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Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

☐ Yes ☒ No

1

Briefly describe the organization's mission

TO IMPROVE COMMUNITY HEALTH AND QUALITY OF LIFE

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 \$ 48,300,202 including grants of \$ ) (Revenue \$ 45,483,067 )

BOZEMAN DEACONESS HEALTH GROUP CONSISTS OF OUR DEPARTMENTS THAT PROVIDE PHYSICIAN SERVICES TO OUTPATIENTS THE NUMBER OF MEDICARE AND MEDICAID PATIENTS SEEN IN 2013 REMAINED FAIRLY CONSISTENT AT ABOUT 44% OF TOTAL VISITS REVENUE FOR THESE PATIENTS AND UNINSURED PATIENTS TOTALED 48% OF ALL CLINIC REVENUE TOTAL OPERATING REVENUES WERE \$45,483,067 WITH ASSOCIATED OPERATING EXPENSES OF \$48,300,202 THE LOSS OF \$2,817,135 IS REFLECTIVE OF OUR COMMITMENT TO PROVIDE ACCESS TO ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY

4b

(Code ) (Expenses \$ 21,957,800 including grants of \$ ) (Revenue \$ 52,910,236 )

BOZEMAN DEACONESS SURGICAL SERVICES STRIVES TO OFFER A WIDE ARRAY OF SURGICAL OPTIONS USING STATE OF THE ART TECHNOLOGY OF THE 5,698 INPATIENT AND OUTPATIENT SURGERIES, ABOUT ONE THIRD WERE MEDICARE AND MEDICAID PATIENTS, WHICH COMPRISED 41% (\$21,922,090) OF TOTAL REVENUE FROM THESE SERVICES (\$52,910,236) OVER 61% OF THE MEDICARE/MEDICAID REVENUES WERE UNREIMBURSED (\$13,417,016) AND WRITTEN OFF, ALONG WITH ANOTHER \$5,874,579 FROM OTHER PAYORS OUR OPERATING ROOM ALSO RECORDED \$15,908,977 IN OPERATING EXPENSES PLUS ANOTHER \$6,048,823 OF INDIRECT OVERHEAD

4c

(Code ) (Expenses \$ 9,368,409 including grants of \$ ) (Revenue \$ 17,676,626 )

THE EMERGENCY ROOM AT BOZEMAN DEACONESS HOSPITAL IS ONE OF THE BUSIEST DEPARTMENTS IN OUR ORGANIZATION, WITH JUST OVER 25,000 VISITS IN 2013 APPROXIMATELY 32% OF THESE VISITS WERE FROM MEDICARE AND MEDICAID PATIENTS, COMPRISING \$6,076,495 OF THE \$17,676,626 OF THE GROSS REVENUE OVER 61% OF THE MEDICARE/MEDICAID REVENUE WERE UNREIMBURSED (\$3,704,780) AND WRITTEN OFF, ALONG WITH ALMOST 37% OF THE REMAINING REVENUE (\$4,325,287) DIRECT AND INDIRECT EXPENSES INCURRED IN SUPPORTING THE OPERATION OF THIS EMERGENCY ROOM ACCUMULATED TO \$9,368,409

(Code ) (Expenses \$ 73,195,007 including grants of \$ 358,000 ) (Revenue \$ 88,618,123 )

BOZEMAN DEACONESS HEALTH SERVICES OPERATES AN 86 BED HOSPITAL FACILITY (HOSPITAL), ALONG WITH A 43 UNIT ASSISTED LIVING HOME AND A 115 UNIT INDEPENDENT LIVING HOME (HILLCREST SENIOR LIVING OR HSL) ALL PATIENT AND RESIDENT SERVICE REVENUE IS USED TO PROVIDE HEALTH CARE SERVICES, HEALTH CARE PROMOTION, AND HEALTH CARE EDUCATION TO BOZEMAN AND THE SURROUNDING COMMUNITIES

4d

Other program services (Describe in Schedule O )




















(Expenses \$ 73,195,007 including grants of \$ 358,000 ) (Revenue \$ 88,618,123 )

4e

Total program service expenses

152,821,418

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 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	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 other assistance to or for any foreign organization? 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 other assistance to or for foreign individuals? 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 or other assistance to any domestic organization or government 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 or 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 25a</i> . . . . .	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, 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	Yes	
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	189	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	1,843	
2b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		Yes	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		Yes	
3b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.		Yes	
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			No
4b 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?			No
5b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			No
5c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?			No
6b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			
7 Organizations that may receive deductible contributions under section 170(c).			
7a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?			No
7b If "Yes," did the organization notify the donor of the value of the goods or services provided?			
7c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			No
7d If "Yes," indicate the number of Forms 8282 filed during the year.			
7e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			No
7f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			No
7g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			
7h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			
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?			
9 Sponsoring organizations maintaining donor advised funds.			
9a Did the organization make any taxable distributions under section 4966?			
9b Did the organization make a distribution to a donor, donor advisor, or related person?			
10 Section 501(c)(7) organizations. Enter			
10a Initiation fees and capital contributions included on Part VIII, line 12.			
10b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.			
11 Section 501(c)(12) organizations. Enter			
11a Gross income from members or shareholders.			
11b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).			
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?			
12b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.			
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
13a Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.			
13b 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.			
13c Enter the amount of reserves on hand.			
14a Did the organization receive any payments for indoor tanning services during the tax year?			No
14b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.			

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 or note to any line in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . . . .	11	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent . . . . .	10	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	5	No
6	Did the organization have members or stockholders? . . . . .	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . .	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	a The governing body? . . . . .	8a	Yes
8b	b Each committee with authority to act on behalf of the governing body? . . . . .	8b	No
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	b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? . . . . .	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? . . . . .	11a	Yes
11b	b Describe in Schedule O the process, if any, used by the organization to review this Form 990 . . . . .		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	12a	Yes
12b	b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	12b	Yes
12c	c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . .	12c	Yes
13	Did the organization have a written whistleblower policy? . . . . .	13	Yes
14	Did the organization have a written document retention and destruction policy? . . . . .	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	a The organization's CEO, Executive Director, or top management official . . . . .	15a	Yes
15b	b Other officers or key employees of the organization . . . . .	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .	16a	Yes
16b	b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .	16b	Yes

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶
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 ▶GORDON DAVIDSON 915 HIGHLAND BLVD BOZEMAN, MT 59715 (406) 585-1036

Part VII

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

Check if Schedule O contains a response or note to any line 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) TERRY CUNNINGHAM CHAIR	1 00	X		X				0	0	0
(2) JULIE JACKSON 1ST VICE CHAIR	1 00	X		X				0	0	0
(3) BRIAN BROWN 2ND VICE CHAIR	1 00	X		X				0	0	0
(4) JOHN MURDOCH SECRETARY	1 00	X		X				0	0	0
(5) JOHN ROBBINS MD TREASURER/DOCTOR	50 00	X		X				127,304	0	47,964
(6) KERRI BROWN TRUSTEE	1 00	X						0	0	0
(7) KATIE DAUGHENBAUGH TRUSTEE	1 00	X						0	0	0
(8) JAYNEE GROSETH TRUSTEE (THRU 6/30/13)	1 00	X						0	0	0
(9) LEN LUTZ TRUSTEE (THRU 6/30/13)	1 00	X						0	0	0
(10) REV DAVE MCCONNELL TRUSTEE	1 00	X						0	0	0
(11) DENNIS MUNSON TRUSTEE	1 00	X						0	0	0
(12) KERRY PETITT TRUSTEE	1 00	X						0	0	0
(13) ROBERT WATSON TRUSTEE	1 00	X						0	0	0
(14) KEVIN PITZER CEO/PRESIDENT	50 00			X				336,456	0	11,553
(15) GORDON DAVIDSON CFO/VP FINANCE/INTERIM CEO	50 00			X				395,182	0	54,879
(16) ELIZABETH LEWIS SENIOR VP OPERATIONS/LEGAL	50 00				X			275,626	0	52,088
(17) HUGH HETHERINGTON MD DOCTOR	50 00					X		582,822	0	58,069



Part VII

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) ANNE CASTILLO MD DOCTOR	50 00					X		570,163	0	15,847
(19) JACK HENSOLD MD DOCTOR	50 00					X		513,185	0	55,380
(20) DANE SOBEK MD DOCTOR	50 00					X		631,944	0	54,345
(21) BLAIR ERB MD DOCTOR	50 00					X		672,992	0	36,643
(22) JOHN NORDWICK FORMER CEO/PRESIDENT	0 00						X	148,472	0	12,403

1b	Sub-Total . . . . .	▶			
c	Total from continuation sheets to Part VII, Section A . . . . .	▶			
d	Total (add lines 1b and 1c) . . . . .	▶	4,254,146	0	399,171

2

Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶96

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

Section B. Independent Contractors

1

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

(A) Name and business address	(B) Description of services	(C) Compensation
ABSAROKA EMERGENCY PHYSICIANS 1184 N 15TH STREET SUITE 1 BOZEMAN MT 59715	ER PHYSICIANS FEE	3,846,269
MC BUILDERS JV 1203 S CHURCH BOZEMAN MT 59715	CONSTRUCTION	3,375,366
ARBOR MEDIC PO BOX 10305 BOZEMAN MT 59715	LANDSCAPING/LAWN/SNOW REMOVAL	842,036
SOFTSCRIPT INC 1801 W OLYMPIC BLVD PASADENA CA 911991599	TRANSCRIPTION SERVICES	745,553
MAYO COLLABORATIVE SERVICES PO BOX 9146 MINNEAPOLIS MN 554809146	REFERENCE LAB	661,254

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 ▶39

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . . . . 1a				
	b	Membership dues . . . . . 1b				
	c	Fundraising events . . . . . 1c				
	d	Related organizations . . . . . 1d	3,778,702			
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	1,739,223			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f . . . . .	5,517,925			
Program Service Revenue	2a	PATIENT SERVICE REVENUE				
		Business Code				
		622110	185,315,627	184,897,046	418,581	
	b	RESIDENT SERVICE REVENUE	623000	5,644,827	5,644,827	
	c	PHARMACY REVENUE	446110	3,370,091	3,005,139	364,952
	d	CAFETERIA REVENUE	722210	1,379,600	1,379,600	
	e					
	f	All other program service revenue	8,977,907	8,429,070	548,837	
	g	Total. Add lines 2a-2f . . . . .	204,688,052			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .	2,807,880		-54	2,807,934
	4	Income from investment of tax-exempt bond proceeds . . . . .				
	5	Royalties . . . . .				
	6a	Gross rents				
		(i) Real				
		1,211,691				
	b	Less rental expenses	797,284			
	c	Rental income or (loss)	414,407			
	d	Net rental income or (loss) . . . . .	414,407		93,085	321,322
		(i) Securities				
		(ii) Other				
	7a	Gross amount from sales of assets other than inventory	2,027,802	78,076		
	b	Less cost or other basis and sales expenses	0	107,983		
	c	Gain or (loss)	2,027,802	-29,907		
	d	Net gain or (loss) . . . . .	1,997,895			1,997,895
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .				
		a				
	b	Less direct expenses . . . . . b				
	c	Net income or (loss) from fundraising events . . . . .				
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .				
		a				
	b	Less direct expenses . . . . . b				
	c	Net income or (loss) from gaming activities . . . . .				
	10a	Gross sales of inventory, less returns and allowances . . . . .				
		a				
	b	Less cost of goods sold . . . . . b				
	c	Net income or (loss) from sales of inventory . . . . .				
		Miscellaneous Revenue	Business Code			
	11a					
	b					
	c					
	d	All other revenue . . . . .				
	e	Total. Add lines 11a-11d . . . . .				
	12	Total revenue. See Instructions . . . . .	215,426,159	203,355,682	1,425,401	5,127,151

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 or note to any line 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.	358,000	358,000		
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.	1,306,394	175,730	1,130,664	
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.	72,744,414	58,884,506	13,859,908	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	3,382,632	2,742,300	640,332	
9	Other employee benefits.	8,263,558	6,588,142	1,675,416	
10	Payroll taxes.	5,199,959	4,131,628	1,068,331	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	145,326		145,326	
c	Accounting.	81,596		81,596	
d	Lobbying.	49,026		49,026	
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	524,832		524,832	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	16,266,776	8,651,824	7,614,952	
12	Advertising and promotion.	1,059,232	254,707	804,525	
13	Office expenses.	3,736,728	1,161,503	2,575,225	
14	Information technology.				
15	Royalties.				
16	Occupancy.	2,569,417	425,658	2,143,759	
17	Travel.	404,954	269,917	135,037	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	269,969	179,944	90,025	
20	Interest.	2,192,767	2,192,767		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	14,054,719	14,054,719		
23	Insurance.	1,576,069	462,604	1,113,465	
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	MEDICAL SUPPLIES	37,755,180	37,683,957	71,223	
b	PROVISION FOR BAD DEBTS	9,572,008	9,572,008		
c	EQUIPMENT RENT & MAINTENANCE	7,794,042	4,699,518	3,094,524	
d	TAXES & LICENSES	1,394,432	84,988	1,309,444	
e	All other expenses	561,003	246,998	314,005	
25	Total functional expenses. Add lines 1 through 24e.	191,263,033	152,821,418	38,441,615	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 or note to any line in this Part X

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		28,992,288	2	46,722,702
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		24,171,929	4	27,284,960
	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		374,082	7	212,160
	8	Inventories for sale or use		5,505,814	8	5,924,431
	9	Prepaid expenses and deferred charges		1,733,947	9	2,039,452
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	248,625,524		
	b	Less accumulated depreciation	10b	123,168,656	10c	125,456,868
	11	Investments—publicly traded securities		96,277,961	11	95,319,096
	12	Investments—other securities See Part IV, line 11		3,089,376	12	3,297,355
	13	Investments—program-related See Part IV, line 11		17,009,133	13	16,441,997
	14	Intangible assets		9,718,401	14	10,713,626
	15	Other assets See Part IV, line 11		15,762,955	15	14,405,875
	16	Total assets. Add lines 1 through 15 (must equal line 34)		325,034,056	16	347,818,522
Liabilities	17	Accounts payable and accrued expenses		22,728,234	17	24,690,316
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		54,896,740	20	52,254,809
	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		866,191	23	522,909
	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		10,096,558	25	9,006,891
	26	Total liabilities. Add lines 17 through 25		88,587,723	26	86,474,925
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		228,739,587	27	254,995,499
	28	Temporarily restricted net assets		6,102,205	28	4,739,605
	29	Permanently restricted net assets		1,604,541	29	1,608,493
	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		236,446,333	33	261,343,597
	34	Total liabilities and net assets/fund balances		325,034,056	34	347,818,522

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	215,426,159
2	Total expenses (must equal Part IX, column (A), line 25)	2	191,263,033
3	Revenue less expenses Subtract line 2 from line 1	3	24,163,126
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	236,446,333
5	Net unrealized gains (losses) on investments	5	4,812,837
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	-4,078,699
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	261,343,597

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line 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	2a	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	2b	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	2c	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?	3a	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	3b	

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.**  
▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public  
Inspection

