased Services, Utilities	730,907	685,920
Insurance	886,534	922,290
Other	1,131,876	1,158,318
Maintenance and Repairs	1,174,033	1,130,613
Rent	151,957	164,870
Interest	984,171	804,657
Depreciation and Amortization	<u>3,845,520</u>	<u>3,785,102</u>
Total Operating Expenses	47,880,832	45,829,566
LOSS FROM OPERATIONS	(1,442,148)	(759,448)
NONOPERATING GAINS (LOSSES)		
Interest Revenue	19,906	45,598
Grants and Contributions	36,038	26,424
Loss from Refinancing of Long-Term Debt	-	(18,357)
Other Nonoperating Revenue	<u>163,606</u>	<u>143,946</u>
Total Nonoperating Gains, Net	219,550	197,611
DEFICIT OF REVENUES OVER EXPENSES	(1,222,598)	(561,837)
NET ASSETS RELEASED FROM RESTRICTIONS	<u>54,605</u>	<u>29,182</u>
DECREASE IN UNRESTRICTED NET ASSETS	<u>\$ (1,167,993)</u>	<u>\$ (532,655)</u>

See accompanying Notes to Financial Statements

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
Deficit of Revenues Over Expenses	\$ (1,222,598)	\$ (561,837)
Net Assets Released from Restrictions	<u>54,605</u>	<u>29,182</u>
Decrease in Unrestricted Net Assets	(1,167,993)	(532,655)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions and Grants	123,651	88,928
Auxiliary Income (Loss)	(27,269)	13,712
Net Assets Released from Restrictions	(54,605)	(29,182)
Change in Beneficial Interest in Net Assets of Daly Hospital Foundation, Inc	<u>873,356</u>	<u>83,372</u>
Increase in Temporarily Restricted Net Assets	915,133	156,830
PERMANENTLY RESTRICTED NET ASSETS		
Change in Beneficial Interest in Net Assets of Daly Hospital Foundation, Inc	<u>(293,126)</u>	<u>540</u>
DECREASE IN NET ASSETS	(545,986)	(375,285)
Net Assets - Beginning of Year	<u>26,074,735</u>	<u>26,450,020</u>
NET ASSETS - END OF YEAR	<u><u>\$ 25,528,749</u></u>	<u><u>\$ 26,074,735</u></u>

See accompanying Notes to Financial Statements

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (545,986)	\$ (375,285)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	3,845,520	3,785,102
Provision for Bad Debts	7,180,083	6,679,689
Loss on Refinancing of Long-Term Debt	-	18,357
Loss on Disposal of Assets	98,652	30,287
Decrease in Assets		
Accounts Receivable	(7,238,687)	(4,540,347)
Inventory, Prepaid Expenses and Other	(141,970)	(172,185)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	2,606,824	382,369
Estimated Third-Party Payor Settlements	1,463,057	(126,973)
Deferred Revenue	(356,329)	1,320,774
Net Cash Provided by Operating Activities	<u>6,911,164</u>	<u>7,001,788</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(9,354,397)	(4,076,476)
Payment of Deferred Financing Costs	(2,406)	(112,894)
Increase in Assets Limited as to Use	(762,707)	(134,168)
Net Cash Used by Investing Activities	<u>(10,119,510)</u>	<u>(4,323,538)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Long-Term Debt	3,911,932	2,403,395
Principal Payments on Long-Term Debt	(892,698)	(959,443)
Payment on Line of Credit	(260,383)	(173,096)
Net Cash Provided by Financing Activities	<u>2,758,851</u>	<u>1,270,856</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(449,495)	3,949,106
Cash and Cash Equivalents - Beginning of Year	<u>7,077,081</u>	<u>3,127,975</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 6,627,586</u></u>	<u><u>\$ 7,077,081</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments for Interest	<u><u>\$ 1,074,860</u></u>	<u><u>\$ 831,013</u></u>

See accompanying Notes to Financial Statements

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Marcus Daly Memorial Hospital Corporation (Hospital) owns and operates a 48 licensed bed acute care hospital with 25 beds in operation. The Hospital provides acute care services to patients in the Ravalli County market. The services provided include acute care hospital, inpatient and outpatient surgery, emergency care, ambulance, home health, clinic, transitional care, inpatient and outpatient hospice care, and the related ancillary procedures (lab, x-ray, therapy, etc.) associated with those services.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. For purposes of reporting cash flows, cash includes cash on hand, cash in banks, cash held in escrow and certificates of deposit.

