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Part III

Statement of Program Service Accomplishments

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

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1

Briefly describe the organization's mission

Northwestern Medical Center's mission is to provide exceptional healthcare for our community

2

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

☐ Yes ☒ No

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

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 68,924,961 including grants of \$ 27,000) (Revenue \$ 95,342,388)

Providing inpatient and outpatient services to the general public in a full-service 70-bed hospital The Hospital publishes an annual report Please refer to the annual report for additional explanation of the Hospital's programs and achievements

4b

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

Charity Care - The Hospital provides care to patients who meet certain critena under its charity care policy Because the Hospital does not pursue collection or amounts determined to qualify as chanty care they are not reported in revenue The Hospital maintains records to identify and monitor the level of charity care it provides The records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies and equivalent service statistics The following information measures the level of charity care provided during the year ended September 30, 2013 See continuation on Schedule O Estimated costs and expenses incurred to provide charity care \$758,931 Number of charity care patients served 949The Hospital provides health care services to residents of St Albans, Vermont, and the surrounding area, without regard to the individual's ability to pay for their services

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 ▶ 68,924,961

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
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.	68	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	759
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		2b	Yes
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		3a	No
b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		3b	
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a	No
b If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a	No
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b	No
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c	
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		6a	No
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		7a	No
b If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c	No
d If "Yes," indicate the number of Forms 8282 filed during the year.		7d	
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e	No
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f	No
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g	
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966?		9a	
b Did the organization make a distribution to a donor, donor advisor, or related person?		9b	
10 Section 501(c)(7) organizations. Enter			
a Initiation fees and capital contributions included on Part VIII, line 12.		10a	
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b	
11 Section 501(c)(12) organizations. Enter			
a Gross income from members or shareholders.		11a	
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		13a	
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b	
c Enter the amount of reserves on hand.		13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. Ted Sirota CFO 133 Fairfield Street St Albans, VT (802) 524-1042

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) Kevin Manahan Treasurer	5 00	X		X				0	0	0
(2) Michelle Lawrence Member	5 00	X						0	0	0
(3) Paul Clark President/Past Secretary	5 00	X		X				0	0	0
(4) John Hango Vice President	5 00	X		X				0	0	0
(5) Paula Kane Member	5 00	X						0	0	0
(6) Frank Zsoldos MD Member	5 00	X						0	0	0
(7) Patrick Talcott Member	5 00	X						0	0	0
(8) William O'Connor Secretary	5 00	X		X				0	0	0
(9) David Groening MD Member	5 00	X						0	0	0
(10) Janet McCarthy Member	5 00	X						0	0	0
(11) Manetta Scholten MD Member	5 00	X						0	0	0
(12) Leon Berthiaume Member	5 00	X						0	0	0
(13) Judy Ashley-McLaughlin Past President	5 00	X		X				0	0	0
(14) Jill Berry Bowen CEO	40 00			X				293,791	0	26,346
(15) Ted Sirotta CFO	40 00			X				250,948	0	35,124
(16) Michael Barnum MD Orthopedic Surgeon	40 00					X		692,837	0	18,523
(17) Robert Beattie MD Orthopedic Surgeon	40 00					X		682,227	0	13,645

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	3,112,348	0	152,126

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. 47

		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	Yes

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
Quorum Health Resources 105 Continental Place Brentwood TN 37027	Mgmt/Consulting (incl CEO/CFO comp)	1,173,227
Fletcher Allen Health Care PO Box 1902 Burlington VT 05402	Lab & Stress Test Services	1,075,641
Clinical Colleagues 1121 N Bethlehem Pike Suite 60-23 Spring House PA 19477	Anesthesia Services	988,773
Brandthropology 266 Pine Street Suite 5 Burlington VT 05401	Community Communications	811,853
Northwestern Counseling & Support Svcs 107 Fisher Pond Road St Albans VT 05478	Psychiatric & Blueprint Services	444,687

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶27

Part VIII

Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e	303,013				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	24,542				
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f		327,555				
Program Service Revenue			Business Code					
	2a	Patient Service Revenue	900099	172,201,831	172,201,831			
	b	Other Operating Revenue	900099	3,096,499	3,096,499			
	c	Cafeteria	900099	494,099	494,099			
	d	Provision for Bad Debts	900099	-4,583,172	-4,583,172			
	e	Contractual Allowances and discou	900099	-76,037,758	-76,037,758			
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		95,171,499				
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		1,070,193			1,070,193	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
		Gross rents		192,031				
		b	Less rental expenses	21,142				
		c	Rental income or (loss)	170,889				
	d	Net rental income or (loss)		170,889	170,889			
	7a	(i) Securities		(ii) Other				
		Gross amount from sales of assets other than inventory		5,870,950	9,072			
		b	Less cost or other basis and sales expenses	5,209,556	103,697			
		c	Gain or (loss)	661,394	-94,625			
	d	Net gain or (loss)		566,769			566,769	
	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				
	a							
b	Less cost of goods sold		b					
c	Net income or (loss) from sales of inventory . .							
	Miscellaneous Revenue		Business Code					
11a								
b								
c								
d	All other revenue							
e	Total. Add lines 11a-11d							
12	Total revenue. See Instructions			97,306,905	95,342,388	0	1,636,962	

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.	27,000	27,000		
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.	606,209		606,209	
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.	38,493,124	30,024,150	8,468,974	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	1,309,085	1,119,791	189,294	
9	Other employee benefits.	4,577,895	3,915,931	661,964	
10	Payroll taxes.	2,511,548	2,148,378	363,170	
11	Fees for services (non-employees):				
a	Management.	583,292		583,292	
b	Legal.	96,861		96,861	
c	Accounting.	110,356		110,356	
d	Lobbying.	17,619		17,619	
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	78,484		78,484	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	8,518,006	5,470,380	3,047,626	
12	Advertising and promotion.	551,696	471,921	79,775	
13	Office expenses.	358,142	306,355	51,787	
14	Information technology.				
15	Royalties.				
16	Occupancy.	813,476	695,847	117,629	
17	Travel.	384,516	328,915	55,601	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	629,627		629,627	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	3,878,715	3,317,853	560,862	
23	Insurance.	1,361,937	1,165,001	196,936	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	Supplies.	10,464,659	8,951,469	1,513,190	
b	Provider Tax.	5,306,926	5,306,926		
c	NOH.	2,444,691	2,444,691		
d	Maintenance Contracts.	1,658,633	1,418,795	239,838	
e	All other expenses.	3,219,823	1,811,558	1,408,265	
25	Total functional expenses. Add lines 1 through 24e.	88,002,320	68,924,961	19,077,359	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		3,996	1	3,708
	2	Savings and temporary cash investments		14,095,875	2	13,497,569
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		8,976,447	4	8,775,432
	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		163,278	7	123,800
	8	Inventories for sale or use		1,658,371	8	1,742,789
	9	Prepaid expenses and deferred charges		1,546,538	9	3,000,146
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a71,996,968			
	b	Less accumulated depreciation	10b40,853,377	31,421,064	10c	31,143,591
	11	Investments—publicly traded securities		44,349,812	11	63,305,676
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		795,289	15	861,733
	16	Total assets. Add lines 1 through 15 (must equal line 34)		103,010,670	16	122,454,444
Liabilities	17	Accounts payable and accrued expenses		9,121,895	17	10,364,947
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		12,356,580	20	19,317,138
	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		178,371	23	168,389
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		4,962,287	25	3,781,415
	26	Total liabilities. Add lines 17 through 25		26,619,133	26	33,631,889
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		74,444,181	27	86,574,971
	28	Temporarily restricted net assets		1,050,485	28	1,314,827
	29	Permanently restricted net assets		896,871	29	932,757
	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		76,391,537	33	88,822,555
	34	Total liabilities and net assets/fund balances		103,010,670	34	122,454,444

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	97,306,905
2	Total expenses (must equal Part IX, column (A), line 25)	2	88,002,320
3	Revenue less expenses Subtract line 2 from line 1	3	9,304,585
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	76,391,537
5	Net unrealized gains (losses) on investments	5	2,321,323
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	805,110
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	88,822,555

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 type="checkbox"/> Separate basis <input checked="" 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?		No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

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 Northwestern Medical Center	Employer identification number 03-0266986
---	--

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 IIIPart III

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

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Northwestern Medical Center	Employer identification number 03-0266986
---	--

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

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

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

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

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

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

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

Part II-A

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

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

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

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

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

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of a Volunteers? b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? c Media advertisements? d Mailings to members, legislators, or the public? e Publications, or published or broadcast statements? f Grants to other organizations for lobbying purposes? g Direct contact with legislators, their staffs, government officials, or a legislative body? h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? i Other activities? j Total Add lines 1c through 1i		No		
		No		
		No		
		No		
		No		
		No		
		No		
		No		
		No		
	Yes			17,619
			17,619	
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No		
b If "Yes," enter the amount of any tax incurred under section 4912				
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	Northwestern Medical Center is a member of the Vermont Association of Hospitals and Health Systems and the American Hospital Association. A portion of the dues paid to these organizations is available for lobbying expenditures on behalf of Northwestern Medical Center and other member organizations in furtherance of their exempt purposes. Northwestern Medical Center does not directly perform any lobbying activities.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization Northwestern Medical Center	Employer identification number 03-0266986
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Part I

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

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

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes☐ No

6

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

7

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

8

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

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

▶\$ _____

(ii) Assets included in Form 990, Part X

▶\$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶\$ _____

b

Assets included in Form 990, Part X

▶\$ _____

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

Cat No 52283D

Schedule D (Form 990) 2012

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

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

b ☐ Scholarly research

c ☐ Preservation for future generations

d ☐ Loan or exchange programs

e ☐ Other
- 4 Provide a description of the organization’s collections and explain how they further the organization’s exempt purpose in Part XIII
- 5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization’s collection?