<b>Name of the organization</b> BOZEMAN DEACONESS HEALTH SERVICES	<b>Employer identification number</b> 81-0232121
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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	<input type="checkbox"/>	A church, convention of churches, or association of churches described in <b>section 170(b)(1)(A)(i).</b>
2	<input type="checkbox"/>	A school described in <b>section 170(b)(1)(A)(ii).</b> (Attach Schedule E )
3	<input checked="" type="checkbox"/>	A hospital or a cooperative hospital service organization described in <b>section 170(b)(1)(A)(iii).</b>
4	<input type="checkbox"/>	A medical research organization operated in conjunction with a hospital described in <b>section 170(b)(1)(A)(iii).</b> Enter the hospital's name, city, and state _____
5	<input type="checkbox"/>	An organization operated for the benefit of a college or university owned or operated by a governmental unit described in <b>section 170(b)(1)(A)(iv).</b> (Complete Part II )
6	<input type="checkbox"/>	A federal, state, or local government or governmental unit described in <b>section 170(b)(1)(A)(v).</b>
7	<input type="checkbox"/>	An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in <b>section 170(b)(1)(A)(vi).</b> (Complete Part II )
8	<input type="checkbox"/>	A community trust described in <b>section 170(b)(1)(A)(vi)</b> (Complete Part II )
9	<input type="checkbox"/>	An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See <b>section 509(a)(2).</b> (Complete Part III )
10	<input type="checkbox"/>	An organization organized and operated exclusively to test for public safety See <b>section 509(a)(4).</b>
11	<input type="checkbox"/>	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 <b>section 509(a)(3).</b> Check the box that describes the type of supporting organization and complete lines 11e through 11h <b>a</b> <input type="checkbox"/> Type I <b>b</b> <input type="checkbox"/> Type II <b>c</b> <input type="checkbox"/> Type III - Functionally integrated <b>d</b> <input type="checkbox"/> Type III - Non-functionally integrated
e	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons? <b>(i)</b> 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? <b>(ii)</b> A family member of a person described in (i) above? <b>(iii)</b> A 35% controlled entity of a person described in (i) or (ii) above?
h	<input type="checkbox"/>	Provide the following information about the supported organization(s)

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

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

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2012 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2013. 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—2012. 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—2013. 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—2012. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶						
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶						

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. 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—2012. 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.** 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

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527  
▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**  
▶ **See separate instructions.** ▶ **Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

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  
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number  
81-0232121

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

- 1

Provide a description of the organization's direct and indirect political campaign activities in Part IV
- 2

Political expenditures

▶ \$
- 3

Volunteer hours

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

- 1

Enter the amount of any excise tax incurred by the organization under section 4955

▶ \$
- 2

Enter the amount of any excise tax incurred by organization managers under section 4955

▶ \$
- 3

If the organization incurred a section 4955 tax, did it file Form 4720 for this year?

☐ Yes

☐ No
- 4a

Was a correction made?

☐ Yes

☐ No
- b

If "Yes," describe in Part IV

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

- 1

Enter the amount directly expended by the filing organization for section 527 exempt function activities

▶ \$
- 2

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

▶ \$
- 3

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

▶ \$
- 4

Did the filing organization file **Form 1120-POL** for this year?

☐ Yes

☐ No
- 5

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

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

Part II-A

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<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) 2010	(b) 2011	(c) 2012	(d) 2013	(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?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		49,026
j	Total. Add lines 1c through 1i.			49,026
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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.

Return Reference	Explanation
PART II-B, LINE 1	HIRED CONSULTANT TO PROVIDE LOBBYING SERVICES IN CONNECTION WITH GOVERNMENTAL AFFAIRS REPRESENTATION TO ENSURE HOSPITAL, COMMUNITY, AND EMPLOYEE INTERESTS AND NEEDS ARE REPRESENTED. BOZEMAN DEACONESS HEALTH SERVICES REIMBURSES CERTAIN PROFESSIONAL MEMBERSHIP DUES OF EMPLOYEES. A PORTION OF SUCH MEMBERSHIP DUES ARE USED BY THE PROFESSIONAL ASSOCIATIONS FOR LOBBYING ACTIVITIES.

[illegible]

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b**  
▶ **Attach to Form 990.** ▶ **See separate instructions.** ▶ **Information about Schedule D (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization

BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number

81-0232121

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) 2013

**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 . . . . .	10,913,019	9,765,686	9,735,942	8,337,197	7,225,497
b Contributions . . . . .	15,645	385,183	398,579	383,010	36,288
c Net investment earnings, gains, and losses	1,686,800	873,051	-284,159	1,071,551	1,087,324
d Grants or scholarships . . . . .					
e Other expenditures for facilities and programs . . . . .	219,026	110,901	84,676	55,816	11,912
f Administrative expenses . . . . .					
g End of year balance . . . . .	12,396,438	10,913,019	9,765,686	9,735,942	8,337,197

- 2

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

Board designated or quasi-endowment

74 000 %
- b

Permanent endowment

16 000 %
- c

Temporarily restricted endowment

10 000 %
- The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

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

unrelated organizations

3a(i)

Yes

No

(ii)

related organizations

3a(ii)

Yes
- b

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

3b

Yes
- 4

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

**Part VI Land, Buildings, and Equipment.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. 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 . . . . .		8,474,903		8,474,903
b Buildings . . . . .		151,090,488	72,516,571	78,573,917
c Leasehold improvements . . . . .				
d Equipment . . . . .		81,910,832	50,652,085	31,258,747
e Other . . . . .		7,149,301		7,149,301
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				125,456,868





Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements . . . . .		1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12			
a	Net unrealized gains on investments . . . . .	2a		
b	Donated services and use of facilities . . . . .	2b		
c	Recoveries of prior year grants . . . . .	2c		
d	Other (Describe in Part XIII ) . . . . .	2d		
e	Add lines 2a through 2d . . . . .		2e	
3	Subtract line 2e from line 1 . . . . .		3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1			
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a		
b	Other (Describe in Part XIII ) . . . . .	4b		
c	Add lines 4a and 4b . . . . .		4c	
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12 ) . . . . .		5	

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

Part XIII

Supplemental Information

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.

Return Reference	Explanation
PART V, LINE 4	EACH ENDOWMENT FUND IS PRIVY TO A SEPARATE AGREEMENT. DONATIONS MADE FOR EACH PURPOSE SHALL BE RECEIVED, HELD, AND INVESTED BY THE BOZEMAN DEACONESS FOUNDATION ACCORDING TO ESTABLISHED POLICIES GOVERNING GIFT ACCEPTANCE, INVESTMENT, AND DISTRIBUTION. THE PRINCIPAL OF THE FUND SHALL BE RETAINED IN PERPETUITY. THE INTEREST INCOME IS UTILIZED FOR THE GREATEST NEEDS OF THE DESIGNATED DEPARTMENT. POLICY SAYS THE ORGANIZATION CAN USE A PORTION OF INTEREST FOR OPERATIONS.
PART X, LINE 2	THE ORGANIZATION, WHICH INCLUDES THE HOSPITAL, CONSISTS OF MONTANA NONPROFIT CORPORATIONS AND HAS BEEN RECOGNIZED BY THE INTERNAL REVENUE SERVICE (IRS) AS EXEMPT FROM FEDERAL INCOME TAXES UNDER INTERNAL REVENUE CODE SECTION 501(C)(3). THE ORGANIZATION IS ANNUALLY REQUIRED TO FILE A RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX (FORM 990) WITH THE IRS. IN ADDITION, THE ORGANIZATION IS SUBJECT TO INCOME TAX ON NET INCOME THAT IS DERIVED FROM BUSINESS ACTIVITIES THAT ARE UNRELATED TO ITS EXEMPT PURPOSE. THE ORGANIZATION FILES AN EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURN (FORM 990T) WITH THE IRS TO REPORT ITS UNRELATED BUSINESS TAXABLE INCOME. BOZEMAN DEACONESS REAL ESTATE DEVELOPMENT CORP. IS A FOR-PROFIT ENTITY FOR WHICH INCOME TAXES ARE PROVIDED FOR THE TAX EFFECTS OF TRANSACTIONS REPORTED IN THE FINANCIAL STATEMENTS AND CONSIST OF TAXES CURRENTLY DUE PLUS DEFERRED TAXES. THERE WAS NO TAXABLE INCOME IN 2013 AND 2012. THE ORGANIZATION BELIEVES THAT IT HAS APPROPRIATE SUPPORT FOR ANY TAX POSITIONS TAKEN AFFECTING ITS ANNUAL FILING REQUIREMENTS, AND AS SUCH, DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT ARE MATERIAL TO THE FINANCIAL STATEMENTS. THE ORGANIZATION WOULD RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AND LIABILITIES IN INCOME TAX EXPENSE IF SUCH INTEREST AND PENALTIES ARE INCURRED. THE ORGANIZATION'S FEDERAL FORM 990T AND BOZEMAN DEACONESS REAL ESTATE DEVELOPMENT CORP.'S TAX FILINGS ARE NO LONGER SUBJECT TO FEDERAL AND STATE TAX EXAMINATIONS BY TAX AUTHORITIES FOR YEARS BEFORE 2010.

[illegible]

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.  
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number  
81-0232121

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1) . . . .			8,254,088	418,721	7,835,367	4 320 %
b Medicaid (from Worksheet 3, column a) . . . . .			10,455,868	7,403,048	3,052,820	1 680 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .			741,186	1,098,450	-357,264	0 %
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . .			19,451,142	8,920,219	10,530,923	6 000 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . .			650,995	163,217	487,778	0 270 %
f Health professions education (from Worksheet 5) . . . .			47,132	400	46,732	0 030 %
g Subsidized health services (from Worksheet 6) . . . .			27,697,130	21,277,927	6,419,203	3 540 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			413,574		413,574	0 230 %
j <b>Total</b> Other Benefits . . . .			28,808,831	21,441,544	7,367,287	4 070 %
k <b>Total.</b> Add lines 7d and 7j . .			48,259,973	30,361,763	17,898,210	10 070 %

Part II

Community Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members		5,592		5,592	0 %
6	Coalition building		2,175		2,175	0 %
7	Community health improvement advocacy					
8	Workforce development					
9	Other					
10	Total		7,767		7,767	

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

9,937,530

3

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

3

0

4

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

Section B. Medicare

5

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

5

32,296,962

6

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

6

38,929,446

7

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

7

-6,632,484

8

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

☐ Cost accounting system

☐ Cost to charge ratio

☒ Other

Section C. Collection Practices

9a

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

9a

Yes

b

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

9b

No

Part IV

Management Companies and Joint Ventures

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

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

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, primary website address, and state license number

		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
	See Additional Data Table										

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 )

BOZEMAN DEACONESS HOSPITAL

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A )

1

	Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
<b>1</b> 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)	<b>1</b> Yes	
<b>a</b> <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
<b>b</b> <input checked="" type="checkbox"/> Demographics of the community		
<b>c</b> <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		
<b>d</b> <input checked="" type="checkbox"/> How data was obtained		
<b>e</b> <input checked="" type="checkbox"/> The health needs of the community		
<b>f</b> <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
<b>g</b> <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
<b>h</b> <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
<b>i</b> <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
<b>j</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>2</b> Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
<b>3</b> In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests 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 . . . . .	<b>3</b> Yes	
<b>4</b> Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	<b>4</b>	No
<b>5</b> 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)	<b>5</b> Yes	
<b>a</b> <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>HTTP //WWW.BOZEMANDEACONESS.ORG/REPORTS</u>		
<b>b</b> <input type="checkbox"/> Other website (list url) _____		
<b>c</b> <input type="checkbox"/> Available upon request from the hospital facility		
<b>d</b> <input checked="" type="checkbox"/> Other (describe in Part VI)		
<b>6</b> If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
<b>a</b> <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
<b>b</b> <input checked="" type="checkbox"/> Execution of the implementation strategy		
<b>c</b> <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
<b>d</b> <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
<b>e</b> <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
<b>f</b> <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
<b>g</b> <input checked="" type="checkbox"/> Prioritization of health needs in its community		
<b>h</b> <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
<b>i</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>7</b> 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 . . . . .	<b>7</b> Yes	
<b>8a</b> 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)? . . . . .	<b>8a</b>	No
<b>b</b> If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	<b>8b</b>	
<b>c</b> If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care 150 00000000000000% If "No," explain in Part VI the criteria the hospital facility used	10	Yes
11	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care 250 00000000000000% 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 type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input type="checkbox"/> Residency		
i	<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 type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input checked="" 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 individual'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 Section C)		
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 individual'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 Section C)		

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 individuals regarding the individuals' bills
- d

☒

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

☐

Other (describe in Section C)

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 checked="" type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individual 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 individual an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI	Yes	



**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

[illegible]

Part V

Facility Information (continued)

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

How many non-hospital health care facilities did the organization operate during the tax year? 5

Name and address	Type of Facility (describe)
1 DEACONESS INTERCITY IMAGING LLC 915 HIGHLAND BLVD BOZEMAN,MT 59715	OUTPATIENT IMAGING CENTER
2 ROCKY MOUNTAIN SURGERY CENTER LLC 1450 ELLIS ST SUITE 101 BOZEMAN,MT 59715	OUTPATIENT SURGICAL CENTER
3 HILLCREST SENIOR LIVING 1201 HIGHLAND BLVD BOZEMAN,MT 59715	INDEPENDENT AND ASSISTED LIVING FACILITY
4 HOSPICE OF SOUTHWEST MONTANA LLC 3810 VALLEY COMMONS DR STE 1 BOZEMAN,MT 59715	HOSPICE SERVICES
5 FAMILY DOCTORS URGENT CARE LLC 120 N 19TH AVENUE BOZEMAN,MT 59715	OUTPATIENT HEALTH CARE
6	
7	
8	
9	
10	

Part VI Supplemental Information

Provide the following information

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

Form and Line Reference	Explanation
PART I, LINE 3C	ANY INDIVIDUAL AND THEIR DEPENDENTS WHO ARE AT 150% OF THE FEDERAL POVERTY INCOME LEVEL OR BELOW WILL BE ELIGIBLE TO RECEIVE A 100% WRITE-OFF OF THE SELF-PAY PORTION OF INCURRED CHARGES, UPON COMPLETION OF AN APPLICATION ANY UNINSURED INDIVIDUAL WITH INCOME UNDER 250% OF THE FEDERAL POVERTY GUIDELINES (FPG) WILL BE ELIGIBLE TO RECEIVE A DISCOUNT FROM CHARGES BASED ON CERTAIN GUIDELINES COMPLETION OF THE FINANCIAL ASSISTANCE APPLICATION WILL BE REQUIRED IN SOME CASES, FULL OR PARTIAL ASSISTANCE MAY BE PROVIDED TO INSURED INDIVIDUALS WITH GROSS FAMILY INCOMES ABOVE 250% OF THE FPG ADJUSTED FOR FAMILY SIZE CATASTROPHIC FINANCIAL ASSISTANCE IS AVAILABLE TO INDIVIDUALS WHO HAVE A LARGE BALANCE REMAINING AFTER ALL THIRD PARTY PAYMENTS HAVE BEEN TAKEN INTO ACCOUNT THE BALANCE UNDER CONSIDERATION IS THAT AMOUNT WHICH IS DEEMED TO BE THE PATIENT'S FINANCIAL RESPONSIBILITY IF SUCH RESPONSIBILITY IS GREATER THAN 50% OF THE FAMILY'S ANNUAL HOUSEHOLD INCOME, THE EXCESS AMOUNT WILL BE TREATED AS CATASTROPHIC FINANCIAL ASSISTANCE AND WRITTEN OFF OF THE PATIENT'S ACCOUNT THIS ASSISTANCE IS AVAILABLE WITHOUT RESPECT TO THE FPG, BUT THEY MUST FOLLOW THE SAME PROCESS AS ALL OTHER PATIENTS SEEKING FINANCIAL ASSISTANCE BASED UPON FPG ASSET TESTS ARE NOT USED FOR DETERMINING ANY LEVEL OF FINANCIAL ASSISTANCE ALL DECISIONS REGARDING FINANCIAL ASSISTANCE ARE IN THE SOLE DISCRETION OF BDH PRIOR TO PROVIDING SERVICES, BDH WILL MAKE AN EFFORT TO NOTIFY THE PATIENT REGARDING THEIR ELIGIBILITY FOR FINANCIAL ASSISTANCE
PART I, LINE 6A	THE ORGANIZATION'S COMMUNITY BENEFIT REPORT CAN BE FOUND ON ITS WEBSITE AT WWW.BOZEMANDEACONESS.ORG/REPORTS