Investments

Investments in equity with readily determinable fair values and investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the deficit of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the deficit of revenues over expenses unless the investments are trading securities.

Assets Limited as to Use

Assets limited as to use include assets held for future debt service payments, assets designated by the board of directors for future purchases of property and equipment, and temporarily and permanently restricted by grantor or donor.

Property and Equipment, Net

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

Deferred financing costs are legal, accounting, underwriting fees, printing costs, and other expenses associated with the issuance of long-term debt and are being amortized over the term of the debt

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital 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 Hospital in perpetuity.

Temporarily and permanently restricted funds consist of an endowment fund whose income is used for building and hospital operations, monies to be used for pediatrics, monies held due to a bond indenture, a money reserve in accordance with the state's workers' compensation plan, and the Marcus Daly Hospital Auxiliary (Auxiliary). The Auxiliary's Directors control the funds, but it is not set up as a separate entity. Therefore, the Auxiliary's equity is reported as temporarily restricted.

Due to the Hospital's beneficial interest in Daly Hospital Foundation, Inc. (Foundation), the net assets of the Foundation are also shown as temporarily and permanently restricted net assets. Temporarily restricted net assets related to the Foundation are \$1,655,051 and \$781,695 and permanently restricted net assets related to the Foundation are \$377,867 and \$670,993 as of June 30, 2013 and 2012, respectively.

Deficit of Revenues over Expenses

The statement of operations includes deficit of revenues over expenses. Changes in unrestricted net assets which are excluded from deficit of revenues over expenses, consistent with industry practice, include contributions for capital and other long-term purposes.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide payments to the Hospital 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 the final settlements are determined.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable

Patient and resident accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of patient and resident accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital 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 payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Hospital's allowance for doubtful accounts for self-pay patients decreased from 70% of self-pay accounts receivable at June 30, 2012, to 68% of self-pay accounts receivable at June 30, 2013. The Hospital's self-pay write-offs did increase approximately \$3,700,000 from approximately \$4,200,000 for fiscal year 2012 to approximately \$7,900,000 for fiscal year 2013. The decrease in the allowance for doubtful accounts was the result of a cleanup of older balances in fiscal year 2013 and more current balances. The Hospital has not changed its charity care or uninsured discount policies during fiscal years 2012 or 2013. The Hospital does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Montana Hospital Utilization Revenue

The Hospital received hospital utilization fee matching funds from the Montana Department of Public Health & Human Services to maintain, expand and/or provide services to Medicaid eligible hospital patients.

Inventories

Inventories, consisting of pharmaceutical, medical-surgical, and other supplies used in the operation of the Hospital are stated at the lower of cost (first-in, first-out method) or market.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Unrestricted contributions are included in other income. Contributions restricted by the donors for specific purposes are reported as either temporarily or permanently restricted support. As donor-restricted funds are used for operating expenses, such funds are transferred to the unrestricted net assets and reported in the statements of operations as net assets released from restrictions.

Fair Value of Financial Instruments

The Hospital adopted accounting standards regarding the fair value measurement of financial assets and liabilities. Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Hospital emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Hospital has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 2 inputs include the beneficial interest in the foundation. The Hospital does not have any securities that are valued using Level 1 or Level 3 inputs.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

The Internal Revenue Service (IRS) has determined that Marcus Daly Memorial Hospital is a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code (IRC)

The Hospital follows the guidance in the accounting standards regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Hospital's financial statements.

The Hospital's income tax returns are subject to review and examination by federal, state, and local authorities. The information tax returns for the years ended 2009 to 2011 are open to examination by federal, local, and state authorities.

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform with the current year basis of presentation. These reclassifications had no effect on the overall net assets of the Hospital.

Subsequent Events

In preparing the financial statements, the Hospital has considered events and transactions that have occurred through October 21, 2013, the date in which the financial statements were available to be issued.

NOTE 2 BENEFICIAL INTEREST IN DALY HOSPITAL FOUNDATION, INC.

The Hospital's beneficial interest in the unrestricted and temporarily restricted net assets of the Foundation and its share of the change in those net assets are reported in the financial statements as temporarily restricted net assets. The Hospital's beneficial interest in permanently restricted net assets of the Foundation and its share of changes therein are reported in the financial statements as permanently restricted net assets.

