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Form 990



Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

Information about Form 990 and its instructions is at www.irs.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 10-01-2013, 2013, and ending 09-30-2014

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

Northwestern Medical Center

Doing Business As

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

133 Fairfield St

Room/suite

City or town, state or province, country, and ZIP or foreign postal code

St Albans, VT 05478

F Name and address of principal officer

Ted Sirotta

133 Fairfield St

St Albans, VT 05478

H(a) Is this a group return for subordinates?

☐ Yes ☒ No

H(b) Are all subordinates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () ☐ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website:

www.northwesternmedicalcenter.org

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1977

M State of legal domicile

VT

Part I Summary																																											
Activities & Governance	<div><div>1</div><div>Briefly describe the organization's mission or most significant activities</div><div>Northwestern Medical Center's mission is to provide exceptional healthcare for our community</div></div>																																										
	<div><div>2</div><div>Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div></div>																																										
Revenue	<table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>12</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>12</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2013 (Part V, line 2a)</td><td>803</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>113</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>0</td></tr><tr><td>7b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td>0</td></tr></table>	3	Number of voting members of the governing body (Part VI, line 1a)	12	4	Number of independent voting members of the governing body (Part VI, line 1b)	12	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	803	6	Total number of volunteers (estimate if necessary)	113	7a	Total unrelated business revenue from Part VIII, column (C), line 12	0	7b	Net unrelated business taxable income from Form 990-T, line 34	0																								
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Part II

Signature Block

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

Sign Here

Signature of officer

Ted Sirotta CFO

Type or print name and title

2015-08-10

Date

Prnt/Type preparer's name

Barbara J McGuan CPA

Preparer's signature

Date

2015-08-10

Check ☐ if self-employed

PTIN

P00219457

Firm's name

Berry Dunn McNeil & Parker LLC

Firm's EIN

01-0523282

Firm's address

PO Box 1100

Portland, ME 041041100

Phone no

(207) 775-2387

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2013)

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

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

2

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

☐ Yes ☒ No

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

3

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

☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 69,354,472 including grants of \$ 27,000) (Revenue \$ 96,977,451)

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

4b

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

Charity Care - The Hospital provides care to patients who meet certain critena under its charity care policy Because the Hospital does not pursue collection or amounts determined to qualify as charity care they are not reported in revenue The Hospital maintains records to identify and monitor the level of charity care it provides The records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies and equivalent service statistics The following information measures the level of charity care provided during the year ended September 30, 2014 See continuation on Schedule O Estimated costs and expenses incurred to provide charity care \$578,433 Number of charity care patients served 1,535The Hospital provides health care services to residents of St Albans, Vermont, and the surrounding area, without regard to the individual's ability to pay for their services

4c

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

4d

Other program services (Describe in Schedule O)























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

4e

Total program service expenses ▶ 69,354,472

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response 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.	91	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	803
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		2b	Yes
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		3a	No
b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.		3b	
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a	No
b If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a	No
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b	No
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c	
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		6a	No
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		7a	No
b If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c	No
d If "Yes," indicate the number of Forms 8282 filed during the year.		7d	
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e	No
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f	No
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g	
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966?		9a	
b Did the organization make a distribution to a donor, donor advisor, or related person?		9b	
10 Section 501(c)(7) organizations. Enter			
a Initiation fees and capital contributions included on Part VIII, line 12.		10a	
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b	
11 Section 501(c)(12) organizations. Enter			
a Gross income from members or shareholders.		11a	
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		13a	
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b	
c Enter the amount of reserves on hand.		13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		14b	

Part VI

Governance, Management, and Disclosure

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

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

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
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
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 type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization Ted Sirota CFO 133 Fairfield Street St Albans, VT 05478 (802) 524-1042

Part VII

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

Check if Schedule O contains a response 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) Kevin Manahan Vice President	5 00	X		X				0	0	0
(2) Michelle P Lawrence Member	5 00	X						0	0	0
(3) Paul L Clark Member/Past President	5 00	X		X				0	0	0
(4) John T Hango President	5 00	X		X				0	0	0
(5) Paula J Kane Esq Member	5 00	X						0	0	0
(6) Frank J Zsoldos MD Member	5 00	X						0	0	0
(7) Patrick Talcott Treasurer	5 00	X		X				0	0	0
(8) William O'Connor Jr Secretary	5 00	X		X				0	0	0
(9) David Groening MD Past Member	5 00	X						0	0	0
(10) Janet McCarthy Member	5 00	X						0	0	0
(11) Manetta Scholten MD Member	5 00	X						0	0	0
(12) Leon Berthiaume Member	5 00	X						0	0	0
(13) John Minadeo MD Member	5 00	X						0	0	0
(14) Jill Berry Bowen CEO	40 00			X				297,441	0	25,867
(15) Ted Sirotta CFO	40 00			X				243,816	0	36,988
(16) Michael Barnum MD Orthopedic Surgeon	40 00					X		928,605	0	26,195
(17) Robert Beattie MD Orthopedic Surgeon	40 00					X		697,657	0	5,100

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	3,438,965	0	167,113

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization ▶ 52

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Quorum Health Resources 105 Continental Place Brentwood TN 37027	Mgmt/Consulting (incl CEO/CFO comp)	1,225,050
University of Vermont Medical Center PO Box 1902 Burlington VT 05402	Lab & Stress Test Services	1,027,209
Clinical Colleagues 1121 N Bethlehem Pike Suite 60-23 Spring House PA 19477	Anesthesia Services	857,971
E F Wall & Associates Inc 131 South Main Street Barre VT 05641	Construction Services	800,106
Leaders for Today Inc 981 Worcester Street Suite 1C Wellesley MA 02482	Interim Management Services	787,282

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 73

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					
	e	Government grants (contributions) 1e	151,976				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	438,993				
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f	590,969				
Program Service Revenue	2a	Patient Service Revenue	900099	178,553,822	178,553,822		
	b	Other Operating Revenue	900099	2,892,239	2,892,239		
	c	Cafeteria	900099	483,208		483,208	
	d	Provision for Bad Debts	900099	-5,295,127	-5,295,127		
	e	Contractual Allowances/Char Adj	900099	-79,858,657	-79,858,657		
	f	All other program service revenue					
	g	Total. Add lines 2a-2f	96,775,485				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	1,446,749			1,446,749
4		Income from investment of tax-exempt bond proceeds					
5		Royalties					
6a		(i) Real					
		(ii) Personal					
		Gross rents					
		Less rental expenses					
b		211,850					
c		9,884					
d		Rental income or (loss)					
e		201,966					
f		Net rental income or (loss)		201,966	201,966		
7a		(i) Securities					
		(ii) Other					
		Gross amount from sales of assets other than inventory					
		Less cost or other basis and sales expenses					
b		10,925,294		15,050			
c		8,971,693		27,413			
d		Gain or (loss)					
e		1,953,601		-12,363			
f	Net gain or (loss)		1,941,238			1,941,238	
8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18						
a							
b	Less direct expenses						
c	Net income or (loss) from fundraising events						
9a	Gross income from gaming activities See Part IV, line 19						
a							
b	Less direct expenses						
c	Net income or (loss) from gaming activities						
10a	Gross sales of inventory, less returns and allowances						
a							
b	Less cost of goods sold						
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		100,956,407	96,494,243	0	3,871,195	