Form and Line Reference	Explanation
PART I, LINE 7	THE COST TO CHARGE RATIO FROM WORKSHEET 2 WAS USED TO OBTAIN THE COSTS RELATED TO CHARITY CARE, MEDICAID, AND OTHER MEANS-TESTED PROGRAMS ALL OTHER BENEFITS WERE CALCULATED USING OUR INTERNAL COSTING SYSTEM THIS SYSTEM ASSIGNS ALL DIRECT EXPENSES TO SEPARATE COST CENTERS (DEPARTMENTS) AND ACCOUNTS INDIRECT COSTS ARE THEN ALLOCATED TO APPLICABLE DEPARTMENTS BASED ON APPROPRIATE STATISTICS FOR EXAMPLE, ENGINEERING AND ENVIRONMENTAL SERVICES WOULD BE ALLOCATED BASED ON SQUARE FOOTAGE WHEREAS INFORMATION SYSTEMS AND BENEFITS ARE ALLOCATED BASED ON AN ACCUMULATED COST PERCENTAGE AS DETERMINED BY THE MEDICARE COST REPORT OUR INTERNAL SYSTEM DOES RECORD PATIENT REVENUES BASED ON TYPE (INPATIENT VS OUTPATIENT VS EMERGENCY) AND PAYOR (MEDICAID, MEDICARE, COMMERCIAL, SELF-PAY, ETC ) RELATED COSTS ARE THEN DETERMINED BASED ON THE PRO-RATED SHARE AS A PERCENTAGE OF THE TOTAL FOR EXAMPLE, IF MEDICAID COMPRISES 7% OF A DEPARTMENT'S REVENUE, MEDICAID EXPENSES ARE CALCULATED AT 7% OF THE TOTAL AS WELL
PART I, LINE 7G	AMOUNT OF COST ATTRIBUTABLE TO A PHYSICIAN CLINIC IS \$26,422,576 ALL COSTS ASSOCIATED WITH A PROVIDER-BASED CLINIC OPERATIONAL DEPARTMENT WERE CONSIDERED PART OF THIS TOTAL

Form and Line Reference	Explanation
PART I, LN 7 COL(F)	THE AMOUNT OF BAD DEBT EXPENSE REMOVED FROM THE DENOMINATOR IS \$9,572,008
PART II, COMMUNITY BUILDING ACTIVITIES	BOZEMAN DEACONESS HEALTH SERVICES PROVIDED LEADERSHIP DEVELOPMENT TO HEALTHCARE PROFESSIONALS THROUGH INVOLVEMENT ON THE BOARD OF THE MONTANA CHAPTER OF THE HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION (HFMA) HFMA CONFERENCES PROVIDE LIVE EDUCATIONAL AND FORUM DISCUSSION OPPORTUNITIES FOR HEALTHCARE PROFESSIONALS TO DISCUSS POLICY AND PRACTICES AS WELL AS CHALLENGES IN THE FIELD HFMA ALSO PROVIDES CONTINUAL SUPPORT THROUGH LIVE AND WEB-BASED TOPIC PRESENTATIONS THROUGHOUT THE YEAR BDHS IS ALSO REPRESENTED THROUGH PARTICIPATION IN THE BOZEMAN KIWANIS CLUB, AN ORGANIZATION DEDICATED TO COMMUNITY SERVICE AND IMPROVING THE HOLISTIC HEALTH OF CHILDREN

Form and Line Reference	Explanation
PART III, LINE 4	BAD DEBT IS REPORTED AT CHARGES AS RECORDED BY THE ORGANIZATION AND INCLUDED JOINT VENTURES BAD DEBT IS REPORTED BASED UPON ACTUAL BAD DEBT EXPENSE NET OF DISCOUNTS AND CONTRACTUAL ADJUSTMENTS, LESS RECOVERIES THE FOOTNOTE TO THE ORGANIZATION'S FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSES IS LOCATED IN FOOTNOTE 1 ON PAGE 9 OF THE ATTACHED FINANCIAL STATEMENTS
PART III, LINE 8	THE ENTIRE AMOUNT OF SHORTFALL SHOULD BE CONSIDERED A COMMUNITY BENEFIT THE MEDICARE SHORTFALL REPRESENTS A COST ABSORBED BY THE HOSPITAL AS A RESULT OF PROVIDING CARE TO MEDICARE PATIENTS THE CONTRACT DRIVING THIS LOSS IS A NONDISCRETIONARY CONTRACT, AS IS PROVIDING THE SERVICES TO THIS POPULATION OF INDIVIDUALS THE COST OF PROVIDING THIS BENEFIT TO THE COMMUNITY SHOULD BE REPORTABLE AS SUCH MEDICARE ALLOWABLE COSTS OF CARE ARE BASED ON THE MEDICARE COST REPORT THE MEDICARE COST REPORT IS COMPLETED BASED ON THE RULES AND REGULATIONS SET FORTH BY CENTERS FOR MEDICARE AND MEDICAID SERVICES FOR THE JOINT VENTURES, NET MEDICARE REVENUE WAS USED AS THE REVENUE RECEIVED, AND THAT PERCENTAGE OF TOTAL REVENUES WAS APPLIED AGAINST OPERATING EXPENSES TO DETERMINE RELATED COSTS THE JOINT VENTURE PORTION OF THE SHORTFALL IS \$712,105

Form and Line Reference	Explanation
PART III, LINE 9B	THE COLLECTION POLICY DOES NOT SPECIFICALLY ADDRESS THE COLLECTION PRACTICES TO BE FOLLOWED FOR PATIENTS WHO ARE KNOWN TO QUALIFY FOR CHARITY CARE OR FINANCIAL ASSISTANCE
PART VI, LINE 2	A UPDATES RELATED TO 2012 CHNATHE FOLLOWING UPDATES RELATE TO INITIATIVES/STRATEGIES TO ADDRESS NEEDS IDENTIFIED BASED ON THE 2012 CHNA CONDUCTED JOINTLY BY BOZEMAN DEACONESS HEALTH SERVICES (BDHS), GALLATIN CITY AND COUNTY HEALTH DEPARTMENT (GCCHD) AND COMMUNITY HEALTH PARTNERS (CHP) ACCESS TO SERVICES THE HEALTHY GALLATIN ACCESS COMMITTEE, FOR WHICH BDHS IS A PART OF, HAS MET MONTHLY FOR 1 5 HOURS EACH MENTAL HEALTH SERVICES * BOZEMAN DEACONESS HEALTH SERVICES CONTINUES TO PROVIDE HEALTH TEACHER FOR 16 SCHOOL DISTRICTS IN GALLATIN COUNTY HEALTH TEACHER IS AN EVIDENCE-BASED CURRICULUM SUPPLEMENT THAT IS IN ALIGNMENT WITH THE NATIONAL HEALTH EDUCATION STANDARDS THE UTILIZATION OF THE MENTAL HEALTH MODULE HAS INCREASED FROM 23% IN 2012 TO 35% IN 2013 ADDITIONALLY THE NUMBER OF TOTAL REGISTERED USERS HAS INCREASED FROM 85 IN 2011 TO 392 IN 2013 PREVENTIVE HEALTH SERVICES * THE COMMUNITY CARE CONNECT (CCC) VAN CONTINUES TO EXPAND THE NUMBER OF SERVICE DAYS AND LOCATIONS THESE NUMBERS ARE REFLECTED IN TERMS OF CLIENTS SERVED (50% INCREASE FROM 2012-2013), HEALTH SCREENINGS PROVIDED (70% INCREASE FROM 2012-2013) AND NUMBER OF VACCINATIONS GIVEN (30% INCREASE FROM 2012-2013) CCC PARTICIPATED IN THE GALLATIN COUNTY IMMUNIZATION AND ADULT WELLNESS DAY, FAMILY LIFE EXPO, PROJECT HOMELESS AND VETERANS STAND DOWN THE MOBILE HEALTH SCREENING VAN PROVIDES FREE SCREENINGS FOR BREAST AND COLON CANCER, HEART DISEASE, STROKE, DIABETES, AND OBESITY SCREENINGS AS WELL AS FREE VACCINATIONS-TDAP - TETANUS & PERTUSSIS (WHOOPIING COUGH), FLU (SEASONAL) AND PNEUMONIA VACCINATIONS * BDHS HELPED DEVELOP, DESIGN AND PRINT RESOURCE GUIDES FOR SPANISH SPEAKERS THE GUIDES ARE PRINTED AND DISTRIBUTED THROUGHOUT THE COUNTY TO VARIOUS HUMAN SERVICE ORGANIZATIONS, SOCIAL SECURITY ADMINISTRATION, THE GALLATIN COUNTY DETENTION CENTER, GALLATIN COUNTY PUBLIC SCHOOLS, LIBRARIES, FOOD BANKS, CITY HALLS, FAMILY DOCTORS URGENT CARE, THREE RIVERS MEDICAL CLINIC, COMMUNITY HEALTH PARTNERS MEDICAL AND DENTAL CLINICS, MSU STUDENT HEALTH SERVICES, AND TWO CATHOLIC CHURCHES PLANS TO DISTRIBUTE TO MORE AREAS AND ORGANIZATIONS IN GALLATIN COUNTY (SUCH AS IN GALLATIN GATEWAY) ARE UNDERWAY THE RESOURCE GUIDE WAS ALSO POSTED ON THE HEALTHY GALLATIN WEBSITE * BDHS HEALTH SCREENING DAY, ANNUAL EVENT, 94 EMPLOYEES HELPED, OVER 480 ADULTS AND 135 CHILDREN ATTENDED THE FAIR OFFERED ACCESS TO REDUCED PRICE BLOOD DRAWS AND FOBT'S AS WELL AS FREE PREVENTIVE SCREENINGS (BONE DENSITY, HEART MONITORING FACIAL SKIN CHECKS, GLUCOSE STICKS, OXIMETRY, BLOOD PRESSURE, ASTHMA, VISION, HEARING, ALLERGY, DEPRESSION, VASCULAR PRE-SCREENINGS AGILITY/MOBILITY)* BIG SKY HEALTH SCREENING DAY, ANNUAL EVENT, 4 EMPLOYEES HELPED, 25 ATTENDED THE FAIR OFFERED ACCESS TO REDUCED PRICE BLOOD DRAWS AND FOBT'S AS WELL AS FREE PREVENTIVE SCREENINGS (BONE DENSITY, GLUCOSE STICKS, BLOOD PRESSURE, COPD, BMI)COLLABORATION OF HEALTH SERVICESTHE HEALTHY GALLATIN COLLABORATION COMMITTEE, FOR WHICH BDHS IS A PART OF, HAS MET MONTHLY FOR 1 5 HOURS EACH * HEALTH INFORMATION COORDINATOR, ACTED AS A SYSTEM NAVIGATOR ON BEHALF OF BDHS THE GOAL FOR THIS GROUP IS TO CREATE A NETWORK OF SYSTEMS NAVIGATORS IN MAJOR HEALTH AND HUMAN SERVICE ORGANIZATIONS THROUGHOUT THE COUNTY BY THE END OF 2013 * INCREASE THE NUMBER OF FIRST TRIMESTER REFERRALS FROM PRE-NATAL CARE PROVIDERS TO THE HEALTH DEPARTMENT'S PUBLIC HEALTH HOME VISITATION PROGRAM BY 30% BY 2015 (20 WOMEN REFERRED BY PROVIDERS) STAFF FROM THE GALLATIN CITY-COUNTY HEALTH DEPARTMENT AND THRIVE MET WITH THE PRESIDENT OF THE BOZEMAN DEACONESS HEALTH GROUP TO TALK ABOUT REFERRALS FROM PRE-NATAL CARE PROVIDERS HEALTHY BEHAVIORSTHE HEALTHY GALLATIN HEALTHY BEHAVIORS COMMITTEE, FOR WHICH BDHS IS A PART OF, HAS MET 8 TIMES IN 2013 * TEN ORGANIZATIONS WERE REGULARLY REPRESENTED FROM THE DEVELOPMENT OF THE HEALTHY BEHAVIORS COMMITTEE THESE ORGANIZATIONS INCLUDED ALCOHOL AND DRUG SERVICES OF GALLATIN COUNTY, BELGRADE SCHOOL DISTRICT, BELGRADE YOUTH FORUM, BOZEMAN DEACONESS HEALTH SERVICES, BOZEMAN SCHOOL DISTRICT, CHILD CARE CONNECTIONS, COMMUNITY COALITION ON DRUGS AND ALCOHOL, GALLATIN CITY-COUNTY HEALTH DEPARTMENT, GALLATIN COUNTY TOBACCO USE PREVENTION PROGRAM, MONTANA NUTRITION AND PHYSICAL ACTIVITY PROGRAM, AND GALLATIN VALLEY YMCA THREE COMMUNITY MEMBERS WITHOUT ORGANIZATIONAL AFFILIATION ALSO REGULARLY ATTENDED MEETINGS THE MEETINGS INCLUDED DISCUSSIONS ON THE FORM AND STRUCTURE OF THE COALITION, RESEARCH ON EFFECTIVE COALITIONS IN OTHER COMMUNITIES, AND COLLECTION OF UP-TO-DATE DATA ON SUBSTANCE USE AND ABUSE IN OUR COMMUNITY NO PROGRESS WAS MADE ON THIS STRATEGY B 2013 BDHS HEALTHCARE RESOURCES SURVEYIN AUGUST 2013, BDH CONDUCTED ITS 5TH HEALTHCARE RESOURCES SURVEY, A SCIENTIFIC HOUSEHOLD MAIL SURVEY OF RESIDENTS IN GALLATIN, MADISON, AND PARK COUNTIES TO HELP ASSESS RESIDENTS' HEALTH CARE PRIORITIES AND NEEDS IN COMMUNITIES THROUGHOUT THE AREA IN ORDER TO BETTER UNDERSTAND WHERE ADDITIONAL HEALTH FACILITIES MIGHT BE ESTABLISHED AND WHAT KINDS OF FACILITIES WOULD MAKE MOST SENSE THIS SURVEY, DONE PREVIOUSLY IN 2010, 2008, 2006, AND 2003, IS CONDUCTED INDEPENDENTLY BUT SUPPLEMENTS INFORMATION GATHERED FROM THE 2012 CHNA IT HELPS REVEAL RESIDENTS' PERCEPTIONS REGARDING THE FOLLOWING 1) QUALITY OF CARE, 2) DEMAND FOR ADDITIONAL HEALTHCARE SERVICES, AND 3) COMMUNITY HEALTH INITIATIVES PROVIDED BY BOZEMAN DEACONESS C 2015 CHNA PLANNINGPLANNING FOR THE 2015 CHNA IS UNDERWAY BDHS HAS MET WITH GALLATIN CITY-COUNTY HEALTH DEPARTMENT AND COMMUNITY HEALTH PARTNERS TO DISCUSS THE UPCOMING CHNA

