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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

Fallon Medical Complex, in its innovative pursuit of Friends Healing Friends, provides comfort, compassion, and excellence in the promotion of quality of life to all individuals

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 \$ 6,506,771 including grants of \$ 22,141) (Revenue \$ 6,213,532)

Fallon Medical Complex provides quality health care regardless of race, creed, sex, national origin, handicap, age, or ability to pay. Although reimbursement for services rendered is critical to the operation of the Complex, it is recognized that not all individuals possess the ability to purchase these essential services. It is the Complex's mission to serve the surrounding area by providing health care services to all community members. The Complex provides medical services to individuals who are determined unable to purchase such services under the Complex's charity care policy and guidelines. In addition to free care and/or subsidized care, care is also provided at below cost rates to persons covered by governmental programs. Recognizing its mission to the community, services are provided to both Medicare and Medicaid patients. The unreimbursed value of providing care to these patients, based on established rates is 487,627 for the year ended June 30, 2014. The Critical Access Hospital provides 24 hour x 7 days a week Emergency Room services, observation, Acute Care, Swing Bed services and onsite ancillary lab and diagnostic imaging services. During fiscal year ended June 30, 2014, the Complex provided over 291 days of hospital services, 4,822 days of swing bed care, 1,110 ER visits, and over 7,600 outpatient visits. One of Fallon Medical Complex's (FMC) operating philosophies states that education programs are necessary to enhance the competence of personnel in the healthcare system as well as to assist in the attainment of both personal and organizational goals. To this end, not only does the organization routinely budget \$35,000 or more in continuing education for its employees, it also provides job shadowing to area students (typically 3-5 students per year) who may be interested in a healthcare career, in addition to offering routine Certified Nursing Assistant training programs (to about 10-15 prospective aides per year). FMC also hosts numerous college students seeking careers as doctors (2-3 per year), physician assistants (3-5 per year), and various other disciplines, such as radiology & laboratory technology, physical therapy, and industrial engineering. FMC further believes that it is its responsibility to take a leadership role in informing the public about healthcare subjects of relevance or interest through community education. This objective is supported through a number of channels, which includes routine "Lunch and Learn" sessions provided by medical professionals (about 6 times per year), weekly public service announcements on the local radio station, and its annual health fair which is attended by people from all over the service area.

4b

(Code) (Expenses \$ 578,873 including grants of \$) (Revenue \$ 949,185)

FMC also consists of a 15 bed Skilled Nursing Facility/Long Term Care unit that not only provides care for the long term but also offers Respite care for those who are caring for a loved one in their home. The FMC SNF unit provided 5,294 days of care to the elderly in our community.

4c

(Code) (Expenses \$ 1,261,910 including grants of \$) (Revenue \$ 1,244,812)

FMC Community Clinic (Rural Health Clinic) operates under the same mission as FMC by providing family health care in the form of over 10,000 patient visits per year. The four providers (two physicians and two mid levels) also provide ER coverage 24 hours, 7 days a week.

4d




















Other program services (Describe in Schedule O)

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

4e

Total program service expenses ▶ 8,347,554

Part IV Checklist of Required Schedules

| | Yes | No |
|---|---------|----|
| 1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A  | 1 Yes | |
| 2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?  | 2 Yes | |
| 3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I  | 3 | No |
| 4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II  | 4 Yes | |
| 5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III  | 5 | No |
| 6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I  | 6 | No |
| 7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II  | 7 | No |
| 8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III  | 8 | No |
| 9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV  | 9 Yes | |
| 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 | No |
| 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 Yes | |
| d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX  | 11d Yes | |
| e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X  | 11e Yes | |
| f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X  | 11f 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 | | No |
| b | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? | 24b | | |
| 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 | | |
| d | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? | 24d | | |
| 25a | Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> | 25a | | No |
| b | Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> | 25b | | No |
| 26 | 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 | Yes | |
| c | An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> | 28c | | No |
| 29 | Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> | 29 | | No |
| 30 | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> | 30 | | No |
| 31 | Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> | 31 | | No |
| 32 | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> | 32 | | No |
| 33 | Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> | 33 | | No |
| 34 | Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> | 34 | Yes | |
| 35a | Did the organization have a controlled entity within the meaning of section 512(b)(13)? | 35a | | No |
| b | If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> | 35b | | |
| 36 | Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> | 36 | | No |
| 37 | Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> | 37 | | No |
| 38 | Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O | 38 | Yes | |

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response 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. | 21 | |
| 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. | 160 | |
| 2b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions). | | Yes | |
| 3a Did the organization have unrelated business gross income of \$1,000 or more during the year? | | | No |
| 3b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O. | | | |
| 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? Note. 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 | 7 | |
| If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O | | | |
| 1b | Enter the number of voting members included in line 1a, above, who are independent | 7 | |
| 2 | Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? | 2 | Yes |
| 3 | Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? | 3 | No |
| 4 | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | 4 | No |
| 5 | Did the organization become aware during the year of a significant diversion of the organization's assets? | 5 | No |
| 6 | Did the organization have members or stockholders? | 6 | Yes |
| 7a | Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? | 7a | Yes |
| 7b | Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? | 7b | No |
| 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 | No |
| 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 | |

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 checked="" 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 Selena Nelson PO Box 820 Baker, MT 593130820 (406) 778-5103 |

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) Betty Mueller President, Trustee | 50 0 00 | X | | X | | | | 0 | 0 | 0 |
| (2) Eugene Vennes Vice President, Trustee | 50 0 00 | X | | X | | | | 0 | 0 | 0 |
| (3) Richard Menger Secretary, Trustee | 50 0 00 | X | | X | | | | 0 | 0 | 0 |
| (4) Merri Burns Trustee | 50 0 00 | X | | | | | | 0 | 0 | 0 |
| (5) Steven Lund Trustee | 50 0 00 | X | | | | | | 0 | 0 | 0 |
| (6) Kevin Junso Trustee (July-December) | 30 0 00 | X | | | | | | 0 | 0 | 0 |
| (7) Doug Vamer Trustee | 50 50 | X | | | | | | 0 | 0 | 0 |
| (8) Shane Bettenhuasen Trustee (February-June) | 30 0 00 | X | | | | | | 0 | 0 | 0 |
| (9) David Espeland Chief Executive Officer | 40 00 0 00 | | | X | | | | 111,629 | 0 | 18,703 |
| (10) Selena Nelson Chief Financial Officer | 40 00 0 00 | | | X | | | | 88,615 | 0 | 9,665 |
| (11) Darryl Espeland DO, Chief of Staff | 40 00 0 00 | | | | X | | | 226,782 | 0 | 26,699 |
| (12) Dominick Trivisonno MD | 40 00 0 00 | | | | | X | | 222,259 | 0 | 18,033 |
| (13) Amie Schillinger PA-C | 40 00 0 00 | | | | | X | | 114,486 | 0 | 17,544 |
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Part VII

| (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 | | | |
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| 1b Sub-Total | | | | | | | | | | |
| c Total from continuation sheets to Part VII, Section A | | | | | | | | | | |
| d Total (add lines 1b and 1c) | | | | | | | | 763,771 | 0 | 90,644 |

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 ▶4

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

Section B. Independent Contractors

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

| (A) Name and business address | (B) Description of services | (C) Compensation |
|--|--------------------------------|---------------------|
| MT Health Network Inc 11 South 7th Street Suite 241 Miles City MT 59301 | Contract Nursing Services | 409,979 |
| Fisher Construction Inc 235 Moore Lane Billings MT 59101 | Construction | 213,072 |
| Norpac Sheet Metal Inc PO Box 30776 Billings MT 59107 | HVAC Renovation/Construction | 201,884 |
| Healthland Inc PO Box 856554 Minneapolis MN 55485 | Software & Maintenance | 187,850 |
| Prairie Travelers Inc 130 3rd Street S 2 Glasgow MT 59230 | Contract Nursing Services | 180,836 |
| 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 ▶7 | | |

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 | 44,095 | | |
| | e | Government grants (contributions) | 1e | 1,407,139 | | |
| | f | All other contributions, gifts, grants, and similar amounts not included above | 1f | 109,566 | | |
| | g | Noncash contributions included in lines 1a-1f \$ | | | | |
| | h | Total. Add lines 1a-1f | | 1,560,800 | | |
| Program Service Revenue | 2a | Net Patient Service Re | Business Code | | | |
| | | | 622110 | 8,200,493 | 8,200,493 | |
| | b | Miscellaneous | 900099 | 134,934 | 134,934 | |
| | c | Meals on Wheels | 722212 | 46,310 | 46,310 | |
| | d | Cafetera | 722212 | 25,792 | 25,792 | |
| | e | | | | | |
| | f | All other program service revenue | | | | |
| | g | Total. Add lines 2a-2f | | 8,407,529 | | |
| Other Revenue | 3 | Investment income (including dividends, interest, and other similar amounts) | | 541 | | 541 |
| | 4 | Income from investment of tax-exempt bond proceeds | | | | |
| | 5 | Royalties | | | | |
| | 6a | Gross rents | (i) Real | (ii) Personal | | |
| | | | 30,830 | | | |
| | b | Less rental expenses | | 20,610 | | |
| | c | Rental income or (loss) | | 10,220 | | |
| | d | Net rental income or (loss) | | | 10,220 | 10,220 |
| | 7a | Gross amount from sales of assets other than inventory | (i) Securities | (ii) Other | | |
| | | | | | | |
| | b | Less cost or other basis and sales expenses | | 8,829 | | |
| | c | Gain or (loss) | | -8,829 | | |
| | d | Net gain or (loss) | | | -8,829 | -8,829 |
| | 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 | | 9,970,261 | 8,407,529 | 0 | 1,932 |

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. | 22,141 | 22,141 | | |
| 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. | 486,713 | 245,685 | 241,028 | |
| 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. | 4,137,171 | 3,766,354 | 370,817 | |
| 8 | Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions). | 46,432 | 46,432 | | |
| 9 | Other employee benefits. | 450,399 | 397,946 | 52,453 | |
| 10 | Payroll taxes. | 361,104 | 314,314 | 46,790 | |
| 11 | Fees for services (non-employees): | | | | |
| a | Management. | | | | |
| b | Legal. | 1,556 | | 1,556 | |
| c | Accounting. | | | | |
| d | Lobbying. | | | | |
| e | Professional fundraising services. See Part IV, line 17. | | | | |
| f | Investment management fees. | | | | |
| g | Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O). | 947,945 | 894,165 | 53,780 | |
| 12 | Advertising and promotion. | 20,496 | 12,108 | 8,388 | |
| 13 | Office expenses. | 678,118 | 616,680 | 61,438 | |
| 14 | Information technology. | | | | |
| 15 | Royalties. | | | | |
| 16 | Occupancy. | 103,181 | 103,181 | | |
| 17 | Travel. | 7,933 | 7,681 | 252 | |
| 18 | Payments of travel or entertainment expenses for any federal, state, or local public officials. | | | | |
| 19 | Conferences, conventions, and meetings. | 37,144 | 33,964 | 3,180 | |
| 20 | Interest. | 18,180 | | 18,180 | |
| 21 | Payments to affiliates. | | | | |
| 22 | Depreciation, depletion, and amortization. | 1,017,812 | 966,921 | 50,891 | |
| 23 | Insurance. | 103,119 | 56,247 | 46,872 | |
| 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. | 456,823 | 456,823 | | |
| b | Bad Debt. | 292,838 | 292,838 | | |
| c | Taxes & Licenses. | 71,083 | 68,327 | 2,756 | |
| d | Dues & Subscriptions. | 19,154 | 8,497 | 10,657 | |
| e | All other expenses. | 44,819 | 37,250 | 7,569 | |
| 25 | Total functional expenses. Add lines 1 through 24e. | 9,324,161 | 8,347,554 | 976,607 | 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 | | 2,069,403 | 2 | 2,598,282 |
| | 3 | Pledges and grants receivable, net | | | 3 | |
| | 4 | Accounts receivable, net | | 1,438,144 | 4 | 1,421,590 |
| | 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 | | | 7 | |
| | 8 | Inventories for sale or use | | 189,768 | 8 | 193,605 |
| | 9 | Prepaid expenses and deferred charges | | 56,247 | 9 | 54,622 |
| | 10a | Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D | 10a | 17,774,726 | | |
| | b | Less accumulated depreciation | 10b | 8,155,338 | 10,199,861 | 10c9,619,388 |
| | 11 | Investments—publicly traded securities | | 78,041 | 11 | 79,210 |
| | 12 | Investments—other securities See Part IV, line 11 | | | 12 | |
| | 13 | Investments—program-related See Part IV, line 11 | | 868,174 | 13 | 1,044,249 |
| | 14 | Intangible assets | | | 14 | |
| | 15 | Other assets See Part IV, line 11 | | 607,814 | 15 | 814,845 |
| | 16 | Total assets. Add lines 1 through 15 (must equal line 34) | | 15,507,452 | 16 | 15,825,791 |
| Liabilities | 17 | Accounts payable and accrued expenses | | 952,000 | 17 | 716,558 |
| | 18 | Grants payable | | | 18 | |
| | 19 | Deferred revenue | | 199,556 | 19 | 76,990 |
| | 20 | Tax-exempt bond liabilities | | | 20 | |
| | 21 | Escrow or custodial account liability Complete Part IV of Schedule D | | 2,459 | 21 | 5,568 |
| | 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 | | 435,254 | 23 | 239,828 |
| | 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 | | 99,113 | 25 | 145,602 |
| | 26 | Total liabilities. Add lines 17 through 25 | | 1,688,382 | 26 | 1,184,546 |
| 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 | | 13,543,916 | 27 | 14,330,365 |
| | 28 | Temporarily restricted net assets | | 142,105 | 28 | 157,831 |
| | 29 | Permanently restricted net assets | | 133,049 | 29 | 153,049 |
| | 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 | | 13,819,070 | 33 | 14,641,245 |
| | 34 | Total liabilities and net assets/fund balances | | 15,507,452 | 34 | 15,825,791 |