☐ Yes ☐ No

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

- 1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes ☐ No
- b If "Yes," explain the arrangement in Part XIII and complete the following table
- c Beginning balance

d Additions during the year

e Distributions during the year

f Ending balance

	Amount
1c	
1d	
1e	
1f	
- 2a Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes ☐ No
- b If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII ☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	896,871	884,630	847,600	806,185	913,985
b Contributions					
c Net investment earnings, gains, and losses	35,886	34,994	37,030	41,415	-107,800
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses		22,753			
g End of year balance	932,757	896,871	884,630	847,600	806,185

- 2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as
- a Board designated or quasi-endowment ▶

b Permanent endowment ▶ 100 000 %

c Temporarily restricted endowment ▶

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

(ii) related organizations

	Yes	No
3a(i)	Yes	
3a(ii)		No
3b		
- b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?
- 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		1,020,531		1,020,531
b Buildings		38,652,381	20,221,901	18,430,480
c Leasehold improvements				
d Equipment		29,701,038	19,227,152	10,473,886
e Other		2,623,018	1,404,324	1,218,694
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) ▶				31,143,591

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	100,354,854	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	2e		
a	Net unrealized gains on investments		2a	2,321,323
b	Donated services and use of facilities		2b	
c	Recoveries of prior year grants		2c	
d	Other (Describe in Part XIII)		2d	805,110
e	Add lines 2a through 2d	2e	3,126,433	
3	Subtract line 2e from line 1	3	97,228,421	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1	4c		
a	Investment expenses not included on Form 990, Part VIII, line 7b		4a	78,484
b	Other (Describe in Part XIII)		4b	
c	Add lines 4a and 4b		4c	78,484
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	97,306,905	
Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return				
1	Total expenses and losses per audited financial statements	1	87,923,836	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	2e		
a	Donated services and use of facilities		2a	
b	Prior year adjustments		2b	
c	Other losses		2c	
d	Other (Describe in Part XIII)		2d	
e	Add lines 2a through 2d	2e	0	
3	Subtract line 2e from line 1	3	87,923,836	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :	4c		
a	Investment expenses not included on Form 990, Part VIII, line 7b		4a	78,484
b	Other (Describe in Part XIII)		4b	
c	Add lines 4a and 4b		4c	78,484
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)	5	88,002,320	

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 organization intends to use the endowment funds in the manner prescribed by the donors.
Part XI, Line 2d - Other Adjustments		Increase in Perpetual Trusts 35,886 Unrealized Gain on Interest Rate Swaps 769,224
		Schedule D, Part V, Line 3a(i) The Organization has Beneficial Interest in Trusts which are not held at nor in the possession of the Organization

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
Northwestern Medical Center

Employer identification number
03-0266986

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 type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>31500 0000000000 %</u> b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other <u>31500 0000000000 %</u> 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		No
b	If "Yes," did the organization make it available to the public?	5c		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a		No
		6b		

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)			758,931		758,931	0 860 %
b Medicaid (from Worksheet 3, column a)			21,965,787	15,020,262	6,945,525	7 890 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			22,724,718	15,020,262	7,704,456	8 750 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			4,314,331	2,937,915	1,376,416	1 560 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			64,862		64,862	0 070 %
j Total. Other Benefits			4,379,193	2,937,915	1,441,278	1 630 %
k Total. Add lines 7d and 7j			27,103,911	17,958,177	9,145,734	10 380 %

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						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total						

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

Yes

2Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

1,598,579

3Enter 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

4Provide 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

5Enter total revenue received from Medicare (including DSH and IME).

5

23,469,573

6Enter Medicare allowable costs of care relating to payments on line 5.

6

25,109,541

7Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-1,639,968

8Describe 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

9aDid the organization have a written debt collection policy during the tax year?

9a

Yes

bIf "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				

Schedule H (Form 990) 2012

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	Northwestern Medical Center 133 Fairfield Street St Albans, VT 05478	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)

Northwestern Medical Center

Name of hospital facility or facility reporting group

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

1

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input 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)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>11</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)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website		
b <input checked="" type="checkbox"/> Available upon request from the hospital facility		
c <input checked="" type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input 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>315 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>315 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 type="checkbox"/> Insurance status			
e <input checked="" type="checkbox"/> Uninsured discount			
f <input type="checkbox"/> Medicaid/Medicare			
g <input type="checkbox"/> State regulation			
h <input type="checkbox"/> Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
a <input checked="" 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 checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input checked="" 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? If "Yes," check all actions in which the hospital facility or a third party engaged		17	No
a <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

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

☒

Notified individuals of the financial assistance policy on admission
- b

☐

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

☒

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

☐

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

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

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input checked="" 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 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?

6

Name and address		Type of Facility (describe)
1	Northwestern Walk-in Clinic 927 Ethan Allen Hwy Ste 2 Georgia, VT 05468	Diagnostic Imaging, Physical Therapy & Urgent Care
2	Branon's Pools & Spa 248 North Main Street St Albans, VT 05478	Physical Therapy
3	Physical Therapy Services 44 Center Street Enosburg, VT 05450	Physical Therapy
4	Northwestern Georgia Health Center 4178 Highbridge Road Georgia, VT 05486	Primary Care
5	Northwestern Ophthalmology 53 Fairfax Road St Albans, VT 05478	Ophthalmology
6	Northwestern Comprehensive Pain 17-19 Catherine Street St Albans, VT 05478	Pain Care
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		Part I, Line 3c Determining eligibility for free care and/or discounted care is not solely determined by Federal Poverty Guidelines (FPG) Other considerations, such as net worth, other financial obligations, and outstanding medical bills are reviewed in addition to income
		Part I, Line 7g Subsidized health services includes the Medicare shortfall from physician practices that are not included in the Hospital's cost reporting reflected on Part III, Line 7

Identifier	ReturnReference	Explanation
		Part III, Line 4 Patient accounts receivable are stated at the amount management expects to collect from outstanding balances Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of individual accounts and historical adjustments Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable In evaluating the collectibility of accounts receivable, the Hospital analyzes past results and identifies trends for each major payor source of revenue for the purpose of estimating the appropriate amounts of the allowance for doubtful accounts and the provision for bad debts Data in each major payor source are regularly reviewed to evaluate the adequacy of the allowance for doubtful accounts For receivables relating to services provided to patients having third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a corresponding provision for bad debts at varying levels based on the age of the receivables and the payor source For receivables relating to self-pay patients (which includes both patients without insurance and patients with deductibles, and copayment balances due for which third-party coverage exists for part of the bills), the Hospital records a provision for bad debts in the period of service based on past experience which indicates patients are unable or unwilling to pay amounts for which they are financially responsible The difference between the standard rates (or the discounted rates if negotiated or eligible) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts
		Part III, Line 8 The cost was determined using the cost to charge ratio

Identifier	ReturnReference	Explanation
		Part III, Line 9b During the collection process, financial assistance, a payment plan or a discount may be offered to the patient, if appropriate, and in accordance with established hospital policy
Northwestern Medical Center		Part V, Section B, Line 3 As part of our FY 2012 Community Health Needs Assessment, NMC used two initiatives to take into account input from persons who represent the community served We deployed a Community Health Needs Assessment survey within the local population for any resident to complete We received community input from 258 anonymous area residents which came in response to communication efforts including paid advertisements in the local newspaper and distributed to local civic and health organizations with a request for participation by their members and clients Additional input was received by a local group of experts, who were asked to validate the assessments and to establish priority among various identified issues The composition of this group of community members aligns with the Federal regulations for the involvement of community leaders with specified skills or representing specified constituencies or professions

Identifier	ReturnReference	Explanation
Northwestern Medical Center		Part V, Section B, Line 5c In addition to making the Community Health Needs Assessment widely available via the hospital website and in response to requests, Northwestern Medical Center provided overviews of the Community Health Needs Assessment to members of the community through presentations at groups such as the NMC Incorporators (150 local members who elect the hospital Board) and the Franklin Grand Isle Community Partnership (40+ health, education, and social service agencies who meet on a regular basis to address concerns within the community) The priorities of the Community Health Needs Assessment are frequently referenced in other hospital documents, plans, publications, and presentations as we work to integrate these findings into our efforts to care for our community
		Part VI, Line 2 In alignment with the new Federal mandate, Northwestern Medical Center completed a comprehensive community health needs assessment in September of 2012 The document was formally approved by the hospital's Board of Directors at their October 3, 2012 meeting The 2012 assessment identified 11 high priorities and 13 additional priorities facing the community The top 5 most pressing priorities were Mental Health & Substance Abuse, access/availability to healthcare and physicians, obesity, smoking, and cancer The findings influenced many of the strategic initiatives contained within the hospital's Strategic Plan for Fiscal Year's 2014-2016 The FY 2012 Community Health Needs Assessment is available free of charge to the public via the Northwestern Medical Center website The hospital also collaborates in smaller, more focused community needs assessments through our partnerships with agencies such as the Franklin Grand Isle United Way

Identifier	ReturnReference	Explanation
		Part VI, Line 3 The Hospital uses a variety of methods of communication to inform and educate patients about the eligibility requirements for financial assistance and charity care For example, information related to financial assistance and charity care is available on the Hospital's website, included on the back of patient statements, posted on signs at registration areas, and patients may speak on the phone with a collection specialist
		Part VI, Line 4 The Hospital serves the greater Franklin and Grand Isle counties in northwestern Vermont The service area consists of approximately 54,000 people and the area is primarily rural and agricultural in nature with some light industry

Identifier	ReturnReference	Explanation
		Part VI, Line 5 The Hospital maintains an open medical staff and a community based Board of Directors The Hospital's Board of Directors is elected by the Hospital's Board of Incorporators, which consists of approximately 150 local residents The Hospital created and funds a program known as The Center for Health and Wellness, which is committed to a collaborative approach to community health improvement

**Grants and Other Assistance to Organizations,
Governments and Individuals in the United States**
Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

2012

Open to Public Inspection

Name of the organization
Northwestern Medical Center

03-0266986

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☐ Yes ☒ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II **Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

[illegible]

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

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

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

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2012

Open to Public Inspection

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.