Form and Line Reference	Explanation
PART VI, LINE 3	<p>BOZEMAN DEACONESS HOSPITAL IS DEEPLY COMMITTED TO PROVIDING FINANCIAL ASSISTANCE TO PATIENTS NEEDING, BUT UNABLE TO AFFORD, MEDICALLY NECESSARY HEALTH CARE SERVICES BDH POSTS NOTICE OF ITS FINANCIAL ASSISTANCE POLICY IN ALL ADMITTING AREAS, AS WELL AS ON THE WEBSITE AT THE EARLIEST FEASIBLE TIME, BDH WILL ATTEMPT TO DETERMINE WHETHER A PATIENT HAS THIRD PARTY COVERAGE FOR ANY PART OF THE HOSPITAL SERVICES PROVIDED IF A PATIENT DOES NOT HAVE THIRD PARTY COVERAGE, A PATIENT ADVOCATE FROM THE MASH PROGRAM WILL SCREEN ALL INPATIENT CASES AND ANY OUTPATIENT CASES EXCEEDING \$1,000 IN TOTAL CHARGES TO DETERMINE IF THE PATIENT QUALIFIES FOR THIRD PARTY FUNDING IF NOT, THE PATIENT ADVOCATE WILL EXPLAIN THE FINANCIAL ASSISTANCE POLICY AND GIVE THE PATIENT AN APPLICATION IF DESIRED IN CIRCUMSTANCES WHERE PAYMENT IN FULL WILL CAUSE FINANCIAL HARDSHIP THAT WILL SIGNIFICANTLY HARM THE PATIENT OR PATIENT'S FAMILY, THE APPLICANT MAY BE ASKED TO VISIT WITH CONSUMER CREDIT COUNSELING SERVICES TO FURTHER REVIEW THEIR FINANCIAL SITUATIONS UPON REQUEST, PATIENTS MAY BE ASKED TO COMPLETE AN APPLICATION FOR MEDICAID PARTICIPATION OR FOR COVERAGE BY OTHER GOVERNMENTAL PAYMENT PROGRAMS PATIENT BILLS ALSO CONTAIN BILLING INFORMATION EXPLAINING FINANCIAL OPTIONS AND PROVIDE CONTACT INFORMATION TO THE APPROPRIATE RESOURCES</p>
PART VI, LINE 4	<p>BOZEMAN DEACONESS HEALTH SERVICES MAINTAINS A 3 COUNTY SERVICE AREA OF GALLATIN, PARK, AND MADISON COUNTIES THE TOTAL SERVICE AREA REPRESENTS A POPULATION OF APPROXIMATELY 118,000 BASED ON THE 2013 ANNUAL POPULATION ESTIMATES FROM THE CENSUS BUREAU BDHS IS THE ONLY HOSPITAL FACILITY IN GALLATIN COUNTY, ITS PRIMARY SERVICE AREA THERE ARE 94,720 RESIDENTS ESTIMATED FOR GALLATIN COUNTY WHO REPRESENT AROUND 77% OF BDHS' INPATIENT ADMISSIONS MARKET SHARE BDHS CONSIDERS BOTH PARK AND MADISON COUNTIES, WITH EACH HAVING A CRITICAL ACCESS HOSPITAL, AS SECONDARY SERVICE AREAS IT IS ESTIMATED THAT PARK COUNTY HAS 15,682 RESIDENTS, WHILE MADISON COUNTY HAS 7,712 THESE TWO COUNTIES REPRESENT 9 5% OF BDHS' INPATIENT MARKET SHARE POPULATION</p>



Form and Line Reference	Explanation
PART VI, LINE 5	AS A SOLE COMMUNITY HOSPITAL, BOZEMAN DEACONESS HEALTH SERVICES IS COMMITTED TO PROVIDING QUALITY CARE AND PROMOTING HEALTH TO THE VERY COMMUNITY THAT SUPPORTS US. OUR GOVERNING BODY IS REPRESENTED BY INDIVIDUALS OF OUR COMMUNITY, WITH ALL BUT ONE BEING INDEPENDENT TO OUR ORGANIZATION. TO ENSURE IMMEDIATE ACCESS TO CARE, BDHS HAS AN OPEN MEDICAL STAFF AND REQUIRES EACH MEDICAL STAFF MEMBER TO CARE FOR ANYONE PRESENTING A NEED FOR CARE IN THE EMERGENCY DEPARTMENT. WE ALSO DEVOTE A SIGNIFICANT AMOUNT OF SURPLUS FUNDS TO MAINTAINING A HIGH LEVEL OF PATIENT CARE THROUGH QUALITY INITIATIVES AND TECHNOLOGY INVESTMENTS. BDHS GIVES BACK TO ITS COMMUNITY THROUGH COMMUNITY BENEFIT OPPORTUNITIES, WHICH AT JUST UNDER \$18 MILLION COMPRISED 9.9% OF OUR TOTAL OPERATING EXPENSES IN 2013. VARIOUS EMPLOYEES, PHYSICIANS, ADMINISTRATORS, AND BOARD MEMBERS OF THE HOSPITAL ARE ACTIVELY INVOLVED IN VOLUNTEER ROLES INCLUDING COMMUNITY BOARD POSITIONS IN NUMEROUS OTHER ACTIVITIES, GROUPS, AND ORGANIZATIONS THAT ACTIVELY PROMOTE THE HEALTH OF THE COMMUNITY.
PART VI, LINE 6	BOZEMAN DEACONESS HEALTH SERVICES OWNS A MAJORITY INTEREST IN ADVANCED MEDICAL IMAGING AND ROCKY MOUNTAIN SURGERY CENTER. THESE ORGANIZATIONS HOLD SIMILAR POLICIES REGARDING PROVIDING CARE TO ALL MEMBERS OF THE COMMUNITY AND OFFERING FINANCIAL ASSISTANCE AS DETERMINED BY ABILITY TO PAY.



Schedule I  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Name of the organization  
BOZEMAN DEACONESS HEALTH SERVICES

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

▶ Information about Schedule I (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public  
Inspection

Employer identification number  
81-0232121

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . .

☒ Yes ☐ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) WESTERN MONTANA MENTAL HEALTH CENTER BLDG T-9 FORT MISSOULA RD MISSOULA, MT 59804	81-0307814	501(C)(3)	240,500				SUPPORT COMMUNITY HEALTH CRISIS PROGRAMS WITHIN OUR SERVICE AREA
(2) GREATER GALLATIN UNITED WAY 945 TECHNOLOGY BLVD 101F BOZEMAN, MT 59718	81-0384820	501(C)(3)	50,000				SUPPORT HUMAN SERVICE NEEDS WITHIN OUR SERVICE AREA
(3) COMMUNITY HEALTH PARTNERS 126 S MAIN STREET LIVINGSTON, MT 59047	84-1420492	501(C)(3)	25,000				SUPPORT COMMUNITY HEALTH PROGRAMS WITHIN OUR SERVICE AREA
(4) NAMI MONTANA 616 HELENA AVE 218 HELENA, MT 59601	81-0441706	501(C)(3)	25,000				SUPPORTING, EDUCATING, AND ADVOCATING FOR MONTANANS WHO LIVE WITH SERIOUS MENTAL ILLNESS AND THEIR FAMILIES

2

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

4

3

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

0

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. Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
PART I, LINE 2	RECIPIENTS OF GRANTS AND ASSISTANCE PREPARE INFORMATIONAL REPORTS SUBSTANTIATING THE USE OF THE FUNDS THAT WERE EARMARKED TO SUPPORT COMMUNITY HEALTH PROGRAMS INVOLVEMENT OF BOZEMAN DEACONESS HEALTH SERVICES STAFF AND/OR ADMINISTRATION AS VOLUNTEERS IN THE ACTIVITIES BEING SUPPORTED ALSO ENSURES PROPER USAGE OF FUNDS

Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.  
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number  
81-0232121

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 checked="" 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 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>b</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 directors, trustees, officers, including 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><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></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>a</div><div>Receive a severance payment or change-of-control payment?</div></div>		No
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>		No
<div><div>c</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>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>a</div><div>The organization?</div></div>		No
<div><div>b</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>a</div><div>The organization?</div></div>	Yes	
<div><div>b</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				
See Additional Data Table								

Part III Supplemental Information

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.

Return Reference	Explanation
PART I, LINE 1A	PER CONTRACT, THE CEO IS REIMBURSED FOR TWO BUSINESS TRIPS PER YEAR WHERE HIS SPOUSE ACCOMPANIES HIM. THESE ARE REPORTED AS TAXABLE COMPENSATION.
PART I, LINE 6	A PHYSICIAN LISTED IN PART VII, SECTION A, RECEIVES INCENTIVE COMPENSATION BASED ON ACTUAL RELATIVE VALUE UNIT'S (RVU'S) PRODUCED IN EXCESS OF TARGETS. THE TOTAL OF THE INCENTIVE IS CALCULATED BY TAKING THE EXCESS RVU'S TIMES A RVU CONVERTER. THE RVU CONVERTER IS BASED UPON NET EARNINGS FROM SERVICES PROVIDED BY THE PHYSICIAN.
PART I, LINE 7	THE BOARD ESTABLISHES GOALS EACH YEAR AND IF MET, THERE IS COMPENSATION TIED TO THEM. ALL SUCH COMPENSATION IS REVIEWED BY THE INDEPENDENT COMPENSATION SPECIALISTS. INCENTIVE COMPENSATION IS DETERMINED BY ACHIEVING FINANCIAL PERFORMANCE IN EXCESS OF BUDGETED PERFORMANCE, AND ACHIEVING PRE-DETERMINED GOALS DEALING WITH PATIENT QUALITY, PATIENT SATISFACTION AND EMPLOYEE SATISFACTION. THIS APPLIES TO ALL SENIOR ADMINISTRATION AND ALL PHYSICIANS (WITH ONE EXCEPTION DESCRIBED IN SCHEDULE J, PART I LINE 6A) THAT RECEIVES COMPENSATION AND INCLUDES INCENTIVE COMPENSATION REFLECTED IN PART II, COLUMN B(II).

Additional Data

Software ID:  
Software Version:  
EIN: 81-0232121  
Name: BOZEMAN DEACONESS HEALTH SERVICES

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JOHN ROBBINS MD TREASURER/DOCTOR	(i)	112,069	14,858	377	33,718	14,710	175,732	0
	(ii)	0	0	0	0	0	0	0
KEVIN PITZER CEO/PRESIDENT	(i)	270,630	63,398	2,428	0	13,207	349,663	0
	(ii)	0	0	0	0	0	0	0
GORDON DAVIDSON CFO/VP FINANCE/INTERIM CEO	(i)	270,200	111,123	13,859	40,132	16,359	451,673	0
	(ii)	0	0	0	0	0	0	0
ELIZABETH LEWIS SENIOR VP OPERATIONS/LEGAL	(i)	217,165	43,086	15,375	37,341	16,359	329,326	0
	(ii)	0	0	0	0	0	0	0
HUGH HETHERINGTON MD DOCTOR	(i)	485,438	96,556	828	33,615	25,402	641,839	0
	(ii)	0	0	0	0	0	0	0
ANNE CASTILLO MD DOCTOR	(i)	563,615	5,000	1,548	15,300	1,496	586,959	0
	(ii)	0	0	0	0	0	0	0
JACK HENSOLD MD DOCTOR	(i)	507,476	3,333	2,376	36,686	19,463	569,334	0
	(ii)	0	0	0	0	0	0	0
DANE SOBEK MD DOCTOR	(i)	556,584	75,000	360	35,642	19,652	687,238	0
	(ii)	0	0	0	0	0	0	0
BLAIR ERB MD DOCTOR	(i)	571,444	100,000	1,548	15,300	22,292	710,584	0
	(ii)	0	0	0	0	0	0	0
JOHN NORDWICK FORMER CEO/PRESIDENT	(i)	0	0	148,472	0	12,403	160,875	148,472
	(ii)	0	0	0	0	0	0	0



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> <div>▶ Information about Schedule K (Form 990) and its instructions is at <a href="http://www.irs.gov/form990">www.irs.gov/form990</a>.</div>	OMB No 1545-0047
		2013
		Open to Public Inspection

Name of the organization BOZEMAN DEACONESS HEALTH SERVICES	Employer identification number 81-0232121
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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 MONTANA FACILITY FINANCE AUTHORITY	81-0302402	61204JAW4	03-01-2004	12,591,558	FUND NEW BUILDING IV ADDTN BOZEMAN DEACONESS CAMPUS & REFUND 6/10/93 BONDS		X		X		X
B MONTANA FACILITY FINANCE AUTHORITY	81-0302402	621043CZ0	09-21-2005	28,001,371	FUND ADDTN TO HILLCREST & DEFEASE 3/28/00 HILLCREST CONSTRUCTION BONDS		X		X		X
C MONTANA FACILITY FINANCE AUTHORITY	36-4615155	61204EAH8	04-22-2010	6,645,000	REFINANCING OF 1998 BOND DEBT ISSUED 9/2/1998		X		X		X
D MONTANA FACILITY FINANCE AUTHORITY	81-0302402	61204MAS6	09-28-2011	20,680,164	TO FUND STRUCTURE AND EQUIPMENT OF NEWER, ACQUISITION OF LEGACY CONDOS		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	6,435,000		4,755,000		2,360,000		1,415,000	
2	Amount of bonds legally defeased								
3	Total proceeds of issue	12,616,746		28,220,708		6,645,000		20,693,206	
4	Gross proceeds in reserve funds	741,783		1,896,340					
5	Capitalized interest from proceeds	25,188		213,865				11,797	
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	297,573		345,919		137,988		421,184	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	7,033,560		7,152,476				20,258,980	
11	Other spent proceeds	4,518,540		18,612,108		6,507,012			
12	Other unspent proceeds								
13	Year of substantial completion	2005		2006		2010		2013	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X			X	X			X
15	Were the bonds issued as part of an advance refunding issue?		X	X			X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
DATE REBATE COMPUTATION PERFORMED	ISSUER NAME MONTANA FACILITY FINANCE AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 06/01/2013 ISSUER NAME MONTANA FACILITY FINANCE AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 06/01/2010