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 | 9,970,261 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 9,324,161 |
| 3 | Revenue less expenses Subtract line 2 from line 1 | 3 | 646,100 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | 13,819,070 |
| 5 | Net unrealized gains (losses) on investments | 5 | |
| 6 | Donated services and use of facilities | 6 | |
| 7 | Investment expenses | 7 | |
| 8 | Prior period adjustments | 8 | |
| 9 | Other changes in net assets or fund balances (explain in Schedule O) | 9 | 176,075 |
| 10 | Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | 10 | 14,641,245 |

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

| | |
|---|---|
| Name of the organization Fallon Medical Complex Inc | Employer identification number 36-3808993 |
|---|---|

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 section 170(b)(1)(A)(i). |
| 2 | <input type="checkbox"/> | A school described in section 170(b)(1)(A)(ii). (Attach Schedule E) |
| 3 | <input checked="" type="checkbox"/> | A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii). |
| 4 | <input type="checkbox"/> | A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state _____ |
| 5 | <input type="checkbox"/> | An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II) |
| 6 | <input type="checkbox"/> | A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v). |
| 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 section 170(b)(1)(A)(vi). (Complete Part II) |
| 8 | <input type="checkbox"/> | A community trust described in section 170(b)(1)(A)(vi) (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 section 509(a)(2). (Complete Part III) |
| 10 | <input type="checkbox"/> | An organization organized and operated exclusively to test for public safety See section 509(a)(4). |
| 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 section 509(a)(3). Check the box that describes the type of supporting organization and complete lines 11e through 11h a <input type="checkbox"/> Type I b <input type="checkbox"/> Type II c <input type="checkbox"/> Type III - Functionally integrated d <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? (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? (ii) A family member of a person described in (i) above? (iii) A 35% controlled entity of a person described in (i) or (ii) above? |
| h | <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 | |
|------------------|-------------|--|
|------------------|-------------|--|

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 Fallon Medical Complex Inc | Employer identification number 36-3808993 |
|--|--|

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

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

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

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

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

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

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

Part II-A

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

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

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

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

| Lobbying Expenditures During 4-Year Averaging Period | | | | | |
|--|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in) | (a) 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)? | | No | |
| 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? | | No | |
| h | Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? | | No | |
| i | Other activities? | Yes | | 203 |
| j | Total. Add lines 1c through 1i. | | | 203 |
| 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 | Fallon Medical Complex reimburses certain professional membership dues of employees. A portion of such membership dues are used by the professional association for lobbying activities. FMC also pays for dues to the Montana Hospital Association and Montana Health Care Association and a percentage of those dues are also used by the professional association for lobbying activities. |
| | |
| | |
| | |
| | |
| | |
| | |

Part IV

[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.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Fallon Medical Complex Inc

Employer identification number
36-3808993

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 | 190,592 | 172,588 | 150,010 | | |
| b Contributions | 20,000 | 21,012 | 22,230 | | |
| c Net investment earnings, gains, and losses | 1,084 | 992 | 1,348 | | |
| d Grants or scholarships | 3,000 | 4,000 | | | |
| e Other expenditures for facilities and programs | | | | | |
| f Administrative expenses | | | 1,000 | | |
| g End of year balance | 208,676 | 190,592 | 172,588 | | |

- 2

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

Board designated or quasi-endowment

19 010 %
- b

Permanent endowment

73 340 %
- c

Temporarily restricted endowment

7 650 %
- The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

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

3a(i)

No

(ii) related organizations

3a(ii)

Yes
- b

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

3b

Yes
- 4

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

Part VI Land, Buildings, and Equipment. 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 | | 96,521 | | 96,521 |
| b Buildings | | 14,721,853 | 6,506,732 | 8,215,121 |
| c Leasehold improvements | | | | |
| d Equipment | | 2,547,425 | 1,530,487 | 1,016,938 |
| e Other | | 408,927 | 118,119 | 290,808 |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) | | | | 9,619,388 |

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 | 9,874,108 |
| 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 | -116,763 | |
| e | Add lines 2a through 2d | | 2e | -116,763 |
| 3 | Subtract line 2e from line 1 | | 3 | 9,990,871 |
| 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 | -20,610 | |
| c | Add lines 4a and 4b | | 4c | -20,610 |
| 5 | Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12) | | 5 | 9,970,261 |

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 | 9,051,933 |
| 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 | 20,610 | |
| e | Add lines 2a through 2d | | 2e | 20,610 |
| 3 | Subtract line 2e from line 1 | | 3 | 9,031,323 |
| 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 | 292,838 | |
| c | Add lines 4a and 4b | | 4c | 292,838 |
| 5 | Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18) | | 5 | 9,324,161 |

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 IV, Line 2b | The complex acts as a custodian for the funds of some residents. Resident funds totaled \$5,568 and \$2,459 at June 30, 2014 and 2013, respectively. |
| Part V, Line 4 | Friends of FMC Foundation, Inc. holds the permanently restricted funds to provide a source of income to be used for Long Term Care, and/or equipment purchases on behalf of Fallon Medical Complex, and for scholarships. The principal has been invested and the generated income (temporarily restricted) is used for said purpose. |
| Part X, Line 2 | The Complex is organized as a nonprofit organization and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Complex is also exempt from state income taxes. The Complex is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Complex is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Complex has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The Complex believes 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 Complex 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 Complex is no longer subject to federal or state tax examinations by tax authorities for the years before June 30, 2011. |
| Part XI, Line 2d - Other Adjustments | Equity in Earnings of Affiliate recorded in revenue for financial statements 176,075. Provision for Bad Debts -292,838. |
| Part XI, Line 4b - Other Adjustments | Rental Expenses recorded in revenue for Form 990 -20,610. |
| Part XII, Line 2d - Other Adjustments | Rental Expenses recorded in revenue for Form 990 20,610. |
| Part XII, Line 4b - Other Adjustments | Provision for Bad Debts 292,838. |

[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
Fallon Medical Complex Inc

Employer identification number
36-3808993

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 | | No |
| 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 | | |
| 6a | Did the organization prepare a community benefit report during the tax year? | 6a | | No |
| b | If "Yes," did the organization make it available to the public? | 6b | | |
| 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) | | 17 | 67,550 | 17,373 | 50,177 | 0 560 % |
| b Medicaid (from Worksheet 3, column a) | | | | | | |
| c Costs of other means-tested government programs (from Worksheet 3, column b) . . | | | | | | |
| d Total Financial Assistance and Means-Tested Government Programs . . | | 17 | 67,550 | 17,373 | 50,177 | 0 560 % |
| Other Benefits | | | | | | |
| e Community health improvement services and community benefit operations (from Worksheet 4) | 15 | | 140,892 | 63,348 | 77,544 | 0 860 % |
| f Health professions education (from Worksheet 5) | | | 10,267 | | 10,267 | 0 110 % |
| g Subsidized health services (from Worksheet 6) | | | 2,189,555 | 1,550,865 | 638,690 | 7 070 % |
| h Research (from Worksheet 7) | | | | | | |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) | 5 | | 3,880 | | 3,880 | 0 040 % |
| j Total Other Benefits | 20 | | 2,344,594 | 1,614,213 | 730,381 | 8 080 % |
| k Total. Add lines 7d and 7j . . | 20 | 17 | 2,412,144 | 1,631,586 | 780,558 | 8 640 % |

Part IICommunity Building Activities

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

| | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community building expense | (d) Direct offsetting revenue | (e) Net community building expense | (f) Percent of total expense |
|--|---|-------------------------------|--------------------------------------|-------------------------------|------------------------------------|------------------------------|
| 1Physical improvements and housing | 1 | 24 | 993 | | 993 | 0.010 % |
| 2Economic development | 3 | | 481 | | 481 | 0.010 % |
| 3Community support | 2 | | 418 | | 418 | 0 % |
| 4Environmental improvements | | | | | | |
| 5Leadership development and training for community members | 2 | | 1,428 | | 1,428 | 0.020 % |
| 6Coalition building | 1 | | 1,503 | | 1,503 | 0.020 % |
| 7Community health improvement advocacy | 2 | 5,629 | 98,938 | 46,310 | 52,628 | 0.580 % |
| 8Workforce development | 3 | | 1,279 | | 1,279 | 0.010 % |
| 9Other | | | | | | |
| 10Total | 14 | 5,653 | 105,040 | 46,310 | 58,730 | 0.650 % |

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

1

No

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

2

292,838

3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

17,277

4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

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

5

2,488,200

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

6

2,520,803

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

7

-32,603

8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.

☐ Cost accounting system

☐ Cost to charge ratio

☒ Other

Section C. Collection Practices

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

9a

Yes

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

9b

Yes

Part IVManagement Companies and Joint Ventures

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

| (a) Name of entity | (b) Description of primary activity of entity | (c) Organization's profit % or stock ownership % | (d) Officers, directors, trustees, or key employees' profit % or stock ownership % | (e) Physicians' profit % or stock ownership % |
|--------------------|---|--|--|---|
| 1 | | | | |
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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 | | | | | | | | | | |
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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)
Fallon Medical Complex Inc

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

Part V

Facility Information (continued)

| Financial Assistance Policy | | Yes | No | | |
|---|--|-----------|-----|-----------|----|
| 9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care? | | 9 | Yes | | |
| 10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>150 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used | | 10 | Yes | | |
| 11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>250 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used | | 11 | Yes | | |
| 12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) | | 12 | Yes | | |
| a <input checked="" type="checkbox"/> Income level | | | | | |
| b <input checked="" type="checkbox"/> Asset level | | | | | |
| c <input checked="" type="checkbox"/> Medical indigency | | | | | |
| d <input checked="" type="checkbox"/> Insurance status | | | | | |
| e <input checked="" type="checkbox"/> Uninsured discount | | | | | |
| f <input checked="" type="checkbox"/> Medicaid/Medicare | | | | | |
| g <input type="checkbox"/> State regulation | | | | | |
| h <input type="checkbox"/> Residency | | | | | |
| i <input checked="" 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? | | | | 17 | No |
| If "Yes," check all actions in which the hospital facility or a third party engaged | | | | | |
| a <input type="checkbox"/> Reporting to credit agency | | | | | |
| b <input type="checkbox"/> Lawsuits | | | | | |
| c <input type="checkbox"/> Liens on residences | | | | | |
| d <input type="checkbox"/> Body attachments | | | | | |
| e <input type="checkbox"/> Other similar actions (describe in 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 type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged | | |
| b <input checked="" type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged | | |
| c <input checked="" 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 | | No |

Part V

Facility Information *(continued)*

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.