Name of the organization
Northwestern Medical Center

Employer identification number
03-0266986

Part I

Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>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><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input checked="" type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>1b</div><div>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.</div></div>	Yes	
<div><div>2</div><div>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?</div></div>	Yes	
<div><div>3</div><div>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><div><input checked="" type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div>		
<div><div>4</div><div>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>		
<div><div>4a</div><div>Receive a severance payment or change-of-control payment?</div></div>		No
<div><div>4b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>		No
<div><div>4c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.</div>		No
<div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>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>		
<div><div>5a</div><div>The organization?</div></div>		No
<div><div>5b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III.</div>		No
<div><div>6</div><div>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>		
<div><div>6a</div><div>The organization?</div></div>		No
<div><div>6b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III.</div>		No
<div><div>7</div><div>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.</div></div>	Yes	
<div><div>8</div><div>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.</div></div>		No
<div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?</div></div>		

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1)Jill Berry Bowen CEO	(i)	282,541	11,250	0	8,575	17,771	320,137	0
	(ii)	0	0	0	0	0	0	0
(2)Ted Sirotta CFO	(i)	241,168	9,780	0	6,691	28,433	286,072	0
	(ii)	0	0	0	0	0	0	0
(3)Michael Barnum MD Orthopedic Surgeon	(i)	692,012	500	325	0	18,523	711,360	0
	(ii)	0	0	0	0	0	0	0
(4)Robert Beattie MD Orthopedic Surgeon	(i)	681,492	300	435	13,645	0	695,872	0
	(ii)	0	0	0	0	0	0	0
(5)Jeremy Hatch MD Orthopedic Surgeon	(i)	432,173	500	0	8,653	10,634	451,960	0
	(ii)	0	0	0	0	0	0	0
(6)Peter Burke MD Pathologist	(i)	374,502	2,798	350	7,553	16,626	401,829	0
	(ii)	0	0	0	0	0	0	0
(7)Denise Durant MD Orthopedic Surgeon	(i)	381,237	300	685	7,644	7,378	397,244	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	Northwestern Medical Center provides fitness club membership automatically for all employees. The employees are required to sign in at the fitness club and those records are provided regularly to the Hospital to determine the amount of payment due to the fitness club.
	Part I, Line 7	Jill Berry Bowen, CEO, and Ted Sirota, CFO, compensation plans may include, among other things, elements that require meeting or exceeding financial performance measures, including profitability. Michael Barnum, Robert Beattie, Jeremy Hatch, Denise Durant and Peter Burke, Highest Compensated Employees, received bonuses as part of an organization wide bonus payment, whereby the bonus payment was determined based on the number of hours worked during the year.
Supplemental Information	Part III	Jill Berry Bowen, CEO, was compensated through a contract with Quorum Health Resources. Her total compensation for the period ended December 31, 2012 was \$320,137. Ted Sirota, CFO, was compensated through a contract with Quorum Health Resources. His total compensation for the period ended December 31, 2012 was \$286,072.

Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.</div> <div>▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2012
		Open to Public Inspection

Department of the Treasury Internal Revenue Service	Name of the organization Northwestern Medical Center	Employer identification number 03-0266986
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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 Vermont Educational & Health Building Financing Agency	22-7154467		11-01-2012	19,900,000	Refund 2010A Bond and new capital projects		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	582,862							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	19,900,000							
4	Gross proceeds in reserve funds	7,247,979							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	124,765							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	242,021							
11	Other spent proceeds	12,285,235							
12	Other unspent proceeds								
13	Year of substantial completion								
		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	0 00000%							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 00000%							
6	Total of lines 4 and 5	0 00000%							
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	Deutsche Bank AG							
c	Term of hedge	18 000000000000							
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						

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
Form 990, Schedule K, Part IV, Line 4a		The Organization has entered into two qualfied hedge agreements with respect to the bond issue. In addition to the Deutsche Bank AG agreement shown on Schedule K, Part IV, Line 4b, the Organization also has an agreement with Morgan Stanley.

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 Northwestern Medical Center	Employer identification number 03-0266986
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Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 3	The CEO and CFO are employees of Quorum Health Resources
	Form 990, Part VI, Section A, line 6	The organization has a maximum of 150 members, elected at the annual meeting from a slate of candidates nominated by the Nominating Committee. Other candidates for membership may be nominated from the floor at the annual meeting. Any person whose term as a Corporation Director has expired shall automatically become a member if that person consents to become a member.
	Form 990, Part VI, Section A, line 7a	The membership elects a presiding membership officer, an alternate presiding membership officer and a membership secretary. Said officers are designated as Chair, Vice Chair and Recording Secretary of the membership.
	Form 990, Part VI, Section B, line 11	The CFO reviews the 990 and compares it to the audited financial statements. In addition, a copy of the 990 is provided to all members of the Hospital's Board of Directors before it is filed.
	Form 990, Part VI, Section B, line 12c	Regular monitoring occurs at a minimum annually when each individual must complete the annual disclosure form.
	Form 990, Part VI, Section B, line 15	The CEO and CFO are not employees of Northwestern Medical Center. They are employees of Quorum Health Resources and their respective contracts, including compensation, are approved by the Board of Directors on an annual basis.
	Form 990, Part VI, Section C, line 19	Northwestern Medical Center does not formally make its governing documents and conflict of interest policy available to the public. Financial information is available to the public through the annual tax return filing, annual Medicare and Medicaid cost report filing, and published financial data published by the Green Mountain Care Board and available on the Hospital's website, as well as summarized financial information and statistics published in the Hospital's annual report distributed to local communities and published on the Hospital's website.
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Unrealized Loss on Interest Rate Swaps 769,224. Increase in Perpetual Trusts 35,886.

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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.

Name of the organization
Northwestern Medical Center

Employer identification number
03-0266986

Part I

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) Northwestern Occupational Health LLC 133 Fairfield street St Albans, VT 05478 03-0360669	Medical rehabilitative and urgent care services	VT	2,697,455	1,426,024	Northwestern Medical Center

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) Northwestern Medical Center Auxiliary Inc 133 Fairfield St St Albans, VT 05478 03-0278425	Promotion and Support of Northwestern Medical Center	VT	501(c)(3)	Line 11a, I	Northwestern Medical Center	Yes	

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(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

No

1m

No

1n

No

1o

No

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]

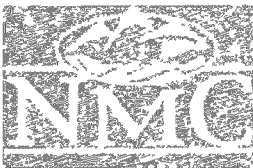
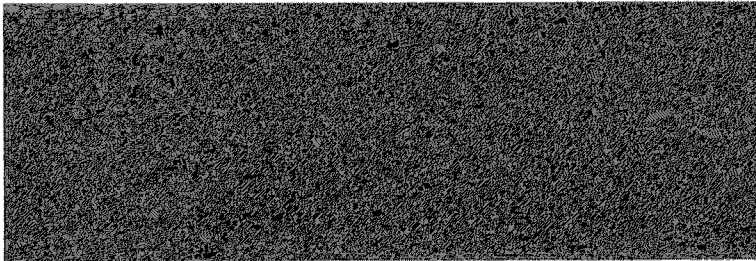
Software ID:
Software Version:
EIN: 03-0266986
Name: Northwestern Medical Center

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	
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NORTHWESTERN MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

with
↓

SUPPLEMENTARY INFORMATION

September 30, 2013 and 2012

With Independent Auditor's Report



**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

September 30, 2013 and 2012

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1 - 2
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 27
Supplementary Information	
Consolidating Balance Sheet	28 - 29
Consolidating Statement of Operations	30



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Northwestern Medical Center, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Northwestern Medical Center, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northwestern Medical Center, Inc. and Subsidiaries as of September 30, 2013 and 2012, and the results of their operations, changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information contained in Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The additional information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
December 20, 2013