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.  
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at  
www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public  
Inspection

Name of the organization BOZEMAN DEACONESS HEALTH SERVICES	Employer identification number 81-0232121
---	--

990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A	THE YELLOWSTONE CONFERENCE OF THE METHODIST CHURCH CONFIRMS THE BOARD MEMBERS AND HAS AUTHORITY TO APPOINT THE CLERGY MEMBER OF THE BOARD
FORM 990, PART VI, SECTION A, LINE 7B	CHANGING THE ARTICLES OF INCORPORATION IN RELATIONSHIP TO THE PROCESS OF SELECTING BOARD MEMBERSHIP MUST BE APPROVED BY THE YELLOWSTONE CONFERENCE OF THE UNITED METHODIST CHURCH
FORM 990, PART VI, SECTION A, LINE 8B	THE ORGANIZATION DOES NOT HAVE ANY COMMITTEES WITH THE AUTHORITY TO ACT ON BEHALF OF THE GOVERNING BODY
FORM 990, PART VI, SECTION B, LINE 11	THE FINANCE COMMITTEE WILL REVIEW FORM 990 IN DETAIL AND WILL MAKE A RECOMMENDATION TO THE FULL BOARD FOR APPROVAL BEFORE FILING OF THE FORM 990 THE CFO REVIEWS THE FORM 990 AT A HIGHER LEVEL WITH THE BOARD BEFORE APPROVAL IS GRANTED
FORM 990, PART VI, SECTION B, LINE 12C	IN-HOUSE COUNSEL IDENTIFIES POTENTIAL CONFLICTS FROM ANNUAL DISCLOSURES AND INFORMS THE BOARD CHAIR THE BOARD CHAIR DISCUSSES THE CONFLICT AND DECIDES WHETHER THE CONFLICT IS OF SUCH A NATURE TO EXCLUDE THE CONFLICTED PARTY FROM DISCUSSION AND/OR VOTE THIS POLICY COVERS ALL BOARD MEMBERS, OFFICERS, SENIOR ADMINISTRATION, AND KEY EMPLOYEES
FORM 990, PART VI, SECTION B, LINE 15	THE EXECUTIVE COMMITTEE RECEIVES A FORMAL PRESENTATION BY AN INDEPENDENT COMPENSATION CONSULTANT (AS SELECTED BY THE BOARD) QUALIFIED TO PERFORM COMPENSATION REVIEWS INCLUDING USAGE OF COMPARABILITY DATA THIS PERSON PRESENTS RECOMMENDATIONS TO THE COMPENSATION COMMITTEE OF THE BOARD THE COMPENSATION COMMITTEE MAKES RECOMMENDATIONS TO THE FULL BOARD ON AN ANNUAL BASIS FOR OFFICERS AND SENIOR ADMINISTRATION THIS ANNUAL PROCESS WAS PERFORMED IN FALL 2012 TO DETERMINE 2013 COMPENSATION
FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND ALL TAX RELATED INFORMATION REQUIRED TO BE AVAILABLE FOR PUBLIC INSPECTION ARE AVAILABLE VIA WALK-IN, TELEPHONE CALL, E-MAIL, AND/OR MAIL-IN REQUEST THE AUDITED FINANCIAL STATEMENTS ARE REQUIRED TO BE ATTACHED TO THE FORM 990 AND PROVIDED TO THE MUNICIPAL SECURITIES RULEMAKING BOARD, WHICH IS OUR TAX-EXEMPT BONDS TRUSTEE, VIA AN ON-LINE, CENTRAL FILING LOCATION CALLED ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) THE FINANCIAL STATEMENTS CAN BE OBTAINED BY THE GENERAL PUBLIC AT THE EMMA WEBSITE
FORM 990, PART XI, LINE 9	TRANSFERS TO RELATED PARTIES -4,078,699

SCHEDULE R  
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

► Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.  
► Attach to Form 990. ► See separate instructions.  
► Information about Schedule R (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

Name of the organization  
BOZEMAN DEACONESS HEALTH SERVICES

Employer identification number  
81-0232121

Part I

Identification of Disregarded Entities

Complete if the organization answered "Yes" on 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) HILLCREST SENIOR LIVING LIMITED LIABILITY COMPANY 1201 HIGHLAND BLVD BOZEMAN, MT 59715 81-0232121	INDEPENDENT AND ASSISTED LIVING HOME	MT	6,265,340	31,739,418	BOZEMAN DEACONESS HEALTH SERVICES

Part II

Identification of Related Tax-Exempt Organizations

Complete if the organization answered "Yes" on 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) BOZEMAN DEACONESS FOUNDATION 931 HIGHLAND BLVD SUITE 3200  BOZEMAN, MT 59715 84-1407943	RAISE FUNDS TO SUPPORT BOZEMAN DEACONESS HEALTH SERVICES	MT	501(C)(3)	LINE 7	N/A	Yes	

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Disproprtionate allocations?		(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	
(1) DEACONESS INTERCITY IMAGING LLC  915 HIGHLAND BLVD BOZEMAN, MT 59715 81-0666871	HEALTHCARE - IMAGING SERVICES	MT	N/A	RELATED	1,492,074	2,559,245		No		Yes		77 500 %
(2) ROCKY MOUNTAIN SURGICAL CENTER LLC  1450 ELLIS ST SUITE 101 BOZEMAN, MT 59715 36-4462300	HEALTHCARE - SURGICAL SERVICES	MT	N/A	RELATED	2,492,354	2,615,106		No			No	51 010 %

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" on 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
(1) BOZEMAN DEACONESS REAL ESTATE DEVELOPMENT CORP  PO BOX 10490 BOZEMAN, MT 59719 20-5496567	SALE OF REAL ESTATE PROPERTY AND RESIDENCES TO SENIORS	MT	N/A	C	2,136,673	8,745,324	100 000 %	Yes	

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on 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

Yes

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

Yes

1l

Yes

1m

Yes

1n

Yes

1o

Yes

1p

Yes

1q

Yes

1r

Yes

1s

Yes

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
See Additional Data Table			

Schedule R (Form 990) 2013

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]



Part VII

Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
------------------	-------------

Additional Data

Software ID:

Software Version:

EIN: 81-0232121

Name: BOZEMAN DEACONESS HEALTH SERVICES

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
DEACONESS INTERCITY IMAGING LLC	J	308,496	GENERAL LEDGER AND CORP RECORDS
DEACONESS INTERCITY IMAGING LLC	L	134,086	GENERAL LEDGER AND CORP RECORDS
DEACONESS INTERCITY IMAGING LLC	M	97,923	GENERAL LEDGER AND CORP RECORDS
DEACONESS INTERCITY IMAGING LLC	Q	2,186,648	GENERAL LEDGER AND CORP RECORDS
DEACONESS INTERCITY IMAGING LLC	S	1,596,500	GENERAL LEDGER AND CORP RECORDS
BOZEMAN DEACONESS FOUNDATION	C	3,809,528	GENERAL LEDGER AND CORP RECORDS
BOZEMAN DEACONESS FOUNDATION	R	300,000	GENERAL LEDGER AND CORP RECORDS
ROCKY MOUNTAIN SURGICAL CENTER LLC	S	2,399,921	GENERAL LEDGER AND CORP RECORDS



Consolidated Financial Statements  
December 31, 2013 and 2012

# Bozeman Deaconess Health Services and Affiliates

# Bozeman Deaconess Health Services and Affiliates

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December 31, 2013 and 2012

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## **Independent Auditor's Report**

The Board of Trustees  
Bozeman Deaconess Health Services and Affiliates  
Bozeman, Montana

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

We have audited the accompanying consolidated financial statements of Bozeman Deaconess Health Services and Affiliates (Organization), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 consolidated financial position of the Organization as of December 31, 2013 and 2012, and the consolidated results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Billings, Montana  
April 25, 2014

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 56,152,835	\$ 37,650,071
Investments	39,570,554	33,236,492
Receivables		
Patient, net of estimated contractuals and uncollectible accounts of \$26,310,000 in 2013 and \$25,902,000 in 2012	29,663,958	26,540,336
Resident, net of estimated uncollectible accounts of \$19,000 in 2013 and \$10,000 in 2012	21,592	54,418
Contributions, net of estimated uncollectible accounts	1,115,190	378,310
Other	4,836,987	5,528,076
Notes receivable, current portion	161,942	161,923
Assets limited as to use	4,813,070	4,246,802
Supplies	6,259,464	5,825,742
Prepaid expenses and other	2,171,263	1,840,744
Total current assets	144,766,855	115,462,914
Assets Limited as to Use		
By Board for capital improvements	45,677,681	30,719,601
Deferred compensation plan	2,726,487	2,205,620
Under bond indenture agreements	4,233,796	23,386,619
	52,637,964	56,311,840
Less current portion	(4,813,070)	(4,246,802)
Total assets limited as to use	47,824,894	52,065,038
Property and Equipment, Net	128,473,519	125,939,073
Other Assets		
Land and homes for sale	5,413,882	5,282,627
Long-term investments	17,338,006	21,925,775
Investment in affiliated organizations	3,452,463	3,407,288
Contributions receivable, net of estimated uncollectible accounts	586,645	863,710
Goodwill	10,713,626	9,718,401
Notes receivable, less current portion	50,217	212,159
Deferred financing costs, net of accumulated amortization of \$423,342 in 2013 and \$350,306 in 2012	823,885	896,921
Other assets	236,206	235,704
Total other assets	38,614,930	42,542,585
	<u>\$ 359,680,198</u>	<u>\$ 336,009,610</u>

See Notes to Consolidated Financial Statements

Bozeman Deaconess Health Services and Affiliates  
Consolidated Balance Sheets  
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 3,084,353	\$ 3,207,971
Accounts payable		
Trade	9,575,022	8,271,491
Estimated third-party payor settlements	210,000	250,000
Refundable deposits	8,387,184	9,326,266
Current portion of deferred revenue	66,587	79,436
Accrued expenses	16,333,354	15,510,638
Current estimated liability to beneficiaries	<u>26,764</u>	<u>26,764</u>
Total current liabilities	37,683,264	36,672,566
Long-Term Liabilities		
Long-term debt, less current maturities	49,701,677	52,755,603
Deferred revenue from entrance fees	343,120	440,856
Estimated liability to beneficiaries	<u>224,720</u>	<u>218,731</u>
Total liabilities	<u>87,952,781</u>	<u>90,087,756</u>
Net Assets		
Unrestricted	261,821,441	234,573,308
Noncontrolling interest-unrestricted	<u>2,883,622</u>	<u>3,096,268</u>
Total unrestricted	264,705,063	237,669,576
Temporarily restricted	5,003,091	6,216,407
Permanently restricted	<u>2,019,263</u>	<u>2,035,871</u>
Total net assets	<u>271,727,417</u>	<u>245,921,854</u>
Total liabilities and net assets	<u><u>\$ 359,680,198</u></u>	<u><u>\$ 336,009,610</u></u>



# Bozeman Deaconess Health Services and Affiliates

Consolidated Statements of Operations  
Years Ended December 31, 2013 and 2012

	2013	2012
Unrestricted Revenues, Gains, and Other Support		
Net patient service revenue	\$ 204,024,156	\$ 189,845,018
Net resident service revenue	5,644,827	5,626,913
Provision for bad debts	(10,082,610)	(11,160,801)
Net patient and resident service revenue less bad debt provision	199,586,373	184,311,130
Other revenue	13,167,529	12,845,472
Unrestricted contributions	85,473	39,531
Net assets released from restrictions for operations	32,176	160,478
Total unrestricted revenues, gains, and other support	212,871,551	197,356,611
Expenses		
Professional care of patients	121,716,580	113,096,402
Personal care of residents	664,777	713,229
General and administrative	42,582,147	40,320,345
Depreciation and amortization	15,235,026	14,824,988
Property and equipment maintenance and operations	6,593,541	6,416,373
Cost of real estate sold	2,027,058	1,561,205
Housekeeping, laundry and linen	2,189,669	2,175,814
Dietary	3,171,693	3,137,697
Fundraising expenses	230,270	230,334
Interest	2,198,897	2,291,045
Total expenses	196,609,658	184,767,432
Operating Income	16,261,893	12,589,179
Other Income		
Interest and dividend income	2,439,526	2,299,416
Net realized gains on sale of investments	2,339,504	629,001
Net gain on sale of affiliated organizations	-	594,809
Net gain (loss) on disposition of property and equipment	(29,907)	56,231
Other, net	103,142	148,383
Total other income	4,852,265	3,727,840
Revenues in Excess of Expenses	21,114,158	16,317,019
Less Change in Net Assets Attributable to Noncontrolling Interest	(2,555,344)	(2,778,084)
Changes in Unrealized Gains and Losses on Investments	5,267,599	2,687,512
Net Assets Released from Restrictions for Capital	3,421,720	3,571,625
Change in Unrestricted Net Assets Attributable to Bozeman Deaconess Health Services	\$ 27,248,133	\$ 19,798,072

Bozeman Deaconess Health Services and Affiliates  
Consolidated Statements of Changes in Net Assets  
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Net Assets		
Revenues in excess of expenses	\$ 21,114,158	\$ 16,317,019
Changes in unrealized gains and losses on investments	5,267,599	2,687,512
Net assets released from restrictions for capital	<u>3,421,720</u>	<u>3,571,625</u>
Change in unrestricted net assets	29,803,477	22,576,156
Change in unrestricted net assets attributable to noncontrolling interest	<u>(2,555,344)</u>	<u>(2,778,084)</u>
Change in unrestricted net assets attributable to Bozeman Deaconess Health Services	<u>27,248,133</u>	<u>19,798,072</u>
Temporarily Restricted Net Assets		
Contributions and investment income	2,240,580	1,538,236
Net assets released from donor restrictions	<u>(3,453,896)</u>	<u>(3,732,103)</u>
Change in temporarily restricted net assets	<u>(1,213,316)</u>	<u>(2,193,867)</u>
Permanently Restricted Net Assets		
Contributions	15,645	35,183
Decrease in value of split-interest agreements	<u>(32,253)</u>	<u>(28,852)</u>
Change in permanently restricted net assets	<u>(16,608)</u>	<u>6,331</u>
Noncontrolling Interest		
Increase in unrestricted net assets attributable to noncontrolling interest	2,555,344	2,778,084
Distributions to noncontrolling interest	<u>(2,767,990)</u>	<u>(2,882,295)</u>
Change in noncontrolling interest	<u>(212,646)</u>	<u>(104,211)</u>
Change in Net Assets	25,805,563	17,506,325
Net Assets, Beginning of Year	<u>245,921,854</u>	<u>228,415,529</u>
Net Assets, End of Year	<u><u>\$ 271,727,417</u></u>	<u><u>\$ 245,921,854</u></u>