Transfers the Hospital receives from the Foundation are reported in the financial statements as a reduction in the beneficial interest in the Foundation.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible health care organizations that demonstrate meaningful use of certified EHR technology. The incentive payments for Critical Access Hospital are made based on actual costs incurred to attain meaningful use and are contingent on the Hospital continuing to meet the escalating meaningful use criteria. For the first payment year, the Hospital must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period. For the subsequent payment year, the Hospital must demonstrate meaningful use for the entire year. The incentive payments for Critical Access Hospitals are made in one lump sum.

The Hospital demonstrated meaningful use for a continuous 90-day period during the year ended June 30, 2012. The Hospital received its tentative incentive payment of approximately \$2,247,000 based on actual costs incurred to attain meaningful use during fiscal year 2012. Additional payments of approximately \$445,000 were received in fiscal year 2013. A portion of the revenue has been recognized as other operating revenue in the statements of operations. Since the Hospital is subject to cost-based reimbursement from Medicare, it has elected to defer the remaining portion of meaningful use revenue to offset the future decreased reimbursement from Medicare related to the capital acquisition costs. These amounts are reported as Deferred Revenue on the balance sheets. The final amount of this payment will be determined based on information from the Hospital's Medicare cost report for the year ended June 30, 2012. Events could occur that would cause the final payment to differ materially upon final settlement. Therefore, the Hospital has recorded an allowance for possible settlements that could have an impact on the final incentive payment.

NOTE 4 NET PATIENT SERVICE REVENUE

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

Medicare

The Hospital has critical access hospital status and is reimbursed by Medicare for inpatient and outpatient services on a cost basis as defined and limited by the Medicare program. The Medicare program's administrative procedures preclude final determination of amounts due to the Hospital for such services until three years after the Hospital's cost reports are audited or otherwise reviewed and settled upon by the Medicare intermediary.

The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through the year ended June 30, 2011. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by the peer review organization under contract with the Hospital.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 4 NET PATIENT SERVICE REVENUE (CONTINUED)

Montana Medicaid

Medicaid reimbursement for inpatient acute care services and outpatient services are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after the submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled upon by Medicaid through the year ended June 30, 2010.

Montana State Bed Tax

During calendar 2003, the Montana State Legislature passed an act imposing a utilization fee on hospital facilities for inpatient bed days, and authorized the State Department of Revenue to collect and deposit fees in a state special revenue account for funding increases in Medicaid payments to Montana hospitals (the Montana State Bed Tax). The state special revenue account received an appropriation from a federal special revenue fund to match the state special revenue collected through the utilization fee, thereby providing increased Medicaid reimbursement for Montana hospitals.

The total utilization fees paid by the Hospital for the fiscal years ended June 30, 2013 and 2012 amounted to \$218,600 and \$208,650, respectively, and are included in other direct expenses in the statement of operations. The increased Medicaid payments received by the Hospital from the state special revenue amounted to \$1,268,604 and \$1,410,190 for the fiscal years ended June 30, 2013 and 2012, respectively, and are included in net patient service revenues in the statements of operations. Thus the net impact of the Montana State Bed Tax on the changes in net assets in the accompanying statements of operations was \$1,050,004 and \$1,201,540 for the years ended June 30, 2013 and 2012, respectively.

Net revenue from the Medicare and Medicaid programs accounted for approximately 41% and 7%, respectively, of the Hospital's net patient revenue for the year ended 2013, and 35% and 10%, respectively, of the Hospital's net patient revenue for the year ended 2012. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2013 and 2012 net patient service revenue decreased by approximately \$0- and \$155,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated.

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

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 4 NET PATIENT SERVICE REVENUE (CONTINUED)

A summary of patient revenue and contractual adjustments for the years ended June 30, 2013 and 2012 are as follows

	<u>2013</u>	<u>2012</u>
Net Patient Service Revenue (Net of Contractual Allowances and Discounts) From		
Third-Party Payors	\$ 40,797,165	\$ 39,672,977
Uninsured Patients	10,768,327	9,590,176
	<u>51,565,492</u>	<u>49,263,153</u>
Provision for Bad Debts	<u>(7,180,083)</u>	<u>(6,679,689)</u>
Net Patient Service Revenue Less Provision for Bad Debts	<u>\$ 44,385,409</u>	<u>\$ 42,583,464</u>

NOTE 5 ASSETS LIMITED AS TO USE

The composition of assets limited as to use at June 30, 2013 and 2012 is set forth in the following table. Investments are stated at fair value.