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidated Balance Sheets

September 30, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 5,770,629	\$ 4,230,424
Patient accounts receivable, net	8,775,432	8,976,447
Other receivables, net	1,988,780	747,344
Supplies	1,742,789	1,658,371
Short-term investments	11,220,940	11,217,338
Other current assets	<u>1,011,366</u>	<u>809,319</u>
Total current assets	30,509,936	27,639,243
Assets limited as to use	29,897,360	19,309,608
Investments	29,809,270	23,625,903
Beneficial interest in perpetual trusts	729,226	693,340
Property and equipment, net	31,143,591	31,421,064
Other long-term assets, net	<u>365,061</u>	<u>321,512</u>
 Total assets	 <u>\$ 122,454,444</u>	 <u>\$ 103,010,670</u>

The accompanying notes are an integral part of these consolidated financial statements

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
Current liabilities		
Accounts payable	\$ 4,091,336	\$ 3,789,126
Salaries, wages and payroll taxes	4,615,343	3,857,712
Accrued retirement plan contributions	348,750	319,389
Other accrued expenses	1,309,518	1,155,668
Estimated third-party settlements	2,715,721	3,127,369
Current portion of long-term debt	<u>730,312</u>	<u>445,291</u>
Total current liabilities	13,810,980	12,694,555
Long-term debt, net of current portion	18,755,215	12,089,660
Interest rate swaps	<u>1,065,694</u>	<u>1,834,918</u>
Total liabilities	<u>33,631,889</u>	<u>26,619,133</u>
Commitments and contingencies (Notes 8, 10, 12 and 17)		
Net assets		
Unrestricted	86,574,971	74,444,181
Temporarily restricted	1,314,827	1,050,485
Permanently restricted	<u>932,757</u>	<u>896,871</u>
Total net assets	<u>88,822,555</u>	<u>76,391,537</u>
Total liabilities and net assets	<u>\$122,454,444</u>	<u>\$ 103,010,670</u>

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidated Statements of Operations

Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	\$ 96,164,073	\$ 93,103,992
Less provision for bad debts	<u>4,583,172</u>	<u>3,794,239</u>
Net patient service revenue	91,580,901	89,309,753
Other operating revenue	2,608,617	1,094,634
Net assets released from restrictions for operations	<u>915,894</u>	<u>395,194</u>
Total unrestricted revenues, gains and other support	<u>95,105,412</u>	<u>90,799,581</u>
Expenses		
Salaries and wages	39,773,918	35,685,667
Employee benefits	8,698,308	9,170,226
Supplies and expenses	11,356,694	11,269,922
Contracted services	11,985,215	10,994,665
Depreciation and amortization	4,029,658	3,596,390
Travelers' expense	553,295	1,525,293
Health care improvement tax	5,306,926	4,761,645
Other operating expense	5,663,048	5,312,226
Interest expense	<u>556,774</u>	<u>580,824</u>
Total expenses	<u>87,923,836</u>	<u>82,896,858</u>
Income from operations	<u>7,181,576</u>	<u>7,902,723</u>
Nonoperating gains (losses)		
Net investment income	1,674,564	1,724,857
Net gain from rental activities	170,889	214,779
Unrealized gain (loss) on interest rate swaps	769,224	(126,130)
Unrealized gain on investments	2,321,323	2,055,044
Other	<u>13,214</u>	<u>33,416</u>
Nonoperating gains, net	<u>4,949,214</u>	<u>3,901,966</u>
Increase in unrestricted net assets	\$ 12,130,790	\$ 11,804,689

The accompanying notes are an integral part of these consolidated financial statements.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidated Statements of Changes in Net Assets

Years Ended September 30, 2013 and 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balances, October 1, 2011	\$ <u>62,639,492</u>	\$ <u>901,676</u>	\$ <u>884,630</u>	\$ <u>64,425,798</u>
Increase in unrestricted net assets	11,804,689	-	-	11,804,689
Contributions	-	499,934	-	499,934
Increase in perpetual trusts	-	-	33,951	33,951
Net investment income	-	21,316	1,043	22,359
Net assets released from restrictions used for operations	-	(372,441)	-	(372,441)
Redirection of donor intent	-	-	(22,753)	(22,753)
Net increase in net assets	<u>11,804,689</u>	<u>148,809</u>	<u>12,241</u>	<u>11,965,739</u>
Balances, September 30, 2012	<u>74,444,181</u>	<u>1,050,485</u>	<u>896,871</u>	<u>76,391,537</u>
Increase in unrestricted net assets	12,130,790	-	-	12,130,790
Contributions	-	1,201,697	-	1,201,697
Increase in perpetual trusts	-	-	35,886	35,886
Net investment loss	-	(21,461)	-	(21,461)
Net assets released from restrictions used for operations	-	(915,894)	-	(915,894)
Net increase in net assets	<u>12,130,790</u>	<u>264,342</u>	<u>35,886</u>	<u>12,431,018</u>
Balances, September 30, 2013	<u>\$ 86,574,971</u>	<u>\$ 1,314,827</u>	<u>\$ 932,757</u>	<u>\$ 88,822,555</u>

The accompanying notes are an integral part of these consolidated financial statements

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 12,431,018	\$ 11,965,739
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	4,029,658	3,596,390
Loss (gain) on sale of property and equipment	94,625	(29,816)
Net realized and unrealized gains on investments	(2,982,717)	(3,111,984)
Net gain on beneficial interest in perpetual trusts	(35,886)	(33,951)
Provision for bad debts	4,583,172	3,794,239
Unrealized (gain) loss on interest rate swaps	(769,224)	126,130
Decrease (increase) in		
Patient accounts receivable, net	(4,382,157)	(5,372,091)
Other receivables, net	(1,241,436)	26,026
Supplies, other assets and notes receivable, net	(300,576)	(249,245)
Increase (decrease) in		
Accounts payable and accrued expenses	1,243,051	1,802,910
Estimated third-party settlements	(411,648)	500,369
Net cash provided by operating activities	<u>12,257,880</u>	<u>13,014,716</u>
Cash flows from investing activities		
Purchase of property and equipment	(3,758,564)	(5,429,427)
Net proceeds from sale of property and equipment	9,072	49,600
Purchase of investments	(19,662,954)	(28,199,783)
Proceeds from sale of investments	<u>5,870,950</u>	<u>21,675,195</u>
Net cash used by investing activities	<u>(17,541,496)</u>	<u>(11,904,415)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	19,900,000	-
Payment of bond issuance costs	(126,756)	-
Principal payments on long-term debt	<u>(12,949,423)</u>	<u>(425,439)</u>
Net cash provided (used) by financing activities	<u>6,823,821</u>	<u>(425,439)</u>
Net increase in cash and cash equivalents	1,540,205	684,862
Cash and cash equivalents, beginning of year	<u>4,230,424</u>	<u>3,545,562</u>
Cash and cash equivalents, end of year	<u>\$ 5,770,629</u>	<u>\$ 4,230,424</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	<u>\$ 556,774</u>	<u>\$ 580,824</u>

The accompanying notes are an integral part of these consolidated financial statements

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Organization

Northwestern Medical Center, Inc. (the Hospital) is a 70-bed, not-for-profit hospital in St. Albans, Vermont. The Hospital is the sole-owning member of Northwestern Occupational Health, LLC (NOH), a for-profit entity that provides medical rehabilitative services and operates an urgent care walk-in clinic. The Hospital financial statements also include the accounts of the Northwestern Medical Center Auxiliary, Inc. (the Auxiliary) which is organized specifically for the promotion and support of the Hospital. Auxiliary volunteers provide the Hospital approximately 20,300 hours of support annually, as well as financial support.

The Hospital and Auxiliary are tax-exempt corporations pursuant to Section 501(c)(3) of the Internal Revenue Code and, as such, are not subject to certain income and property taxes. As a single member LLC, NOH is considered a disregarded tax entity and its results of operations are consolidated with the Hospital.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Hospital and its subsidiaries, NOH and Auxiliary (collectively, the Organization). All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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 money market funds with a maturity of three months or less when purchased and exclude assets whose use is limited. The Hospital maintains its cash in deposit accounts which, at times, may exceed federal depository insurance limits. Management believes credit risk related to these investments is minimal. The Hospital has not experienced any losses in such accounts.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Patient Accounts Receivable

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of individual accounts and historical adjustments. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

In evaluating the collectibility of accounts receivable, the Hospital analyzes past results and identifies trends for each major payor source of revenue for the purpose of estimating the appropriate amounts of the allowance for doubtful accounts and the provision for bad debts. Data in each major payor source are regularly reviewed to evaluate the adequacy of the allowance for doubtful accounts. For receivables relating to services provided to patients having third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a corresponding provision for bad debts at varying levels based on the age of the receivables and the payor source. For receivables relating to self-pay patients (which includes both patients without insurance and patients with deductibles, and copayment balances due for which third-party coverage exists for part of the bills), the Hospital records a provision for bad debts in the period of service based on past experience which indicates patients are unable or unwilling to pay amounts for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or eligible) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

Supplies

Supplies are carried at the lower of cost (determined by the first-in, first-out method) or market.

Short-Term Investments, Assets Limited as to Use, and Investments

Short-term investments include money market funds, certificates of deposit and highly liquid debt instruments with a maturity of one year or less when purchased. These funds represent excess cash from operations that are available for day-to-day operational needs, as required.