# Bozeman Deaconess Health Services and Affiliates

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

	2013	2012
Operating Activities		
Change in net assets	\$ 25,805,563	\$ 17,506,325
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	15,161,990	14,750,510
Amortization of deferred financing costs	73,036	74,478
Amortization of bond discount	28,068	28,067
Provision for bad debts	10,082,610	11,160,801
Net gain on sale of affiliated organizations	-	(594,809)
Net (gain) loss on disposition of property and equipment	29,907	(56,231)
Changes in unrealized gains and losses on investments	(5,524,805)	(2,763,159)
Net realized gains on sale of investments	(2,509,551)	(742,205)
Equity in income of affiliated organizations	(75,131)	(167,083)
Distributions to noncontrolling interest	2,767,990	2,882,295
Contributions and investment income restricted by donors	(2,256,225)	(1,573,419)
Changes in assets and liabilities		
(Increase) decrease in:		
Receivables	(12,942,132)	(15,229,878)
Supplies	(433,722)	(234,777)
Prepaid expenses and other	(331,021)	339,299
Land and homes held for sale	(131,255)	212,823
Increase (decrease) in:		
Accounts payable	1,263,531	849,846
Deferred revenue	(110,585)	(108,112)
Accrued expenses	822,716	3,007,395
Estimated liability to beneficiaries	5,989	(6,511)
Net Cash from Operating Activities	<u>31,726,973</u>	<u>29,335,655</u>
Investing Activities		
Purchases of investments and assets limited as to use	(42,855,443)	(50,860,328)
Proceeds from sales of investments and assets limited as to use	52,817,382	51,861,719
Purchase of property and equipment	(17,893,383)	(18,952,161)
Proceeds from disposition of property and equipment	167,040	247,869
Proceeds from sale of affiliated organizations	-	516,735
Distributions from affiliated organizations	29,956	278,752
Payments received on notes receivable	161,923	98,997
Purchase of goodwill	(995,225)	-
Net Cash used for Investing Activities	<u>(8,567,750)</u>	<u>(16,808,417)</u>
Financing Activities		
Principal payments on long-term debt	(3,205,612)	(3,100,841)
Distributions to noncontrolling interest	(2,767,990)	(2,882,295)
Contributions and investment income restricted by donors	2,256,225	1,573,419
Decrease in refundable deposits	(939,082)	(1,107,900)
Net Cash used for Financing Activities	<u>(4,656,459)</u>	<u>(5,517,617)</u>
Net Change in Cash and Cash Equivalents	18,502,764	7,009,621
Cash and Cash Equivalents, Beginning of Year	37,650,071	30,640,450
Cash and Cash Equivalents, End of Year	<u>\$ 56,152,835</u>	<u>\$ 37,650,071</u>

# Bozeman Deaconess Health Services and Affiliates

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

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	<u>2013</u>	<u>2012</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 2,176,968</u>	<u>\$ 2,397,759</u>
Supplemental Disclosure of Non-Cash Transactions		
Property and equipment acquired through long-term debt	<u>\$ -</u>	<u>8,693</u>

**Note 1 - Organization and Significant Accounting Policies****Organization**

Bozeman Deaconess Health Services and Affiliates (Organization) is a non-profit corporation located in Bozeman, Montana, which provides health care, housing and other related services by operating an 86 bed hospital facility and physician clinics (Hospital), 115 independent living apartments and 43 assisted living units (Hillcrest Senior Living). Hillcrest Senior Living was formed to develop a senior living community. Hillcrest Senior Living's sole member is Bozeman Deaconess Health Services. Bozeman Deaconess Foundation performs fund-raising activities for the Hospital and Hillcrest Senior Living and supports health care activities throughout the community.

The consolidated financial statements include the accounts of Bozeman Deaconess Health Services (Organization) and its affiliates, Hillcrest Senior Living Limited Liability Company (Hillcrest Senior Living), and Bozeman Deaconess Foundation (Foundation). Noncontrolling interest represents minority LLC members' proportionate share of the equity in Deaconess Intercity Imaging Center, LLC and Rocky Mountain Surgical Center, LLC. All significant inter-entity balances and transactions have been eliminated in consolidation.

**Income Taxes**

The Organization consists of Montana nonprofit corporations and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation operates pursuant to Section 509 (a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. The Organization and the Foundation are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income.

Bozeman Deaconess Real Estate Development Corp., a wholly owned affiliate of the Hospital Division, is a for profit entity for which income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. There was no taxable income in 2013 and 2012.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Organization's federal Form 990T and Bozeman Deaconess Real Estate Development Corp.'s tax filings are no longer subject to federal and state tax examinations by tax authorities for years before 2010.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair Value Measurements**

The Organization has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value. Fair value is defined 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. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

**Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use.

**Patient and Resident Receivables**

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations. The Organization does not charge interest on past due accounts. Payments of patient and resident receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim. Patient and resident receivables are reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. In evaluating the collectability of patient receivables, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for estimated uncollectible accounts.

Management regularly reviews data of its major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients and resident who have third party coverage, the Organization analyzes amounts due under the applicable contracts and applies percentages to determine estimated amounts that will not be collected from third parties and provides an allowance for estimated uncollectible accounts and a provision for bad debts, if necessary.

For receivables associated with private pay patients and residents, which includes both patients and residents without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the invoice, the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unwilling to pay the portion of their invoice for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for estimated uncollectible accounts. The Organization has not experienced significant bad debt related to resident receivables.

The Organization's process for calculating the allowance for estimated uncollectible accounts for self-pay patients and residents has not significantly changed from December 31, 2012 to December 31, 2013. The Organization has not significantly changed its charity care or uninsured discount policies during 2013 or 2012.

**Contributions Receivable**

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable expected to be collected within one year are recorded at net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable.

**Supplies**

Supplies are stated at lower of cost (first-in, first-out) or market.

**Assets Limited as to Use**

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets held in a deferred compensation plan and assets held by trustees under indenture agreements. Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets.

**Property and Equipment**

Property and equipment additions greater than \$1,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Buildings and improvements	5-40 years
Furniture, fixtures and equipment	3-20 years

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the consolidated statements of operations. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed current in the period.

The Organization reviews the carrying values of property and equipment for impairment whenever events or 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. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2013 and 2012.

Gifts of long-lived assets such as land, buildings or equipment are reported as additions to unrestricted net assets, and are excluded from revenues in excess of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service. The Organization did not receive gifts of long-lived assets in 2013 and 2012.

**Investments and Investment Income**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from revenues in excess of expenses unless the investments are trading securities. Gains or losses on the sale of securities are determined using the specific-identification method.

**Investments in Affiliated Organizations**

Investments in entities in which the Organization has the ability to exercise significant influence over operating and financial policies but does not have operational control are recorded under the equity method of accounting. Under the equity method, the initial investment is recorded at cost and adjusted annually to recognize the Organization's share of earnings and losses of those entities, net of any additional investments or distributions. The Organization's share of net earnings or losses of the entities are included in other revenue.

Investments in affiliated organizations also include various investments for which the ownership percentage and ability to exercise significant influence is limited. These investments are recorded at cost. Any dividends received from these organizations are recorded as income in the period received.

**Deferred Financing Costs**

Deferred financing costs are amortized over the period the related obligation is outstanding using the straight-line method, which does not differ materially from results that would be produced under the interest method. The estimated annual amortization of deferred financing costs is approximately \$70,000 for each of the years 2014 through 2018.

**Goodwill**

Goodwill consists of costs in excess of the net assets acquired from the purchase of a 51 percent interest in Rocky Mountain Surgical Center, LLC and goodwill from purchases of various physician clinics.

Potential impairment of goodwill is considered on an annual basis, or more frequently upon the occurrence of an event or when circumstances indicate that the amount of goodwill is greater than its fair value. The Organization has the option, when each test of impairment is performed, to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Organization determines that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then additional analysis is unnecessary. If the Organization concludes otherwise, then a two-step impairment analysis is performed, whereby the carrying value of each identified reporting unit is compared to its fair value. The first step is to quantitatively determine if the carrying value of the reporting unit is greater than its fair value. If the Organization determines that this is true, the second step is required, where the implied fair value of goodwill is compared to its carrying value.

The Organization recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value. The fair value of the reporting unit is estimated, if required under applicable accounting guidance, using the net present value of discounted cash flows, excluding any financing costs or dividends, generated by each reporting unit. The discounted cash flows are based upon reasonable and appropriate assumptions about the underlying business activities of the respective reporting unit. There were no indicators of impairment during the years ended December 31, 2013 and 2012.



### **Land and Homes for Sale**

Land and homes for sale consist of developed lots and homes available for sale by Bozeman Deaconess Real Estate Development Corp.

### **Deposits and Entrance Fees**

Security deposits are refunded to the residents when their unit is vacated, less any amounts for necessary cleaning or damage. Entrance fees that are non-refundable to the resident are amortized to revenue using the straight-line method over the estimated remaining life expectancy of the resident as determined by an actuarial report. The remaining life expectancy is re-evaluated annually and amortization periods adjusted accordingly. Entrance fees that are refundable in accordance with the residency agreement are recorded as a liability and not amortized to revenue.

### **Assets Held and Liabilities under Split-Interest Agreements**

Under charitable gift annuity contracts, the Organization receives immediate title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a permanently restricted contribution. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

### **Temporarily and Permanently Restricted Net Assets**

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

### **Net Patient and Resident Service Revenue**

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs and discounted charges. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients and residents, 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.

The Organization recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above. For uninsured patients and residents that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Organization's uninsured patients are unwilling to pay the portion of their invoice for which they are financially responsible. Thus, the Organization records a significant provision for bad debts and charity care related to uninsured patients in the period the services are provided. The Organization has not experienced significant bad debt related to resident receivables.

## Bozeman Deaconess Health Services and Affiliates

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Net patient service revenue, but before the provision for bad debts, recognized for the years ended December 31, 2013 and 2012 from these major payor sources, is as follows:

	<u>2013</u>	<u>2012</u>
Net patient service revenue		
Third-party payors	\$ 189,715,076	\$ 176,489,689
Private pay	<u>14,309,080</u>	<u>13,355,329</u>
Total all payors	<u>\$ 204,024,156</u>	<u>\$ 189,845,018</u>

### Revenues in Excess of Expenses

Revenues in excess of expenses excludes unrealized gains and losses on investments other than trading securities, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors.

### Charity Care

The Organization provides health care services to patients and residents who meet certain criteria under its Charity Care Policy without charge or at amounts less than established rates. Since the Organization does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was \$8,923,000 and \$7,840,000 for the years ended December 31, 2013 and 2012, calculated by multiplying the ratio of cost to gross charges for the Organization by the gross uncompensated charges associated with providing charity care to its patients.

### Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are not reported until 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 donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions.

### Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred. The Organization incurred approximately \$833,000 and \$686,000 for advertising costs in 2013 and 2012, respectively.

### Electronic Health Record (EHR) Incentives

The American Recovery and Reinvestment Act of 2009 ("ARRA") established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record ("EHR") technology. The Medicare incentive payments are paid out to qualifying hospitals over four consecutive years on a transitional schedule. To qualify for Medicare incentives, hospitals and physicians must meet EHR "meaningful use" criteria that become more stringent over three stages as determined by the Centers for Medicare & Medicaid Services (CMS).

During the years ended December 31, 2013 and 2012, the Organization recorded other operating revenue of \$1,084,867 and \$1,905,584, respectively, related to the Medicare program for meaningful use incentives. These incentives have been recognized into income as management becomes reasonably assured of meeting the required criteria.

Amounts recognized represent management's best estimates for payments ultimately expected to be received based on estimated discharges, charity care, and other input data. Subsequent changes to these estimates will be recognized in other operating revenue in the period in which additional information is available. Such estimates are subject to audit by the federal government or its designee.

### Subsequent Events

The Organization has evaluated subsequent events through April 25, 2014, the date which the consolidated financial statements were available to be issued.

### Reclassifications

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

### Note 2 - Community Benefit Expense (Unaudited)

The following is a summary of a portion of the Organization's community service, based upon charges, provided to the indigent and benefits for the broader community for the years ended December 31:

	2013	2012
Benefits for the indigent:		
Traditional charity care at charges	\$ 15,387,666	\$ 13,054,758
Unpaid amounts of Medicaid program	10,463,181	9,306,486
	25,850,847	22,361,244
Benefits for the broader community:		
Unpaid amounts of Medicare program	72,614,818	62,617,664
	<u>\$ 98,465,665</u>	<u>\$ 84,978,908</u>

Benefits for the indigent include services provided to persons who cannot afford health care because of inadequate resources or who are uninsured. This includes traditional charity care and the unpaid amounts for treating Medicaid beneficiaries at charges that exceed the related government payments. Benefits for the broader community are unpaid amounts for treating Medicare beneficiaries at charges that exceed the related government payments.

The Organization estimates it provided a total community benefit of approximately \$19,370,000 and \$18,500,000, in 2013 and 2012, respectively, which includes, but is not limited to financial assistance, cash donations, subsidized services and community health education.

**Note 3 - Net Patient Service Revenue**

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

Medicare: - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Physician fees are paid according to a fee schedule. The majority of Medicare outpatient services are paid under a prospective payment methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare fiscal intermediary. The Organization's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended December 31, 2011.

Medicaid: - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and settlements thereof by the state Medicaid program. The Organization's Medicaid cost reports have been settled by the state Medicaid program through the year ended December 31, 2011.

Other: - The Organization has also entered into payment agreements with certain commercial insurance carriers and other organizations, which include discounts from established charges.

Revenue from the Medicare, Medicaid and Blue Cross Blue Shield accounted for approximately 27%, 4% and 36% of the Hospital's net patient service revenue for the year ended December 31, 2013, respectively, and 27%, 4% and 37% for the year ended December 31, 2012, respectively. Laws and regulations governing the Medicare, Medicaid and other programs are extremely complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount in the near term. For the years ended December 31, 2013 and 2012, net patient service revenue decreased by approximately \$181,000 and \$161,000, respectively, as the result of settlements greater than the estimated liability.

The Centers for Medicare and Medicaid Services (CMS) has implemented a Recovery Audit Contractor (RAC) program under which claims are reviewed by contractors for validity, accuracy and proper documentation. The potential exists that the Organization may incur a liability for a claims overpayment at a future date.

A summary of patient service revenue and contractual adjustments for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
Total patient service revenue	\$ 311,970,657	\$ 283,671,242
Contractual adjustments	(107,946,501)	(93,826,224)
Net patient service revenue	<u>\$ 204,024,156</u>	<u>\$ 189,845,018</u>

# Bozeman Deaconess Health Services and Affiliates

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

## Note 4 - Contributions Receivable

Contributions receivable consist of:

	2013	2012
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,145,082	\$ 386,031
One to five years	645,478	1,011,242
	<u>1,790,560</u>	<u>1,397,273</u>
Less allowance for uncollectible contributions receivable	(51,000)	(51,000)
Less discount to net present value-3%	(37,725)	(104,253)
	<u>1,701,835</u>	<u>1,242,020</u>
Less current portion of contributions receivable	(1,115,190)	(378,310)
	<u>\$ 586,645</u>	<u>\$ 863,710</u>

The following schedule sets forth the expected future collections on contributions receivable as of December 31, 2013:

Year Ending December 31,	Amount
2014	\$ 1,145,082
2015	229,993
2016	204,605
2017	158,880
2018	52,000
	<u>\$ 1,790,560</u>

In 2013, the Organization received a conditional promise to give in the amount of \$250,000. This promise to give was contingent upon the Organization raising the remaining balance of funds required to complete the radiation therapy vault to house the new Linear Accelerator for the Cancer Center by June 30, 2015. As of December 31, 2013, the contingency has been met and the contribution is included in the accompanying consolidated financial statements.