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.	27,000	27,000		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	604,131		604,131	
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.	39,689,301	31,084,661	8,604,640	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	1,382,999	1,083,165	299,834	
9	Other employee benefits.	5,720,803	4,480,533	1,240,270	
10	Payroll taxes.	2,571,637	2,014,106	557,531	
11	Fees for services (non-employees):				
a	Management.	629,650		629,650	
b	Legal.	119,165		119,165	
c	Accounting.	80,450		80,450	
d	Lobbying.	17,597		17,597	
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	82,979		82,979	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	8,426,380	6,613,323	1,813,057	
12	Advertising and promotion.	351,026	274,924	76,102	
13	Office expenses.	920,550	675,345	245,205	
14	Information technology.				
15	Royalties.				
16	Occupancy.	1,854,816	1,452,692	402,124	
17	Travel.	326,029	255,346	70,683	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	514,834		514,834	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	4,147,370	3,248,220	899,150	
23	Insurance.	949,866	743,935	205,931	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	Supplies.	10,149,710	7,949,253	2,200,457	
b	Provider Tax.	5,329,587	5,329,587		
c	Miscellaneous.	3,518,807	1,194,581	2,324,226	
d	NOH.	2,927,801	2,927,801		
e	All other expenses.				
25	Total functional expenses. Add lines 1 through 24e.	90,342,488	69,354,472	20,988,016	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		3,708	1	3,908
	2	Savings and temporary cash investments		13,497,569	2	21,658,263
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		8,775,432	4	9,111,338
	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		123,800	7	96,800
	8	Inventories for sale or use		1,742,789	8	1,667,318
	9	Prepaid expenses and deferred charges		3,000,146	9	3,030,967
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a71,990,139			
	b	Less: accumulated depreciation	10b39,852,279	31,143,591	10c	32,137,860
	11	Investments—publicly traded securities		59,499,649	11	60,429,553
	12	Investments—other securities. See Part IV, line 11.		3,806,027	12	4,213,815
	13	Investments—program-related. See Part IV, line 11.			13	
	14	Intangible assets		119,332	14	102,674
	15	Other assets. See Part IV, line 11.		742,401	15	768,957
	16	Total assets. Add lines 1 through 15 (must equal line 34).		122,454,444	16	133,221,453
Liabilities	17	Accounts payable and accrued expenses		10,364,947	17	9,605,446
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		19,317,138	20	18,595,085
	21	Escrow or custodial account liability. Complete Part IV of Schedule D.			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L.			22	
	23	Secured mortgages and notes payable to unrelated third parties		168,389	23	158,046
	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.		3,781,415	25	4,736,935
	26	Total liabilities. Add lines 17 through 25.		33,631,889	26	33,095,512
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		86,574,971	27	97,601,962
	28	Temporarily restricted net assets		1,314,827	28	1,565,776
	29	Permanently restricted net assets		932,757	29	958,203
	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		88,822,555	33	100,125,941
	34	Total liabilities and net assets/fund balances		122,454,444	34	133,221,453

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	100,956,407
2	Total expenses (must equal Part IX, column (A), line 25)	2	90,342,488
3	Revenue less expenses Subtract line 2 from line 1	3	10,613,919
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	88,822,555
5	Net unrealized gains (losses) on investments	5	688,948
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	519
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	100,125,941

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	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A

(Form 990 or 990EZ)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**
▶ **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 Northwestern Medical Center	Employer identification number 03-0266986
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Part I

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

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

1	<input type="checkbox"/>	A church, convention of churches, or association of churches described in 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	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Northwestern Medical Center	Employer identification number 03-0266986
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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		17,597
j	Total. Add lines 1c through 1i.			17,597
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	Northwestern Medical Center is a member of the Vermont Association of Hospitals and Health Systems and the American Hospital Association. A portion of the dues paid to these organizations is available for lobbying expenditures on behalf of Northwestern Medical Center and other member organizations in furtherance of their exempt purposes. Northwestern Medical Center does not directly perform any lobbying activities.

[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 Northwestern Medical Center	Employer identification number 03-0266986
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Part I

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

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

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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	932,757	896,871	884,630	847,600	806,185
b Contributions					
c Net investment earnings, gains, and losses	25,446	35,886	34,994	37,030	41,415
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses			22,753		
g End of year balance	958,203	932,757	896,871	884,630	847,600

- 2

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

Board designated or quasi-endowment

0 %
- b

Permanent endowment

100 000 %
- c

Temporarily restricted endowment

0 %
- The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

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

3a(i)

Yes

No

(ii) related organizations

3a(ii)

No
- b

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

3b
- 4

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

Part VI Land, Buildings, and Equipment. 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		1,020,531		1,020,531
b Buildings		41,128,391	21,202,042	19,926,349
c Leasehold improvements				
d Equipment		26,435,088	17,241,813	9,193,275
e Other		3,406,129	1,408,424	1,997,705
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				32,137,860

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	101,562,895
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	688,948
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	519
e	Add lines 2a through 2d	2e	689,467
3	Subtract line 2e from line 1	3	100,873,428
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	82,979
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	82,979
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	100,956,407

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	90,259,509
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII)	2d	
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	90,259,509
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	82,979
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	82,979
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)	5	90,342,488

Part XIII Supplemental Information

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

Return Reference	Explanation
Part V, Line 4	The Organization intends to use the endowment funds in the manner prescribed by the donors
Part XI, Line 2d - Other Adjustments	Increase in Perpetual Trusts 25,446 Unrealized Loss on Interest Rate Swaps -24,927
Schedule D, Part V, Line 3a(i)	The Organization has Beneficial Interest in Trusts which are not held at nor in the possession of the Organization

[illegible]

SCHEDULE F
(Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

► Complete if the organization answered "Yes" to Form 990,
Part IV, line 14b, 15, or 16.

► Attach to Form 990. ► See separate instructions.

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Northwestern Medical Center

Employer identification number

03-0266986

Part I

General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

- 1 For grantmakers. Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☐ Yes ☐ No
- 2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.
- 3 Activites per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
(1) Central America and the Caribbean	0	0	Investments		4,213,815
(2)					
(3)					
(4)					
(5)					
3a Sub-total	0	0			4,213,815
b Total from continuation sheets to Part I	0	0			0
c Totals (add lines 3a and 3b)	0	0			4,213,815

Part II

Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									

- 2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter ▶
- 3 Enter total number of other organizations or entities ▶

Part III

Grants and Other Assistance to Individuals Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 16.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*

☐

Yes

☒

No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*

☐

Yes

☒

No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)*

☐

Yes

☒

No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)*

☐

Yes

☒

No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)*

☐

Yes

☒

No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713).*

☐

Yes

☒

No

Additional Data

Software ID:

Software Version:

EIN: 03-0266986

Name: Northwestern Medical Center

Part V Supplemental Information

Provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

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
Northwestern Medical Center

Employer identification number
03-0266986

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <div><input type="checkbox"/> Applied uniformly to all hospital facilities</div> <div><input type="checkbox"/> Applied uniformly to most hospital facilities</div> <div><input type="checkbox"/> Generally tailored to individual hospital facilities</div>			
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 <div><input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>30000 0000000000 %</u></div>	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 <div><input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other <u>30000 0000000000 %</u></div>	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)			578,433		578,433	0 640 %
b Medicaid (from Worksheet 3, column a)			22,700,202	16,683,095	6,017,107	6 660 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			23,278,635	16,683,095	6,595,540	7 300 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			3,106,465	1,877,690	1,228,775	1 360 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			59,241		59,241	0 070 %
j Total Other Benefits			3,165,706	1,877,690	1,288,016	1 430 %
k Total. Add lines 7d and 7j			26,444,341	18,560,785	7,883,556	8 730 %

Part IICommunity Building Activities

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

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

1

Yes

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

2

1,906,246

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

3

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

Section B. Medicare

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

5

23,785,929

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

6

27,561,239

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

7

-3,775,310

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

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

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

9a

Yes

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

9b

Yes

Part IVManagement Companies and Joint Ventures

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

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

Part V

Facility Information

Section A. Hospital Facilities

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

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

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Northwestern Medical Center

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>11</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>www.northwesternmedicalcenter.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 checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7 Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes		
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>300 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>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
a <input checked="" type="checkbox"/> Income level					
b <input checked="" type="checkbox"/> Asset level					
c <input checked="" type="checkbox"/> Medical indigency					
d <input type="checkbox"/> Insurance status					
e <input checked="" type="checkbox"/> Uninsured discount					
f <input type="checkbox"/> Medicaid/Medicare					
g <input type="checkbox"/> State regulation					
h <input type="checkbox"/> Residency					
i <input type="checkbox"/> Other (describe in Part VI)					
13 Explained the method for applying for financial assistance?		13	Yes		
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes		
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
b <input checked="" type="checkbox"/> The policy was attached to billing invoices					
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility					
f <input checked="" type="checkbox"/> The policy was available upon request					
g <input type="checkbox"/> Other (describe in Part VI)					
Billing and Collections					
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes		
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the 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 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	

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? 6

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

Part VI

Supplemental Information

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	Determining eligibility for free care and/or discounted care is not solely determined by Federal Poverty Guidelines (FPG) Other considerations, such as net worth, other financial obligations, and outstanding medical bills are reviewed in addition to income

Form and Line Reference	Explanation
Part I, Line 7g	Subsidized health services includes the Medicare shortfall from physician practices that are not included in the Hospital's cost reporting reflected on Part III, Line 7

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

Form and Line Reference	Explanation
Part III, Line 8	The cost was determined using the cost to charge ratio

Form and Line Reference	Explanation
Part III, Line 9b	During the collection process, financial assistance, a payment plan or a discount may be offered to the patient, if appropriate, and in accordance with established hospital policy

Form and Line Reference	Explanation
Part VI, Line 2	In alignment with the new Federal mandate, Northwestern Medical Center completed a comprehensive community health needs assessment in September of 2012. The document was formally approved by the hospital's Board of Directors at their October 3, 2012 meeting. The 2012 assessment identified 11 high priorities and 13 additional priorities facing the community. The top 5 most pressing priorities were: Mental Health & Substance Abuse, access/availability to healthcare and physicians, obesity, smoking, and cancer. The findings influenced many of the strategic initiatives contained within the hospital's Strategic Plan for Fiscal Year's 2014-2016. The FY 2012 Community Health Needs Assessment is available free of charge to the public via the Northwestern Medical Center website. The hospital also collaborates in smaller, more focused community needs assessments through our partnerships with agencies such as the Franklin Grand Isle United Way.