| Form and Line Reference | Explanation |
|---------------------------|-------------|
| See Additional Data Table | |
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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? **3**

| Name and address | Type of Facility (describe) |
|--|-----------------------------|
| 1 Memorial Nursing Home 202 South 4th Street West Baker, MT 59313 | Nursing Home - 15 bed SNF |
| 2 Community Clinic 202 South 4th Street West Baker, MT 59313 | Outpatient Clinic - RHC |
| 3 Wibaux Clinic 710 Drake Street Wibaux, MT 59353 | Outpatient Clinic |
| 4 | |
| 5 | |
| 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 | We do include an asset & liability test for those who qualify between 200-250% Anyone at or below 150% qualifies for free care Anyone who does not qualify for free care, with income between 151% and 250% qualifies for discounted care Because the test of discounted care considers net assets and the patient's medical bills are included in liabilities, a medically indigent could qualify for discounted care under this program |

| Form and Line Reference | Explanation |
|-------------------------|--|
| Part I, Line 7 | Charity care was calculated by multiplying the ratio of cost to gross charges by the gross uncompensated charges associated with providing charity care to its patients. Community health improvement services and community benefit operations, health professions education and cash and in-kind contributions to community groups are based on costs recorded in the general ledger and estimated costs. Subsidized health services are determined at cost based on the cost to charge ratio derived from the Medicare cost report for the specific programs. |

| Form and Line Reference | Explanation |
|-------------------------|---|
| Part I, Line 7g | Subsidized Health services includes \$1,550,935 related to two clinics, a provider based rural health clinic and a satellite clinic |

| Form and Line Reference | Explanation |
|-------------------------|--|
| Part I, Ln 7 Col(f) | The amount of bad debt expense removed from the denominator of the calculation was \$292,838 |

| Form and Line Reference | Explanation |
|--|--|
| Part II, Community Building Activities | <p>FMC participates in a number of building activities to improve the community Administration has been a member of the local housing board, searching for ways to address our chronic housing shortage by facilitating the construction of new housing and the renovation of existing housing From an economic development standpoint, our CFO has also been a board member of our local Southeastern Montana Revitalization Team, which is dedicated to revitalizing the economic climate in the area They are focused on building infrastructure, as well as attracting new businesses and finding ways of providing housing for incoming workers and their families In addition, in an effort to help keep local commerce alive, our Foundation Coordinator & CEO regularly participates in Baker Chamber of Commerce meetings and events To further support the community, a number of FMC employees frequently participate in disaster preparedness meetings and events through the Fallon County Local Emergency Preparedness Committee (LEPC) This group meets regularly to discuss disaster preparedness activities, to review the response of similar groups to disasters across the nation, to determine ways to enhance the effectiveness of disaster response in our area, and to conduct table top exercises that simulate potential local disasters We have also dedicated staff time and resources to acquiring knowledge in the Hospital Emergency Incident Command System (HEICS), a nationally recognized and practiced program in incident management Participation in both LEPC and HEICS also represents our collaborative efforts to address health and safety issues It assists in coalition building with other healthcare entities and emergency service providers To further provide continuity across our service area, our Chief of the Medical Staff is the County Health Officer for Carter, Fallon, and Wibaux Counties During the year, FMC provided 1300 meals on wheels and 4335 meals for senior members of the community This furthers the promotion of health by providing nutritious meals to persons who otherwise would not receive them, especially those who are home-bound The CEO and employees of FMC serve on two Eastern Montana Health related scholarship committees The participation on these committees promote scholarships to students wanting to study in the area of healthcare FMC staff also promote careers in healthcare with Camp Scrubs and Medical Explorer promotion at school events & healthfairs Although we are not a formal teaching facility, we do host multiple students annually who are seeking careers in healthcare related disciplines We have a number of cooperative agreements with colleges and universities across the nation that allow students a variety of clinical experiences, from observation of care by a trained professional to providing limited patient services under the direct supervision of a licensed physician, mid level, nurses, therapists, or laboratory or radiology techs</p> |

| Form and Line Reference | Explanation |
|-------------------------|---|
| Part III, Line 2 | Bad debt expense is reported at charges as recorded by the organization |

| Form and Line Reference | Explanation |
|-------------------------|---|
| Part III, Line 3 | The estimated amount of bad debt expense attributable to patients eligible under the organization's charity care policy is 5.9% (based upon US Census Bureau Quickfacts for percent of citizens below the poverty level in Fallon County). Fallon Medical Complex is estimating the amount of bad debt to be charity care based on the percentage of demographics below charity care income/asset levels. This identifies a reasonable percentage of individuals who potentially qualify for charity care but may not have applied and therefore were written off to bad debt. Bad debts are expensed when accounts are determined uncollectible (charges less any payments or insurer discounts) and any payments toward bad debt are booked as bad debt recovery. |

| Form and Line Reference | Explanation |
|-------------------------|---|
| Part III, Line 4 | The footnote to the Organization's financial statements can be found on page 8 of the attached audited financial statements |

| Form and Line Reference | Explanation |
|-------------------------|---|
| Part III, Line 8 | 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. All of the Medicare shortfall should be treated as a community benefit. The Organization treats individuals regardless of the ability to pay. Most of the Medicare shortfall comes from the rural health clinic. It is a community benefit to be able to treat all individuals at the local clinic. |

| Form and Line Reference | Explanation |
|-------------------------|---|
| Part III, Line 9b | Once a patient has been determined by FMC to be eligible for financial assistance, that patient shall not receive any future bills based upon undiscounted gross charges on approved account balances. Requests for financial assistance shall be processed promptly. FMC shall notify the patient in writing within 30 days of receipt of a completed application. Collection activity will be suspended while a financial assistance application is under review. Normal collection efforts will resume if the application is not returned in a timely fashion or after the write-off is complete and the patient owes a balance. |

| Form and Line Reference | Explanation |
|-------------------------|---|
| Part VI, Line 2 | <p>We have traditionally received input about unmet community health care needs from a number of sources a) citizens, board members, patients, and residents expressing an idea or a concern, b) suggestions from consultants who were hired to provide a study of our operations, c) the county or state health department providing observations or data regarding the health status of our specific population, d) staff members gleaning information from an education program or from reviewing professional journals and periodicals regarding the latest equipment or trends in patient and resident care, e) suggestions from the public posted on our website, etc We have completed a formal Community Health Services Development assessment through Montana State University, the result of which is available on our website, www.fallonmedical.org Subsequent to the CHNA, we developed a 3 year implementation plan to address the most important health needs in our community This plan is also published on our website Information from all of these sources is analyzed on a case by case basis by the department manager who would be responsible for implementing the program The manager determines the program's merit relative to our stated mission as well as what resources would be necessary to implement the program The manager submits the analysis to our internal Operational Review Committee, which looks at its impact facility-wide and its feasibility If it progresses past this committee, it is then evaluated by our management team, who analyzes the finer details Ultimately, it is discussed at the Board of Trustees level to seek their input and approval, if necessary</p> |

| Form and Line Reference | Explanation |
|-------------------------|--|
| Part VI, Line 3 | We notify our patients of our financial assistance program through a number of methods, (1) we post the charity care policy, or a summary thereof, and financial assistance contact information in admissions areas, emergency rooms, facility website, and other areas of our facility in which eligible patients are likely to be present, (2) we make available a copy of the policy, or a summary thereof, and financial assistance contact information to patients as part of the intake process, (3) we provide a copy of the policy, or a summary thereof, and financial assistance contact information to patients with discharge materials, (4) we include the policy, or a summary thereof, along with financial assistance contact information, in patient bills, and/or (5) we discuss with the patient the availability of various government benefits, such as Medicaid or state programs, and assist the patient with qualification for such programs, where applicable |

| Form and Line Reference | Explanation |
|-------------------------|---|
| Part VI, Line 4 | <p>Fallon Medical Complex (FMC) is a sole community health care provider for a rural population in excess of 7,200 people spread over seven counties. In addition to serving Fallon County, located in southeastern Montana, FMC also provides health care for three bordering Montana counties (Carter, Wibaux, and part of Custer) and three adjacent North Dakota counties (Slope, Golden Valley, and part of Bowman). Considered "frontier" by the Montana Department of Public Health and Human Services, this region boasts less than two residents per square mile. Although Carter County operates a Critical Access Hospital and a Rural Health Clinic in Ekalaka, MT (35 miles to the south), facilities offering the next highest level of care are over 80 miles from Baker, necessitating a drive of nearly two hours in inclement weather. Two primary care physicians and two mid levels (physician assistants and/or family nurse practitioners) practice full time in Baker and see patients two days a week in our satellite clinic in Wibaux, MT. In addition, FMC's physicians supervise physician assistants in Ekalaka, MT and in Wibaux, MT. Given the small size of its medical staff and the broad dispersion of its service area, FMC is federally designated as a health professional shortage area and a medically underserved area. The majority of patients in FMC's service area are Caucasian (98%), older than age 45 (52%) and have graduated from high school (82%). The per capita income is about \$30,000 per year (compared to \$33,000 for all of Montana) and the unemployment rate is 2.8% (compared to 4.5%). About 15% of the population is below the Federal Poverty Level and roughly 29% of the population does not have health insurance. Of those with health insurance, 22% are covered by Medicare, and 6% are covered by Medicaid. Of those people on Medicaid, 21% receive mental health services. Like most rural Montana areas, FMC's service area economy is largely based on agriculture. Wheat and barley are major farm crops and cattle and sheep dominate the local livestock production. The other major contributor towards the local economy is oil and gas exploration and extraction. Many residents are employed by large energy exploration and drilling companies or smaller energy-related service companies. The area recently entered the alternative energy arena when wind farms began cropping up across the wind-swept prairie.</p> |

| Form and Line Reference | Explanation |
|-------------------------|---|
| Part VI, Line 5 | <p>FMC's governing Board of Trustees is fully comprised of people who reside in its service area. They are not compensated for their participation on the board and they are neither employees, family members of employees, nor contractors of FMC. They must be interested in, and willing to work towards, the best interests of health care in FMC's service area. One of the board's responsibilities is to maintain and oversee FMC's Medical Staff. As such, they are responsible for granting privileges to qualified physicians and mid-levels based on education and skills confirmed through a structured credentialing process. All providers in our service area are welcome to apply for privileges to treat patients and to admit patients to our medical facilities, once those privileges have been granted. The board is also charged with controlling and managing all of the property, affairs, and funds of FMC. Since our singular purpose is to deliver quality healthcare to our patients and residents, all surplus funds are used to make improvements in our delivery of patient care, either through the purchase of new equipment, the further education of our staff, the development of new services, or the renovation of our facility. Additionally, FMC operates a foundation that exists solely to attract and manage funds from donors who would like to provide financial support in furtherance of FMC's mission. This separate non-profit entity is governed by its own Board of Directors, which raises the funds, manages the investments, and determines how the funds should be spent. One of their most actively managed efforts is the awarding of scholarships to students from our service area seeking healthcare careers. In addition to serving on one of the two boards described above, volunteers also have many other opportunities to contribute to the well-being of our patients and residents. They can choose to be a member of our organized Hospital Helpers Auxiliary, participating in daily activities and/or periodic community events. They can also work in the Auxiliary's hospital gift shop, which donates all surplus funds to FMC for the purchase of new patient care equipment or development of new services. Or they can offer their volunteer services independently to our patients and residents. All in all, these individuals all contribute towards FMC's mission, which includes providing comfort, compassion, and excellence in the promotion of quality of life to all individuals. We do not have the resources to offer specialized services or to conduct medical research. But as a sole community provider, we are committed to offering 24/7 emergency care regardless of a patient's ability to pay, offering hospital inpatient and outpatient services, offering physician services through our rural health clinic & satellite clinic, offering long term alternatives, and offering care in our patient's homes. Although we are not a formal teaching facility, we do host multiple students annually who are seeking careers in healthcare related disciplines. We have a number of cooperative agreements with colleges and universities across the nation that allow students a variety of clinical experiences, from observation of care by a trained professional to providing limited patient services under the direct supervision of a licensed physician, mid level, nurses, therapists, or laboratory or radiology techs.</p> |

Additional Data

Software ID:
Software Version:
EIN: 36-3808993
Name: Fallon Medical Complex Inc

990 Schedule H, Supplemental Information

| 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. | |
|--|---|
| Form and Line Reference | Explanation |
| Fallon Medical Complex, Inc | |
| Fallon Medical Complex, Inc | Part V, Section B, Line 5d Available in FMC's Quality Improvement Department |
| Fallon Medical Complex, Inc | Part V, Section B, Line 6i The organization's implementation strategy may be found at the following link http //www fallonmedical org/ |
| Fallon Medical Complex, Inc | Part V, Section B, Line 7 Fallon Medical Complex (FMC) successfully addressed most of the needs identified in the recently conducted Needs Assessment, and has shown progress toward addressing the goals outlined in the CHNA Implementation Plan As shown in the previous report, there are two needs that have been identified as outside the scope of the facility , and therefore have not been addressed 1 Survey respondents indicated that they delayed receiving healthcare services when they needed it because "It costs too much" (42 2%) and 87 5% of respondents reported that they did not have medical insurance because they could not afford to pay for it a FMC identified and trained a health insurance "Navigator" through a Federal grant to provide free assistance with enrolling people in ACA Marketplace insurance plans FMC also continues to offer financial assistance to patients who do not have the ability to pay FMC is now waiting to see if the MT State Legislature will approve Medicaid expansion to fill the gap between those patients who do not have the ability to pay and those who have insurance 2 Respondents identified "Alcohol/substance abuse" (42 4%) as a top community health concern a Through an agreement with Fallon County, FMC is not directly responsible for addressing alcohol and substance abuse issues for patients However, FMC collaborates with Fallon County and their third party vendor to provide whatever services they may require, such as access to telemedicine services |
| Fallon Medical Complex, Inc | Part V, Section B, Line 12i Marketplace Eligibility |
| Fallon Medical Complex, Inc | Part V, Section B, Line 14g FMC provides a summary of the financial assistance policy to patients upon admission FMC also attaches a summary of the policy to billing invoices and posts a summary in the facility's emergency and waiting rooms and admissions offices |

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Fallon Medical Complex Inc

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.