	<u>2013</u>	<u>2012</u>
Principal of Permanently Restricted Donations	\$ 313,190	\$ 313,190
Held by Trustee for Debt Service	1,481,505	1,478,768
Temporarily Restricted Donations	1,007,219	800,210
Auxiliary Funds	23,105	50,374
Total Assets Limited as to Use	<u>\$ 2,825,019</u>	<u>\$ 2,642,542</u>

The carrying value includes cash and cash equivalents and certificates of deposit at June 30, 2013 and 2012 and is set forth in the following table.

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 1,692,395	\$ 902,039
Certificates of Deposit	1,132,624	1,740,503
Total	<u>\$ 2,825,019</u>	<u>\$ 2,642,542</u>

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 6 PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2013 and 2012 follows

	2013	2012
Land	\$ 1,637,827	\$ 1,462,528
Land Improvements	737,267	695,752
Buildings	37,163,469	31,234,942
Fixed Equipment	915,660	1,104,976
Major Moveable Equipment	14,982,944	15,557,341
Construction in Progress	2,222,876	2,228,351
Total Property and Equipment	57,660,043	52,283,890
Less Accumulated Depreciation	(25,141,952)	(24,706,822)
Property and Equipment, Net	<u>\$ 32,518,091</u>	<u>\$ 27,577,068</u>

During fiscal year 2013, the Hospital capitalized the Boiler Remodel project at an approximate total cost of \$4,694,000, which was funded externally. Other projects capitalized during fiscal year 2013 included phase one of the Bitterroot Physicians' Clinic, which amounted to approximately \$1,303,000, funded externally, and Bitterroot Orthopedics and Sports Medicine, which amounted to approximately \$969,000, funded internally. The amount of interest capitalized during fiscal year 2012 related to these projects was \$82,055.

During fiscal year 2012, the Hospital capitalized the Lab Remodel project at an approximate total cost of \$1,375,000, which was funded externally. The amount of interest capitalized during fiscal year 2012 related to this project was \$13,225. The Hospital also capitalized an Office Remodel project during fiscal year 2012 at an approximate total cost of \$274,000, which was funded internally.

Construction in progress at June 30, 2013 relates to various remodeling projects, including the Intensive Care Unit. The projects are planned to be completed and capitalized in fiscal year 2014. The Intensive Care Unit remodel will have an approximate total cost of \$2,900,000. The projects are in construction in progress and are being financed from a combination of funds from the Farmer's Bank Note Payable and funds obtained from First Security Bank.

Capital Leases – Equipment

The Hospital has entered into a capital lease contract for the use of medical and office equipment, maturing in 2014. The lease is collateralized by the leased equipment with a cost of \$145,447 and accumulated depreciation of \$73,918 and \$59,374 as of June 30, 2013 and 2012, respectively.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 7 CONCENTRATION OF CREDIT RISK

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

	2013	2012
Medicare	30 %	21 %
Medicaid	5	7
Other Third-Party Payors	15	18
Patients	50	54
Total	100 %	100 %

FDIC Coverage

During the year ended June 30, 2013, the Hospital had cash balances in individual financial institutions in excess of FDIC insurance limits.

NOTE 8 OTHER ASSETS

A summary of other assets as of June 30 follows:

	2013	2012
Physician Agreement Receivable	\$ 88,406	\$ 129,261
Deferred Financing Costs	428,712	458,867
Other	19,355	-
Total Other Assets	\$ 536,473	\$ 588,128