Form and Line Reference	Explanation
Part VI, Line 3	The Hospital uses a variety of methods of communication to inform and educate patients about its financial assistance program. For example, information related to financial assistance and charity care is available on the Hospital's website and patient portal, included on the back of patient statements, posted on signs at registration areas, and patients may speak on the phone with a collection specialist. The Hospital's financial assistance program is also widely publicized within the community, including published information regularly placed in the local newspaper and information brochures displayed at local United Way and Department of Health offices.

Form and Line Reference	Explanation
Part VI, Line 4	The Hospital serves the greater Franklin and Grand Isle counties in northwestern Vermont. The service area consists of approximately 54,000 people and the area is primarily rural and agricultural in nature with some light industry.

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

Additional Data

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

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
Northwestern Medical Center	
Northwestern Medical Center	Part V, Section B, Line 5d In addition to making the Community Health Needs Assessment widely available via the hospital website and in response to requests, Northwestern Medical Center provided overviews of the Community Health Needs Assessment to members of the community through presentations at groups such as the NMC Incorporators (150 local members who elect the hospital Board) and the Franklin Grand Isle Community Partnership (40+ health, education, and social service agencies who meet on a regular basis to address concerns with in the community) The priorities of the Community Health Needs Assessment are frequently referenced in other hospital documents, plans, publications, and presentations as we work to integrate these findings into our efforts to care for our community

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Northwestern Medical Center

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
03-0266986

Part I General Information on Grants and Assistance

1

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

☒ Yes ☐ No

2

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

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

(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) Franklin Grande Isle United Way 40 Lower Newton Street St Albans, VT 05478	03-0273929	501(c)(3)	15,000				Support programs complimentary to the Hospital's exempt purpose
(2) HowardCenter Inc 208 Flynn Avenue Suite 3J Burlington, VT 05401	03-0179433	501(c)(3)	12,000				Support programs complimentary to the Hospital's exempt purpose

2

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

2

3

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

0

Part III

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

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

Part IV

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

Return Reference	Explanation
Part I, Line 2	All assistance is given to either 501(c)(3) public charities or governmental units and their affiliates. Therefore, additional monitoring is not deemed necessary.

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
Northwestern Medical Center

Employer identification number
03-0266986

Part I

Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input checked="" type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>b</div><div>If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain.</div></div>	Yes	
<div><div>2</div><div>Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?</div></div>	Yes	
<div><div>3</div><div>Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.</div><div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div>		
<div><div>4</div><div>During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:</div></div>		
<div><div>a</div><div>Receive a severance payment or change-of-control payment?</div></div>		No
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>		No
<div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.</div>		No
<div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:</div></div>		
<div><div>a</div><div>The organization?</div></div>		No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III.</div>		No
<div><div>6</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:</div></div>		
<div><div>a</div><div>The organization?</div></div>		No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III.</div>		No
<div><div>7</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.</div></div>	Yes	
<div><div>8</div><div>Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.</div></div>		No
<div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?</div></div>		

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Jill Berry Bowen CEO	(i) (ii)	272,629 0	17,552 0	7,260 0	8,925 0	16,942 0	323,308 0	0 0
(2) Ted Sirotta CFO	(i) (ii)	234,176 0	9,640 0	0 0	7,417 0	29,571 0	280,804 0	0 0
(3) Michael Barnum MD Orthopedic Surgeon	(i) (ii)	750,585 0	168,795 0	9,225 0	5,100 0	21,095 0	954,800 0	0 0
(4) Robert Beattie MD Orthopedic Surgeon	(i) (ii)	678,907 0	5,000 0	13,750 0	5,100 0	0 0	702,757 0	0 0
(5) Jeremy Hatch MD Orthopedic Surgeon	(i) (ii)	446,843 0	5,000 0	0 0	5,100 0	15,473 0	472,416 0	0 0
(6) Peter Burke MD Pathologist	(i) (ii)	380,401 0	5,000 0	200 0	5,100 0	21,095 0	411,796 0	0 0
(7) Lawrence Sullivan MD CMO/OB GYN Physician	(i) (ii)	331,638 0	102,034 0	330 0	5,100 0	21,095 0	460,197 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
Part I, Line 1a	Northwestern Medical Center provides fitness club membership automatically for all employees. The employees are required to sign in at the fitness club and those records are provided regularly to the Hospital to determine the amount of payment due to the fitness club.
Part I, Line 7	Jill Berry Bowen, CEO, and Ted Sirota, CFO, compensation plans may include, among other things, elements that require meeting or exceeding financial performance measures, including profitability. Michael Barnum, Robert Beattie, Jeremy Hatch, Peter Burke, and Lawrence Sullivan, Highest Compensated Employees, received bonuses as part of an organization wide bonus payment, whereby the bonus payment was determined based on the number of hours worked during the year.
Form 990, Part VII, line 5	Jill Berry Bowen, CEO, was compensated through a contract with Quorum Health Resources. Her total compensation for the period ended December 31, 2013 was \$323,308. Ted Sirota, CFO, was compensated through a contract with Quorum Health Resources. His total compensation for the period ended December 31, 2013 was \$280,804.

Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.</div> <div>▶ Attach to Form 990. ▶ See separate instructions.</div> <div>▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.</div>		OMB No 1545-0047		
			2013		
			Open to Public Inspection		
Department of the Treasury Internal Revenue Service		Name of the organization Northwestern Medical Center		Employer identification number 03-0266986	

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A Vermont Educational & Health Building Financing Agency	22-7154467		11-01-2012	19,900,000	Refund 2010A Bond and new capital projects		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	1,304,915							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	19,900,000							
4	Gross proceeds in reserve funds	1,571,257							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	124,765							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	242,021							
11	Other spent proceeds	17,961,957							
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?		X						
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X							
b	Exception to rebate?		X						
c	No rebate due?		X						
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X							
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X							
b	Name of provider	Deutsche Bank AG							
c	Term of hedge	18 000000000000							
d	Was the hedge superintegrated?		X						
e	Was the hedge terminated?		X						

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

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

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

▶ Attach to Form 990 or 990-EZ.

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

2013

**Open to Public
Inspection**

Name of the organization
Northwestern Medical Center

Employer identification number

03-0266986

990 Schedule O, Supplemental Information

Return Reference	Explanation
Form 990, Part VI, Section A, line 3	
Form 990, Part VI, Section A, line 6	The organization has a maximum of 150 members, elected at the annual meeting from a slate of candidates nominated by the Nominating Committee. Other candidates for membership may be nominated from the floor at the annual meeting. Any person whose term as a Corporation Director has expired shall automatically become a member if that person consents to become a member.
Form 990, Part VI, Section A, line 7a	The membership elects a presiding membership officer, an alternate presiding membership officer and a membership secretary. Said officers are designated as Chair, Vice Chair and Recording Secretary of the membership.
Form 990, Part VI, Section B, line 11	The CFO reviews the 990 and compares it to the audited financial statements. In addition, a copy of the 990 is provided to all members of the Hospital's Board of Directors before it is filed.
Form 990, Part VI, Section B, line 12c	Regular monitoring occurs at a minimum annually when each individual must complete the annual disclosure form.
Form 990, Part VI, Section B, line 15	The CEO and CFO are not employees of Northwestern Medical Center. They are employees of Quorum Health Resources and their respective contracts, including compensation, are approved by the Board of Directors on an annual basis.
Form 990, Part VI, Section C, line 19	Northwestern Medical Center does not formally make its governing documents and conflict of interest policy available to the public. Financial information is available to the public through the annual tax return filing, annual Medicare and Medicaid cost report filing, and financial data published by the Green Mountain Care Board and available on the Hospital's website, as well as summarized financial information and statistics published in the Hospital's annual report distributed to local communities and published on the Hospital's website.
Form 990, Part XI, line 9	Unrealized Loss on Interest Rate Swaps -24,927 Increase in Perpetual Trusts 25,446