Assets limited as to use include donor-restricted investments, cash collateralizing property financed by a bank loan, bond proceeds to be used for capital projects, and designated assets set aside by the Board of Directors for future capital improvements, over which the Board of Directors retains control and may, at its discretion, use for other purposes.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Investments represent unrestricted donations received over the years, as well as excess funds generated from the operations of the Hospital. These funds, collectively, may only be used upon Board approval. While these funds are identified and referred to as the Hospital's endowment, they are not deemed to be true endowment funds as defined by the Uniform Prudent Management of Institutional Funds Act and are not subject to any donor limitations or guidelines with respect to withdrawals.

Investments also include the non-current portion of short-term investments

Investments and Investment Income

Investments in equity securities are reported at readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. The Hospital has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 825, *Financial Instruments*, and has elected the fair value option relative to its investments which consolidates all investment performance activity within nonoperating gains (losses) in the consolidated statements of operations

Investment income or loss earned on unrestricted investments, including realized gains and losses on investments, unrealized gains and losses on investments, and interest and dividends are included in nonoperating gains (losses), unless the income or loss is restricted by donor or law

Employee Fringe Benefits

The Hospital has an "earned time" plan to provide certain fringe benefits for its employees; however, certain employees are not eligible for this plan. Under this plan, each employee "earns" paid leave for each payroll period. Accumulated hours may be used for vacations, holidays or illnesses. Hours earned, but not used, vest with the employees up to established limits. The Hospital accrues the cost of these benefits as they are earned.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if contributed, at fair market value determined at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

The Hospital reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

Bond Issuance Costs

The costs incurred to obtain financing for the Hospital's capital program are amortized over the repayment period of the bonds and are included in other long-term assets, net of amortization on the consolidated balance sheets

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital have been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as either net assets released from restrictions used for operations or net assets released from restrictions used for capital acquisition.

Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity. Generally, income earned on permanently restricted net assets, including net realized appreciation (depreciation) on investments, is included as a change in unrestricted net assets or as directed by the donor.

Interest Rate Swaps

The Hospital uses interest rate swap contracts to eliminate the cash flow exposure of interest rate movements on variable-rate debt. The Hospital has adopted FASB ASC Topic 815, *Derivatives and Hedging*, to account for its interest rate swap contracts. The interest rate swaps do not qualify as cash flow hedges. Gains and losses on derivative financial instruments that do not qualify as hedges are required to be included in the performance indicator. As a result, the unrealized gain (loss) on the interest rate swaps for 2013 and 2012, respectively, have been included in nonoperating gains (losses).

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

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. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge, or at amounts less than its established rates. Because the Hospital does not pursue collections of amounts determined to qualify as charity care, they are not reported as revenue.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions.

Subsequent Events

For purposes of the preparation of these consolidated financial statements in conformity with U.S. GAAP, the Organization has considered transactions of events occurring through December 20, 2013, which was the date the consolidated financial statements were issued.

Reclassifications

Certain reclassifications have been made to the 2012 consolidated financial statements to conform to the 2013 presentation.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

2. Net Patient Service Revenue

Patient service revenue, contractual allowances and other discounts, and the provision for bad debts are as follows for the years ended September 30:

	<u>2013</u>	<u>2012</u>
Gross patient service revenue		
Inpatient services	\$ 42,092,183	\$ 38,107,271
Outpatient services	<u>130,109,648</u>	<u>126,701,971</u>
	<u>172,201,831</u>	164,809,242
Less contractual allowances and discounts	<u>76,037,758</u>	<u>71,705,250</u>
	<u>96,164,073</u>	93,103,992
Patient service revenue (net of contractual allowances and discounts)	<u>96,164,073</u>	93,103,992
Less provision for bad debts	<u>(4,583,172)</u>	<u>(3,794,239)</u>
Net patient service revenue	<u>\$ 91,580,901</u>	<u>\$ 89,309,753</u>

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

Medicare

Medicare - Due to its geographic location, the Hospital is deemed to be a sole community hospital. Under this designation, they are reimbursed at a prospectively determined rate per discharge based upon their historic costs from a base period. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to an ambulatory payment classification system that is based on clinical, diagnostic, and other factors. Final settlements have been determined for all years through September 30, 2009.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at acuity-based prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. The Hospital's Medicaid cost reports have been audited by the fiscal intermediary through September 30, 2008.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Blue Cross and Commercial

Inpatient and outpatient services rendered to Blue Cross and Cigna subscribers are reimbursed at submitted charges less a discount. Physician professional fees are reimbursed on a fee schedule. The amounts paid to the Hospital are not subject to any retroactive adjustments.

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.

Revenue from the Medicare and Medicaid programs accounted for approximately 30% and 14%, respectively, of the Hospital's patient revenue (net of contractual allowances and discounts) for the year ended 2013, and 30% and 16%, respectively, of the Hospital's patient revenue (net of contractual allowances and discounts) 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 the 2012 net patient service revenue increased approximately \$705,000 and approximately \$890,000, respectively, due to differences in retroactive adjustments compared to amounts previously estimated

The Organization recognizes patient service revenue relating to services rendered to patients who have third-party payor coverage on the basis of contractual rates for such services. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates less established discounts promulgated by the Patient Protection and Affordable Care Act. Based on historical trends, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services rendered. Thus, the Organization records a provision for bad debts related to uninsured patients in the period the services are rendered. Patient service revenue, net of contractual allowances and discounts, but before the provision for bad debts, recognized from these major payor sources is as follows:

	<u>2013</u>	<u>2012</u>
Revenue from third-party payors	\$ 93,551,159	\$ 90,834,271
Revenue from self-pay patients	<u>2,612,914</u>	<u>2,269,721</u>
	<u>\$ 96,164,073</u>	<u>\$ 93,103,992</u>

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

3. Patient Accounts Receivable and Estimated Allowance for Doubtful Accounts

Patient accounts receivable is stated net of estimated contractual allowances and allowance for doubtful accounts as follows as of September 30:

	<u>2013</u>	<u>2012</u>
Patient accounts receivable	\$ 19,752,357	\$ 20,641,490
Estimated contractual allowances	(6,637,566)	(7,591,228)
Estimated allowance for doubtful accounts	<u>(4,339,359)</u>	<u>(4,073,815)</u>
Patient accounts receivable, net	<u>\$ 8,775,432</u>	<u>\$ 8,976,447</u>
	<u>2013</u>	<u>2012</u>
Estimated allowance for doubtful accounts, beginning of year	\$ 4,073,815	\$ 3,373,401
Self-pay write-offs, net	(4,317,628)	(3,093,825)
Provision for bad debts	<u>4,583,172</u>	<u>3,794,239</u>
Estimated allowance for doubtful accounts, end of year	<u>\$ 4,339,359</u>	<u>\$ 4,073,815</u>

The increase in the allowance for doubtful accounts and provision for bad debts were the result of trends experienced in the collection of amounts from self-pay patients in fiscal year 2013

4. Charity Care and Community Services

Consistent with its tax-exempt status and community service responsibility, the Hospital provides services at no charge or at discounted rates to patients who are uninsured or underinsured and meet certain criteria. The criteria for charity care consider family income, net worth, and extent of financial obligations, including health care costs.

The net cost of charity care provided was \$758,931 in 2013 and \$853,443 in 2012. The total cost estimate is based on the Hospital's cost accounting system.

In 2013, the Hospital provided 949 patients charity care assistance while in 2012, 714 patients received charity care assistance. The largest proportion of services provided on a charity basis for 2013 and 2012 was for emergency department services.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

As part of its mission, the Hospital underwrites a number of health-care related programs that may not be otherwise available to the community. Some examples of these programs are described below.

- The Healthy Hearts on the Move community health fair focused on improved cardiovascular health. This even features free screenings, educational booths, opportunities to try physical fitness activities, healthy snacks, engaging kids' activities, and opportunities to meet providers
- Many other community/prevention focused activities of the Hospital's Lifestyle Medicine Department including public lectures, media pieces, health screenings, smoking cessation, assistance with health-related support groups in the community, and special events.
- Collaborative promotion in Hospital publications and paid advertising to raise awareness of prevention, education, and support offerings of various community partners who provide excellent programming but lack the resources to fully communicate these opportunities to the community.
- Co-leadership of, and active participation in, the Community Committee on Healthy Lifestyles in collaboration with the Vermont Department of Health and other area experts and stakeholders. This effort is focused on improving the quality of life in our community in alignment with the Community Health Needs Assessment.
- Underwriting of, and voluntary participation in, local United Way programs and outreach with focus on health, education, and income -- all of which contribute to improved quality of life and overall community health.