OMB No 1545-0047

2013

Open to Public
Inspection

Employer identification number
36-3808993

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) Friends of FMC Foundation Inc 202 S 4th Street West Baker, MT 59313 | 43-1975486 | 501(C)(3) | 22,141 | | | | To support mission of Friends of FMC Foundation, Inc |
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2

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

1

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 |
|--------------------------------|-------------------------|-------------------------|----------------------------------|--|---------------------------------------|
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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 | Organization provides grants to related tax-exempt organization to further their tax exempt purpose |

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.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Fallon Medical Complex Inc

Employer identification number
36-3808993

Part I

Questions Regarding Compensation

| | Yes | No |
|---|-----|----|
| <div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input 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> | 1b | |
| <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> | 2 | |
| <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 type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div></div> | | |
| <div><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> | 4a | No |
| <div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div> | 4b | 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> | 4c | No |
| <div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div> | | |
| <div><div>5</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of</div></div> | | |
| <div><div>a</div><div>The organization?</div></div> | 5a | No |
| <div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div> | 5b | 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> | 6a | No |
| <div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div> | 6b | 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> | 7 | No |
| <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> | 8 | 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> | 9 | |

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

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

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

| (A) Name and Title | | (B) Breakdown of W-2 and/or 1099-MISC compensation | | | (C) Retirement and other deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)-(D) | (F) Compensation reported as deferred in prior Form 990 |
|--|------|--|-------------------------------------|-------------------------------------|--|-------------------------|---------------------------------|---|
| | | (i) Base compensation | (ii) Bonus & incentive compensation | (iii) Other reportable compensation | | | | |
| (1)Darryl Espeland DO, Chief of Staff | (i) | 226,782 | 0 | 0 | 17,314 | 9,395 | 253,491 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (2)Dominick Trivisonno MD | (i) | 222,259 | 0 | 0 | 3,887 | 14,157 | 240,303 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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 |
|------------------|-------------|
|------------------|-------------|

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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

Employer identification number
36-3808993

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

| 1 | (a) Name of disqualified person | (b) Relationship between disqualified person and organization | (c) Description of transaction | (d) Corrected? | |
|---|---------------------------------|---|--------------------------------|----------------|----|
| | | | | Yes | No |
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2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 ▶ \$

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

Part II Loans to and/or From Interested Persons.
Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

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

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

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? | |
|-------------------------------|---|---------------------------|--------------------------------|---|----|
| | | | | Yes | No |
| (1) Darryl Espeland DO | Employee and brother of CEO | 250,699 | Wages and Benefits | | No |
| (2) David Espeland CEO | Employee and brother of Chief of Staff | 133,910 | Wages and Benefits | | No |
| | | | | | |
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Part V

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

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

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ 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

Fallon Medical Complex Inc

Employer identification number

36-3808993

990 Schedule O, Supplemental Information

| Return Reference | Explanation |
|--|---|
| Form 990, Part VI, Section A, line 2 | David Espeland and Darryl Espeland have a family relationship |
| Form 990, Part VI, Section A, line 6 | The members of the Corporation shall consist of all trustees and those individuals who apply for membership and fulfill the qualifications for membership which are established by the Board of Trustees |
| Form 990, Part VI, Section A, line 7a | Elections for Trustees shall be held at the annual membership meeting, or by written ballot if authorized by the Board of Trustees. Any vacancy occurring on the Board of Trustees may be filled by appointment by the President of the Board of Trustees subject to confirmation by a majority of the members of the Board present at the next regular meeting of the Board following such appointment. The person so appointed shall serve for the remainder of the term of the Trustee for whom he or she was appointed. In the event that the election date set forth above falls on a legal holiday, the Board may by resolution adopted at any regular or special meeting preceding said date, postpone said election to the next business day following such date. |
| Form 990, Part VI, Section A, line 8b | The organization does not have a committee that acts on behalf of the governing board. |
| Form 990, Part VI, Section B, line 11 | The Form 990 is emailed to the Board of Trustees for their review and they are allowed to comment prior to filing. |
| Form 990, Part VI, Section B, line 12c | The organization's policy requires a duty to disclose any conflicts annually as well as during discussions. The conflict of interest policy covers all members of the board, officers and employees. Board Members, officers and employees complete a questionnaire annually addressing potential areas of conflicts. Conflicts are determined by each individual. If a conflict arises, the board member abstains from voting on matters that gave rise to the conflict. |
| Form 990, Part VI, Section B, line 15 | The Montana Hospital Association (MHA) publishes its annual compensation data for all classifications of healthcare workers. The data pertaining to facilities comparable in size is used to determine executive and officer compensation. The Board may also choose to call their peers in other facilities to substantiate the MHA data and to confirm the appropriateness of any proposed compensation. The board votes and approves the compensation for officers such as the CEO and CFO. The decisions are documented on an annual basis when salaries are approved. This process last took place at the end of fiscal year 06/30/13, with board approval of the budget for FY 2014 at the 06/19/2013 board meeting. |
| Form 990, Part VI, Section C, line 19 | The organization's governing documents, conflict of interest policy and financial statements are available for inspection at the corporation's place of business upon request. |
| Form 990, Part IX, line 11g | Professional Fees 894,165 Program service expenses 894,165 Management and general expenses 53,780 Fundraising expenses 0 Total expenses 947,945 |
| Form 990, Part XI, line 9 | Equity in Earnings of Affiliate recorded in Revenue for Financial Statement 176,075 |
| Form 990, Page 1, Line C | Fallon Medical Complex, Inc. is doing business under the following names: Community Clinic, Home Care Services, Fallon Memorial Hospital, Memorial Nursing Home and Wibaux Clinic. |

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ 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.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Fallon Medical Complex Inc

Employer identification number
36-3808993

| 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 |
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| 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) Friends of FMC Foundation 202 S 4th St W Baker, MT 59313 43-1975486 | Foundation/Fundraising | MT | 501(c)(3) | Line 7 | N/A | | No |
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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) Disproportionate allocations? | | (i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065) | (j) General or managing partner? | | (k) Percentage ownership |
|--|-------------------------|--|--|--|---------------------------------|--|---|----|--|---|----|--------------------------------|
| | | | | | | | Yes | No | | Yes | No | |
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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 |
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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 | | No |
| 1l | Yes | |
| 1m | | No |
| 1n | Yes | |
| 1o | Yes | |
| 1p | | No |
| 1q | Yes | |
| 1r | | No |
| 1s | | No |

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

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

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 |
|------------------|-------------|
|------------------|-------------|



Consolidated Financial Statements
June 30, 2014 and 2013

Fallon Medical Complex, Inc. and Affiliate

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Independent Auditor's Report

To the Board of Directors
Fallon Medical Complex, Inc. and Affiliate
Baker, Montana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Fallon Medical Complex, Inc. and Affiliate, which comprise the consolidated balance sheets as of June 30, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fallon Medical Complex, Inc. and Affiliate as of June 30, 2014 and 2013, and the 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.

Eide Bailly LLP

Billings, Montana
November 21, 2014

Fallon Medical Complex, Inc. and Affiliate
Consolidated Balance Sheets
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 2,598,282 | \$ 2,069,403 |
| Receivables | | |
| Patient and resident, net of estimated uncollectibles of \$650,000 in 2014 and \$600,000 in 2013 | 1,369,366 | 1,329,560 |
| Estimated third-party payor settlements | 375,000 | 300,000 |
| Due from County | 439,845 | 307,814 |
| Other | 52,224 | 108,672 |
| Prepaid expenses | 54,622 | 56,247 |
| Supplies | 193,605 | 189,768 |
| Total current assets | 5,082,944 | 4,361,464 |
| Assets Limited as to Use | 1,123,459 | 946,127 |
| Property and Equipment | 9,619,388 | 10,199,861 |
| Total assets | <u>\$ 15,825,791</u> | <u>\$ 15,507,452</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Current maturities of long-term debt | \$ 195,388 | \$ 195,428 |
| Accounts payable | | |
| Trade | 244,841 | 230,250 |
| Construction | - | 258,040 |
| Due to County | 145,602 | 99,113 |
| Accrued expenses | | |
| Vacation | 243,123 | 257,244 |
| Salaries and wages | 202,351 | 180,057 |
| Payroll taxes and other | 31,577 | 28,485 |
| Interest | 234 | 383 |
| Deferred revenue | 18,314 | 122,566 |
| Total current liabilities | 1,081,430 | 1,371,566 |
| Long-Term Debt, Less Current Maturities | 44,440 | 239,826 |
| Deferred Revenue, Less Current Portion | 58,676 | 76,990 |
| Total long-term liabilities | 103,116 | 316,816 |
| Total liabilities | 1,184,546 | 1,688,382 |
| Net Assets | | |
| Unrestricted | 14,330,365 | 13,543,916 |
| Temporarily restricted | 157,831 | 142,105 |
| Permanently restricted | 153,049 | 133,049 |
| Total net assets | 14,641,245 | 13,819,070 |
| Total liabilities and net assets | <u>\$ 15,825,791</u> | <u>\$ 15,507,452</u> |

Fallon Medical Complex, Inc. and Affiliate

Consolidated Statements of Operations

Years Ended June 30, 2014 and 2013

| | 2014 | 2013 |
|---|--------------|--------------|
| Unrestricted Revenues | | |
| Net patient and resident service revenue | \$ 8,200,493 | \$ 8,034,778 |
| Provision for bad debts | (292,838) | (250,072) |
| Net patient and resident service revenue less provision for bad debts | 7,907,655 | 7,784,706 |
| Other revenue | 513,866 | 552,837 |
| Total unrestricted revenue and other support | 8,421,521 | 8,337,543 |
| Expenses | | |
| Professional care of patients and residents | 3,865,694 | 4,021,757 |
| General and administrative | 2,026,037 | 1,900,164 |
| Clinics | 1,092,697 | 1,029,416 |
| Depreciation | 1,017,813 | 848,938 |
| Property and household | 594,411 | 578,136 |
| Dietary | 466,741 | 434,110 |
| Interest | 18,180 | 25,711 |
| Total expenses | 9,081,573 | 8,838,232 |
| Operating Loss | (660,052) | (500,689) |
| Other Income, Net | | |
| County subsidy for operations | 485,023 | 410,996 |
| County subsidy for buildings from mill levy | 425,000 | 425,131 |
| County subsidy for expenses and equipment | 217,817 | 2,037,277 |
| Unrestricted gifts and grants | 136,231 | 717,517 |
| Interest and dividend income | 22,904 | 14,466 |
| Realized gain on sale of investments | 3,606 | 10,468 |
| Gain (loss) on sale of equipment | (8,829) | 5,663 |
| Other | 3,299 | 2,410 |
| Total other income, net | 1,285,051 | 3,623,928 |
| Revenues in Excess of Expenses | 624,999 | 3,123,239 |
| Change in Unrealized Gains and Losses on Investments | 67,362 | 3,503 |
| Net Assets Released from Restrictions | 94,088 | 8,266 |
| Increase in Unrestricted Net Assets | \$ 786,449 | \$ 3,135,008 |