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
Northwestern Medical Center

Employer identification number

03-0266986

Part I Identification of Disregarded Entities

Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) Northwestern Occupational Health LLC 133 Fairfield street St Albans, VT 05478 03-0360669	Medical rehabilitative and urgent care services	VT	2,470,931	1,446,922	Northwestern Medical Center

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) Northwestern Medical Center Auxiliary Inc 133 Fairfield St St Albans, VT 05478 03-0278425	Promotion and Support of Northwestern Medical Center	VT	501(c)(3)	Line 11a, I	Northwestern Medical Center	Yes	

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

Cat No 50135Y

Schedule R (Form 990) 2013

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	

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

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

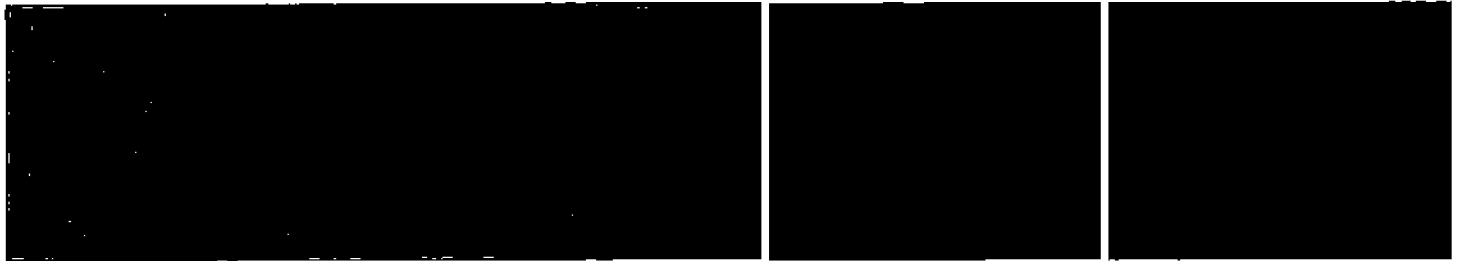
[illegible]

Part VII

Supplemental Information

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

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



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

CONSOLIDATED FINANCIAL STATEMENTS

with

SUPPLEMENTARY INFORMATION

September 30, 2014 and 2013

With Independent Auditor's Report



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

September 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwestern Medical Center, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Northwestern Medical Center, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of September 30, 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 Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northwestern Medical Center, Inc. and Subsidiaries as of September 30, 2014 and 2013, and the results of their operations, changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Report on Consolidating Information

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

Berry Dunn McNeil & Parker, LLC

Portland, Maine
December 19, 2015

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

Consolidated Balance Sheets

September 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 9,229,205	\$ 5,770,629
Patient accounts receivable, net	9,111,338	8,775,432
Other receivables, net	1,809,079	1,988,780
Supplies	1,667,318	1,742,789
Short-term investments	19,286,642	11,220,940
Other current assets	<u>1,221,888</u>	<u>1,011,366</u>
Total current assets	42,325,470	30,509,936
Assets limited as to use	26,409,113	29,897,360
Investments	31,252,649	29,809,270
Beneficial interest in perpetual trusts	754,672	729,226
Property and equipment, net	32,137,860	31,143,591
Other long-term assets, net	<u>341,689</u>	<u>365,061</u>
 Total assets	 <u>\$ 133,221,453</u>	 <u>\$ 122,454,444</u>

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

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
Current liabilities		
Accounts payable	\$ 3,550,040	\$ 4,091,336
Salaries, wages and payroll taxes	4,100,209	4,615,343
Accrued retirement plan contributions	390,000	348,750
Other accrued expenses	1,565,197	1,309,518
Estimated third-party settlements	3,646,314	2,715,721
Current portion of long-term debt	<u>758,269</u>	<u>730,312</u>
Total current liabilities	14,010,029	13,810,980
Long-term debt, net of current portion	17,994,862	18,755,215
Interest rate swaps	<u>1,090,621</u>	<u>1,065,694</u>
Total liabilities	<u>33,095,512</u>	<u>33,631,889</u>
Commitments and contingencies		
Net assets		
Unrestricted	97,601,962	86,574,971
Temporarily restricted	1,565,776	1,314,827
Permanently restricted	<u>958,203</u>	<u>932,757</u>
Total net assets	<u>100,125,941</u>	<u>88,822,555</u>
Total liabilities and net assets	<u>\$133,221,453</u>	<u>\$ 122,454,444</u>

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

Consolidated Statements of Operations

Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	\$ 98,695,165	\$ 96,164,073
Less provision for bad debts	<u>5,295,127</u>	<u>4,583,172</u>
Net patient service revenue	93,400,038	91,580,901
Other operating revenue	2,436,484	2,880,657
Net assets released from restrictions for operations	<u>1,281,380</u>	<u>915,894</u>
Total unrestricted revenues, gains and other support	<u>97,117,902</u>	<u>95,377,452</u>
Expenses		
Salaries and wages	40,954,836	39,773,918
Employee benefits	9,973,511	8,698,308
Supplies	11,172,024	11,628,734
Contracted services	12,243,413	11,985,215
Depreciation and amortization	4,205,282	4,029,658
Travelers' expense	411,358	553,295
Health care improvement tax	5,329,587	5,306,926
Other operating	5,437,403	5,663,048
Interest	<u>532,095</u>	<u>556,774</u>
Total expenses	<u>90,259,509</u>	<u>88,195,876</u>
Income from operations	<u>6,858,393</u>	<u>7,181,576</u>
Nonoperating gains (losses)		
Net investment income	3,297,765	1,674,564
Net gain from rental activities	201,966	170,889
Unrealized (loss) gain on interest rate swaps	(24,927)	769,224
Unrealized gain on investments	688,948	2,321,323
Other	<u>4,846</u>	<u>13,214</u>
Nonoperating gains, net	<u>4,168,598</u>	<u>4,949,214</u>
Increase in unrestricted net assets	<u>\$ 11,026,991</u>	<u>\$ 12,130,790</u>

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

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

Consolidated Statements of Changes in Net Assets

Years Ended September 30, 2014 and 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balances, October 1, 2012	<u>\$ 74,444,181</u>	<u>\$ 1,050,485</u>	<u>\$ 896,871</u>	<u>\$ 76,391,537</u>
Increase in unrestricted net assets	12,130,790	-	-	12,130,790
Contributions	-	1,201,697	-	1,201,697
Increase in perpetual trusts	-	-	35,886	35,886
Net investment loss	-	(21,461)	-	(21,461)
Net assets released from restrictions used for operations	<u>-</u>	<u>(915,894)</u>	<u>-</u>	<u>(915,894)</u>
Net increase in net assets	<u>12,130,790</u>	<u>264,342</u>	<u>35,886</u>	<u>12,431,018</u>
Balances, September 30, 2013	<u>86,574,971</u>	<u>1,314,827</u>	<u>932,757</u>	<u>88,822,555</u>
Increase in unrestricted net assets	11,026,991	-	-	11,026,991
Contributions	-	1,512,723	-	1,512,723
Increase in perpetual trusts	-	-	25,446	25,446
Net investment income	-	19,606	-	19,606
Net assets released from restrictions used for operations	<u>-</u>	<u>(1,281,380)</u>	<u>-</u>	<u>(1,281,380)</u>
Net increase in net assets	<u>11,026,991</u>	<u>250,949</u>	<u>25,446</u>	<u>11,303,386</u>
Balances, September 30, 2014	<u>\$ 97,601,962</u>	<u>\$ 1,565,776</u>	<u>\$ 958,203</u>	<u>\$100,125,941</u>

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

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

Consolidated Statements of Cash Flows

Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 11,303,386	\$ 12,431,018
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	4,205,282	4,029,658
Loss on sale of property and equipment	12,363	94,625
Net realized and unrealized gains on investments	(2,642,549)	(2,982,717)
Net gain on beneficial interest in perpetual trusts	(25,446)	(35,886)
Provision for bad debts	5,295,127	4,583,172
Unrealized loss (gain) loss on interest rate swaps	24,927	(769,224)
Decrease (increase) in		
Patient accounts receivable, net	(5,631,033)	(4,382,157)
Other receivables, net	179,701	(1,241,436)
Supplies, other assets and notes receivable, net	(118,111)	(300,576)
Increase (decrease) in		
Accounts payable and accrued expenses	(1,224,751)	1,243,051
Estimated third-party settlements	930,593	(411,648)
Net cash provided by operating activities	<u>12,309,489</u>	<u>12,257,880</u>
Cash flows from investing activities		
Purchase of property and equipment	(4,755,282)	(3,758,564)
Net proceeds from sale of property and equipment	15,050	9,072
Purchase of investments	(14,303,579)	(19,662,954)
Proceeds from sale of investments	10,925,294	5,870,950
Net cash used by investing activities	<u>(8,118,517)</u>	<u>(17,541,496)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	-	19,900,000
Payment of bond issuance costs	-	(126,756)
Principal payments on long-term debt	(732,396)	(12,949,423)
Net cash (used) provided by financing activities	<u>(732,396)</u>	<u>6,823,821</u>
Net increase in cash and cash equivalents	3,458,576	1,540,205
Cash and cash equivalents, beginning of year	<u>5,770,629</u>	<u>4,230,424</u>
Cash and cash equivalents, end of year	<u>\$ 9,229,205</u>	<u>\$ 5,770,629</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 532,095	\$ 556,774
Acquisition of property and equipment included in accounts payable	\$ 465,250	\$ -