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 9 LONG-TERM DEBT

A summary of long-term debt at June 30, 2013 and 2012 follows

<u>Notes Payable</u>	<u>2013</u>	<u>2012</u>
Montana Health Facility Authority Revenue Bonds, dated 2000, due in varying annual principal installments of \$130,000 in 2008, to \$275,000 in 2020, payable August 1st each year plus interest at varying rates from 4 5% to 6 0%, payable February 1 and August 1 of each year	\$ 1,800,000	\$ 1,970,000
Note payable to the Montana Facility Finance Authority, due in monthly installments of \$21,152, including interest at 6 21%, collateralized by a CT Scan	145,033	381,796
Montana Facility Finance Authority Bonds, dated January 1, 2007, due in varying monthly principal installments of \$20,000 to \$42,000, and interest at varying rates from 4 0% to 4 25%, payable monthly beginning February 1, 2007 through July 1, 2027	5,835,000	6,115,000
Real estate note, Ravalli County Bank, Secured by Real Property, Monthly payments of \$3,348 including interest of 6 39% through October 2033	398,166	412,259
Note Payable, Ravalli County Bank, Secured by real property, Monthly payments of \$6,504 including 7% interest until September of 2018	730,689	756,333
Note Payable, Farmers State Bank, Secured by real property, Monthly payments of \$3,351 including 4% interest until May of 2020	236,134	266,359
Promissory Note, First Security Bank of Missoula, Secured by real property, Fixed monthly interest and principal payments of \$3,018, including interest of 6% and a balloon payment of \$424,000 on April 2020	481,801	488,914
Promissory Note, Farmers State Bank, Secured by real property, due in monthly principal installments of \$21,000 through October 2014 and \$21,484 for the remaining term of the loan which is due October 2036, Variable interest rate is at Prime Rate plus three percentage points, Rate can reset once per 36 months, Interest rate was 7% as of 6/30/12	2,714,482	2,773,649
USDA Loan, Farmers State Bank, Secured by real property, Due in monthly principal installments of \$38,245 through April 2033 and \$26,874 upon maturity in May 2033, Interest of 7% is included in monthly payments	5,300,000	2,326,068
Note Payable, Farmers State Bank, Secured by real property, Monthly payments of \$9,855 including 7% interest until October 2022	888,393	-
<u>Capital Lease Obligations</u>		
Capital lease obligation for equipment with monthly payments of \$1,763, 3 9% interest rate and matures in July 2013	-	20,086
Total Long-Term Debt	18,529,698	15,510,464
Less Current Maturities	(970,801)	(844,098)
Long-Term Debt	<u>\$ 17,558,897</u>	<u>\$ 14,666,366</u>

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 9 LONG TERM DEBT (CONTINUED)

Future principal payment requirements are as follows

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>
2014	\$ 970,801
2015	878,631
2016	932,599
2017	976,813
2018	1,019,860
Thereafter	13,750,995
Total	<u>\$ 18,529,698</u>

NOTE 10 LINE OF CREDIT

The Hospital has a revolving line of credit with a local bank. Amounts can be advanced up to the principal balance of \$600,000, plus interest from the date of disbursement, on the unpaid outstanding principal. The line of credit matures on October 11, 2013 and carries a fixed interest rate of 5.5%. At June 30, 2013 and 2012, the Hospital had outstanding balances of \$166,521 and \$426,900, respectively.

NOTE 11 PENSION PLAN

The Hospital provides a defined contribution retirement plan for all employees 20 years of age or older for each 12-month period in which the employee completes 1,000 hours or more of service. This plan is subject to the provisions and requirements of the Employee Retirement Income Security Act of 1974 and IRS Section 401(a) and 403(a). Under the terms of the plan, the Hospital contributes 5% of the participating employee's gross wages to the plan. A participant may make after-tax contributions up to 10% of their compensation. Retirement plan expense was \$821,406 and \$763,778 for the years ended June 30, 2013 and 2012, respectively.

NOTE 12 RELATED PARTY TRANSACTIONS

Daly Hospital Foundation, Inc.

The Foundation is a Montana nonprofit corporation established to provide charitable services and receive and maintain funds for the improvement of health care services specifically benefiting the Hospital.

The Foundation exists to build a wealth of resources and relationships to ensure that the Hospital has the best facilities and services for the residents of Ravalli County now and in the future.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)

The Hospital pays certain expenses such as salaries, related benefits and other miscellaneous expenses on behalf of the Foundation. The amounts paid by the Hospital are shown as donated services on the financial statements of the Foundation. At June 30, 2013 and 2012, the Foundation had \$175,352 and \$163,402 recorded as donated services received from the Hospital, respectively. These amounts are included in Support and Revenue.