5. Property and Equipment

The major categories of property and equipment are as follows as of September 30:

	<u>2013</u>	<u>2012</u>
Land	\$ 1,020,531	\$ 1,020,531
Land improvements	1,525,863	1,525,863
Buildings	38,652,381	38,136,237
Major moveable equipment	<u>29,701,038</u>	<u>28,828,130</u>
	70,899,813	69,510,761
Less accumulated depreciation	<u>40,853,377</u>	<u>39,014,677</u>
	30,046,436	30,496,084
Construction-in-progress	<u>1,097,155</u>	<u>924,980</u>
	<u>\$ 31,143,591</u>	<u>\$ 31,421,064</u>

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Construction-in-progress includes \$199,000 and \$138,000 as of 2013 and 2012, respectively, of architectural and design fees incurred related to a master facility plan. The Hospital expects to present this plan to the state of Vermont in 2014 to obtain a Certificate of Need approval

6. Assets Limited as to Use and Investments

The composition of assets limited as to use and investments as of September 30 is as follows:

	<u>2013</u>	<u>2012</u>
Assets Limited as to Use		
Internally designated for capital acquisition		
Cash and cash equivalents	\$ 151,746	\$ 81,218
Equities	14,060,186	12,192,547
Fixed income	4,889,523	4,909,376
Alternative investment	<u>1,819,584</u>	<u>-</u>
	<u>20,921,039</u>	<u>17,183,141</u>
 Donor-restricted		
Cash and cash equivalents	1,062,483	764,794
Equities	293,440	215,895
Fixed income	<u>175,351</u>	<u>273,327</u>
	<u>1,531,274</u>	<u>1,254,016</u>
 Held by bank as collateral on property		
Cash and cash equivalents	197,068	197,068
 Bond proceeds to be used for capital projects		
Cash and cash equivalents	2,004,618	675,383
Fixed income	<u>5,243,361</u>	<u>-</u>
	<u>7,247,979</u>	<u>675,383</u>
	<u>\$ 29,897,360</u>	<u>\$ 19,309,608</u>
 Investments		
Cash and cash equivalents	\$ 1,228,953	\$ 2,850,836
Certificates of deposit with maturity dates exceeding three months	3,085,780	5,300,148
Fixed income	11,939,925	7,524,856
Equities	22,789,109	19,167,401
Alternative investment	<u>1,986,443</u>	<u>-</u>
 Total	41,030,210	34,843,241
 Less short-term investments	<u>11,220,940</u>	<u>11,217,338</u>
 Long-term investments	<u>\$ 29,809,270</u>	<u>\$ 23,625,903</u>

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Investment income and gains (losses) for assets limited as to use and investments are comprised of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 1,013,170	\$ 667,917
Realized gains	<u>661,394</u>	<u>1,056,940</u>
	1,674,564	1,724,857
Unrealized gains	<u>2,321,323</u>	<u>2,055,044</u>
	<u>\$ 3,995,887</u>	<u>\$ 3,779,901</u>

On May 5, 2009, the Governor of Vermont signed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as regulation over donor-restricted endowment funds. Under UPMIFA, the amount of the original gifts and any required accumulations are not expendable, although the value of the investments purchased may occasionally fall below that amount. Future appreciation of the investments generally restores the value to the required level. UPMIFA describes "historic dollar value" as the amount that is not expendable.

7. Beneficial Interest in Perpetual Trusts

The Hospital is the beneficiary of various trusts for which it is not the trustee, including \$729,226 and \$693,340 in irrevocable perpetual trusts at September 30, 2013 and 2012, respectively. The Hospital has reflected as assets in the balance sheets the fair value of the underlying investments in the trusts. Receipts of income are included as unrestricted investment income when received. Receipts from the trusts were approximately \$17,600 and \$24,500 for the years ended September 30, 2013 and 2012, respectively, and were recorded in net investment income.

8. Borrowings

Long-term debt consisted of the following as of September 30:

	<u>2013</u>	<u>2012</u>
Vermont Educational and Health Buildings Financing Agency (VEHBFA) Hospital Revenue Bonds (Northwestern Medical Center Project) 2010 Series A, interest payable monthly at a variable rate based on one-month LIBOR (2.19% at September 30, 2012). Paid in full in 2013.	\$ -	\$ 12,356,580

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Vermont Educational and Health Buildings Financing Agency (VEHBFA) Hospital Revenue Bonds (Northwestern Medical Center Project) 2012 Series A, interest and principal payable monthly at a variable rate based on 75% of one-month LIBOR plus 1.14% (1.28% at September 30, 2013); due through December 1, 2032, callable December 1, 2022; collateralized by substantially all of the Hospital's assets.

19,317,138

-

Bank loan, fixed interest rate of 3.6%, monthly principal and interest payments of \$1,353, with a balloon payment due September 2016 of \$137,143; collateralized by a certificate of deposit.

168,390

178,371

19,485,528

12,534,951

Less current portion

730,312

445,291

\$ 18,755,216

\$ 12,089,660

Maturities on long-term debt for fiscal years subsequent to September 30, 2013, are as follows:

2014	\$ 730,312
2015	756,110
2016	919,021
2017	798,948
2018	827,156
Thereafter	<u>15,453,981</u>
	<u>\$ 19,485,528</u>

Effective December 3, 2012, the Hospital entered into a loan agreement with VEHBFA issuing \$19.9 million in bonds. The new issue (Series 2012A) was used to refund the Hospital's Series 2010A bonds, to provide funds for various capital projects, and to pay bond issuance costs. In connection with this transition, a nonoperating loss on refunding of bonds payable of \$89,000 for the write-off of deferred financing costs relating to the Series 2010A bonds was recognized. Interest on the Series 2012A bonds is payable monthly at a variable rate based on 75% of the one-month LIBOR rate plus 1.14%. The 2012A bond issue requires the Hospital to meet certain covenants. As of September 30, 2013, the Hospital was in compliance with those covenants.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Interest Rate Swaps

The Hospital has entered into two swap agreements. During 2013 and 2012, the interest rate swap agreements did not qualify for hedge accounting.

The Hospital is required to include the fair value of the swaps in the balance sheet, and annual changes, if any, in the fair value of the swaps in the statement of operations. For example, during the Bonds' holding period, the annually calculated value of the swaps will be reported as assets if interest rates increase above those in effect on the date the swaps were entered into (and as an unrealized gain in the statement of operations), which will generally be indicative that the net fixed rate the Hospital is paying is below market expectations of rates during the remaining term of the swap. The swaps will be reported as a liability (and as an unrealized loss in the statement of operations) if interest rates decrease below those in effect on the date the swaps were entered into, which will generally be indicative that the net fixed rate the Hospital is paying on the swap is above market expectations of rates during the remaining term of the swap. These annual accounting adjustments of value changes in the swap transaction are non-cash recognition requirements. The Hospital retains the sole right to terminate the swap agreements should the need arise. The Hospital recorded the swaps at their liability positions of \$1,065,694 and \$1,834,918 at September 30, 2013 and 2012, respectively. The interest rate swap contract disclosures are summarized as follows:

<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Current Notional Amount</u>	<u>Fair Value as of September 30, 2013</u>	<u>Fair Value as of September 30, 2012</u>	<u>Termination Date</u>	<u>Counterparty</u>
3.228%	1.7320%	\$ 6,155,000	\$ 777,510	\$ 1,393,863	10/01/2030	Deutsche Bank AG
2.906%	1.2313%	3,890,000	<u>288,184</u>	<u>441,055</u>	10/01/2021	Morgan Stanley
			<u>\$ 1,065,694</u>	<u>\$ 1,834,918</u>		

Letter of Credit

The Hospital is required to maintain a letter of credit in the amount of \$220,000 in favor of Employers Insurance Company of Wausau in connection with workers' compensation claims. The letter of credit matures in July 2014.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

9. Retirement Plans

The Hospital sponsors a 403(b) retirement plan for its employees. To be eligible to participate in the 403(b) plan, an employee must meet certain requirements as specified in the Plan documents. The Hospital matches 1% if the employee contributes 2% or 3% of their annual salary and the Hospital contributes 2% if the employee contributes 4% or more of their annual salary.

NOH sponsors a 401(k) retirement plan for its employees. To be eligible to participate in the 401(k) plan, an employee must meet certain requirements as specified in the Plan documents. Subject to annual review, NOH contributes 2% of gross annual salary (subject to maximum limits) for all employees who work at least 1,000 hours during a calendar year. This portion of the employer contribution to the 401(k) plan has a step vesting schedule. In addition, NOH contributes 3% of gross annual pay in matching funds for employees who contribute at least 3% and who work at least 1,000 hours in a calendar year.

The Hospital sponsors a Money Purchase Pension Plan covering substantially all of its employees. The Hospital's contributions are determined for, and allocated to, eligible participants based on a predetermined percent of compensation paid. Individual benefits at retirement are the amounts which can be provided by the sums contributed to each participant's account. The plan, which may be terminated at any time by the Board of Directors, provides for employee vesting over a six-year period. Retirement plan expenses charged to operations were \$814,060 and \$800,323 in 2013 and 2012, respectively.

10. Commitments and Contingencies

The Hospital has leases for medical care space, and has various leases for medical and office equipment with original terms through July 2018. Certain of these leases have renewal options and contain an annual Consumer Price Index increase provision. Future minimum payments under these leases are as follows:

Years ending September 30,	
2014	\$ 457,000
2015	338,000
2016	152,000
2017	54,000
2018	<u>30,000</u>
	<u>\$1,031,000</u>

Rental expense for the years ended September 30, 2013 and 2012 was \$805,927 and \$663,896, respectively.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Professional Liability Insurance and Litigation

The Hospital carries malpractice insurance coverage under a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured. The Hospital intends to renew its coverage on a claims-made basis and has no reason to believe that it may be prevented from renewing such coverage.

The Hospital is subject to complaints, claims and litigation due to potential claims which arise in the normal course of business. U.S. generally accepted accounting principles require the Hospital to accrue the ultimate cost of malpractice claims when the incident that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset. The Hospital has evaluated its exposure to losses arising from potential claims and determined that no such accrual is necessary for the years ended September 30, 2013 and 2012.