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

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

Notes to Consolidated Financial Statements

September 30, 2014 and 2013

Organization

Northwestern Medical Center, Inc (the Hospital or NMC) is a 70-bed, not-for-profit hospital in St. Albans, Vermont. The Hospital is the sole-owning member of Northwestern Occupational Health, LLC (NOH), a for-profit entity that provides medical rehabilitative and urgent care services. The Hospital financial statements also include the accounts of the Northwestern Medical Center Auxiliary, Inc (the Auxiliary) which is organized specifically for the promotion and support of the Hospital. Auxiliary volunteers provide the Hospital approximately 19,700 hours of support annually, as well as financial support.

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

1. Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include money market funds with a maturity of three months or less when purchased and exclude assets whose use is limited. The Hospital maintains its cash in deposit accounts which, at times, may exceed federal depository insurance limits. Management believes credit risk related to these investments is minimal. The Hospital has not experienced any losses in such accounts.

Patient Accounts Receivable

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

**NORTHWESTERN MEDICAL CENTER, INC.
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Notes to Consolidated Financial Statements

September 30, 2014 and 2013

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

Supplies

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

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

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

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

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

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

**NORTHWESTERN MEDICAL CENTER, INC.
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Notes to Consolidated Financial Statements

September 30, 2014 and 2013

Investments and Investment Income

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

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

Employee Fringe Benefits

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

Property and Equipment

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

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

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

**NORTHWESTERN MEDICAL CENTER, INC.
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Notes to Consolidated Financial Statements

September 30, 2014 and 2013

Bond Issuance Costs

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

Temporarily and Permanently Restricted Net Assets

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

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

Interest Rate Swaps

The Hospital uses interest rate swap contracts to eliminate the cash flow exposure of interest rate movements on variable-rate debt. The Hospital has adopted FASB ASC Topic 815, *Derivatives and Hedging*, to account for its interest rate swap contracts. The interest rate swaps do not qualify as cash flow hedges. Gains and losses on derivative financial instruments that do not qualify as hedges are required to be included in the performance indicator. As a result, the unrealized (loss) gain on the interest rate swaps for 2014 and 2013, respectively, have been included in nonoperating gains (losses).

Net Patient Service Revenue

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

**NORTHWESTERN MEDICAL CENTER, INC.
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Notes to Consolidated Financial Statements

September 30, 2014 and 2013

Charity Care

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

Donor-Restricted Gifts

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

Subsequent Events

For purposes of the preparation of these consolidated financial statements in conformity with U.S. GAAP, the Organization has considered transactions of events occurring through December 19, 2015, which was the date the consolidated financial statements were issued

Reclassifications

Certain reclassifications have been made to the 2013 consolidated financial statements to conform to the 2014 presentation.

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

Notes to Consolidated Financial Statements

September 30, 2014 and 2013

2. Net Patient Service Revenue

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

	<u>2014</u>	<u>2013</u>
Gross patient service revenue		
Inpatient services	\$ 42,967,528	\$ 42,092,183
Outpatient services	<u>135,586,294</u>	<u>130,109,648</u>
	<u>178,553,822</u>	172,201,831
Less contractual allowances and discounts	<u>79,858,657</u>	<u>76,037,758</u>
	<u>98,695,165</u>	96,164,073
Patient service revenue (net of contractual allowances and discounts)		
	<u>(5,295,127)</u>	<u>(4,583,172)</u>
Less provision for bad debts		
	<u>93,400,038</u>	<u>91,580,901</u>
Net patient service revenue		

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

Medicare

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

Outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to an ambulatory payment classification system that is based on clinical, diagnostic, and other factors. Final settlements have been determined for all years through September 30, 2012.

Medicaid

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

**NORTHWESTERN MEDICAL CENTER, INC.
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Notes to Consolidated Financial Statements

September 30, 2014 and 2013

Blue Cross and Commercial

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

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

Revenue from the Medicare and Medicaid programs accounted for approximately 28% and 16%, respectively, of the Hospital's patient revenue (net of contractual allowances and discounts) for the year ended 2014, and 30% and 14%, respectively, of the Hospital's patient revenue (net of contractual allowances and discounts) for the year ended 2013. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue decreased approximately \$139,000 in 2014 and increased by approximately \$705,000 in 2013 due to differences in retroactive adjustments compared to amounts previously estimated.

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

	<u>2014</u>	<u>2013</u>
Revenue from third-party payors	\$ 95,970,418	\$ 93,551,159
Revenue from self-pay patients	<u>2,724,747</u>	<u>2,612,914</u>
	<u>\$ 98,695,165</u>	<u>\$ 96,164,073</u>

**NORTHWESTERN MEDICAL CENTER, INC.
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Notes to Consolidated Financial Statements

September 30, 2014 and 2013

3. Patient Accounts Receivable and Estimated Allowance for Doubtful Accounts

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

	<u>2014</u>	<u>2013</u>
Patient accounts receivable	\$ 19,960,502	\$ 19,752,357
Estimated contractual allowances	(7,451,672)	(6,637,566)
Estimated allowance for doubtful accounts	<u>(3,397,492)</u>	<u>(4,339,359)</u>
Patient accounts receivable, net	<u>\$ 9,111,338</u>	<u>\$ 8,775,432</u>
	<u>2014</u>	<u>2013</u>
Estimated allowance for doubtful accounts, beginning of year	\$ 4,339,359	\$ 4,073,815
Self-pay write-offs, net	(6,236,994)	(4,317,628)
Provision for bad debts	<u>5,295,127</u>	<u>4,583,172</u>
Estimated allowance for doubtful accounts, end of year	<u>\$ 3,397,492</u>	<u>\$ 4,339,359</u>

The decrease in the allowance for doubtful accounts relates to the decrease in self-pay patient accounts receivable from approximately \$5,040,000 at September 30, 2013 to \$3,745,000 at September 30, 2014. Self-pay write-offs increased in 2014 due to the timing of the processing of the write-offs

4. Charity Care and Community Services

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

The net cost of charity care provided was \$578,433 in 2014 and \$758,931 in 2013. The total cost estimate is based on the Hospital's cost accounting system.

In 2014, the Hospital provided 1,535 patients charity care assistance while in 2013, 949 patients received charity care assistance. The largest proportion of services provided on a charity basis for 2014 and 2013 was for emergency department services

As part of its mission, the Hospital underwrites a number of health care related programs that may not be otherwise available to the community. These activities directly align with the Community Health Needs Assessment, targeting the priorities both directly and indirectly

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Some examples of health care related programs are described below:

- NMC staff co-chair, facilitate, and participate in the "Community Committee on Healthy Lifestyles", a broad multi-disciplinary grassroots effort to address pressing community health concerns through wellness and prevention. In 2014, the "RISE VT" initiative was created to bring aggressive wellness programming and initiatives throughout the region. A major grant was secured to supplement resources that the Hospital has already committed to this effort.
- Healthy Hearts on the Move completed its second year. This community health fair focuses on improved cardiovascular health with free screenings, educational booths, opportunities to try fitness activities, engaging kids' activities, healthy snacks, and opportunities to discuss screening results and health questions with providers.
- NMC's Lifestyle Medicine Department offers a variant of community wellness and prevention programming, including media pieces, special events, smoking cessation activities, public lectures, and health related support groups.
- NMC invests staff time and production costs to dedicate space in hospital publications, paid advertising, proactive traditional media, and social media to raise awareness of health issues, prevention efforts, wellness activities, and supportive offerings put forth by the hospital as well as community providers – who often lack the staff or resources to fully communicate these important messages to the target audiences in the community.
- Underwriting of, and voluntary participation in, local United Way programs and outreach with focus on health, education, and income – all of which contribute to improved quality of life and overall community health. These include the Big Shabang in Grand Isle County, ongoing use of the Hungry Hearts video which targets opiate abuse, the Children's Fair, the community 5k, and more.