Fallon Medical Complex, Inc. and Affiliate
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|-----------------------------|-----------------------------|
| Unrestricted Net Assets | | |
| Revenues in excess of expenses | \$ 624,999 | \$ 3,123,239 |
| Change in unrealized gains and losses on investments | 67,362 | 3,503 |
| Net assets released from restrictions | <u>94,088</u> | <u>8,266</u> |
| Increase in unrestricted net assets | <u>786,449</u> | <u>3,135,008</u> |
| Temporarily Restricted Net Assets | | |
| Contributions and grants for specific purposes | 108,730 | 131,488 |
| Investment income | 1,084 | 992 |
| Net assets released from restrictions | <u>(94,088)</u> | <u>(8,266)</u> |
| Increase in temporarily restricted net assets | <u>15,726</u> | <u>124,214</u> |
| Permanently Restricted Net Assets | | |
| Contributions | <u>20,000</u> | <u>20,000</u> |
| Change in Net Assets | 822,175 | 3,279,222 |
| Net Assets, Beginning of Year | <u>13,819,070</u> | <u>10,539,848</u> |
| Net Assets, End of Year | <u><u>\$ 14,641,245</u></u> | <u><u>\$ 13,819,070</u></u> |

Fallon Medical Complex, Inc. and Affiliate

Consolidated Statements of Cash Flows

Years Ended June 30, 2014 and 2013

| | 2014 | 2013 |
|---|--------------|--------------|
| Operating Activities | | |
| Change in net assets | \$ 822,175 | \$ 3,279,222 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| County subsidies | (1,127,840) | (2,873,404) |
| Depreciation | 1,017,813 | 848,938 |
| Provision for bad debts | 292,838 | 250,072 |
| Contributions and interest restricted by donors | (129,814) | (152,480) |
| Change in unrealized gains and losses on investments | (67,362) | (3,503) |
| Realized gain on sale of investments | (3,606) | (10,468) |
| (Gain) loss on sale of equipment | 8,829 | (5,663) |
| Contribution of investments | - | (249,520) |
| Changes in assets and liabilities | | |
| Receivables | (483,227) | (244,844) |
| Prepays | 1,625 | (8,468) |
| Supplies | (3,837) | (2,718) |
| Accounts payable | (196,960) | (79,368) |
| Accrued expenses | 11,116 | 45,300 |
| Deferred revenue | (122,566) | 199,556 |
| Net Cash from Operating Activities | 19,184 | 992,652 |
| Investing Activities | | |
| Purchase of property and equipment | (446,169) | (3,108,483) |
| Proceeds from sale of equipment | - | 7,197 |
| Assets limited as to use | | |
| Sales of investments | 62,340 | 609,926 |
| Purchases of investments | (107,004) | (600,071) |
| Net change in cash | (61,700) | (85,150) |
| Net Cash used for Investing Activities | (552,533) | (3,176,581) |
| Financing Activities | | |
| County subsidies | 1,127,840 | 2,873,404 |
| Repayment of long-term debt | (195,426) | (179,435) |
| Contributions and interest restricted by donors | 129,814 | 152,480 |
| Proceeds from long-term debt borrowings | - | 77,973 |
| Net Cash from Financing Activities | 1,062,228 | 2,924,422 |
| Net Change in Cash and Cash Equivalents | 528,879 | 740,493 |
| Cash and Cash Equivalents, Beginning of Year | 2,069,403 | 1,328,910 |
| Cash and Cash Equivalents, End of Year | \$ 2,598,282 | \$ 2,069,403 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the year for interest | \$ 18,329 | \$ 25,724 |
| Supplemental Disclosure of Non-cash Investing Activity | | |
| Contribution of investments | \$ - | \$ 249,520 |
| Accounts payable for construction | \$ - | \$ 258,040 |

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

The consolidated financial statements include the accounts of Fallon Medical Complex, Inc. (Complex) and its affiliate, Friends of FMC Foundation (Foundation).

The Complex is a 25-bed critical access hospital, a 15-bed nursing facility, and a community medical clinic located in Baker, Montana. The Complex is organized as a Montana nonprofit corporation. Under an agreement dated July 1, 1991, the Complex agreed to manage and operate the healthcare facilities of Fallon County. Previously, these facilities were organized as a component unit of Fallon County.

All significant inter-entity balances and transactions have been eliminated in consolidation.

Income Taxes

The Complex and Foundation are organized as nonprofit organizations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Both organizations are also exempt from state income taxes. The Complex and Foundation are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Complex and Foundation are subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Both organizations have determined they are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Complex and Foundation believe they have appropriate support for any tax positions taken affecting their annual filing requirements, and as such, do not have any uncertain tax positions that are material to the financial statements. Both organizations 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 Complex and Foundation are no longer subject to federal or state tax examinations by tax authorities for the years before June 30, 2011.

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 Complex has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provide a framework for measuring fair value under generally accepted accounting principles. 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 Complex does not charge interest on past due accounts. Patient and resident receivables are stated at the amount billed to the patient or resident. Unless the patient or resident has signed an approved payment agreement to extend the payment period, account balances with invoices dated over 60 days old are considered delinquent and are remitted to a collection agency after 120 days. Accounts with extended payment schedules are considered delinquent and are remitted to a collection agency after 90 days of non-payment. 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 accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Complex analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

For receivables associated with services provided to patients and residents who have third party coverage, the Complex analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Complex records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients and residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Complex's process for calculating the allowance for uncollectible accounts for self-pay patients and residents has not significantly changed from June 30, 2013 to June 30, 2014. The Complex has not significantly changed its charity care or uninsured discount policies during fiscal years 2014 or 2013.

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 that the Board of Directors of the Complex and the Foundation have set aside for future capital improvements and scholarships. The Board retains control of these assets and may use them for any purpose at its discretion. Assets limited as to use also include assets held by the Complex for nursing home residents and the Complex's Auxiliary.

Property and Equipment

Property and equipment additions over \$5,000 are capitalized at cost, or if donated, at fair value on the date of donation. 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:

| | |
|----------------------------|--------------|
| Land improvements | 5 - 20 years |
| Buildings and improvements | 5 - 40 years |
| Equipment | 3 - 25 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 statements of operations. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the current period.

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 Complex has an agreement with Fallon County under which Fallon County furnished the Complex with the property and equipment needed to provide healthcare services. The Complex has recorded the property and equipment as assets of Fallon Medical Complex, Inc.

Impairment of Long-lived Assets

The Complex considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended June 30, 2014 and 2013.

Investments and Investment Income

Investments in marketable securities (mutual funds and certificates of deposit held in brokerage accounts) with readily determinable values are measured at fair value and certificates of deposit not held in brokerage accounts are recorded at historical cost plus accrued interest in the consolidated balance sheet. 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 law. Unrealized gains and losses on investments are excluded from revenues in excess of expenses unless the investments are trading securities.

Resident Funds

The Complex acts as custodian for the funds of some residents. These funds are included in assets limited as to use and trade payables in the consolidated balance sheets. Resident funds totaled \$5,568 and \$2,459 at June 30, 2014 and 2013, respectively.

Temporarily and Permanently Restricted Net Assets

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

Net Patient and Resident Service Revenue

The Complex has agreements with third-party payors that provide for payments to the Complex at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, 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 Complex recognizes net patient and resident service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above. For uninsured patients that do not qualify for charity care, the Complex 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 Complex's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Complex records a significant provision for bad debts and charity care related to uninsured patients in the period the services are provided.

Net patient and resident service revenue, but before the provision for bad debts, recognized for the years ended June 30, 2014 and 2013 from these major payor sources, is as follows:

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Net patient and resident service revenue | | |
| Third-party payors | \$ 6,948,640 | \$ 6,651,350 |
| Self-pay | 1,251,853 | 1,383,428 |
| | <u>\$ 8,200,493</u> | <u>\$ 8,034,778</u> |
| Total all payors | | |

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 Complex provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Complex does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient and resident service revenue. The amount of charges foregone for services provided under the Complex's charity care policy were approximately \$54,000 and \$94,000 for the years ended June 30, 2014 and 2013. The estimated direct and indirect cost of providing these services was approximately \$53,000 and \$86,000 for the years ended June 30, 2014 and 2013, calculated by multiplying the ratio of cost to gross charges 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 reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When 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 statement of operations as net assets released from restrictions.

County Subsidy

Fallon County provides a subsidy to the Complex for its operations based on budgeted amounts approved by the County. During the years ended June 30, 2014 and 2013, the Complex received \$485,023 and \$410,996 respectively.

During the years ended June 30, 2014 and 2013, the County provided an additional subsidy of \$217,817 and \$2,037,277, respectively, for the purchase of building improvements. These uses were approved by Fallon County.

Each year an additional subsidy is provided for purchases of building improvements upon approval of a mill levy by the voters of Fallon County. During the years ended June 30, 2014 and 2013, the Complex received \$425,000 and \$425,131, respectively. The mill levy has been approved in the past three elections. The Complex recognizes the revenue when received from the County based on the budgeted amounts approved by the County.

Advertising Costs

The Complex expenses advertising costs as they are incurred.

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) amended the Social Security Act to establish incentive payments under the Medicare and Medicaid programs for certain hospitals and professionals that meaningfully use certified Electronic Health Records (EHR) technology.

To qualify for the EHR incentive payments, hospitals and physicians must meet designated EHR meaningful use criteria. In addition, hospitals must attest that they have used certified EHR technology, satisfied the meaningful use objectives and specify the EHR reporting period. This attestation is subject to audit by the Federal government or its designee. The EHR incentive payment to hospitals for each payment year is calculated as a product of (1) allowable costs as defined by the Centers for Medicare & Medicaid Services (CMS) and (2) the Medicare share. Once the initial attestation of meaningful use is completed, critical access hospitals receive the entire EHR incentive payment for submitted allowable costs of the respective periods in a lump sum, subject to a final adjustment on the cost report.

The Complex recognizes EHR incentive payments as revenue when there is reasonable assurance that the Complex will comply with the conditions attached to the incentive payments. As the entire EHR incentive payment is received in a lump sum for critical access hospitals and the Complex must annually attest to increasingly stringent meaningful use criteria, the EHR incentive payment is first recognized as a deferred revenue with a ratable recognition of revenue over a specified time period. EHR incentive payments are included in other operating revenue in the accompanying consolidated financial statements. The amount of EHR incentive payments recognized are based on management's best estimate and those amounts are subject to change with such changes impacting the period in which they occur. Management has estimated the expected revenue to be recognized during the next fiscal year and recorded this portion as a current liability.

Subsequent Events

The Complex has evaluated subsequent events through November 21, 2014, the date which the financial statements were available to be issued.

Note 2 - Net Patient and Resident Service Revenue

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

Medicare: The Complex is licensed as a Critical Access Hospital (CAH). The Complex is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Complex and are subject to audits thereof by the Medicare intermediary. Certain services are subject to cost limits or fee schedules. The Complex's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2013. The Complex's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Complex.

Medicaid: Inpatient and outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges or allowable cost as determined through the Complex's Medicare cost report, or rates as established by the Medicaid program. The Complex is reimbursed at a tentative rate with final settlement determined by the program based on the Complex's final Medicaid cost report. The Complex's Medicaid cost reports have been settled through the year ended June 30, 2012.

Blue Cross: Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount. The prospectively determined discount is not subject to retroactive adjustment.

Resident Services: The Complex is reimbursed for resident services at established per diem rates, which are prospectively determined on a cost-related basis with adjustments for inflation subject to certain limitations as prescribed by Montana Department of Public Health and Human Services regulations. These rates are subject to retroactive adjustment by field audit. Under the Medicare program, payment for resident services is made on a prospectively determined per diem rate, which varies, based on a case-mix adjusted patient classification system.

Other: The Complex has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Complex under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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 Health Center may incur a liability for a claims overpayment at a future date.