QHR, LLC

The Hospital contracts with QHR, LLC for management advisory services. Total expenses related to the QHR, LLC contract, and charged to operations, were \$1,189,501 and \$1,108,434 for the years ended September 30, 2013 and 2012, respectively.

Self-Funded Health Insurance

The Hospital maintains a self-funded health insurance plan. A reserve of \$529,149 and \$653,041 in 2013 and 2012, respectively, has been established to allow for incurred but not reported claims for health care services based on claim history. The self-funded policy had an individual stop loss of \$150,000 and \$100,000 in 2013 and 2012, respectively. The Hospital's aggregate stop loss coverage begins at 125% of expected claims, excluding claim amounts which are paid under the individual stop loss coverage.

11. Meaningful Use Revenues

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The criteria for meaningful use will be staged in three steps from fiscal year 2012 through 2016. During 2013, the Hospital attested to Stage 1 meaningful use certification from Centers of Medicare and Medicaid Services (CMS) and the Department of Vermont Health Access and recorded meaningful use revenues of \$1,722,946 as September 30, 2013, and is included in other operating revenue. As of September 30, 2013, the Hospital has received the Medicaid portion of \$397,542 and the Medicare portion of \$1,325,404 has yet to be received, and is included in other receivables. The Hospital plans to attest to Stage 2 meaningful use certification from CMS and the Department of Vermont Health Access in 2014.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

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

12. Rental Income

The Hospital leases land and buildings to various organizations under operating leases. Rental income under these leases was \$192,031 in 2013 and \$235,896 in 2012. The leases expire on various dates ranging from 2014 to 2043 and certain leases contain an annual Consumer Price Index provision

Included under property and equipment are the following amounts applicable to the leased space:

	<u>2013</u>	<u>2012</u>
Land improvements	\$ 4,189	\$ 4,189
Building	<u>868,287</u>	<u>868,287</u>
	<u>872,476</u>	872,476
Accumulated depreciation	<u>(395,933)</u>	<u>(362,783)</u>
Net book value	<u>\$ 476,543</u>	<u>\$ 509,693</u>

Minimum future rentals on noncancelable leases are as follows.

Years ending September 30,

2014	\$ 107,000
2015	82,000
2016	77,000
2017	59,000
2018	59,000
Thereafter	<u>1,770,000</u>
	<u>\$ 2,154,000</u>

13. Health Care Improvement Tax

A health care improvement tax is imposed on hospitals, nursing homes, and home health agencies as part of a program to upgrade services in Vermont. Hospitals in Vermont are assessed as a percentage of net patient revenue which is determined annually by the General Assembly. Hospital tax rates were 6.0% in 2013 and 2012.

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

14. 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 September 30, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Medicare	32 %	35 %
Medicaid	12	13
Blue Cross	12	12
Other third-party payors	18	20
Patients	<u>26</u>	<u>20</u>
	<u>100 %</u>	<u>100 %</u>

15. Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>2013</u>	<u>2012</u>
Health care services	\$ 68,924,960	\$ 66,067,896
General and administrative	<u>18,998,876</u>	<u>16,828,962</u>
	<u>\$ 87,923,836</u>	<u>\$ 82,896,858</u>

16. Restrictions on Net Assets

Temporarily restricted net assets consisted of donor contributions to the following programs and purposes at September 30:

	<u>2013</u>	<u>2012</u>
Community wellness initiatives	\$ 841,466	\$ 547,858
Capital expenditures	188,128	188,128
Education assistance	54,853	93,708
Free care assistance	98,498	87,039
Other community programs	<u>131,882</u>	<u>133,752</u>
	<u>\$ 1,314,827</u>	<u>\$ 1,050,485</u>

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Permanently restricted net assets include endowment fund assets to be held in perpetuity and consisted of the following at September 30:

	<u>2013</u>	<u>2012</u>
Beneficial Interest in Trusts; income is unrestricted	\$ 729,227	\$ 693,341
Sowles Memorial Fund; income to be used for charity care	<u>203,530</u>	<u>203,530</u>
	<u>\$ 932,757</u>	<u>\$ 896,871</u>

17. Related Parties

The Hospital leases space in doctors' office buildings owned by Hospital employees. The original lease terms range from one to five years. Rental expense under these leases for the years ended September 30, 2013 and 2012 was \$336,668 and \$280,059, respectively.

The Hospital also purchases doctors' office staff support and equipment from companies owned by Hospital employees. The original support agreement terms range from one to five years. Expenses incurred related to these agreements, which are included in contracted services expense in the accompanying consolidated statements of operations, for the year ended September 30, 2012, was \$218,343. For the year ended September 30, 2013, there were no contracted services purchased.

18. Fair Value Measurements

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Assets and liabilities measured at fair value on a recurring basis are summarized below. Fair values were primarily determined using market and income approaches.

	Fair Value Measurements at September 30, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Assets limited as to use				
Cash and cash equivalents	\$ 3,416,015	\$ -	\$ -	\$ 3,416,015
Fixed Income				
Intermediate duration	6,899,151	-	-	6,899,151
U S Government bonds	<u>3,408,984</u>	-	-	<u>3,408,984</u>
Total fixed income	<u>10,308,135</u>	-	-	<u>10,308,135</u>
Equities				
Index funds	92,950	-	-	92,950
Strategic value	5,460,886	-	-	5,460,886
Strategic growth	5,681,423	-	-	5,681,423
International	2,058,135	-	-	2,058,135
Emerging markets	487,757	-	-	487,757
Global real estate	<u>572,475</u>	-	-	<u>572,475</u>
Total equities	<u>14,353,626</u>	-	-	<u>14,353,626</u>
Alternative investment	-	-	<u>1,819,584</u>	<u>1,819,584</u>
Total assets limited as to use	<u>28,077,776</u>	-	<u>1,819,584</u>	<u>29,897,360</u>
Investments				
Cash and cash equivalents	1,228,953	-	-	1,228,953
Certificates of deposit > three months	3,085,780	-	-	3,085,780
Fixed Income				
Intermediate duration	10,637,802	-	-	10,637,802
Short duration plus	1,046,381	-	-	1,046,381
Government bonds	<u>255,742</u>	-	-	<u>255,742</u>
Total fixed income	<u>11,939,925</u>	-	-	<u>11,939,925</u>
Equities				
Strategic value	13,589,335	-	-	13,589,335
Strategic growth	6,239,740	-	-	6,239,740
International portfolio	2,196,570	-	-	2,196,570
Emerging markets	187,401	-	-	187,401
Global real estate	<u>576,063</u>	-	-	<u>576,063</u>
Total equities	<u>22,789,109</u>	-	-	<u>22,789,109</u>
Alternative investment	-	-	<u>1,986,443</u>	<u>1,986,443</u>
Total investments	<u>39,043,767</u>	-	<u>1,986,443</u>	<u>41,030,210</u>
Beneficial interest in perpetual trusts	-	-	<u>729,226</u>	<u>729,226</u>
Total assets	<u>\$ 67,121,543</u>	<u>\$ -</u>	<u>\$ 4,535,253</u>	<u>\$ 71,656,796</u>
Liabilities				
Interest rate swaps	<u>\$ -</u>	<u>\$ 1,065,694</u>	<u>\$ -</u>	<u>\$ 1,065,694</u>

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

	Fair Value Measurements at September 30, 2012			
	Level 1	Level 2	Level 3	Total
Assets				
Assets limited as to use				
Cash and cash equivalents	\$ 1,718,463	\$ -	\$ -	\$ 1,718,463
Fixed income				
Intermediate duration	5,170,402	-	-	5,170,402
U S Government bonds	12,301	-	-	12,301
Total fixed income	<u>5,182,703</u>	<u>-</u>	<u>-</u>	<u>5,182,703</u>
Equities				
Index funds	51,949	-	-	51,949
Strategic value	4,539,556	-	-	4,539,556
Strategic growth	5,106,014	-	-	5,106,014
International	1,677,125	-	-	1,677,125
Emerging markets	476,846	-	-	476,846
Global real estate	556,952	-	-	556,952
Total equities	<u>12,408,442</u>	<u>-</u>	<u>-</u>	<u>12,408,442</u>
Total assets limited as to use	19,309,608	-	-	19,309,608
Investments				
Cash and cash equivalents	2,850,836	-	-	2,850,836
Certificates of deposit > three months	5,300,148	-	-	5,300,148
Fixed income				
Intermediate duration	6,203,508	-	-	6,203,508
Short duration plus	1,054,586	-	-	1,054,586
Government bonds	266,762	-	-	266,762
Total fixed income	<u>7,524,856</u>	<u>-</u>	<u>-</u>	<u>7,524,856</u>
Equities				
Strategic value	12,284,278	-	-	12,284,278
Strategic growth	4,689,253	-	-	4,689,253
International portfolio	1,528,314	-	-	1,528,314
Emerging markets	152,104	-	-	152,104
Global real estate	513,452	-	-	513,452
Total equities	<u>19,167,401</u>	<u>-</u>	<u>-</u>	<u>19,167,401</u>
Total investments	34,843,241	-	-	34,843,241
Beneficial interest in perpetual trusts	-	-	693,340	693,340
Total assets	<u>\$ 54,152,849</u>	<u>\$ -</u>	<u>\$ 693,340</u>	<u>\$ 54,846,189</u>
Liabilities				
Interest rate swaps	<u>\$ -</u>	<u>\$ 1,834,918</u>	<u>\$ -</u>	<u>\$ 1,834,918</u>

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

In determining the appropriate levels, the Hospital performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. The fair value of interest rate swaps is primarily based on market prices of comparable securities, and credit rates.