5. Property and Equipment

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

	<u>2014</u>	<u>2013</u>
Land	\$ 1,020,531	\$ 1,020,531
Land improvements	1,630,773	1,525,863
Buildings	41,128,391	38,652,381
Major moveable equipment	<u>26,435,088</u>	<u>29,701,038</u>
	70,214,783	70,899,813
Less accumulated depreciation	<u>39,852,279</u>	<u>40,853,377</u>
	30,362,504	30,046,436
Construction-in-progress	<u>1,775,356</u>	<u>1,097,155</u>
	<u>\$ 32,137,860</u>	<u>\$ 31,143,591</u>

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Construction-in-progress includes \$362,000 and \$199,000 as of 2014 and 2013, respectively, of architectural and design fees incurred related to a master facility plan. The Hospital is in the process of completing and submitting this plan to the state of Vermont to obtain a Certificate of Need approval.

The remaining balance of construction-in-progress includes various projects such as, technology upgrades, facility renovations, and land improvements.

6. Assets Limited as to Use and Investments

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

	<u>2014</u>	<u>2013</u>
Assets Limited as to Use		
Internally designated for capital acquisition		
Cash and cash equivalents	\$ 4,405	\$ 151,746
Equities	15,170,450	14,060,186
Fixed income	5,572,271	4,889,523
Alternative investment	<u>2,007,916</u>	<u>1,819,584</u>
	<u>22,755,042</u>	<u>20,921,039</u>
 Donor-restricted		
Cash and cash equivalents	1,297,203	1,062,483
Equities	297,836	293,440
Fixed income	<u>190,707</u>	<u>175,351</u>
	<u>1,785,746</u>	<u>1,531,274</u>
 Held by bank as collateral on property		
Cash and cash equivalents	297,068	197,068
 Bond proceeds to be used for capital projects		
Cash and cash equivalents	327,366	2,004,618
Fixed income	<u>1,243,891</u>	<u>5,243,361</u>
	<u>1,571,257</u>	<u>7,247,979</u>
	<u>\$ 26,409,113</u>	<u>\$ 29,897,360</u>

**NORTHWESTERN MEDICAL CENTER, INC.
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Investments

Cash and cash equivalents	\$ 6,027,610	\$ 1,228,953
Certificates of deposit with maturity dates exceeding twelve months	4,479,314	3,085,780
Fixed income	12,110,991	11,939,925
Equities	25,715,477	22,789,109
Alternative investment	<u>2,205,899</u>	<u>1,986,443</u>
 Total	 50,539,291	 41,030,210
 Less short-term investments	 <u>19,286,642</u>	 <u>11,220,940</u>
 Long-term investments	 <u>\$ 31,252,649</u>	 <u>\$ 29,809,270</u>

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

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 1,344,164	\$ 1,013,170
Realized gains	<u>1,953,601</u>	<u>661,394</u>
	3,297,765	1,674,564
Unrealized gains	<u>688,948</u>	<u>2,321,323</u>
	<u>\$ 3,986,713</u>	<u>\$ 3,995,887</u>

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

7. Beneficial Interest in Perpetual Trusts

The Hospital is the beneficiary of various trusts for which it is not the trustee, including \$754,672 and \$729,226 in irrevocable perpetual trusts at September 30, 2014 and 2013, respectively. The Hospital has reflected as assets in the balance sheets the fair value of the underlying investments in the trusts. Receipts of income are included as unrestricted investment income when received. Receipts from the trusts were approximately \$37,600 and \$17,600 for the years ended September 30, 2014 and 2013, respectively, and were recorded in net investment income.

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8. Borrowings

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

	<u>2014</u>	<u>2013</u>
Vermont Educational and Health Buildings Financing Agency (VEHBFA) Hospital Revenue Bonds (Northwestern Medical Center Project) 2012 Series A, interest and principal payable monthly at a variable rate based on 75% of one-month LIBOR plus 1 1/4% (1 25% at September 30, 2014); due through December 1, 2032, callable December 1, 2022; collateralized by substantially all of the Hospital's assets.	\$ 18,595,085	\$ 19,317,138
Bank loan, fixed interest rate of 3 6%, monthly principal and interest payments of \$1,353, with one final balloon payment due September 2016 in an amount equal to the then unpaid principal and interest; collateralized by a certificate of deposit.	<u>158,046</u>	<u>168,390</u>
	18,753,131	19,485,528
Less current portion	<u>758,269</u>	<u>730,312</u>
	<u>\$ 17,994,862</u>	<u>\$ 18,755,216</u>

Maturities on long-term debt for fiscal years subsequent to September 30, 2014, are as follows

2015	\$ 758,269
2016	919,023
2017	798,948
2018	827,156
2019	856,360
Thereafter	<u>14,593,375</u>
	<u>\$ 18,753,131</u>

Effective December 3, 2012, the Hospital entered into a loan agreement with VEHBFA issuing \$19.9 million in bonds. The new issue (Series 2012A) was used to refund the Hospital's Series 2010A bonds, to provide funds for various capital projects, and to pay bond issuance costs. Interest on the Series 2012A bonds is payable monthly at a variable rate based on 75% of the one-month LIBOR rate plus 1.14%. The 2012A bond issue requires the Hospital to meet certain covenants. As of September 30, 2014, the Hospital was in compliance with those covenants.

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Interest Rate Swaps

The Hospital has entered into two swap agreements. During 2014 and 2013, the interest rate swap agreements did not qualify for hedge accounting

The Hospital is required to include the fair value of the swaps in the balance sheet, and annual changes, if any, in the fair value of the swaps in the statement of operations. For example, during the Bonds' holding period, the annually calculated value of the swaps will be reported as assets if interest rates increase above those in effect on the date the swaps were entered into (and as an unrealized gain in the statement of operations), which will generally be indicative that the net fixed rate the Hospital is paying is below market expectations of rates during the remaining term of the swap. The swaps will be reported as a liability (and as an unrealized loss in the statement of operations) if interest rates decrease below those in effect on the date the swaps were entered into, which will generally be indicative that the net fixed rate the Hospital is paying on the swap is above market expectations of rates during the remaining term of the swap. These annual accounting adjustments of value changes in the swap transaction are non-cash recognition requirements. The Hospital retains the sole right to terminate the swap agreements should the need arise. The Hospital recorded the swaps at their liability positions of \$1,090,621 and \$1,065,694 at September 30, 2014 and 2013, respectively. The interest rate swap contract disclosures are summarized as follows

<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Current Notional Amount</u>	<u>Fair Value as of September 30, 2014</u>	<u>Fair Value as of September 30, 2013</u>	<u>Termination Date</u>	<u>Counterparty</u>
3.228%	15.944%	\$ 6,155,000	\$ 872,565	\$ 777,510	10/01/2030	Deutsche Bank AG
2.906%	10.493%	3,890,000	<u>218,056</u>	<u>288,184</u>	10/01/2021	Morgan Stanley
			<u>\$ 1,090,621</u>	<u>\$ 1,065,694</u>		

Letter of Credit

The Hospital is required to maintain a letter of credit in the amount of \$180,000 in favor of Employers Insurance Company of Wausau in connection with workers' compensation claims. The letter of credit matures in July 2015. Effective July 2014, the letter of credit amount was reduced from \$220,000

9. Retirement Plans

The Hospital sponsors a 403(b) retirement plan for its employees. To be eligible to participate in the 403(b) plan, an employee must meet certain requirements as specified in the Plan documents. The Hospital matches 1% if the employee contributes 2% or 3% of their annual salary and the Hospital contributes 2% if the employee contributes 4% or more of their annual salary. Total expense under the 403(b) retirement plan was \$517,470 and \$495,024 in 2014 and 2013, respectively.

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NOH sponsors a 401(k) retirement plan for its employees. To be eligible to participate in the 401(k) plan, an employee must meet certain requirements as specified in the Plan documents. Subject to annual review, NOH contributes 2% of gross annual salary (subject to maximum limits) for all employees who work at least 1,000 hours during a calendar year. This portion of the employer contribution to the 401(k) plan has a step vesting schedule. In addition, NOH contributes 3% of gross annual pay in matching funds for employees who contribute to the plan and who work at least 1,000 hours in a calendar year. Total expense under the 401(k) retirement plan was \$34,493 and \$35,411 in 2014 and 2013, respectively.