The Foundation's unrestricted net assets, which represent the Foundation's unrestricted resources, are used for internal operation and administration and to benefit the Hospital at the discretion of the Foundation's Board of Directors. Current restricted funds and assets obtained from income from endowment funds of the Foundation are distributed to the Hospital as required to comply with the purposes specified by the donor.

A summary of the Foundation's assets, liabilities, and results of operations and changes in net assets as of June 30, 2013 and 2012 follows:

	2013	2012
Assets	<u>\$ 2,092,869</u>	<u>\$ 1,505,260</u>
Liabilities	\$ 59,951	\$ 52,572
Net Assets		
Unrestricted	625,207	251,774
Temporarily Restricted	1,029,844	529,921
Permanently Restricted	<u>377,867</u>	<u>670,993</u>
Total Net Assets	<u>2,032,918</u>	<u>1,452,688</u>
Total Liabilities and Net Assets	<u>\$ 2,092,869</u>	<u>\$ 1,505,260</u>
Support and Revenue including donated services from the Hospital	\$ 766,521	\$ 356,992
Less: Expenses including Distributions to the Hospital	<u>(217,498)</u>	<u>(201,837)</u>
Excess of Support and Revenue over Expenses	549,023	155,155
Net Unrealized Gains (Losses) on Investments	<u>31,207</u>	<u>(71,243)</u>
Change in Net Assets	<u>\$ 580,230</u>	<u>\$ 83,912</u>

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 13 FUNCTIONAL EXPENSES

The Hospital provides general healthcare services in the Ravalli County area. All of the fundraising expenses are included in general and administrative as they are immaterial in nature. At June 30, 2013 and 2012, expenses related to providing these services are as follows:

	2013	2012
Health Care Services	\$ 38,939,799	\$ 37,080,735
General and Administrative	8,941,033	8,748,831
Total	<u>\$ 47,880,832</u>	<u>\$ 45,829,566</u>

NOTE 14 COMMUNITY BENEFITS AND CHARITY CARE

The mission of the Hospital is to provide quality, accessible, personalized healthcare to the Bitterroot Valley. The Hospital provides services to patients regardless of their ability to pay for those services.

The Hospital defines and measures their investment in and partnership with the community primarily through various community based services programs. The Hospital supports area school districts by providing funding for the school nurse program and encourages local students by providing a sport physical screening clinic. A number of health related educational programs and clinics are provided for the benefit of the community, such as but not limited to, women's heart health, diabetes education, and free cholesterol screening. Programs are designed to improve the general standard of the health and wellness of the community.

The Hospital provides care, without charge, to patients who meet certain criteria under its financial assistance policy. Key elements used to determine eligibility include a patient's demonstrated inability to pay based on family size and household income related to federal income poverty guidelines. The Hospital's charity care guidelines use a sliding scale starting with full to partial assistance for those at or below 100% of the Federal Poverty Level, as adjusted for family size.

The Hospital has estimated its direct and indirect costs of providing charity care under its financial assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the per-diem rate from the most recently filed cost report to the Hospital's gross bill rate. The cost-to-charge ratio is applied to the charity care charges foregone to calculate the estimated direct and indirect cost of providing charity care. Using this methodology, the Hospital has estimated the costs foregone for services and supplies furnished under the Hospital's financial assistance policy aggregated approximately \$622,000 and \$500,000 for the years ended June 30, 2013 and 2012, respectively.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 14 COMMUNITY BENEFITS AND CHARITY CARE (CONTINUED)

The Hospital did not receive any funds to subsidize the costs of providing charity care under its financial assistance policy for the years ended June 30, 2013 and 2012

The Hospital also provides medical care without charge or at reduced charges to residents of the community through Bad Debts, which are services provided to patients expressing a willingness to pay but who are determined to be unable to pay because of socioeconomic factors

The Hospital maintains records to identify and monitor the level of community benefits it provides. These records include management's estimate of the cost for bad debt services, and the cost of services, and supplies furnished for Community Service programs

NOTE 15 FAIR VALUE MEASUREMENTS

The Hospital uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Hospital measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following tables present the fair value hierarchy for the balances of the assets of the Hospital measured at fair value on a recurring basis as of June 30, 2013 and 2012.