Revenue from the Medicare and Medicaid programs accounted for approximately 38 percent and 14 percent, respectively, of the Complex's net patient and resident revenue for the year ended June 30, 2014, and 38 percent and 13 percent, respectively, for the year ended June 30, 2013. Laws and regulations governing the Medicare, Medicaid and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient and resident service revenue for the years ended June 30, 2014 and 2013 increased approximately \$89,000 and \$84,000, respectively, due to the removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations.

A summary of patient and resident service revenue and contractual adjustments for the years ended June 30, 2014 and 2013 is as follows:

| | 2014 | 2013 |
|--|--------------|--------------|
| Total patient and resident service revenue | \$ 8,688,120 | \$ 9,124,125 |
| Contractual adjustments | | |
| Medicare | 45,822 | (498,455) |
| Medicaid | (44,028) | (104,042) |
| Other | (489,421) | (486,850) |
| Total contractual adjustments | (487,627) | (1,089,347) |
| Net patient and resident service revenue | 8,200,493 | 8,034,778 |
| Less provision for bad debts | (292,838) | (250,072) |
| Net patient and resident service revenue less provision for bad debts | \$ 7,907,655 | \$ 7,784,706 |

Note 3 - Assets Limited as to Use

The composition of assets limited as to use at June 30, 2014 and 2013, is shown in the following table.

Certificates of deposit held outside of brokerage accounts are stated at historical cost plus accrued interest. Mutual funds and certificates of deposit held in brokerage accounts are stated at fair value.

| | 2014 | 2013 |
|--|---------------------|-------------------|
| Board designated for capital improvements and scholarships | | |
| Mutual funds | \$ 678,649 | \$ 466,423 |
| Certificates of deposit - non-brokered | 203,049 | 203,049 |
| Certificates of deposit - brokered | 56,565 | 57,594 |
| Cash and cash equivalents | 173,527 | 209,113 |
| Cash held for nursing home residents and auxiliary | 11,579 | 9,948 |
| Interest receivable | 90 | - |
| | <u>\$ 1,123,459</u> | <u>\$ 946,127</u> |

Investment Income

Investment income and gains and losses on assets limited as to use, cash, cash equivalents, and other investments consists of the following for the years ended June 30, 2014 and 2013:

| | 2014 | 2013 |
|--|------------------|------------------|
| Other income | | |
| Interest and dividend income | \$ 22,904 | \$ 14,466 |
| Realized gain on sale of investments | 3,606 | 10,468 |
| | <u>\$ 26,510</u> | <u>\$ 24,934</u> |
| Other changes in unrestricted net assets | | |
| Change in unrealized gains and losses on investments | <u>\$ 67,362</u> | <u>\$ 3,503</u> |
| Other changes in temporarily restricted net assets | | |
| Interest income | <u>\$ 1,084</u> | <u>\$ 992</u> |

The fair values and gross unrealized losses of investments in assets limited as to use for individual securities that have been in a continuous unrealized loss position as of June 30, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|------------------|-------------------|
| Mutual funds | | |
| Unrealized loss position for greater than 12 months | <u>\$ 471</u> | <u>\$ 494</u> |
| Fair value | <u>\$ 73,663</u> | <u>\$ 100,881</u> |

The unrealized losses on the Complex's investments in mutual funds were primarily the result of recent market declines consistent with the cyclical nature of the financial markets. The Complex has a diversified portfolio. Based on that evaluation and the Complex's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Complex does not consider these investments to be other-than-temporarily impaired at June 30, 2014.

Note 4 - Endowment Funds

The Complex's endowment funds consist of individual funds established for a variety of purposes based on donor restrictions and board designations. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The state of Montana has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Complex has interpreted 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 Complex 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 Complex in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Complex considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Complex and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Complex.
- (7) The investment policies of the Complex.

At June 30, 2014 and 2013, respectively, the Complex had the following endowment net asset composition by type of fund:

| | | 2014 | | | |
|----------------------------------|--|------------------|------------------------|------------------------|-------------------|
| | | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | | \$ - | \$ 15,967 | \$ 153,049 | \$ 169,016 |
| Board-designated endowment funds | | 39,660 | - | - | 39,660 |
| | | <u>\$ 39,660</u> | <u>\$ 15,967</u> | <u>\$ 153,049</u> | <u>\$ 208,676</u> |
| | | 2013 | | | |
| | | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | | \$ - | \$ 14,883 | \$ 133,049 | \$ 147,932 |
| Board-designated endowment funds | | 42,660 | - | - | 42,660 |
| | | <u>\$ 42,660</u> | <u>\$ 14,883</u> | <u>\$ 133,049</u> | <u>\$ 190,592</u> |

Fallon Medical Complex, Inc. and Affiliate

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

The following were the changes in the endowment net assets for the years ended June 30, 2014 and 2013:

| | 2014 | | | |
|--|------------------|---------------------------|---------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Beginning of year | \$ 42,660 | \$ 14,883 | \$ 133,049 | \$ 190,592 |
| Interest income | - | 1,084 | - | 1,084 |
| Appropriation of endowment assets for expenditure | (3,000) | - | - | (3,000) |
| Contributions | - | - | 20,000 | 20,000 |
| End of year | <u>\$ 39,660</u> | <u>\$ 15,967</u> | <u>\$ 153,049</u> | <u>\$ 208,676</u> |
| | 2013 | | | |
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Beginning of year | \$ 41,648 | \$ 17,891 | \$ 113,049 | \$ 172,588 |
| Interest income | - | 992 | - | 992 |
| Appropriation of endowment assets for expenditure | - | (4,000) | - | (4,000) |
| Contributions | 1,012 | - | 20,000 | 21,012 |
| End of year | <u>\$ 42,660</u> | <u>\$ 14,883</u> | <u>\$ 133,049</u> | <u>\$ 190,592</u> |

Funds with Deficiencies

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 Complex to maintain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2014 and 2013.

Return Objectives and Risk Parameters

The Complex has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while maintaining the fair value of the endowment assets and providing a low level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Complex relies on an investment portfolio, which includes cash, cash equivalents, certificates of deposit and mutual funds.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Complex's policy is to maintain sufficient financial stability for the Foundation and the programs supported by its endowment. Interest and dividends are currently added to temporarily restricted net assets and appropriated by the Foundation Board periodically.

Note 5 - Property and Equipment

A summary of property and equipment at June 30, 2014 and 2013 follows:

| | 2014 | | 2013 | |
|----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|
| | Cost | Accumulated Depreciation | Cost | Accumulated Depreciation |
| Land | \$ 96,521 | \$ - | \$ 96,521 | \$ - |
| Land improvements | 236,863 | 118,119 | 236,863 | 102,798 |
| Buildings and improvements | 14,721,853 | 6,506,732 | 14,387,141 | 5,916,399 |
| Equipment | 2,547,425 | 1,530,487 | 2,344,855 | 1,160,898 |
| Construction in progress | 172,064 | - | 314,576 | - |
| | <u>\$ 17,774,726</u> | <u>\$ 8,155,338</u> | <u>\$ 17,379,956</u> | <u>\$ 7,180,095</u> |
| Net property and equipment | | <u>\$ 9,619,388</u> | | <u>\$ 10,199,861</u> |

The Complex is committed to projects at June 30, 2014 consisting of improvements to the building and the purchase of software. The estimated cost to complete the projects is approximately \$370,000, which will be provided from a County subsidy. During the years ended June 30, 2014 and 2013, the County provided an additional subsidy of \$217,817 and \$2,037,277 respectively, which was approved by the County to be used for improvements and equipment.

Note 6 - Leases

The Complex leases its building, improvements and certain equipment from Fallon County for \$1 per year. The lease is automatically renewed on a year-to-year basis. As in prior years, management has recorded these assets as assets of the Complex.

The Complex also leases certain equipment under non-cancelable long-term lease agreements. These leases have been recorded as operating leases. Total lease expense for the years ended June 30, 2014 and 2013 for all operating leases was \$19,779 and \$72,506, respectively. Minimum future lease payments for the operating leases total \$4,821 for 2015.

Note 7 - Long-Term Debt

Long-term debt consists of:

| | <u>2014</u> | <u>2013</u> |
|--|-------------------------|--------------------------|
| 6.9% note payable, due in monthly installments of \$7,960 including interest, to August 2015, secured by equipment | \$ 106,790 | \$ 191,744 |
| 4.5% note payable to bank, due in monthly installments of \$7,500 including interest, to May 2015, guaranteed by Fallon County | 84,876 | 176,417 |
| 3% note payable, due in monthly installments of \$1,724 including interest, to November 2016, secured by equipment | <u>48,162</u> | <u>67,093</u> |
| | 239,828 | 435,254 |
| Less current maturities | <u>(195,388)</u> | <u>(195,428)</u> |
| Total | <u><u>\$ 44,440</u></u> | <u><u>\$ 239,826</u></u> |

Long-term debt maturities are as follows:

| <u>Years Ending June 30,</u> | <u>Amount</u> |
|------------------------------|--------------------------|
| 2015 | \$ 195,388 |
| 2016 | 35,885 |
| 2017 | <u>8,555</u> |
| | <u><u>\$ 239,828</u></u> |

Note 8 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|--------------------------|--------------------------|--------------------------|
| Equipment | \$ 89,654 | \$ 18,652 |
| Due to time restrictions | 52,210 | 108,570 |
| Endowment assets | <u>15,967</u> | <u>14,883</u> |
| | <u><u>\$ 157,831</u></u> | <u><u>\$ 142,105</u></u> |

Permanently restricted net assets at June 30, 2014 and 2013 are restricted to:

| | 2014 | 2013 |
|---|------------|------------|
| Assets to be held in perpetuity, the income from which is expendable for scholarships for healthcare students, equipment, and nursing home operations | \$ 153,049 | \$ 133,049 |

In 2014 and 2013, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes in the amounts of \$94,088 and \$8,266. These amounts are included in net assets released from restrictions in the accompanying consolidated financial statements.

Note 9 - Functional Expense

The Complex provides healthcare services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended June 30, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|--|--------------|--------------|
| Patient and resident healthcare services | \$ 8,060,983 | \$ 7,832,906 |
| Management and general | 994,975 | 984,510 |
| Fundraising | 25,615 | 20,816 |
| Total | \$ 9,081,573 | \$ 8,838,232 |

Note 10 - Electronic Health Record Incentive Payments

During the year ended June 30, 2013, the Complex received \$395,323 as a lump sum incentive payment related to Medicare EHR. At the time the lump sum payment from Medicare was received, the Complex recorded deferred revenue for the entire amount. During the year ended June 30, 2013 the Complex determined \$71,850 of the payment must be repaid to Medicare. The payable of \$71,850 remains recorded as a reduction of the receivable from estimated third party payor settlements as of June 30, 2014.

The Complex is recognizing the Medicare incentive payment revenue ratably over the estimated life of the equipment, which ranges from three to five years. As a result, the Complex recognized other operating revenue of \$122,566 and \$123,917 for the years ended June 30, 2014 and 2013, respectively. The Complex has deferred revenue related to the EHR incentive payments of \$76,990 and \$199,556 at June 30, 2014 and 2013, respectively.

Note 11 - Pension Plan

The Complex is a member of the Montana Health Network 401(k) Plan, a multiple employer defined contribution plan. Employees may elect to become participants upon reaching age 18 and completion of one year of service. The Complex makes a contribution matching 50 percent of the participant's contribution up to a maximum of 2 percent of the participant's compensation. Total pension plan expense for the years ended June 30, 2014 and 2013 was \$74,713 and \$72,414, respectively.

Note 12 - Concentrations of Credit Risk

Patient and Resident Receivables

The Complex 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 June 30, 2014 and 2013 was as follows:

| | <u>2014</u> | <u>2013</u> |
|--|--------------------|--------------------|
| Medicare | 22% | 30% |
| Medicaid | 7% | 6% |
| Other third-party payors, patients and residents | <u>71%</u> | <u>64%</u> |
| | <u><u>100%</u></u> | <u><u>100%</u></u> |

Cash Balances

The Complex's cash balances are maintained in various bank deposit accounts. At June 30, 2014 and 2013, none of the balance of these deposits was in excess of federally insured limits.