The Hospital sponsors a Money Purchase Pension Plan covering substantially all of its employees. The Hospital's contributions are determined for, and allocated to, eligible participants based on a predetermined percent of compensation paid. Individual benefits at retirement are the amounts which can be provided by the sums contributed to each participant's account. The plan, which may be terminated at any time by the Board of Directors, provides for employee vesting over a six-year period. Retirement plan expenses charged to operations were \$865,528 and \$814,060 in 2014 and 2013, respectively.

10. Commitments and Contingencies

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

Years ending September 30,	
2015	\$ 338,000
2016	152,000
2017	54,000
2018	<u>30,000</u>
	<u>\$ 574,000</u>

Rental expense for the years ended September 30, 2014 and 2013 was \$913,170 and \$813,477, respectively.

Professional Liability Insurance and Litigation

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

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The Hospital is subject to complaints, claims and litigation due to potential claims which arise in the normal course of business. U.S. generally accepted accounting principles require the Hospital to accrue the ultimate cost of malpractice claims when the incident that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset. The Hospital has evaluated its exposure to losses arising from potential claims and determined that no such accrual is necessary for the years ended September 30, 2014 and 2013.

QHR, LLC

The Hospital contracts with QHR, LLC for management advisory services. Total expenses related to the QHR, LLC contract, and charged to operations, were \$1,233,781 and \$1,189,501 for the years ended September 30, 2014 and 2013, respectively.

Self-Funded Health Insurance

The Hospital maintains a self-funded health insurance plan. A reserve of \$798,309 and \$529,149 in 2014 and 2013, respectively, has been established to allow for incurred but not reported claims for health care services based on claim history. The self-funded policy had an individual stop loss of \$150,000 in 2014 and 2013, respectively. The Hospital's aggregate stop loss coverage begins at 125% of expected claims, excluding claim amounts which are paid under the individual stop loss coverage.

11. Meaningful Use Revenues

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The criteria for meaningful use will be staged in three steps from fiscal year 2012 through 2017. During 2014, the Hospital successfully completed the criteria required to attest for Stage 1 year 2 meaningful use certification from the Centers of Medicare and Medicaid Services (CMS) and the Department of Vermont Health Access and recorded meaningful use revenues of \$1,173,369, included in other operating revenue. The Hospital has included this amount in other receivables as of September 30, 2014.

During 2013, the Hospital attested to Stage 1 meaningful use certification from Centers of Medicare and Medicaid Services (CMS) and the Department of Vermont Health Access and recorded meaningful use revenues of \$1,722,946 as September 30, 2013, included in other operating revenue. As of September 30, 2013, the Medicare portion of \$1,325,404 has yet to be received, and is included in other receivables.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific requirements applicable for the reporting period. The meaningful use attestations are subject to audit by CMS in future years. As part of this process, a final settlement amount for the incentive payments could be established that differs from the initial calculation, and could result in return of a portion or all of the incentive payments received by the Hospital.

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12. Rental Income

The Hospital leases land and buildings to various organizations under operating leases. Rental income under these leases was \$211,850 in 2014 and \$192,031 in 2013. The leases expire on various dates ranging from 2015 to 2043 and certain leases contain an annual Consumer Price Index provision.

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

	<u>2014</u>	<u>2013</u>
Land improvements	\$ 4,189	\$ 4,189
Building	<u>868,287</u>	<u>868,287</u>
	872,476	872,476
Accumulated depreciation	<u>(429,082)</u>	<u>(395,933)</u>
Net book value	<u>\$ 443,394</u>	<u>\$ 476,543</u>

Minimum future rentals on noncancelable leases are as follows

Years ending September 30,

2015	\$ 82,000
2016	77,000
2017	59,000
2018	59,000
2019	59,000
Thereafter	<u>1,711,000</u>
	<u>\$ 2,047,000</u>

13. Health Care Improvement Tax

A health care improvement tax is imposed on hospitals, nursing homes, and home health agencies as part of a program to upgrade services in Vermont. Hospitals in Vermont are assessed as a percentage of net patient revenue which is determined annually by the General Assembly. Hospital tax rates were 6.0% in 2014 and 2013.

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14. Concentration of Credit Risk

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

	<u>2014</u>	<u>2013</u>
Medicare	32 %	32 %
Medicaid	13	12
Blue Cross	14	12
Other third-party payors	22	18
Patients	<u>19</u>	<u>26</u>
	<u>100 %</u>	<u>100 %</u>

15. Functional Expenses

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

	<u>2014</u>	<u>2013</u>
Health care services	\$ 69,354,472	\$ 69,157,663
General and administrative	<u>20,905,037</u>	<u>19,038,213</u>
	<u>\$ 90,259,509</u>	<u>\$ 88,195,876</u>

16. Restrictions on Net Assets

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

	<u>2014</u>	<u>2013</u>
Community wellness initiatives	\$ 1,045,607	\$ 841,466
Capital expenditures	188,128	188,128
Education assistance	50,902	54,853
Free care assistance	142,824	98,498
Other community programs	<u>138,315</u>	<u>131,882</u>
	<u>\$ 1,565,776</u>	<u>\$ 1,314,827</u>

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

	<u>2014</u>	<u>2013</u>
Beneficial Interest in Trusts, income is unrestricted	\$ 754,673	\$ 729,227
Sowles Memorial Fund; income to be used for charity care	<u>203,530</u>	<u>203,530</u>
	<u>\$ 958,203</u>	<u>\$ 932,757</u>

17. Related Parties

The Hospital leases space in doctors' office buildings owned by Hospital employees. The original lease terms range from one to five years. Rental expense under these leases for the years ended September 30, 2014 and 2013 was \$346,362 and \$336,668, respectively.

18. Fair Value Measurements

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

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

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

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

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

	<u>Fair Value Measurements at September 30, 2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Assets limited as to use				
Cash and cash equivalents	\$ 1,926,042	\$ -	\$ -	\$ 1,926,042
Fixed Income				
Intermediate duration	6,012,978	-	-	6,012,978
U S Government bonds	993,891	-	-	993,891
Total fixed income	<u>7,006,869</u>	<u>-</u>	<u>-</u>	<u>7,006,869</u>
Equities				
Index funds	95,915	-	-	95,915
Strategic value	5,283,786	-	-	5,283,786
Strategic growth	6,055,068	-	-	6,055,068
International	2,367,529	-	-	2,367,529
Emerging markets	1,103,110	-	-	1,103,110
Real asset strategy	562,878	-	-	562,878
Total equities	<u>15,468,286</u>	<u>-</u>	<u>-</u>	<u>15,468,286</u>
Alternative investment	<u>-</u>	<u>-</u>	<u>2,007,916</u>	<u>2,007,916</u>
Total assets limited as to use	<u>24,401,197</u>	<u>-</u>	<u>2,007,916</u>	<u>26,409,113</u>
Investments				
Cash and cash equivalents	6,027,610	-	-	6,027,610
Certificates of deposit > three months	4,479,314	-	-	4,479,314
Fixed Income				
Intermediate duration	11,056,596	-	-	11,056,596
Short duration plus	1,054,395	-	-	1,054,395
Total fixed income	<u>12,110,991</u>	<u>-</u>	<u>-</u>	<u>12,110,991</u>
Equities				
Strategic value	15,296,517	-	-	15,296,517
Strategic growth	6,535,626	-	-	6,535,626
International portfolio	2,552,247	-	-	2,552,247
Emerging markets	724,441	-	-	724,441
Real asset strategy	606,646	-	-	606,646
Total equities	<u>25,715,477</u>	<u>-</u>	<u>-</u>	<u>25,715,477</u>
Alternative investment	<u>-</u>	<u>-</u>	<u>2,205,899</u>	<u>2,205,899</u>
Total investments	<u>48,333,392</u>	<u>-</u>	<u>2,205,899</u>	<u>50,539,291</u>
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>754,672</u>	<u>754,672</u>
Total assets	<u>\$ 72,734,589</u>	<u>\$ -</u>	<u>\$ 4,968,487</u>	<u>\$ 77,703,076</u>
Liabilities				
Interest rate swaps	<u>\$ -</u>	<u>\$ 1,090,621</u>	<u>\$ -</u>	<u>\$ 1,090,621</u>

**NORTHWESTERN MEDICAL CENTER, INC.
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September 30, 2014 and 2013

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

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

Level 3 for the Hospital includes the alternative investment and beneficial interest in perpetual trusts. Although, at September 30, 2014 and 2013, the values of the Level 3 investments were recorded based upon the fair value of the underlying securities, the values are not based upon a verifiable marketable transaction. The alternative investment of \$4,213,815 and \$3,806,027 is a limited partnership reported at fair value as of September 30, 2014 and 2013, respectively. The alternative investment primarily invests in limited partnerships and similar pooled investment vehicles often referred to as portfolio funds. These funds are managed by independent portfolio managers that employ diverse alternative investment strategies across a variety of asset classes. The alternative investment involves certain risks due to a lack of a public market and certain time restrictions on withdrawals. As the beneficial interest in perpetual trust assets are not readily available to the Organization, the assets are classified as Level 3.