## Note 5 - Notes Receivable

Notes receivable consist of the following:

	2013	2012
4.75% note receivable, due from Madison Valley Medical Center, due in July 2014, secured by Madison County, Montana tax revenues	\$ 153,572	\$ 307,125
1% note receivable, due from New West Health Services, due in annual principal and interest installments to July 2020, guaranteed by Billings Clinic	58,587	66,957
	<u>212,159</u>	<u>374,082</u>
Total notes receivable	(161,942)	(161,923)
Less current portion	<u>\$ 50,217</u>	<u>\$ 212,159</u>

# Bozeman Deaconess Health Services and Affiliates

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

## Note 6 - Investments

The composition of investments and assets limited as to use at December 31, 2013 and 2012 is shown in the following table. Cash and accrued interest are stated at historical cost and all other investments are stated at fair value.

### Investments

	2013	2012
U.S. Treasury obligations and other government bonds	\$ 4,417,962	\$ 5,686,397
Common stock	32,924,085	23,888,855
Alternative investments	1,851,559	1,827,267
Corporate bonds and other	10,481,077	11,514,109
Certificates of deposit	7,233,877	12,245,639
Total investments	56,908,560	55,162,267
Less current portion	(39,570,554)	(33,236,492)
	<u>\$ 17,338,006</u>	<u>\$ 21,925,775</u>

### Assets Limited as to Use

	2013	2012
By Board for capital improvements		
Cash and cash equivalents	\$ 4,017,328	\$ 3,664,637
Certificates of deposit	2,050,462	1,556,000
U.S. Treasury obligations and other government bonds	3,675,348	3,486,762
Corporate bonds	10,172,023	8,466,347
Common stock	24,187,450	12,159,764
Alternative investments	1,445,796	1,262,109
Accrued interest receivable	129,274	123,982
	<u>\$ 45,677,681</u>	<u>\$ 30,719,601</u>
For deferred compensation plan		
Common stock	<u>\$ 2,726,487</u>	<u>\$ 2,205,620</u>
Under bond indenture agreement - held by trustee		
Cash and short-term investments	\$ 2,296,572	\$ 21,377,334
U.S. Treasury obligations and other government bonds	1,937,224	2,009,285
	<u>\$ 4,233,796</u>	<u>\$ 23,386,619</u>

# Bozeman Deaconess Health Services and Affiliates

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

## Investments in an Unrealized Loss Position

The fair values and gross unrealized losses of investments and assets limited as to use for individual securities that have been in a continuous unrealized loss position as of December 31, 2013 and 2012 are as follows:

2013:	Less Than Twelve Months		More Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury obligations and other government bonds	\$ 281.728	\$ 5,853.630	\$ 352.548	\$ 2,759.995
Certificates of deposit	111.688	4,103.312	-	-
Corporate bonds and other	155.870	3,534.430	33.478	886.199
Alternative investments	-	-	80.017	810.876
Common stock	325.823	4,898.179	621.610	11,250.905
	<u>\$ 875.109</u>	<u>\$ 18,389.551</u>	<u>\$ 1,087.653</u>	<u>\$ 15,707.975</u>
2012:	Less Than Twelve Months		More Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury obligations and other government bonds	\$ 87.598	\$ 4,352.855	\$ 234.718	\$ 1,317.725
Corporate bonds and other	3.048	436.415	50.219	265.729
Alternative investments	53.094	252.370	121.919	1,106.504
Common stock	677.077	6,706.336	614.393	10,164.149
	<u>\$ 820.817</u>	<u>\$ 11,747.976</u>	<u>\$ 1,021.249</u>	<u>\$ 12,854.107</u>

The gross unrealized losses on these investments were primarily due to interest rate fluctuations and market-price movements consistent with the cyclical nature of the financial markets. The Organization has a diversified portfolio. Based on its evaluation and the Organization's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, management does not consider these investments to be other-than-temporarily impaired at December 31, 2013 and 2012.

As of December 31, 2013 and 2012, the fair value of investments and assets limited as to use exceeded cost by approximately \$9,516,000 and \$3,991,000, respectively.

**Note 7 - Investments in Affiliated Organizations**

The Organization owns interests in various healthcare ventures, which are accounted for using the equity method. The Organization purchases a portion of its malpractice insurance coverage from VHA Mountain States Risk Retention Group. The investments in affiliated organizations are as follows:

	2013	2012
VHA Mountain States Risk Retention Group	\$ 3,025,952	\$ 2,952,628
Hospice of Southwest Montana, LLC- 50% ownership	188,690	226,783
Other	237,821	227,877
	<u>\$ 3,452,463</u>	<u>\$ 3,407,288</u>

Total net income from the investments in affiliated organizations included in other revenue is \$75,131 and \$167,083 for the years ended December 31, 2013 and 2012, respectively.

**Note 8 - Property and Equipment**

	2013		2012	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 610,686	\$ -	\$ 610,686	\$ -
Land improvements	2,198,887	1,619,020	2,049,687	1,500,723
Buildings and improvements	153,582,544	71,530,756	146,052,868	65,657,733
Furniture, fixtures and equipment	90,915,220	58,175,275	88,155,769	55,144,573
Land held for expansion	7,540,819	-	6,781,512	-
Construction in progress	4,950,414	-	4,591,580	-
	<u>\$ 259,798,570</u>	<u>\$ 131,325,051</u>	<u>\$ 248,242,102</u>	<u>\$ 122,303,029</u>
Net property and equipment		<u>\$ 128,473,519</u>		<u>\$ 125,939,073</u>

Construction in progress at December 31, 2013, consists of various projects throughout the facility, principally improvements to medical office buildings, land improvements and medical equipment installation. The estimated cost to complete the medical equipment project, as of December 31, 2013, is approximately \$810,000.



# Bozeman Deaconess Health Services and Affiliates

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

## Note 9 - Leases

The Organization leases certain equipment under short-term and long-term operating lease agreements. Total lease expense for the years ended December 31, 2013 and 2012 for all operating leases was approximately \$1,712,000 and \$1,725,000, respectively.

The minimum lease commitments at December 31, 2013 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 675,026
2015	666,356
2016	669,689
2017	669,007
2018	339,194
Thereafter	215,574
	<u>\$ 3,234,846</u>

In addition, the Organization, as lessor, leases medical office space to physicians operating private practices under operating leases, all with annual renewals. The net book value of the buildings, portions of which are leased to physicians, was approximately \$29,340,000 and \$30,091,000 at December 31, 2013 and 2012, respectively. The Organization recorded approximately \$903,000 and \$925,000 of rental income during the years ended December 31, 2013 and 2012, respectively, which is included in other revenue.

## Note 10 - Accrued Expenses

	<u>2013</u>	<u>2012</u>
Payroll and benefits	\$ 7,360,399	\$ 6,759,290
Vacation	4,648,640	4,377,349
Professional and malpractice liability	2,835,000	2,835,000
Workers' compensation liability	495,000	445,000
Payroll taxes	358,823	361,077
Interest	176,609	182,748
Retirement plan	133,676	222,002
Other	325,207	328,172
	<u>\$ 16,333,354</u>	<u>\$ 15,510,638</u>

**Note 11 - Notes Payable and Long-Term Debt**

Long-term debt consists of the following:

	2013	2012
\$28,545,000 Montana Facility Finance Authority Health Facilities Revenue Bonds, Series 2005, net of unamortized discount of \$474,573, (\$496,477 in 2012), due in annual principal installments through June 2035, at increasing principal installments of \$845,000 to \$1,650,000, interest due in semi-annual installments at interest rates ranging from 4.0% to 4.5%, secured by substantially all assets of Hillcrest Senior Living	\$ 22,495,427	\$ 23,293,523
\$20,700,000 Montana Facility Finance Authority loan, supporting 2011 Hospital Facilities Revenue Bonds, net of an unamortized discount of \$17,604 (\$18,596 in 2012), due in annual principal installments through June 1, 2031, at varying principal amounts of \$780,000 to \$1,485,000 interest is due in semi-annual installments at interest rates ranging from 2.00% to 4.63%	19,267,396	20,046,404
\$12,695,000 Montana Facility Finance Authority loan, supporting 2004 Hospital Facilities Revenue Bonds, net of an unamortized discount of \$53,014 (\$58,186 in 2012) due in annual principal installments through June 1, 2029, at varying principal amounts of \$270,000 to \$535,000 interest is due in semi-annual installments at interest rates ranging from 3.65% to 4.65%	6,206,986	6,471,814
\$6,645,000 Montana Facility Finance Authority loan, supporting 2010 Health Facilities Revenue Notes, due in annual principal installments through June 1, 2018, at varying principal amounts of \$810,000 to \$910,000 interest is due in semi-annual installments at interest rates ranging from 1.60% to 3.55%	4,285,000	5,085,000
Various contracts payable, due in total monthly installments of \$29,389, including interest, with varying maturity dates from October 2014 through April 2016 bearing interest rates ranging from 0% to 4.84%, secured by equipment	522,908	866,191
4.9% contract payable, due in monthly installments of \$260 including interest, to September 2015, secured by equipment	5,218	8,009
6.7% contract payable, due in monthly installments of \$762 including interest, to May 2014, secured by equipment	3,095	11,675
5% note payable to bank, paid in full in 2013	-	163,832
5.15%-7.08% contracts payable, paid in full in 2013	-	17,126
	52,786,030	55,963,574
	(3,084,353)	(3,207,971)
Less current maturities		
Long-term debt, less current maturities	\$ 49,701,677	\$ 52,755,603

# Bozeman Deaconess Health Services and Affiliates

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

The Montana Facility Finance Authority (MFFA) has assigned all rights of its security interests granted by the Organization in gross receivables, all constructed real estate relating to the Hospital Division and Hillcrest Senior Living, equipment, machinery, fixtures, and all other tangible personal property to Wells Fargo Bank, as trustee. Under the indentures of trust between the MFFA and the trustee and the loan agreements between the MFFA and the Organization, the Organization is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the consolidated financial statements.

The Organization is also required to maintain certain income available for debt service and maintain certain debt service ratios. The loan agreement also places limits on the incurrence of additional borrowings, leases and amount of asset additions and dispositions. All of these requirements were complied with as of December 31, 2013 and 2012.

Long-term debt maturities are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 3,084,353
2015	2,966,005
2016	2,950,863
2017	3,020,000
2018	3,130,000
Thereafter	38,180,000
	<u>53,331,221</u>
Less discount on bonds, net of amortization	(545,191)
	<u>\$ 52,786,030</u>

## Line of Credit

Rocky Mountain Surgical Center, LLC has a \$200,000 line of credit with interest at bank's prime rate, which expires on October 2014. The line of credit is secured by assets of Rocky Mountain Surgical Center, LLC and guaranteed by the members of the LLC. There were no outstanding balances as of December 31, 2013 and 2012.

## Note 12 - Benefit Plans

The Organization has a defined contribution pension plan covering substantially all of its employees. Employer contributions consist of 6 percent of eligible employees' annual compensation. Total pension plan expense for the years ended December 31, 2013 and 2012, was approximately \$3,396,000 and \$2,851,000, respectively.

The Organization also has a deferred compensation plan for certain employees. The deferred amounts are invested by the Organization in investments designated by the employees. At December 31, 2013 and 2012, the deferred compensation liability, included in accrued expenses, and the related assets, included in assets limited as to use, was approximately \$2,726,000 and \$2,206,000, respectively.

# Bozeman Deaconess Health Services and Affiliates

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

## Note 13 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2013 and 2012:

	2013	2012
Cancer Treatment Center	\$ 1,871,428	\$ 817,932
BDHS Greatest Need	916,313	916,183
Hospice	705,438	302,622
ER Capital Campaign	494,598	3,383,030
Cardiac Services	146,904	149,797
Health Information Center	68,514	81,174
Mammography	45,821	51,709
Emergency Preparedness	39,192	39,192
Palliative Care	28,291	27,746
Care Boutique	21,826	21,826
Other	664,766	425,196
	<u>\$ 5,003,091</u>	<u>\$ 6,216,407</u>

In 2013 and 2012, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes in the amounts of \$3,453,896 and \$3,732,103. The amounts are included in net assets released from restrictions in the accompanying consolidated financial statements.

Permanently restricted net assets at December 31, 2013 and 2012 are restricted to:

	2013	2012
Heck Cancer Services	\$ 602,227	\$ 602,227
Health Information Center	266,449	266,449
Cardiac Services	224,693	224,693
Hillcrest Senior Living	167,370	166,840
Erlenbush Health and Wellness	112,322	112,322
Edith Sanks Education	107,218	107,218
Hospice	106,029	106,029
Webster Spiritual Care	79,891	79,891
Charity Care	78,570	78,050
Other	274,494	292,152
	<u>\$ 2,019,263</u>	<u>\$ 2,035,871</u>

**Note 14 - Endowment**

The Organization's endowment consists of individual funds established for a variety of purposes. Endowment assets include those assets of donor-restricted funds the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The composition of endowment net assets by fund as of December 31, 2013 and 2012, respectively, is as follows:

At December 31, 2013:				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted Endowment Funds	\$ -	\$ 1,151,052	\$ 2,019,263	\$ 3,170,315
Board-designated Funds	9,226,123	-	-	9,226,123
	<u>\$ 9,226,123</u>	<u>\$ 1,151,052</u>	<u>\$ 2,019,263</u>	<u>\$ 12,396,438</u>
At December 31, 2012:				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted Endowment Funds	\$ -	\$ 667,817	\$ 2,035,871	\$ 2,703,688
Board-designated Funds	8,209,331	-	-	8,209,331
	<u>\$ 8,209,331</u>	<u>\$ 667,817</u>	<u>\$ 2,035,871</u>	<u>\$ 10,913,019</u>

# Bozeman Deaconess Health Services and Affiliates

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Changes in endowments net assets for the years ended December 31, 2013 and 2012, respectively, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2013				
Beginning of Year	\$ 8,209,331	\$ 667,817	\$ 2,035,871	\$ 10,913,019
Investment Return:				
Interest and dividends	139,431	55,982	-	195,413
Net appreciation (realized and unrealized)	1,064,134	427,253	-	1,491,387
Contributions	-	-	15,645	15,645
Expenditures	(220,000)	-	-	(220,000)
Other Changes	33,227	-	(32,253)	974
End of Year	<u>\$ 9,226,123</u>	<u>\$ 1,151,052</u>	<u>\$ 2,019,263</u>	<u>\$ 12,396,438</u>
2012				
Beginning of Year	\$ 7,299,835	\$ 436,311	\$ 2,029,540	\$ 9,765,686
Investment Return:				
Interest and dividends	147,552	77,385	-	224,937
Net appreciation (realized and unrealized)	492,321	188,851	-	681,172
Contributions	350,000	-	35,183	385,183
Expenditures	(114,270)	(15,730)	-	(130,000)
Other Changes	33,893	(19,000)	(28,852)	(13,959)
End of Year	<u>\$ 8,209,331</u>	<u>\$ 667,817</u>	<u>\$ 2,035,871</u>	<u>\$ 10,913,019</u>

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Organization to maintain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. As of December 31, 2013 and 2012, there were no such deficiencies.