Note 13 - Fair Value Measurements

Assets measured at fair value on a recurring basis and the related fair values of these assets at June 30, 2014 and 2013 are as follows:

| | Quoted Prices in Active Markets (Level 1) | Other Observable (Level 2) | Unobservable Inputs (Level 3) |
|-----------------------------------|--|----------------------------------|-------------------------------------|
| 2014 | | | |
| Mutual funds | | | |
| Domestic large cap value | \$ 235,723 | \$ - | \$ - |
| Bond | 261,935 | - | - |
| Domestic mid-cap funds | 79,471 | - | - |
| International funds | 56,394 | - | - |
| Other | 45,126 | - | - |
| Certificate of deposit - brokered | - | 56,565 | - |
| | <u>\$ 678,649</u> | <u>\$ 56,565</u> | <u>\$ -</u> |
| 2013 | | | |
| Mutual funds | | | |
| Domestic large cap value | \$ 175,158 | \$ - | \$ - |
| Bond | 142,517 | - | - |
| Domestic mid-cap funds | 71,049 | - | - |
| International funds | 35,305 | - | - |
| Other | 42,394 | - | - |
| Certificate of deposit - brokered | - | 57,594 | - |
| | <u>\$ 466,423</u> | <u>\$ 57,594</u> | <u>\$ -</u> |

The fair values for mutual funds are determined by reference to quoted market prices. A significant portion of the Complex's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. The Complex invests in certificates of deposit traded in the financial markets. Those certificates of deposit are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions and are classified within Level 2.

Note 14 - Contingencies

Malpractice Insurance

The Complex has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$3,000,000. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

Litigation, Claims and Disputes

The Complex 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 financial position, operations or cash flows of the Complex.

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 from patient and resident services.



Consolidating Financial Information
June 30, 2014 and 2013

Fallon Medical Complex, Inc. and Affiliate



Independent Auditor's Report on Consolidating Financial Information

To the Board of Directors
Fallon Medical Complex, Inc. and Affiliate
Baker, Montana

We have audited the consolidated financial statements of the Fallon Medical Complex, Inc. and Affiliate as of and for the years ended June 30, 2014 and 2013, and our report thereon dated November 21, 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
November 21, 2014

Fallon Medical Complex, Inc. and Affiliate
Consolidating Balance Sheet – Assets, Liabilities and Net Assets
June 30, 2014

| | Fallon Medical Complex, Inc | Friends of FMC Foundation | Eliminations | Consolidated |
|---|-----------------------------------|---------------------------------|-----------------------|----------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 2,598,282 | \$ - | \$ - | \$ 2,598,282 |
| Receivables | | | | |
| Patient and resident, net of estimated uncollectibles | 1,369,366 | - | - | 1,369,366 |
| Estimated third-party payor settlements | 375,000 | - | - | 375,000 |
| Due from County | 439,845 | - | - | 439,845 |
| Other | 52,224 | - | - | 52,224 |
| Prepaid expenses | 54,622 | - | - | 54,622 |
| Supplies | 193,605 | - | - | 193,605 |
| Total current assets | 5,082,944 | - | - | 5,082,944 |
| Assets Limited as to Use | 79,210 | 1,044,249 | - | 1,123,459 |
| Investment in Affiliate | 1,044,249 | - | (1,044,249) | - |
| Property and Equipment | 9,619,388 | - | - | 9,619,388 |
| Total assets | <u>\$ 15,825,791</u> | <u>\$ 1,044,249</u> | <u>\$ (1,044,249)</u> | <u>\$ 15,825,791</u> |
| Current Liabilities | | | | |
| Current maturities of long-term debt | \$ 195,388 | \$ - | \$ - | \$ 195,388 |
| Accounts payable | | | | |
| Trade | 244,841 | - | - | 244,841 |
| Due to County | 145,602 | - | - | 145,602 |
| Accrued expenses | | | | |
| Vacation | 243,123 | - | - | 243,123 |
| Salaries and wages | 202,351 | - | - | 202,351 |
| Payroll taxes and other | 31,577 | - | - | 31,577 |
| Interest | 234 | - | - | 234 |
| Deferred revenue | 18,314 | - | - | 18,314 |
| Total current liabilities | 1,081,430 | - | - | 1,081,430 |
| Long-term Debt, Less Current Maturities | 44,440 | - | - | 44,440 |
| Deferred Revenue, Less Current Portion | 58,676 | - | - | 58,676 |
| Total long-term liabilities | 103,116 | - | - | 103,116 |
| Total liabilities | 1,184,546 | - | - | 1,184,546 |
| Net Assets | | | | |
| Unrestricted | 14,330,365 | 747,851 | (747,851) | 14,330,365 |
| Temporarily restricted | 157,831 | 143,349 | (143,349) | 157,831 |
| Permanently restricted | 153,049 | 153,049 | (153,049) | 153,049 |
| Total net assets | 14,641,245 | 1,044,249 | (1,044,249) | 14,641,245 |
| Total liabilities and net assets | <u>\$ 15,825,791</u> | <u>\$ 1,044,249</u> | <u>\$ (1,044,249)</u> | <u>\$ 15,825,791</u> |

Fallon Medical Complex, Inc. and Affiliate
Consolidating Statement of Operations
Year Ended June 30, 2014

| | Fallon Medical Complex, Inc | Friends of FMC Foundation | Eliminations | Consolidated |
|--|-----------------------------------|---------------------------------|---------------------|-------------------|
| Unrestricted Revenues | | | | |
| Net patient and resident service revenue | \$ 8,200,493 | \$ - | \$ - | \$ 8,200,493 |
| Provision for bad debts | (292,838) | - | - | (292,838) |
| Net patient and resident service revenue less provision for bad debts | 7,907,655 | - | - | 7,907,655 |
| Other revenue | 513,866 | - | - | 513,866 |
| Total unrestricted revenues | 8,421,521 | - | - | 8,421,521 |
| Expenses | | | | |
| Professional care of patients | 3,865,694 | - | - | 3,865,694 |
| General and administrative | 1,996,397 | 93,376 | (63,736) | 2,026,037 |
| Clinics | 1,092,697 | - | - | 1,092,697 |
| Depreciation | 1,017,813 | - | - | 1,017,813 |
| Property and household | 594,411 | - | - | 594,411 |
| Dietary | 466,741 | - | - | 466,741 |
| Interest | 18,180 | - | - | 18,180 |
| Total expenses | 9,051,933 | 93,376 | (63,736) | 9,081,573 |
| Operating Loss | (630,412) | (93,376) | 63,736 | (660,052) |
| Other Income, Net | | | | |
| County subsidy for operations | 485,023 | - | - | 485,023 |
| County subsidy for buildings from mill levy | 425,000 | - | - | 425,000 |
| County subsidy for expenses and equipment | 217,817 | - | - | 217,817 |
| Unrestricted gifts and grants | 153,661 | 46,306 | (63,736) | 136,231 |
| Earnings of affiliate | 176,075 | - | (176,075) | - |
| Interest and dividend income | 541 | 22,363 | - | 22,904 |
| Realized gain on sale of investments | - | 3,606 | - | 3,606 |
| Loss on sale of equipment | (8,829) | - | - | (8,829) |
| Other | 3,299 | - | - | 3,299 |
| | 1,452,587 | 72,275 | (239,811) | 1,285,051 |
| Revenue in Excess of (Less than) Expenses | 822,175 | (21,101) | (176,075) | 624,999 |
| Change in Unrealized Gains and Losses on Investments | - | 67,362 | - | 67,362 |
| Net Assets Released from Restrictions | - | 94,088 | - | 94,088 |
| | <u>\$ 822,175</u> | <u>\$ 140,349</u> | <u>\$ (176,075)</u> | <u>\$ 786,449</u> |

Fallon Medical Complex, Inc. and Affiliate
Consolidating Statement of Changes in Net Assets
Year Ended June 30, 2014

| | Fallon Medical Complex, Inc | Friends of FMC Foundation | Eliminations | Consolidated |
|---|-----------------------------------|---------------------------------|-----------------------|----------------------|
| Unrestricted Net Assets | | | | |
| Revenue in excess of (less than) expenses | \$ 822,175 | \$ (21,101) | \$ (176,075) | \$ 624,999 |
| Change in unrealized gains and losses on investments | - | 67,362 | - | 67,362 |
| Net assets released from restrictions | - | 94,088 | - | 94,088 |
| | <u>822,175</u> | <u>140,349</u> | <u>(176,075)</u> | <u>786,449</u> |
| Increase in unrestricted net assets | | | | |
| Temporarily Restricted Net Assets | | | | |
| Contributions and grants for specific purposes | - | 108,730 | - | 108,730 |
| Investment income | - | 1,084 | - | 1,084 |
| Net assets released from restrictions | - | (94,088) | - | (94,088) |
| | <u>-</u> | <u>15,726</u> | <u>-</u> | <u>15,726</u> |
| Increase in temporarily restricted net assets | | | | |
| Permanently Restricted Net Assets | | | | |
| Contributions | - | 20,000 | - | 20,000 |
| | <u>-</u> | <u>20,000</u> | <u>-</u> | <u>20,000</u> |
| Change in Net Assets | 822,175 | 176,075 | (176,075) | 822,175 |
| Net Assets, Beginning of Year | 13,819,070 | 868,174 | (868,174) | 13,819,070 |
| Net Assets, End of Year | <u>\$ 14,641,245</u> | <u>\$ 1,044,249</u> | <u>\$ (1,044,249)</u> | <u>\$ 14,641,245</u> |



Supplementary Information
June 30, 2014 and 2013

Fallon Medical Complex, Inc. and Affiliate



Independent Auditor's Report on Supplementary Information

To the Board of Directors
Fallon Medical Complex, Inc. and Affiliate
Baker, Montana

We have audited the consolidated financial statements of Fallon Medical Complex, Inc. and Affiliate as of and for the years ended June 30, 2014 and 2013, and our report thereon dated November 21, 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 taken as a whole. The Schedules of Revenue, Schedules of Expenses, and Operational and Financial Highlights are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management, was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The Statistical Highlights, which are the responsibility of management, have not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Fallon Medical Complex, Inc. and Affiliate as of and for the years ended June 30, 2012, 2011, 2010 and 2009, none of which is presented herein, and we expressed unmodified opinions on those consolidated financial statements. Those audits were conducted for purposes of forming an opinion on the consolidated financial statements as a whole. The supplementary information for the years ended June 30, 2012, 2011, 2010 and 2009 is presented for purposes of additional analysis 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 June 30, 2012, 2011, 2010 and 2009 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 June 30, 2012, 2011, 2010 and 2009 information is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

Eide Bailly LLP

Billings, Montana
November 21, 2014

Fallon Medical Complex, Inc. and Affiliate
Schedules of Revenue
Years Ended June 30, 2014 and 2013

| | 2014 | | | 2013 | | |
|--------------------------------------|--------------|------------|--------------|--------------|------------|--------------|
| | Inpatient | Outpatient | Total | Inpatient | Outpatient | Total |
| Patient and Resident Service Revenue | | | | | | |
| Routine services | | | | | | |
| Swing bed | \$ 1,076,614 | \$ - | \$ 1,076,614 | \$ 1,236,691 | \$ - | \$ 1,236,691 |
| Nursing home | 949,185 | - | 949,185 | 914,260 | - | 914,260 |
| Adults and Pediatrics | 379,521 | - | 379,521 | 576,645 | - | 576,645 |
| | 2,405,320 | - | 2,405,320 | 2,727,596 | - | 2,727,596 |
| Ancillary services | | | | | | |
| Clinics | 81,545 | 1,163,267 | 1,244,812 | 126,377 | 1,151,439 | 1,277,816 |
| Laboratory | 85,397 | 1,070,904 | 1,156,301 | 112,167 | 1,039,532 | 1,151,699 |
| CT scan | 58,833 | 731,741 | 790,574 | 87,476 | 673,528 | 761,004 |
| Pharmacy | 370,309 | 304,816 | 675,125 | 508,660 | 283,306 | 791,966 |
| Emergency room | 7,262 | 659,539 | 666,801 | 11,733 | 629,061 | 640,794 |
| Physical therapy | 69,784 | 536,019 | 605,803 | 108,975 | 449,220 | 558,195 |
| Radiology | 10,360 | 329,083 | 339,443 | 16,714 | 308,345 | 325,059 |
| Magnetic resonance imaging | 4,137 | 237,187 | 241,324 | 7,558 | 270,738 | 278,296 |
| Central supply | 111,114 | 61,517 | 172,631 | 175,442 | 56,177 | 231,619 |
| Ultrasound | 13,126 | 143,533 | 156,659 | 14,121 | 136,705 | 150,826 |
| Mammography | (230) | 81,420 | 81,190 | 230 | 81,192 | 81,422 |
| Electrocardiography | 5,447 | 67,545 | 72,992 | 3,585 | 74,094 | 77,679 |
| ER professional fees | - | 46,437 | 46,437 | - | 50,774 | 50,774 |
| Blood bank | 11,312 | 24,221 | 35,533 | 8,096 | 33,995 | 42,091 |
| Occupational therapy | - | 27,501 | 27,501 | 594 | 14,774 | 15,368 |
| Home health | - | 22,224 | 22,224 | - | 20,808 | 20,808 |