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

	September 30, <u>2013</u>	<u>Net appreciation</u>	September 30, <u>2014</u>
Assets limited as to use:			
Alternative investments	\$ 1,819,584	\$ 188,332	\$ 2,007,916
Investments:			
Alternative investment	1,986,443	219,456	2,205,899
Beneficial interest in trusts	<u>729,226</u>	<u>25,446</u>	<u>754,672</u>
	<u>\$ 4,535,253</u>	<u>\$ 433,234</u>	<u>\$ 4,968,487</u>

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

**NORTHWESTERN MEDICAL CENTER, INC.
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Notes to Consolidated Financial Statements

September 30, 2014 and 2013

19. Fair Value of Financial Instruments

The Hospital's financial instruments consist of cash and cash equivalents, investments, trade accounts receivable and payable, notes receivable, beneficial interest in perpetual trusts, estimated third-party settlements, interest rate swaps, and long-term debt. The fair values of cash and cash equivalents, notes receivable, estimated third-party settlements and long-term debt approximate their fair value using Level 1 inputs. The fair value of investments, beneficial interest in perpetual trusts and interest rate swaps was determined using the methods and inputs described in Note 18.

SUPPLEMENTARY INFORMATION

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

Consolidating Balance Sheet

**September 30, 2014
(With Comparative Totals for September 30, 2013)**

ASSETS

	2014				2013
	<u>NMC</u>	<u>NOH</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
Current assets					
Cash and cash equivalents	\$ 9,011,616	\$ 217,589	\$ -	\$ 9,229,205	\$ 5,770,629
Patient accounts receivable, net	8,746,175	365,163	-	9,111,338	8,775,432
Other receivables, net	2,336,715	36,776	(564,412)	1,809,079	1,988,780
Supplies	1,667,318	-	-	1,667,318	1,742,789
Short-term investments	19,286,642	-	-	19,286,642	11,220,940
Other current assets	<u>1,224,972</u>	<u>21,764</u>	<u>(24,848)</u>	<u>1,221,888</u>	<u>1,011,366</u>
Total current assets	42,273,438	641,292	(589,260)	42,325,470	30,509,936
Assets limited as to use	26,409,113	-	-	26,409,113	29,897,360
Investments	31,252,649	-	-	31,252,649	29,809,270
Beneficial interest in perpetual trusts	754,672	-	-	754,672	729,226
Property and equipment, net	31,332,230	805,630	-	32,137,860	31,143,591
Other long-term assets, net	<u>1,030,782</u>	<u>-</u>	<u>(689,093)</u>	<u>341,689</u>	<u>365,061</u>
Total assets	<u>\$133,052,884</u>	<u>\$ 1,446,922</u>	<u>\$(1,278,353)</u>	<u>\$133,221,453</u>	<u>\$122,454,444</u>

**NORTHWESTERN MEDICAL CENTER, INC.
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Consolidating Balance Sheet (Concluded)

**September 30, 2014
(With Comparative Totals for September 30, 2013)**

LIABILITIES AND NET ASSETS

	2014				2013
	<u>NMC</u>	<u>NOH</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
Current liabilities					
Accounts payable	\$ 3,538,437	\$ 576,015	\$ (564,412)	\$ 3,550,040	\$ 4,091,336
Salaries, wages and payroll taxes	3,943,243	156,966	-	4,100,209	4,615,343
Accrued retirement plan contributions	390,000	-	-	390,000	348,750
Other accrued expenses	1,565,197	-	-	1,565,197	1,309,518
Estimated third-party settlements	3,646,314	-	-	3,646,314	2,715,721
Current portion of long-term debt	<u>758,269</u>	<u>24,848</u>	<u>(24,848)</u>	<u>758,269</u>	<u>730,312</u>
Total current liabilities	13,841,460	757,829	(589,260)	14,010,029	13,810,980
Long-term debt, net of current portion	17,994,862	691,055	(691,055)	17,994,862	18,755,215
Interest rate swaps	<u>1,090,621</u>	<u>-</u>	<u>-</u>	<u>1,090,621</u>	<u>1,065,694</u>
Total liabilities	<u>32,926,943</u>	<u>1,448,884</u>	<u>(1,280,315)</u>	<u>33,095,512</u>	<u>33,631,889</u>
Net assets					
Unrestricted	97,601,962	-	-	97,601,962	86,574,971
Member's deficit	-	(1,962)	1,962	-	-
Temporarily restricted	1,565,776	-	-	1,565,776	1,314,827
Permanently restricted	<u>958,203</u>	<u>-</u>	<u>-</u>	<u>958,203</u>	<u>932,757</u>
Total net assets	<u>100,125,941</u>	<u>(1,962)</u>	<u>1,962</u>	<u>100,125,941</u>	<u>88,822,555</u>
Total liabilities and net assets	<u>\$133,052,884</u>	<u>\$ 1,446,922</u>	<u>\$(1,278,353)</u>	<u>\$133,221,453</u>	<u>\$122,454,444</u>

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

Consolidating Statement of Operations

**Year Ended September 30, 2014
(With Comparative Totals for the Year Ended September 30, 2013)**

	2014				2013
	<u>NMC</u>	<u>NOH</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
Unrestricted revenues, gains and other support					
Patient service revenue (net of contractual allowances and discounts)	\$ 96,458,662	\$ 2,326,210	\$ (89,707)	\$ 98,695,165	\$ 96,164,073
Less provision for bad debts	<u>5,218,538</u>	<u>76,589</u>	<u>-</u>	<u>5,295,127</u>	<u>4,583,172</u>
Net patient service revenue	91,240,124	2,249,621	(89,707)	93,400,038	91,580,901
Other operating revenue	2,628,775	144,721	(337,012)	2,436,484	2,880,657
Net assets released from restrictions for operations	<u>1,281,380</u>	<u>-</u>	<u>-</u>	<u>1,281,380</u>	<u>915,894</u>
Total unrestricted revenues, gains and other support	<u>95,150,279</u>	<u>2,394,342</u>	<u>(426,719)</u>	<u>97,117,902</u>	<u>95,377,452</u>
Expenses					
Salaries and wages	39,318,143	1,265,526	371,167	40,954,836	39,773,918
Employee benefits	9,868,620	298,071	(193,180)	9,973,511	8,698,308
Supplies	11,016,518	155,506	-	11,172,024	11,628,734
Contracted services	12,001,711	753,783	(512,081)	12,243,413	11,985,215
Depreciation and amortization	4,153,801	51,481	-	4,205,282	4,029,658
Travelers' expense	411,358	-	-	411,358	553,295
Health care improvement tax	5,329,587	-	-	5,329,587	5,306,926
Other operating	5,230,098	379,742	(172,437)	5,437,403	5,663,048
Interest	<u>532,095</u>	<u>23,692</u>	<u>(23,692)</u>	<u>532,095</u>	<u>556,774</u>
Total expenses	<u>87,861,931</u>	<u>2,927,801</u>	<u>(530,223)</u>	<u>90,259,509</u>	<u>88,195,876</u>
Income (loss) from operations	<u>7,288,348</u>	<u>(533,459)</u>	<u>103,504</u>	<u>6,858,393</u>	<u>7,181,576</u>
Nonoperating gains (losses)					
Net investment income	2,887,998	-	409,767	3,297,765	1,674,564
Net gain from rental activities	281,778	-	(79,812)	201,966	170,889
Unrealized (loss) gain on interest rate swaps	(24,927)	-	-	(24,927)	769,224
Unrealized gain on investments	688,948	-	-	688,948	2,321,323
Other	<u>4,846</u>	<u>-</u>	<u>-</u>	<u>4,846</u>	<u>13,214</u>
Nonoperating gains, net	<u>3,838,643</u>	<u>-</u>	<u>329,955</u>	<u>4,168,598</u>	<u>4,949,214</u>
Transfer (to) from affiliates	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in unrestricted net assets	<u>\$ 11,026,991</u>	<u>\$ (433,459)</u>	<u>\$ 433,459</u>	<u>\$ 11,026,991</u>	<u>\$ 12,130,790</u>