## *Investment and Spending Policies*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs of the Organization. The endowment assets are invested in a manner that is intended to provide both a reasonably predictable income stream and principal appreciation that exceeds inflation. The Organization expects its endowment funds, over time, to provide a level of return higher than the “market” as represented by a benchmark index or mix of indices reflective of the fund’s asset mixture.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

# Bozeman Deaconess Health Services and Affiliates

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Investment income, net of investment expense, is currently added to unrestricted and temporarily restricted net assets and appropriated by the Board periodically.

The Organization has a policy that allows it to collect an annual 1% administrative fee on endowment assets and is based upon the endowment's year-end balance. The fee is paid from either prior or current year's adjustments to fund principal, and shall not invade the original principal. The fee eligible for collection was approximately \$124,000 in 2013 and \$105,500 in 2012. The Organization has elected to not collect the administrative fee in either of those years. Adjustments to fund principal are defined as:

- 1) Gains from the sale, exchange, redemption or other distribution of any investments
- 2) Stock dividends and interest income
- 3) Capital gains dividends of regulated investment companies
- 4) Liquidated distributions

## Note 15 - Fair Value of Assets

Assets measured at fair value on a recurring basis and the related fair values of these assets at December 31, 2013 and 2012 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)	Total
2013:				
U.S. Treasury obligations and other government bonds	\$ -	\$ 10,030,534	\$ -	\$ 10,030,534
Certificates of deposit	-	9,284,339	-	9,284,339
Corporate bonds and other	-	20,653,100	-	20,653,100
Alternative investments	-	3,297,355	-	3,297,355
Common stock				
Growth equity	19,907,586	-	-	19,907,586
Value equity	14,416,657	-	-	14,416,657
International	16,271,083	-	-	16,271,083
Small market capitalization	8,637,482	-	-	8,637,482
Alternative investments	-	217,703	-	217,703
Emerging markets	387,511	-	-	387,511
	<u>\$ 59,620,319</u>	<u>\$ 43,483,031</u>	<u>\$ -</u>	<u>\$ 103,103,350</u>

# Bozeman Deaconess Health Services and Affiliates

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)	Total
2012:				
U.S. Treasury obligations and other government bonds	\$ -	\$ 11,182,444	\$ -	\$ 11,182,444
Certificates of deposit	-	13,801,639	-	13,801,639
Corporate bonds and other	-	19,980,456	-	19,980,456
Alternative investments	-	3,089,376	-	3,089,376
Common stock				
Growth equity	12,072,484	-	-	12,072,484
Value equity	8,740,829	-	-	8,740,829
International	12,278,976	-	-	12,278,976
Small market capitalization	4,566,875	-	-	4,566,875
Alternative investments	-	239,709	-	239,709
Emerging markets	355,366	-	-	355,366
	<u>\$ 38,014,530</u>	<u>\$ 48,293,624</u>	<u>\$ -</u>	<u>\$ 86,308,154</u>

The valuation of common stock is based on quoted prices in principal active markets for identical assets (Level 1). The valuation of U.S. Treasury and government obligations, corporate bonds and certificates of deposits is based on quoted prices in principal active markets and other observable inputs (Level 2).

Alternative investments consist principally of investments in hedge funds and limited partnerships. The Organization uses Net Asset Value (NAV) per share, or its equivalent, such as member units or ownership interest in partners' capital, to estimate the fair values of the alternative investments. Investments valued at NAV are classified within Level 2 when the Organization has the ability to redeem its investment at NAV per share, or its equivalent, at the measurement date or within the near term. The alternative investments generally have limitations on notice and frequency of redemption, which range from 30 to 90 days. The investment strategies include an objective to preserve capital and to generate consistent long-term appreciation and returns.

## Note 16 - Fair Value of Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Financial Assets: - Due to the liquid nature of the instruments, the carrying value of cash and cash approximates fair value. For all investments and assets limited as to use, the fair value is based upon quoted market prices or other observable market comparisons. The fair value of patient and resident receivables, accrued interest and other receivables approximates book value since the Organization expects receipt in the near-term.

Financial Liabilities: - The fair value of accounts payable, accrued expenses and estimated settlements with third party payors approximates book value due to expected payment in the near term. The estimated liability to beneficiaries approximates book value since the interest rates used in the actuarial assumptions for computing the estimated liability approximates the Organization's current long-term borrowing rate. The estimated fair value of long-term debt, classified within Level 2 of the fair value hierarchy, reported in the consolidated balance sheets is approximately \$383,000 and \$2,737,000 more than book value of the related debt at December 31, 2013 and 2012, respectively.



**Note 17 - Concentrations of Credit Risk****Patient and Resident Receivables**

The Organization grants credit without collateral to its patients and residents, most of who are insured under third-party payor agreements. The mix of receivables from third-party payors and patients and residents at December 31, 2013 and 2012 was as follows:

	2013	2012
Medicare	29%	29%
Medicaid	4%	4%
Commercial insurance and other third-party payors	41%	40%
Patients	26%	27%
	<u>100%</u>	<u>100%</u>

**Cash Balances**

The Organization's cash balances are maintained in various bank deposit accounts. At various times during the year, the balance of these deposits may be in excess of federally insured limits.

**Note 18 - Contingencies****Professional Liability**

The Organization has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$5 million per claim and \$15 million annual aggregate limit. 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 Organization has recorded a liability, as of December 31, 2013 and 2012 of \$2,383,000 and \$2,835,000, respectively, for an estimate to be paid on outstanding claims. In addition, the Organization has recorded a receivable, as of December 31, 2013 and 2012, of \$2,235,000 and \$2,235,000, respectively, for estimated insurance proceeds on the outstanding claims for which a liability has been recorded.

**Litigations, Claims and Disputes**

The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims and disputes in process will not be material to the consolidated financial position, operations or cash flows of the Organization.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues.

**Note 19 - Business Acquisitions**

During the year ended December 31, 2013, the Organization completed the purchase of a family medical practice and a same day surgery clinic. Accordingly, the results of operations for the acquisitions have been included in the accompanying consolidated financial statements from the acquisition date forward.

The aggregate purchase price paid was \$1,671,187 in cash, which included the operations, supplies, equipment, goodwill and accounts receivable. The following table summarizes the fair values of the assets acquired at acquisition date:

	<u>Amount</u>
Accounts receivable	\$ 321,187
Inventories and equipment	354,775
Goodwill	<u>995,225</u>
Fair value of assets acquired	<u><u>\$ 1,671,187</u></u>



Consolidating Information  
December 31, 2013

# Bozeman Deaconess Health Services and Affiliates



## **Independent Auditor's Report on Consolidating Information**

The Board of Trustees  
Bozeman Deaconess Health Services and Affiliates  
Bozeman, Montana

We have audited the consolidated financial statements of Bozeman Deaconess Health Services and Affiliates as of and for the years ended December 31, 2013 and 2012, and our report thereon dated April 25, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements, rather than to present financial position, results of operations, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management, was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Eide Bailly LLP*

Billings, Montana  
April 25, 2014

Bozeman Deaconess Health Services and Affiliates  
Schedule of Consolidating Information - Assets  
December 31, 2013

	Hospital Division	Hillcrest Senior Living	Foundation	Eliminations	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	\$ 48,026,600	\$ 1,470,807	\$ 6,655,428	\$ -	\$ 56,152,835
Investments	26,590,495	3,988,841	8,991,218	-	39,570,554
Receivables					
Patient, net	29,663,958	-	-	-	29,663,958
Resident, net	-	21,592	-	-	21,592
Contributions, net	-	-	1,115,190	-	1,115,190
Other	4,786,731	30,464	19,792	-	4,836,987
Due from affiliates	644,467	-	-	(644,467)	-
Notes receivable, current portion	161,942	-	-	-	161,942
Assets limited as to use	3,885,559	927,511	-	-	4,813,070
Supplies	6,231,679	27,785	-	-	6,259,464
Prepaid expenses and other	2,163,620	1,414	6,229	-	2,171,263
Total current assets	122,155,051	6,468,414	16,787,857	(644,467)	144,766,855
Assets Limited as to Use					
By Board for capital improvements	42,067,090	3,610,591	-	-	45,677,681
Deferred compensation plan	2,726,487	-	-	-	2,726,487
Under bond indenture agreements	1,572,842	2,660,954	-	-	4,233,796
	46,366,419	6,271,545	-	-	52,637,964
Less current portion	(3,885,559)	(927,511)	-	-	(4,813,070)
Total assets limited as to use	42,480,860	5,344,034	-	-	47,824,894
Property and Equipment, Net	112,232,268	16,219,977	21,274	-	128,473,519
Other Assets					
Land and homes for sale	7,911,951	-	-	(2,498,069)	5,413,882
Long-term investments	12,242,509	3,456,453	1,639,044	-	17,338,006
Interest in net assets of Foundation	7,947,049	-	-	(7,947,049)	-
Investment in affiliated organizations	3,452,463	-	-	-	3,452,463
Contributions receivable, net	-	-	586,645	-	586,645
Goodwill	10,713,626	-	-	-	10,713,626
Notes receivable, less current portion	50,217	-	-	-	50,217
Deferred financing costs, net	573,345	250,540	-	-	823,885
Other assets	236,206	-	-	-	236,206
Total other assets	43,127,366	3,706,993	2,225,689	(10,445,118)	38,614,930
Total assets	\$ 319,995,545	\$ 31,739,418	\$ 19,034,820	\$ (11,089,585)	\$ 359,680,198

**Bozeman Deaconess Health Services and Affiliates**  
**Schedule of Consolidating Information - Liabilities and Net Assets**  
**December 31, 2013**

	Hospital Division	Hillcrest Senior Living	Foundation	Eliminations	Consolidated
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Current maturities of long-term debt	\$ 2,239,353	\$ 845,000	\$ -	\$ -	\$ 3,084,353
Accounts payable					
Trade	9,515,323	34,858	24,841	-	9,575,022
Due to affiliates	-	220,114	424,353	(644,467)	-
Estimated third-party payor settlements	210,000	-	-	-	210,000
Refundable deposits	-	8,387,184	-	-	8,387,184
Current portion of deferred revenue	-	66,587	-	-	66,587
Accrued expenses	16,185,413	82,511	65,430	-	16,333,354
Current estimated liability to beneficiaries	-	-	26,764	-	26,764
<b>Total current liabilities</b>	<b>28,150,089</b>	<b>9,636,254</b>	<b>541,388</b>	<b>(644,467)</b>	<b>37,683,264</b>
<b>Long-Term Liabilities</b>					
Long-term debt, less current maturities	28,051,250	21,650,427	-	-	49,701,677
Deferred revenue from entrance fees	-	343,120	-	-	343,120
Estimated liability to beneficiaries	-	-	224,720	-	224,720
<b>Total liabilities</b>	<b>56,201,339</b>	<b>31,629,801</b>	<b>766,108</b>	<b>(644,467)</b>	<b>87,952,781</b>
<b>Net Assets</b>					
Unrestricted	254,562,487	109,617	11,246,358	(4,097,021)	261,821,441
Noncontrolling interest-unrestricted	2,883,622	-	-	-	2,883,622
<b>Total unrestricted</b>	<b>257,446,109</b>	<b>109,617</b>	<b>11,246,358</b>	<b>(4,097,021)</b>	<b>264,705,063</b>
Temporarily restricted	4,739,605	-	5,003,091	(4,739,605)	5,003,091
Permanently restricted	1,608,492	-	2,019,263	(1,608,492)	2,019,263
<b>Total net assets</b>	<b>263,794,206</b>	<b>109,617</b>	<b>18,268,712</b>	<b>(10,445,118)</b>	<b>271,727,417</b>
<b>Total liabilities and net assets</b>	<b>\$ 319,995,545</b>	<b>\$ 31,739,418</b>	<b>\$ 19,034,820</b>	<b>\$ (11,089,585)</b>	<b>\$ 359,680,198</b>

Bozeman Deaconess Health Services and Affiliates  
Schedule of Consolidating Information - Operations  
Year Ended December 31, 2013

	Hospital Division	Hillcrest Senior Living	Foundation	Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support					
Net patient service revenue	\$ 204,024,156	\$ -	\$ -	\$ -	\$ 204,024,156
Net resident service revenue	-	5,644,827	-	-	5,644,827
Provision for bad debts	(10,082,610)	-	-	-	(10,082,610)
Net patient and resident service revenue less provision for bad debts	193,941,546	5,644,827	-	-	199,586,373
Other revenue	12,985,841	181,688	-	-	13,167,529
Unrestricted contributions	-	-	85,473	-	85,473
Net assets released from restrictions	20,809	-	3,453,896	(3,442,529)	32,176
Total unrestricted revenues, gains and other support	206,948,196	5,826,515	3,539,369	(3,442,529)	212,871,551
Expenses					
Professional care of patients	121,716,580	-	-	-	121,716,580
Personal care of residents	-	664,777	-	-	664,777
General and administrative	41,026,342	1,063,664	312,288	179,853	42,582,147
Depreciation and amortization	13,965,955	1,258,699	10,372	-	15,235,026
Property and equipment maintenance and operations	6,076,400	517,141	-	-	6,593,541
Cost of real estate sold	2,146,014	-	-	(118,956)	2,027,058
Housekeeping, laundry and linen	1,900,424	289,245	-	-	2,189,669
Dietary	1,823,066	1,348,627	-	-	3,171,693
Fundraising expenses	-	-	230,270	-	230,270
Support to affiliates	-	-	3,820,898	(3,820,898)	-
Interest	1,174,470	1,024,427	-	-	2,198,897
Total expenses	189,829,251	6,166,580	4,373,828	(3,760,001)	196,609,658
Operating Income (Loss)	17,118,945	(340,065)	(834,459)	317,472	16,261,893
Other Income					
Interest and dividend income	2,032,204	257,607	149,715	-	2,439,526
Net realized gains on sale of investments	1,915,977	-	423,527	-	2,339,504
Net gain (loss) on disposition of property and equipment	(107,983)	78,076	-	-	(29,907)
Other net	-	103,142	-	-	103,142
Total other income	3,840,198	438,825	573,242	-	4,852,265
Revenues in Excess of (Less Than) Expenses	20,959,143	98,760	(261,217)	317,472	21,114,158
Less Change in Net Assets Attributable to Noncontrolling Interest	(2,555,344)	-	-	-	(2,555,344)
Changes in Unrealized Gains and Losses on Investments	4,935,355	(303,724)	635,968	-	5,267,599
Net Assets Released from Restrictions for Capital	3,421,720	-	-	-	3,421,720
Transfers from (to) Related Parties	(300,000)	-	300,000	-	-
Change in Unrestricted Net Assets Attributable to Bozeman Deaconess Hospital	\$ 26,460,874	\$ (204,964)	\$ 674,751	\$ 317,472	\$ 27,248,133