(Continued)

Fallon Medical Complex, Inc. and Affiliate
Schedules of Revenue
Years Ended June 30, 2014 and 2013

| | 2014 | | 2013 | |
|--|--------------|--------------|--------------|--------------|
| | Inpatient | Outpatient | Inpatient | Outpatient |
| | Total | | Total | |
| Cardiac rehabilitation | - | 825 | - | 275 |
| Pathology | - | 312 | 48 | 576 |
| Surgery | - | - | 2,143 | 32,505 |
| | 828,396 | 5,508,091 | 1,183,919 | 5,307,044 |
| | \$ 3,233,716 | \$ 5,508,091 | \$ 3,911,515 | \$ 5,307,044 |
| Charity care | | | | |
| | | (53,687) | | (94,434) |
| Total patient and resident service revenue | | 8,688,120 | | 9,124,125 |
| Contractual Adjustments | | | | |
| Medicare | | 45,822 | | (498,455) |
| Medicaid | | (44,028) | | (104,042) |
| Other | | (489,421) | | (486,850) |
| Total contractual adjustments | | (487,627) | | (1,089,347) |
| Net Patient and Resident Service Revenue | | 8,200,493 | | 8,034,778 |
| Provision for Bad Debts | | (292,838) | | (250,072) |
| Net Patient and Resident Service Revenue Less provision for bad debts | | 7,907,655 | | 7,784,706 |
| Other Revenue | | | | |
| Intergovernmental transfers | | 279,299 | | 308,208 |
| Electronic health record incentive | | 122,566 | | 123,917 |
| Meals on Wheels | | 46,310 | | 49,085 |
| Rent | | 30,830 | | 32,425 |
| Cafeteria meals | | 25,792 | | 27,604 |
| Miscellaneous | | 9,069 | | 11,598 |
| Total other revenue | | 513,866 | | 552,837 |
| Total Revenue | | \$ 8,421,521 | | \$ 8,337,543 |

Fallon Medical Complex, Inc. and Affiliate
Schedules of Expenses
Years Ended June 30, 2014 and 2013

| | 2014 | | | 2013 | | |
|--|------------------------|-----------|-----------|------------------------|-----------|-----------|
| | Salaries & Benefits | Other | Total | Salaries & Benefits | Other | Total |
| Professional Care of Patients and Residents | \$ | \$ | \$ | \$ | \$ | \$ |
| Swing bed | 377,490 | 352,198 | 729,688 | 436,299 | 311,864 | 748,163 |
| Nursing home | 345,796 | 233,077 | 578,873 | 341,914 | 242,038 | 583,952 |
| Routine nursing | 312,413 | 112,004 | 424,417 | 277,798 | 172,314 | 450,112 |
| Laboratory | 218,020 | 194,454 | 412,474 | 204,665 | 201,583 | 406,248 |
| Physical therapy | 250,196 | 29,470 | 279,666 | 195,401 | 25,842 | 221,243 |
| Pharmacy | 25,578 | 238,035 | 263,613 | 29,097 | 261,946 | 291,043 |
| Radiology | 92,759 | 64,702 | 157,461 | 125,838 | 111,301 | 237,139 |
| ER professional expenses | 141,809 | - | 141,809 | 153,988 | - | 153,988 |
| Nursing administration | 140,475 | 1,003 | 141,478 | 132,232 | 1,797 | 134,029 |
| Emergency room | 111,315 | 24,183 | 135,498 | 78,384 | 46,883 | 125,267 |
| Social services and activities | 109,639 | 8,866 | 118,505 | 106,560 | 10,465 | 117,025 |
| CT scan | 22,404 | 83,017 | 105,421 | 23,716 | 93,994 | 117,710 |
| Medical records | 87,318 | 4,422 | 91,740 | 89,499 | 8,132 | 97,631 |
| Central supply | 777 | 55,679 | 56,456 | 828 | 79,846 | 80,674 |
| Magnetic resonance imaging | 5,025 | 43,024 | 48,049 | 3,946 | 54,275 | 58,221 |
| Mammography | 16,620 | 24,679 | 41,299 | 31,874 | 14,423 | 46,297 |
| Home health | 27,884 | 11,668 | 39,552 | 26,643 | 12,510 | 39,153 |
| Ultrasound | 3,042 | 22,035 | 25,077 | 12,678 | 86 | 12,764 |
| Housing units | 3,000 | 17,609 | 20,609 | 6,734 | 18,700 | 25,434 |
| Occupational therapy | - | 17,105 | 17,105 | - | 18,617 | 18,617 |
| Blood services | - | 15,707 | 15,707 | - | 18,816 | 18,816 |
| Electrocardiology | 11,740 | 3,623 | 15,363 | 15,746 | 8,392 | 24,138 |
| Pathology | - | 3,900 | 3,900 | - | 3,900 | 3,900 |
| Surgery | - | 1,509 | 1,509 | 2,523 | 7,248 | 9,771 |
| Public health | 314 | - | 314 | 215 | - | 215 |
| Cardiac rehabilitation | - | 111 | 111 | 54 | 153 | 207 |
| Total professional care of patients and residents | 2,303,614 | 1,562,080 | 3,865,694 | 2,296,632 | 1,725,125 | 4,021,757 |

(Continued)

Fallon Medical Complex, Inc. and Affiliate
Schedules of Expenses
Years Ended June 30, 2014 and 2013

| | 2014 | | | 2013 | | |
|----------------------------------|------------------------|--------------|--------------|------------------------|--------------|--------------|
| | Salaries & Benefits | Other | Total | Salaries & Benefits | Other | Total |
| General and Administrative | | | | | | |
| Administration | 717,015 | 407,895 | 1,124,910 | 610,955 | 383,904 | 994,859 |
| Employee benefits | 901,127 | - | 901,127 | 905,305 | - | 905,305 |
| Total general and administrative | 1,618,142 | 407,895 | 2,026,037 | 1,516,260 | 383,904 | 1,900,164 |
| Clinics | | | | | | |
| Community Clinic | 933,191 | 159,506 | 1,092,697 | 899,084 | 130,332 | 1,029,416 |
| Depreciation | - | 1,017,813 | 1,017,813 | - | 848,938 | 848,938 |
| Property and Household | | | | | | |
| Plant operations | 83,712 | 194,787 | 278,499 | 103,994 | 198,397 | 302,391 |
| Housekeeping | 197,734 | 42,223 | 239,957 | 138,556 | 49,416 | 187,972 |
| Laundry | 64,903 | 11,052 | 75,955 | 75,214 | 12,559 | 87,773 |
| Total property and household | 346,349 | 248,062 | 594,411 | 317,764 | 260,372 | 578,136 |
| Dietary | 276,535 | 190,206 | 466,741 | 249,035 | 185,075 | 434,110 |
| Interest | - | 18,180 | 18,180 | - | 25,711 | 25,711 |
| Total expenses | \$ 5,477,831 | \$ 3,603,742 | \$ 9,081,573 | \$ 5,278,775 | \$ 3,559,457 | \$ 8,838,232 |

Fallon Medical Complex, Inc. and Affiliate
Operational and Financial Highlights
Years Ended June 30, 2014, 2013, 2012, 2011, 2010 and 2009

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Operational | | | | | | |
| Patient and Resident Service Revenue | | | | | | |
| Routine services | \$ 2,405,320 | \$ 2,727,596 | \$ 2,770,208 | \$ 2,794,243 | \$ 2,281,428 | \$ 2,141,886 |
| Ancillary services | | | | | | |
| Inpatient | 828,396 | 1,183,919 | 1,069,705 | 1,341,756 | 1,239,475 | 1,252,996 |
| Outpatient | 5,508,091 | 5,307,044 | 4,193,806 | 4,067,991 | 4,004,635 | 3,677,271 |
| Charity care | (53,687) | (94,434) | (57,285) | (97,641) | (69,548) | (77,760) |
| Contractual adjustments | (487,627) | (1,089,347) | (707,580) | (976,469) | (1,166,179) | (769,256) |
| Provision for bad debts | (292,838) | (250,072) | (213,643) | (186,657) | (313,533) | (159,915) |
| Net patient and resident service revenue | | | | | | |
| Less provision for bad debts | 7,907,655 | 7,784,706 | 7,055,211 | 6,943,223 | 5,976,278 | 6,065,222 |
| Other Revenue | 513,866 | 552,837 | 434,358 | 340,271 | 319,647 | 285,548 |
| Total Revenue | 8,421,521 | 8,337,543 | 7,489,569 | 7,283,494 | 6,295,925 | 6,350,770 |
| Expenses | | | | | | |
| Salaries and benefits | 5,477,831 | 5,278,775 | 4,586,204 | 4,475,978 | 4,110,924 | 3,844,430 |
| Cost of drugs, food, supplies and other | 2,567,749 | 2,684,808 | 2,708,055 | 2,381,110 | 2,199,059 | 2,782,281 |
| Depreciation | 1,017,813 | 848,938 | 726,518 | 631,285 | 562,796 | 588,498 |
| Interest | 18,180 | 25,711 | 36,272 | 38,699 | 30,428 | 49,216 |
| Total Expenses | 9,081,573 | 8,838,232 | 8,057,049 | 7,527,072 | 6,903,207 | 7,264,425 |
| Operating Loss | \$ (660,052) | \$ (500,689) | \$ (567,480) | \$ (243,578) | \$ (607,282) | \$ (913,655) |
| Financial | | | | | | |
| Percentage of Contractual Adjustments to Total | | | | | | |
| Patient and resident service revenue | 5 61% | 11 94% | 8 87% | 12 05% | 15 64% | 11 00% |
| Percentage of Salaries and Benefits to Total Expenses | 60 32% | 59 73% | 56 92% | 59 47% | 59 55% | 52 92% |
| Number of Days Revenue in Patient and Resident | | | | | | |
| Accounts receivable | 63 21 | 62 34 | 67 21 | 66 84 | 71 71 | 64 05 |
| Current Ratio (Current Assets/Current Liabilities) | 4 70 | 3 18 | 3 63 | 3 38 | 3 04 | 1 87 |

Fallon Medical Complex, Inc. and Affiliate
Statistical Highlights
Years Ended June 30, 2014, 2013, 2012, 2011, 2010 and 2009

UNAUDITED:

| Statistical | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|
| Hospital | | | | | | |
| Number of beds | 25 | 25 | 25 | 25 | 25 | 25 |
| Available bed days | 9,150 | 9,150 | 9,150 | 9,125 | 9,125 | 9,125 |
| Patient days | 291 | 485 | 455 | 627 | 439 | 486 |
| Percent of occupancy | 3 18% | 5 30% | 4 97% | 6 87% | 4 81% | 5 33% |
| Discharges | 157 | 221 | 225 | 268 | 127 | 132 |
| Average acute length of stay (days) | 1 85 | 2 19 | 2 02 | 2 34 | 3 46 | 3 68 |
| Swing bed days | 4,822 | 5,802 | 6,561 | 5,290 | 3,364 | 1,467 |
| Swing bed discharges | 54 | 68 | 89 | 94 | 71 | 79 |
| Nursing Home | | | | | | |
| Number of beds | 15 | 15 | 15 | 15 | 15 | 27 |
| Available bed days | 5,490 | 5,490 | 5,490 | 5,475 | 6,579 | 9,855 |
| Resident days | 5,294 | 5,285 | 5,343 | 5,312 | 5,821 | 8,393 |
| Percent of occupancy | 96 43% | 96 27% | 97 32% | 97 02% | 88 48% | 85 16% |