2013	Level 1	Level 2	Level 3	Total
Assets				
Beneficial Interest in Net Assets of Daly Hospital Foundation	\$ -	\$ 2,032,918	\$ -	\$ 2,032,918
2012	Level 1	Level 2	Level 3	Total
Assets				
Beneficial Interest in Net Assets of Daly Hospital Foundation	\$ -	\$ 1,452,688	\$ -	\$ 1,452,688

The following is a summary of financial instruments for which the Hospital did not elect the fair value option. The fair values of such instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows, and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable value could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Hospital.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 15 FAIR VALUE MEASUREMENTS (CONTINUED)

The following disclosures represent financial instruments in which the ending balances at June 30, 2013 and 2012 are not carried at fair value in their entirety on the balance sheet

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt	<u>\$ 18,529,698</u>	<u>\$ 17,368,943</u>	<u>\$ 15,490,378</u>	<u>\$ 14,200,370</u>

The fair value of the Hospital's long-term debt is estimated based on the quoted market prices for similar issues or by discounting expected cash flows at the rates currently offered to the Hospital for debt of the same remaining maturities, as advised by investment bankers (Level 3)

NOTE 16 RESTRICTIONS ON NET ASSETS

Interpretation of Relevant Law

The State of Montana has adopted the State Prudent Management of Institutional Funds Act (the Act). The Hospital has interpreted the Act as requiring the 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 Hospital classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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 the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard of prudence prescribed in the Act. In accordance with the Act, the Hospital considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Hospital and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Hospital
- The investment policy of the Hospital

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 16 RESTRICTIONS ON NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

The following is the changes in endowment net assets for the years ended June 30, 2013 and 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, June 30, 2011	\$ -	\$ -	\$ 313,190	\$ 313,190
Investment Return				
Investment Income	-	1,997	-	1,997
Apportioned to Operations	-	(1,997)	-	(1,997)
Endowment Net Assets, June 30, 2012	-	-	313,190	313,190
Investment Return				
Investment Income	-	2,665	-	2,665
Apportioned to Operations	-	(2,665)	-	(2,665)
Endowment Net Assets, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,190</u>	<u>\$ 313,190</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Hospital to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. Amounts have been transferred from unrestricted to cover any deficit at June 30, 2013 and 2012.

Return Objectives and Risk Parameters

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve and grow capital, provide for appropriate liquidity, maximize the returns of the endowments, and diversify investments consistent with commonly accepted industry standard to minimize the risk of large losses.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 16 RESTRICTIONS ON NET ASSETS (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital targets a diversified asset allocation that meets the Hospital's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Hospital has adopted a spending policy consistent with its objective of preservation of the fair market value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. The Hospital has a targeted rate of return that takes into account an inflationary factor, as defined by the consumer price index (CPI).

NOTE 17 COMMITMENTS AND CONTINGENCIES

The Hospital's professional liability coverage policy provides protection on an "occurrence" basis whereby malpractice claims related to services provided in the current year are covered by the current policy.

The current malpractice insurance provides \$1,000,000 per occurrence of primary coverage with a \$3,000,000 annual aggregate and an excess policy of \$5,000,000 annual aggregate limit. There are no significant deductibles or coinsurance clauses.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

The Hospital is also exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Hospital carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

The Hospital is involved in a litigation arising from the normal course of business. After consulting with legal counsel, management estimates that these matters will be resolved without a material adverse effect on the Hospital's financial position or results of operations.

MARCUS DALY MEMORIAL HOSPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 18 ADOPTION OF NEW ACCOUNTING STANDARD

During the year ended June 30, 2013 the Hospital adopted an accounting standard update for the "Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts" in the financial statements. This standard was retroactively applied to the financial statements for the year ended June 30, 2012. The following table reflects the impact of the reclassifications to the June 30, 2012 statement of operations.

Statement of Operations

	<u>As Previously Reported</u>	<u>Reclassifications</u>	<u>As Reclassified</u>
Net Patient Service Revenue Less Provision for Uncollectible Accounts	<u>\$ 49,263,153</u>	<u>\$ (6,679,689)</u>	<u>\$ 42,583,464</u>



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Marcus Daly Memorial Hospital
Hamilton, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Marcus Daly Memorial Hospital, which comprise the balance sheet as of June 30, 2013 and 2012, and the related statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2013

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

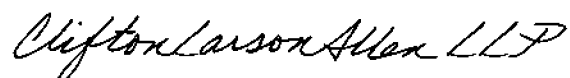
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marcus Daly Memorial Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 21, 2013