Level 3 for the Hospital includes the alternative investment and beneficial interest in perpetual trusts. Although, at September 30, 2013 and 2012, the values of the Level 3 investments were recorded based upon the fair value of the underlying securities, the values are not based upon a verifiable marketable transaction. The alternative investment of \$3,806,027 is a limited partnership reported at fair value as of September 30, 2013. The alternative investment primarily invests in limited partnerships and similar pooled investment vehicles often referred to as portfolio funds. These funds are managed by independent portfolio managers that employ diverse alternative investment strategies across a variety of asset classes. The alternative investment involves certain risks due to a lack of a public market and certain time restrictions on withdrawals. As the beneficial interest in perpetual trust assets are not readily available to the Organization, the assets are classified as Level 3.

The following is a reconciliation of activity for assets measured at fair value on a recurring basis in which significant unobservable inputs (Level 3) were used in determining fair value

	September 30, 2012	Net purchases	Net (depreciation) appreciation	September 30, 2013
Assets limited as to use:				
Alternative investments	\$ -	\$ 1,832,000	\$ (12,416)	\$ 1,819,584
Investments				
Alternative investment	-	2,000,000	(13,557)	1,986,443
Beneficial interest in trusts	<u>693,340</u>	<u>-</u>	<u>35,886</u>	<u>729,226</u>
	<u>\$ 693,340</u>	<u>\$ 3,832,000</u>	<u>\$ 9,913</u>	<u>\$ 4,535,253</u>
	September 30, 2011	Net purchases	Net appreciation	September 30, 2012
Beneficial interest in trusts	\$ 659,389	\$ -	\$ 33,951	\$ 693,340

19. Fair Value of Financial Instruments

The Hospital's financial instruments consist of cash and cash equivalents, investments, trade accounts receivable and payable, notes receivable, beneficial interest in perpetual trusts, estimated third-party settlements, interest rate swaps, and long-term debt. The fair values of all financial instruments approximate their carrying values at September 30, 2013 and 2012, respectively.

SUPPLEMENTARY INFORMATION

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidating Balance Sheet

**September 30, 2013
(With Comparative Totals for September 30, 2012)**

ASSETS

	2013				2012
	<u>NMC</u>	<u>NOH</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
Current assets					
Cash and cash equivalents	\$ 5,637,379	\$ 133,250	\$ -	\$ 5,770,629	\$ 4,230,424
Patient accounts receivable, net	8,354,189	421,243	-	8,775,432	8,976,447
Other receivables, net	2,016,059	41,254	(68,533)	1,988,780	747,344
Supplies	1,721,508	21,281	-	1,742,789	1,658,371
Short-term investments	11,220,940	-	-	11,220,940	11,217,338
Other current assets	<u>997,961</u>	<u>37,459</u>	<u>(24,054)</u>	<u>1,011,366</u>	<u>809,319</u>
Total current assets	29,948,036	654,487	(92,587)	30,509,936	27,639,243
Assets limited as to use	29,897,360	-	-	29,897,360	19,309,608
Investments	29,809,270	-	-	29,809,270	23,625,903
Beneficial interest in perpetual trusts	729,226	-	-	729,226	693,340
Property and equipment, net	30,372,054	771,537	-	31,143,591	31,421,064
Other long-term assets, net	<u>1,512,461</u>	<u>-</u>	<u>(1,147,400)</u>	<u>365,061</u>	<u>321,512</u>
Total assets	<u>\$122,268,407</u>	<u>\$ 1,426,024</u>	<u>\$(1,239,987)</u>	<u>\$122,454,444</u>	<u>\$103,010,670</u>

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidating Balance Sheet (Concluded)

**September 30, 2013
(With Comparative Totals for September 30, 2012)**

LIABILITIES AND NET ASSETS

	2013				2012
	<u>NMC</u>	<u>NOH</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
Current liabilities					
Accounts payable	\$ 4,084,793	\$ 75,076	\$ (68,533)	\$ 4,091,336	\$ 3,789,126
Salaries, wages and payroll taxes	4,435,849	179,494	-	4,615,343	3,857,712
Accrued retirement plan contributions	348,750	-	-	348,750	319,389
Other accrued expenses	1,309,518	-	-	1,309,518	1,155,668
Estimated third-party settlements	2,715,721	-	-	2,715,721	3,127,369
Current portion of long-term debt	<u>730,312</u>	<u>24,054</u>	<u>(24,054)</u>	<u>730,312</u>	<u>445,291</u>
Total current liabilities	13,624,943	278,624	(92,587)	13,810,980	12,694,555
Long-term debt, net of current portion	18,755,215	715,903	(715,903)	18,755,215	12,089,660
Interest rate swaps	<u>1,065,694</u>	<u>-</u>	<u>-</u>	<u>1,065,694</u>	<u>1,834,918</u>
Total liabilities	<u>33,445,852</u>	<u>994,527</u>	<u>(808,490)</u>	<u>33,631,889</u>	<u>26,619,133</u>
Net assets					
Unrestricted	86,574,971	-	-	86,574,971	74,444,181
Member's equity	-	431,497	(431,497)	-	-
Temporarily restricted	1,314,827	-	-	1,314,827	1,050,485
Permanently restricted	<u>932,757</u>	<u>-</u>	<u>-</u>	<u>932,757</u>	<u>896,871</u>
Total net assets	<u>88,822,555</u>	<u>431,497</u>	<u>(431,497)</u>	<u>88,822,555</u>	<u>76,391,537</u>
Total liabilities and net assets	<u>\$122,268,407</u>	<u>\$ 1,426,024</u>	<u>\$(1,239,987)</u>	<u>\$122,454,444</u>	<u>\$103,010,670</u>

**NORTHWESTERN MEDICAL CENTER, INC.
AND SUBSIDIARIES**

Consolidating Statement of Operations

**Year Ended September 30, 2013
(With Comparative Totals for the Year Ended September 30, 2012)**

	2013				2012
	<u>NMC</u>	<u>NOH</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
Unrestricted revenues, gains and other support					
Patient service revenue (net of contractual allowances and discounts)	\$ 93,653,950	\$ 2,561,425	\$ (51,302)	\$ 96,164,073	\$ 93,103,992
Less provision for bad debts	<u>4,396,874</u>	<u>186,298</u>	<u>-</u>	<u>4,583,172</u>	<u>3,794,239</u>
Net patient service revenue	89,257,076	2,375,127	(51,302)	91,580,901	89,309,753
Other operating revenue	2,703,728	136,030	(231,141)	2,608,617	1,094,634
Net assets released from restrictions for operations	<u>915,894</u>	<u>-</u>	<u>-</u>	<u>915,894</u>	<u>395,194</u>
Total unrestricted revenues, gains and other support	<u>92,876,698</u>	<u>2,511,157</u>	<u>(282,443)</u>	<u>95,105,412</u>	<u>90,799,581</u>
Expenses					
Salaries and wages	38,339,965	1,280,793	153,160	39,773,918	35,685,667
Employee benefits	8,450,430	299,780	(51,902)	8,698,308	9,170,226
Supplies and expenses	11,271,321	85,373	-	11,356,694	11,269,922
Contracted services	11,790,748	478,480	(284,013)	11,985,215	10,994,665
Depreciation and amortization	3,976,033	53,625	-	4,029,658	3,596,390
Travelers' expense	553,295	-	-	553,295	1,525,293
Health care improvement tax	5,306,926	-	-	5,306,926	4,761,645
Other operating expense	5,621,286	222,172	(180,410)	5,663,048	5,312,226
Interest expense	<u>556,774</u>	<u>24,466</u>	<u>(24,466)</u>	<u>556,774</u>	<u>580,824</u>
Total expenses	<u>85,866,778</u>	<u>2,444,689</u>	<u>(387,631)</u>	<u>87,923,836</u>	<u>82,896,858</u>
Income from operations	<u>7,009,920</u>	<u>66,468</u>	<u>105,188</u>	<u>7,181,576</u>	<u>7,902,723</u>
Nonoperating gains (losses)					
Net investment income	1,765,498	-	(90,934)	1,674,564	1,724,857
Net gain from rental activities	251,611	-	(80,722)	170,889	214,779
Unrealized gain (loss) on interest rate swaps	769,224	-	-	769,224	(126,130)
Unrealized gain on investments	2,321,323	-	-	2,321,323	2,055,044
Other	<u>13,214</u>	<u>-</u>	<u>-</u>	<u>13,214</u>	<u>33,416</u>
Nonoperating gains, net	<u>5,120,870</u>	<u>-</u>	<u>(171,656)</u>	<u>4,949,214</u>	<u>3,901,966</u>
Increase in unrestricted net assets	<u>\$ 12,130,790</u>	<u>\$ 66,468</u>	<u>\$ (66,468)</u>	<u>\$ 12,130,790</u>	<u>\$ 11,804,689</u>

